

BOARDWALKTECH SOFTWARE CORP.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

AS AT AND FOR THE 3 MONTHS AND 6 MONTHS ENDED SEPTEMBER 30, 2018

DATED: NOVEMBER 28, 2018

This Management's Discussion and Analysis ("MD&A") for the three months ended September 30, 2018 provides detailed information on the operating activities, performance and financial position of Boardwalktech Software Corp. ("Boardwalk" or the "Company"). This discussion should be read in conjunction with the Company's audited annual consolidated financial statements and accompanying notes. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in U.S. dollars, unless otherwise stated. The information contained herein is current to November 28, 2018, unless otherwise stated.

The Company's fiscal year commences April 1st of each year and ends on March 31st of the following year. The Company's fiscal year, which will end on March 31, 2019 is referred to as "current fiscal year", "fiscal 2019", "FY19" or using similar words. The previous fiscal year, which ended on March 31, 2018, is referred to as "previous fiscal year", "fiscal 2018", "FY18" or using similar words.

In this document unless otherwise specified, "we", "us", "our", "Company" and "Boardwalk" all refer to Boardwalktech Software Corp. collectively with its subsidiaries. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.

CAUTION REGARDING FORWARD LOOKING INFORMATION

Certain statements in this MD&A which are not historical facts constitute forward-looking statements or information within the meaning of applicable securities laws ("forward-looking statements"). Such statements include, but are not limited to, statements regarding Boardwalk's projected revenues, gross margins, earnings, growth rates, the impact of new product design wins, market penetration and product plans. The use of terms such as "may", "anticipated", "expected", "projected", "targeting", "estimate", "intend", "believes", and similar terms are intended to assist in identification of these forward-looking statements. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause Boardwalk's actual results to be materially different from historical results or from any results expressed or implied by such forward-looking statements. Accordingly, there can be no assurance that forward-looking statements will prove to be accurate and readers are therefore cautioned not to place undue reliance upon any such forward-looking statements.

Factors that could cause results or events to differ materially from current expectations expressed or implied by forward looking statements contained herein include, but are not limited to: our history of losses and the risks associated with not achieving or sustaining profitability; the Company's dependence on a limited number of customers for a substantial portion of revenues; fluctuating revenue and expense levels arising from changes in customer demand, sales cycles, product mix, average selling prices, manufacturing costs and timing of product introductions; risks associated with competing against larger and more established companies; competitive risks and pressures from further consolidation amongst competitors, customers, and suppliers; market share risks and timing of revenue recognition associated with product transitions; risks related to intellectual property, including third party licensing or patent infringement claims; the loss of any of the Company's key personnel could seriously harm its business; risks associated with adverse economic conditions; delays in the launch of customer products; price re-negotiations by existing customers; legal proceedings arising from the ordinary course of business; ability to raise needed capital; ongoing liquidity requirements; and other risk factors discussed in the filing statement of the Company dated May 30, 2018. All forward-looking statements are qualified in their entirety by this cautionary statement. Boardwalk is providing this information as of the current date and does not undertake any obligation to update any forward-looking

statements contained herein as a result of new information, future events or otherwise except as may be required by applicable securities laws.

Risks relating to the Company include, but are not limited to, the following:

- the Company has a history of losses and may not achieve profitability in the future;
- the Company has historically received a substantial portion of its revenue from a limited number of customers;
- the Company expects its operating results to continue to fluctuate;
- the Company faces intense competition and expects continued market competition in the future;
- assertions by third parties of infringement by Boardwalk of, or of Boardwalk's failure to protect, their intellectual property rights could result in significant costs and cause Boardwalk's operating results to suffer;
- the Company may have difficulty accurately predicting revenue for the purpose of appropriately budgeting and adjusting its expenses.
- the loss of customers could affect the Company's financial returns and future plans;
- the Company's customers may cancel future subscriptions that can adversely impact future recurring revenue;
- the Company may be unable to generate funds required to meet its funding requirements, and may need to raise additional funds;
- changes in industry standards or technology could impede the sale of Boardwalk's products;
- the loss of any of the Company's key personnel could seriously harm its business;
- the pattern of customer product ramps as they shift from legacy products to new products based on our more advanced designs could affect both the amount and timing of revenue recognized by the Company;
- the Company's failure to maintain compliance with applicable regulations in certain geographies or other jurisdictions may force it to cease distribution in those areas;
- the majority of the Company's operating expenses are denominated in U.S. dollars and Indian Rupee, therefore, the Company's earnings are impacted by fluctuations in exchange rates between the U.S. dollar and other currencies; and
- the Company may be involved in legal proceedings from time to time; arising in the ordinary course of its business and such proceedings may affect the Company's financial position, results of operations or cash flows.

