

Boardwalktech Software Corp.
Condensed Interim Consolidated Financial Statements

As at and for the three months ended June 30, 2023

Stated in United States dollars
(Unaudited)

**Notice of No Auditor Review of
Condensed Interim Consolidated Financial Statements**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim consolidated financial statements as at and for the three months ended June 30, 2023.

Boardwalktech Software Corp.
Condensed Interim Consolidated Statements of Financial Position
(United States dollars)
(Unaudited)

As at	June 30 2023	March 31 2023
ASSETS		
Current assets		
Cash	522,855	2,187,499
Trade and other receivables (Note 3)	2,420,136	1,331,327
Prepaid expenses and deposits	183,212	149,804
Total current assets	3,126,203	3,668,630
Non-current assets		
Property and equipment	17,041	14,442
Right-of-use asset (Note 4)	107,389	100,386
Total assets	3,250,633	3,783,458
LIABILITIES and SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	979,814	1,228,669
Deferred revenue (Note 6)	3,763,425	3,389,875
Current portion of lease liability (Note 7)	54,921	127,066
Total current liabilities	4,798,160	4,745,610
Non-current liabilities		
Lease liability (Note 7)	58,896	-
Total liabilities	4,857,056	4,745,610
Shareholders' deficit		
Share capital (Note 10)	42,583,679	42,583,679
Contributed surplus	5,781,978	5,449,865
Accumulated other comprehensive loss	(52,103)	(5,928)
Deficit	(49,919,498)	(48,989,289)
Total deficit attributed to shareholders	(1,605,944)	(961,673)
Non-controlling interest	(479)	(479)
Total shareholders' deficit	(1,606,423)	(962,152)
Total liabilities and shareholders' deficit	3,250,633	3,783,458

Subsequent event (Note 15)

Approved by the Board of Directors:

(signed) "Andrew T. Duncan"
Director

(signed) "Steve Bennet"
Director

Boardwalktech Software Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(United States dollars)

(Unaudited)

For the three months ended June 30	2023	2022
Revenue (Note 8)	1,552,700	1,505,020
Cost of sales	155,074	147,714
Gross margin	1,397,626	1,357,306
Expenses		
Salaries, wages and benefits	1,444,861	1,235,984
Share-based payments (Notes 12)	332,113	495,586
General and administration (Note 9)	210,090	147,812
Professional fees	190,956	130,430
Consulting	63,000	98,459
Depreciation (Note 4)	82,417	86,352
Total expenses	2,323,437	2,194,623
Operating loss before other expenses	(925,811)	(837,317)
Imputed interest (Note 7)	(4,398)	(14,515)
Loss for the period	(930,209)	(851,832)
Other comprehensive income (loss)		
Items that may be reclassified to profit or loss		
Exchange differences on translation of subsidiary companies	(46,175)	5,035
Loss and comprehensive loss for the period	(976,384)	(846,797)
Loss per share (Note 13)		
Basic and diluted	(0.02)	(0.02)

Boardwalktech Software Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(United States dollars)

(Unaudited)

For the three months ended June 30	2023	2022
Share capital (Note 10)		
Balance, beginning of period	42,583,679	36,127,078
Conversion of restricted share units	–	3,431,513
Balance, end of period	42,583,679	39,558,591
Contributed surplus		
Balance, beginning of period	5,449,865	9,713,848
Conversion of restricted share units	–	(3,431,513)
Share-based payments (Notes 12)	332,113	495,586
Balance, end of period	5,781,978	6,777,921
Accumulated other comprehensive income		
Balance, beginning of period	(5,928)	(9,236)
Exchange differences on translation of subsidiary companies	(46,175)	5,035
Balance, end of period	(52,103)	(4,201)
Deficit		
Balance, beginning of period	(48,989,289)	(45,404,944)
Loss for the period	(930,209)	(851,832)
Balance, end of period	(49,919,498)	(46,256,776)
Non-controlling interest		
Balance, beginning and end of period	(479)	(479)
Total shareholders' equity (deficit)	(1,606,423)	75,056

Boardwalktech Software Corp.