FINANCIAL HIGHLIGHTS

Revenues for the second quarter of FY19 totaled \$1.2 million, a 22% sequential increase from \$1.0 million of revenue in the first quarter of this year, and a 9% increase from revenue of \$1.1 million in the second quarter of FY18. The sequential increase was primarily due to a 30% increase in bookings and higher contribution from professional services supporting these new bookings. The year-over-year increase reflects the early stages of our go to market strategy and the addition of five new sales executives with a continued focus on recurring software subscription sales (SaaS) of our Enterprise Blockchain Platform. The Company expects continued revenue growth in future quarters, as bookings increase as a result of the execution of this strategy, and as we continue to add more sales executives to the team.

Gross margin for second quarter of FY19 was 88.4%, a 3.0%-point sequential increase from the 85.4% level in the first quarter, and a 0.2%-point increase from the previous year's level of 88.2%. This sequential improvement is primarily due to better economies of scale from higher revenue levels, higher levels of revenue per customer, and better data center hosting efficiencies; while the slight improvement from last year was mitigated by the re-allocation of consultant cost. Beginning this year, the Company began reclassifying a portion of consulting expenses from operating expenses to cost of sales.

IFRS comprehensive income for second quarter of FY19 was \$1.5 million, or earnings of \$0.15 per basic and diluted share. This is compared to a loss of \$(9.3) million, or a loss of \$(0.98) per basic and diluted share in the first quarter of FY19 and a \$(0.4) million loss in second quarter of FY18, or \$(0.04) per basic and diluted share. Most of this quarter's earnings was due to a one-time non-cash reclassification of \$2.6 million in share-based compensation. Total operating expenses in second quarter of FY19 were \$2.0 million, a \$0.3 million sequential increase from \$1.8 million last quarter, due to new hires and higher incurred expenses from our go-to-market campaign.

Non-IFRS net loss for the second quarter of FY19 (as defined in the Non-IFRS Financial Measures section) totaled \$(1.2) million, or a loss of \$(0.12) per basic and diluted share versus a \$(0.7) million non-IFRS loss, or \$(0.07) per basic and diluted share, in the first quarter of this year and \$(0.3) million in second quarter of FY18, or a loss of \$(0.04) per basic and diluted share. This change reflects incremental costs associated with the Company's going public transaction along with investments in new experienced sales staff and new marketing programs expected to result in new customers and bookings, with higher revenues in future periods.

Update on Prior Valuation Assessment

As previously disclosed in the Company's June 30, 2018 unaudited condensed interim consolidated financial statements, the Company began an evaluation regarding prior loans and warrants with SQN Ventures Income Fund, L.P. ("SQN") (Note 9), and whether these warrants should have been accounted for as liabilities or equity. The warrants in question were converted into common shares upon close of the Company's reverse merger transaction (Note 4) and no longer exist. After conducting an independent review of these instruments, Boardwalktech concluded that the SQN loans were properly accounted for in prior filed statements. The Company plans to have its auditor, MNP LLP, conduct an audit of the RTO closing to complete the valuation work regarding the warrants issued prior to the RTO. Based on an assessment of the work conducted by management and independent parties, the Company maintains that that these potential non-cash valuations associated with the warrants do not affect the financial health of the business and that the warrant valuations:

- did not impact cash during any of the periods in question;
- were not the result of any internal control issues; and
- did not impact the Company's capital structure or number of outstanding shares or warrants.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected financial information derived from the Company's unaudited interim consolidated financial statements for the three-month periods ended September 30, 2018 and September 30, 2017. The selected financial information was prepared in accordance with IAS 34 in a manner consistent with the Company's annual financial statements. The following information should be read in conjunction with these statements and the accompanying notes.

<i>in thousands of U.S. dollars</i>	<u>for Three-month period ended</u>			<u>Six-month period ended</u>	
	Sept 30, 2018	June 30, 2018	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017
Revenue	\$1,236	\$1,009	\$1,135	\$2,245	\$2,228
Cost of Sales	144	147	134	291	300
Gross Profit	\$1,092	\$862	\$1,000	\$1,955	\$1,928
Operating Expenses	2,041	1,677	1,158	3,719	2,388
Operating Income/(Loss)	(\$949)	(\$815)	(\$157)	(\$1,764)	(\$460)
Other Expenses (recoveries)	(2,399)	8,500	202	6,101	407
Net Income/(Loss)	\$1,450	(\$9,315)	(\$359)	\$4,337	(\$53)
Income (Loss) per share					
Basic	\$0.15	(\$0.98)	(\$0.04)	(\$0.81)	(\$0.09)
Diluted	\$0.15	(\$0.98)	(\$0.04)	(\$0.81)	(\$0.09)