Condensed Interim Consolidated Statements of Cash Flows

(United States dollars)

(Unaudited)

For the three months ended June 30	2023	2022
Cash provided by (used in) the following activities:		
Operating activities		
Loss for the period	(930,209)	(851,832)
Depreciation	82,417	86,352
Share-based payments (Notes 12)	332,113	495,586
Imputed interest (Note 7)	4,398	14,515
Unrealized foreign exchange	(46,309)	6,239
Changes in non-cash working capital:		
Trade and other receivables	(1,088,809)	725,993
Prepaid expenses and deposits	(33,408)	(16,929)
Accounts payable and accrued liabilities	(248,855)	253,237
Deferred revenue	373,550	242,777
Cash flows provided by (used in) operating activities	(1,555,112)	955,938
Financing activities		
Lease payments (Note 7)	(104,502)	(101,618)
Cash flows used in financing activities	(104,502)	(101,618)
Investing activities		
Purchase of property and equipment	(5,136)	(4,613)
Cash flows used in investing activities	(5,136)	(4,613)
Change in cash	(1,664,750)	849,707
Foreign exchange effect on cash held in foreign currencies	106	(885)
Cash, beginning of period	2,187,499	868,962
Cash, end of period	522,855	1,717,784
Taxes paid	-	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Boardwalktech Software Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2023

(United States dollars unless otherwise disclosed)

(Unaudited)

1. Description of Business

Boardwalktech Software Corp. (“Boardwalk” or the “Company”) was originally incorporated pursuant to the Business Corporations Act of Alberta. The Company operates from locations in the United States and India and provides enterprise software-as-a-service (SaaS) to global customers. Boardwalk is a publicly traded company whose shares are listed on the TSX Venture Exchange under the symbol BWLK.V and on the OTCQB under the symbol BWLKF.

The Company designs and sells collaborative enterprise digital ledger data management technology offered as either a cloud-based platform service that runs industry, or customer specific applications, Boardwalk Application Engine (“BAE”) or Boardwalk Enterprise Blockchain (“BEB”) platforms.

The address of the Company’s corporate and registered office is 10050 N Wolfe Road, Cupertino, CA, 95014 USA.

2. Basis of Presentation

Statement of compliance

These unaudited condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, applicable to the preparation of interim financial statements as set out in International Accounting Standard 34 Interim Financial Reporting.

The Company has consistently applied the same accounting policies throughout all periods presented. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended March 31, 2023.

The Company adopted amendments to certain accounting pronouncements effective April 1, 2023, however, the amendments had no impact on the Company’s June 30, 2023 condensed interim consolidated financial statements nor do the amendments relate to accounting policies considered material to the Company. An accounting policy is considered material to the Company if it provides information to facilitate the understanding of other material information reported and disclosed in the Company’s consolidated financial statements.

Authorization

These unaudited interim consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on August 24, 2023.

Consolidation

These consolidated financial statements include the accounts of the following entities:

Name of entity	Principle activity	Place of business and operations	Legal ownership
Boardwalk	Legal parent	Canada	–
Boardwalktech, Inc. (“Boardwalktech”)	Accounting parent and operating company	United States	100% owned by Boardwalk
Boardwalktech Solutions Private Limited (“BWSPL”)	Research and development company	India	98% owned by Boardwalktech

Functional and presentation currency

The functional currency of Boardwalk is the Canadian dollar (“CAD”), the functional currency of Boardwalktech is the United States dollar (“USD”) and the functional currency of BWSPL is the Indian Rupee (“INR”). The presentation currency of the Company is the USD.

Boardwalktech Software Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2023

(United States dollars unless otherwise disclosed)

(Unaudited)

3. Trade and Other Receivables

The Company's trade and other receivables are exposed to the risk of financial loss if the counterparty fails to meet its contractual obligations. Trade and other receivables credit exposure is minimized by entering into transactions with creditworthy counterparties and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the consulting and technology industries and are subject to normal industry credit risk. Payment terms with customers are 30 days from invoice date.

The Company's maximum exposure to credit risk at June 30, 2023 is in respect of \$2,420,136 (March 31, 2023 – \$1,331,327) of trade and other receivables. The Company's trade and other receivables consist of:

As at	June 30 2023	March 31 2023
Trade receivables	261,000	400,010
Receivables from contracts with customers	2,159,136	931,317
	<u>2,420,136</u>	<u>1,331,327</u>

As at June 30, 2023, two customers accounted for 79% of trade and other receivables (March 31, 2023 – three customers; 65%), each with balances greater than 10%.

The Company's trade and other receivables are aged as follows:

As at	June 30 2023	March 31 2023
Current	1,865,016	1,168,747
31 – 60 days past due	47,500	70,500
61 – 90 days past due	478,660	50,000
Past due for greater than 90 days	28,960	42,080
	<u>2,420,136</u>	<u>1,331,327</u>

As at June 30, 2023, the Company evaluated the collectability of trade and other receivables and lifetime expected credit losses and recognized \$nil (three months ended June 30, 2022 – \$nil) of bad debt expense. The assessment of expected credit losses due to doubts of collectability did not warrant the recognition of an additional allowance for credit losses.

4. Right-Of-Use Asset

The Company has recognized a right-of-use ("ROU") asset and corresponding lease liability (Note 9) related to office premises. The ROU asset is depreciated on a straight-line basis over the term of the related lease.

	United States	India	Total
Carrying amount, March 31, 2023	91,775	8,611	100,386
Addition (Note 7)	–	86,729	86,729
Depreciation	(68,829)	(11,022)	(79,851)
Foreign exchange translation	–	125	125
Carrying amount, June 30, 2023	<u>22,946</u>	<u>84,443</u>	<u>107,389</u>

During the three months ended June 30, 2023, the Company recognized \$82,417 of depreciation expense comprised of \$79,851 for the ROU asset and \$2,566 for property and equipment (three months ended June 30, 2022 – \$86,352 of depreciation expense comprised of \$82,575 for the ROU asset and \$3,777 for property and equipment).

5. Accounts Payable and Accrued Liabilities

As at	June 30 2023	March 31 2023
Accounts payable (United States)	296,756	505,473
Accounts payable (India)	180,183	149,013
Total accounts payable	476,939	654,486
Accrued liabilities (United States)	502,875	574,183
	<u>979,814</u>	<u>1,228,669</u>

Boardwalktech Software Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2023

(United States dollars unless otherwise disclosed)

(Unaudited)

6. Deferred Revenue

Balance, March 31, 2023	3,389,875
Invoiced in the period, excluding amount recognized directly in revenue	1,707,736
Amount recognized as revenue	(1,334,186)
Balance, June 30, 2023	3,763,425

7. Lease Liability

The Company incurs lease payments related to office premises.

	United States	India	Total
Balance, March 31, 2023	117,100	9,966	127,066
Lease liability for ROU asset (Note 4)	–	86,729	86,729
Imputed interest	2,873	1,525	4,398
Payments	(90,222)	(14,280)	(104,502)
Foreign currency translation	–	126	126
Balance, June 30, 2023	29,751	84,066	113,817

The current and non-current portions of the lease liability are as follows:

	United States	India	Total
Balance, June 30, 2023	29,751	84,066	113,817
Current portion	(29,751)	(25,170)	(54,921)
Non-current portion	–	58,896	58,896

In May 2023, the Company and its landlord for office premises in India executed an office lease agreement for commencing on May 20, 2023 and expiring on May 19, 2026. The Company is required to make lease payments for a minimum of 18 months after which time the Company may terminate the lease with a minimum of three months notice. The lease liability for the India office lease was determined using an incremental borrowing rate of 15% and a lease term of 36 months.

The United States office lease expires on July 31, 2023 (Note 15) and the India office lease expires on May 19, 2026.

As at June 30, 2023, the annual future undiscounted lease payments under the office lease agreements are as follows:

	United States	India	Total
Remainder fiscal year ended March 31, 2024	30,074	24,141	54,215
Fiscal year ended March 31, 2025	–	33,606	33,606
Fiscal year ended March 31, 2026	–	35,280	35,280
Fiscal year ended March 31, 2027	–	4,218	4,218
	30,074	97,245	127,319

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(United States dollars unless otherwise disclosed)

(Unaudited)

8. Revenue

The following table presents the Company's revenue disaggregated by type:

For the three months ended June 30	2023	2022
Software-as-a-service (SaaS)	1,225,121	995,362
Legacy (hosting and maintenance)	102,149	93,473
Software subscriptions and services	1,327,270	1,088,835
Professional services	225,430	416,185
Total revenue	1,552,700	1,505,020

As at June 30, 2023, trade and other receivables (Note 3) included \$2,159,136 of receivables from software subscriptions and services customers (March 31, 2023 – \$931,317) and \$261,000 of receivables from professional services customers (March 31, 2023 – \$400,010).