<i>in thousands of U.S. dollars</i>	as at Sept. 30, 2018	as at March 31, 2018
Current assets		
Cash	\$ 1,670	\$ 92
Account and other receivables	656	551
Prepaid expenses and deposits	108	102
Deferred financing costs	-	805
Total current assets	\$ 2,435	\$ 1,551
Total non-current assets	9	5
Total assets	\$ 2,443	\$ 1,555
Current liabilities		
Account payables and accrued liabilities	\$ 737	\$ 1,190
Deferred revenue	1,148	1,543
Current portion of Term loan	1,521	3,704
Total current liabilities	\$ 3,406	\$ 6,438
Non-current liabilities	\$ 3,686	\$ -
Total Liabilities and Shareholders' Equity	\$ 2,443	\$ 1,555

ADJUSTED-EBITDA AND NON-IFRS FINANCIAL MEASURES

In addition to disclosing results in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), the Company also provides supplementary Adjusted-EBITDA and non-IFRS financial measures, disclosed as a supplement to financial results in order to provide a further understanding of Boardwalk's results of operational performance from management's perspective. In particular, Boardwalk uses Adjusted-EBITDA and non-IFRS measures to highlight trends in its core business that may not otherwise be readily apparent solely from IFRS measures.

Boardwalk management uses Adjusted-EBITDA and non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess Boardwalk's ability to meet its future capital expenditure and working capital requirements. Boardwalk believes that securities analysts, investors and other interested parties frequently use Adjusted-EBITDA and non-IFRS measures in the evaluation of issuers.

Non-IFRS net income (loss) is defined as total comprehensive income (loss) before share-based transaction expense, exchange difference related to translating foreign operations, unrealized currency gains/losses and non-recurring or one-time items such as: share offering costs, listing fees, one-time adjustments on preferred stock valuations, loan origination fees, and fair value adjustments on warrant liability. Non-IFRS net income (loss) does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Non-IFRS net loss from operations should not be considered in isolation or as a substitute for comprehensive loss prepared in accordance with IFRS. Adjusted EBITDA is defined as net income or loss for the period less interest, taxes, depreciation and amortization, and non-cash stock-based compensation.

Boardwalk has provided a comparison of comprehensive income (loss) to non-IFRS and Adjusted EBITDA measures in the following table:

<i>in thousands of U.S. dollars</i>	Sept. 30, 2018	June 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017
Comprehensive Income (Loss) for the Period	\$1,450	(\$9,315)	(\$359)	(\$7,865)	(\$869)
<u>Adjustments:</u>					
Stock based compensation expense	(2,643)	3,452	11	809	11
Warrant Expense	0	(19)	0	(19)	0
Listing Expenses	0	699	0	699	0
Deferred financing cost paid		445		445	0
Extinguishment of Debt	0	3,605	0	3,605	0
Loan Origination Fees		212		212	15
Deferred compensation		270		270	0
<u>Total Adjustments</u>	<u>(2,643)</u>	<u>8,665</u>	<u>11</u>	<u>6,022</u>	<u>26</u>
Non-IFRS Net Income (Loss)	(\$1,193)	(\$650)	(\$348)	(\$1,843)	(\$842)
Non-IFRS Income (Loss) per share:					
Basic	(\$0.12)	(\$0.07)	(\$0.04)	(\$0.19)	(\$0.09)
Diluted	(\$0.12)	(\$0.07)	(\$0.04)	(\$0.19)	(\$0.09)

<u>Adjusted-EBITDA</u>	<u>for Three-month period ended</u>			<u>Six -month period ended</u>	
<i>figures in U.S. dollars, thousands</i>	Sept 30, 2018	June 30, 2018	Sept 30, 2017	Sept. 30, 2018	Sept. 30, 2017
Operating Income (Loss) for the Period	(\$949)	(\$815)	(\$156)	(\$1,764)	(\$460)
<i>Add back (deduct)</i>					
Depreciation & Amortization	2	0	0	2	0
<u>Stock-based Compensation expenses (in opex)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted EBITDA	(\$947)	(\$815)	(\$156)	(\$1,762)	(\$460)

OVERVIEW

Our Company

Boardwalk designs and sells industry leading enterprise software solutions. Founded in 2004, the Company has over 70 employees and full-time contractors primarily at its Cupertino, California headquarters and its wholly owned subsidiary operation in Mumbai, India. Through its extensive data management/database technology expertise, Boardwalk was first to market in 2005 with a proprietary and patented positional, cell data management technology (aka “digital ledger”) - what is now commonly called a ‘blockchain’ -- which addresses the digital transformation issues companies face when working with multiple parties and (as an example) exchanging information using spreadsheets. The Company’s solutions resolve two enterprise business problems, whereby multiple users need secure simultaneous access to the same data in a relational database environment which did not support concurrent access as record objects are locked while being edited. The other enterprise problem of interest was the chaining of transactions in a database to support versioning and change management. Concurrent with the Company’s initial go-to-market activities, a patent was filed to protect the IP associated with versioned sharing, consolidating, and reporting enterprise information. Also, in 2014 the Company applied for a patent to protect the IP associated with cell-based data management and this patent was issued in October 2018. Boardwalk’s revenue comes primarily from the sale of new and recurring license subscription agreements, maintenance, and service contracts. Boardwalk’s customers include 25 companies in the Fortune 500.