The Company's revenue is generated in the United States. For the three months ended June 30, 2023, 68.5% of the Company's revenue was earned through sales to two major customers (three months ended June 30, 2022 – 63.7% of revenue, two major customers), each with revenues of 10% or greater:

For the three months ended June 30	2023	2022
Customer 1	32.3%	34.6%
Customer 2	36.2%	29.1%
	68.5%	63.7%

9. Nature of Expenses

The nature of the Company's general and administrative expenses is as follows:

For the three months ended June 30	2023	2022
Office	57,500	53,858
Marketing	104,949	32,838
Rent and utilities	10,363	19,799
Travel and lodging	20,485	31,451
Shareholder, regulatory and other	16,793	9,866
	210,090	147,812

10. Share Capital

Issued common shares:	Number of Shares	Amount (\$)
Balance, March 31, 2023 and June 30, 2023	48,100,998	42,583,679

11. Warrants

As at March 31, 2023, the Company had 319,540 warrants outstanding exercisable at \$1.67 per share until June 4, 2023, all of which expired unexercised.

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2023

(United States dollars unless otherwise disclosed)

(Unaudited)

12. Share-Based Payments

Stock options:

As at June 30, 2023 and March 31, 2023, the Company had 818,915 stock options outstanding, all of which were exercisable.

Information about stock options outstanding and exercisable as at June 30, 2023 is summarized in the following table:

Expiry Date	Number of Options	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)
December 3, 2023	173,915	0.44	0.43
December 3, 2025	10,000	0.44	2.43
January 28, 2026	40,000	0.44	2.58
April 26, 2026	7,500	0.44	3.82
February 10, 2028	587,500	2.00	4.62
	818,915	1.56	3.59

RSUs:

RSUs entitle participants the conditional right to receive one common share of the Company for each share unit. As at June 30, 2023 and March 31, 2023, the Company had 3,964,450 RSUs outstanding, of which 58,331 were exercisable.

Vesting information for RSUs outstanding at June 30, 2023 is summarized below:

Vesting Date	Number of RSUs
February 28, 2023	58,331
August 31, 2023	1,799,827
February 28, 2024	198,330
August 31, 2024	1,126,949
February 28, 2025	98,338
August 31, 2025	642,674
February 28, 2026	40,001
	3,964,450

Share-based payments expense:

During the three months ended June 30, 2023, the Company recognized \$332,113 (three months ended June 30, 2022 – \$495,586) of share-based payment expense in respect of RSUs. As at June 30, 2023, the remaining unvested balance of share-based payments was \$900,707.

13. Per Share Amounts

For the three months ended June 30	2023	2022
Loss for the period	(930,209)	(851,832)
Basic and diluted weighted average number of shares	48,100,998	44,253,594
Basic and diluted net loss per share	(0.02)	(0.02)

For the three months ended June 30, 2023 and 2022, all warrants, stock options and RSUs were excluded from the diluted per share amounts as their effect is anti-dilutive.

Boardwalktech Software Corp.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2023

(United States dollars unless otherwise disclosed)

(Unaudited)

14. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on funds generated from operations, acquisitions and/or equity financing to provide sufficient liquidity to meet budgeted operating requirements.

As at June 30, 2023, maturities of the Company's financial liabilities are as follows:

	Carrying amount	Contractual cash flows	On or before March 31 2024	On or before March 31 2025	Thereafter
Accounts payable and accrued liabilities (Note 5)	979,814	979,814	979,814	–	–
Lease liability (Note 7)	113,817	127,319	54,215	33,606	39,498
	<u>1,093,631</u>	<u>1,107,133</u>	<u>1,034,029</u>	<u>33,606</u>	<u>39,498</u>

The Company has current assets of \$3,126,203 to satisfy its financial liabilities to satisfy liabilities as they come due.

15. Subsequent Event

In July 2023, the Company extended its United States office lease for an additional 40 months to November 30, 2026 during which the Company will receive a rent-free period from August 1 to November 30, 2023.

Annual future undiscounted lease payments under the United States office lease agreement are as follows:

August 1, 2023 to March 31, 2024	114,028
Fiscal year ended March 31, 2025	349,102
Fiscal year ended March 31, 2026	359,627
Fiscal year ended March 31, 2027	273,599
	<u>1,096,356</u>