On June 11, 2018, Boardwalk began trading on the TSX Venture Exchange under the symbol ‘BWLK’.

Products and Solutions

The Boardwalk Enterprise Blockchain (BEB) is a complete enterprise blockchain platform, which enables customers to utilize enterprise quality applications built using patented digital ledger blockchain data management technology. BEB’s tools can be used to build and maintain applications with multiple internal or external users working in Excel, a web form, or mobile environment as the user interface. The Company’s software supports a dynamic, smart contract-enabled information exchange that combines BEB’s temporal data management and enterprise integration environment with blockchain’s digital ledger-based trust and validation capabilities. The result is a private permissioned enterprise blockchain that supports multi-party transactions and consensus models.

Growth Strategy

Boardwalk’s objective is to be the leading provider of private permissioned blockchain solutions for global enterprise customers of any size. Elements key to this strategy include:

- expand our network of direct sales people;
- expand our network of reseller sales channels;
- broader adoption of Boardwalk’s solutions by new markets and new customers;
- greater penetration of our existing customer base;
- expand internationally;
- introduction of new features & capabilities specifically in AI and Machine Learning
- extending our blockchain technology into an end-to-end operating system solution;

Sales and Distribution

Boardwalk uses both a direct sales model and a channel partner sales model where “blockchain” interest creates a unique go-to-market opportunity for the Boardwalk Enterprise Blockchain (BED) solution. For direct sales, the Company uses regional sales representatives paired with a Sales Development Representative (SDR) who will guide lead development, with sales reps on a standard back-end weighted commission plan while the SDR will have a base salary plus variable compensation. Boardwalk is also growing its existing channel partner sales program by recruiting new channel partners that can build and manage solutions for their clients leveraging Boardwalk and the Boardwalk

Enterprise Blockchain solution, based on a contracted reseller program and commission. Deployment and professional services will be mainly handled by the channel partner.

Boardwalk offers the Boardwalk Enterprise Blockchain (BEB) based on annual subscriptions, with pricing built around multiple blockchain applications and scale/size of data. Boardwalk engages enterprise clients with an annual subscription for the BEB and associated applications and all platform capabilities are included such as:

- BEB Digital Ledger Server;
- BEB Application Design Studio;
- BEB Integration Framework;
- BEB Smart Contract engine;
- BEB APIs; and
- BEB Virtual Machines (Nodes).

COMPOSITION OF REVENUE, EXPENSES AND OTHER INCOME/ (EXPENSE)

Revenue

Boardwalk derives its revenues from two sources: (1) recurring software subscription revenues (SaaS), which are derived from customers accessing the Company's Boardwalk Application Engine (BAE) or the Boardwalk Enterprise Blockchain (BEB) platform cloud services, certain hosting for dedicated servers, and from customers paying for additional services beyond the standard support that is included in the basic subscription fees; and (2) related professional services such as consulting, application development, quality assurance (QA), application delivery, and training. New revenue is defined as newly signed contracts during the reporting period for license subscriptions, while recurring or renewal revenue are revenue streams that have been extended from previous periods.

The Company recognizes revenue when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the service has been or is being provided to the customer;
- the amount of fees to be paid by the customer is fixed or determinable; and,
- the collection of the fees is reasonably assured.

Software Subscription and Services Revenue

Subscription and support revenues are generally set on an annual renewal basis and recognized ratably over the 12-month term beginning on the commencement date of each contract, which is the date the Company service is made available to and/or acceptance by customers. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. The Company's subscription service arrangements are non-cancelable and do not contain refund-type provisions.

Professional Services

The Company's professional services consist primarily of customer direct consulting/delivery services and ad hoc engagements where the Company's experts consult and write specific applications that run on the Boardwalk Application Engine (BAE) or Boardwalk Enterprise Blockchain (BEB) platforms enabling and automating business collaboration and multi-party information exchange.

These revenues are recognized as the services are rendered, using either a milestone method or ratable method. The milestone method for revenue recognition is used for fixed price contracts when there is uncertainty on timing at the date the contract is entered into, whether the milestone(s) will be achieved. Revenue under the milestone method is recognized only when the milestones are distinct, achieved and accepted by the customer. Revenue for other non-milestone based professional service contracts is recognized on a ratable basis over the contract term for services rendered.

Cost of sales

Cost of subscription and support revenues primarily consists of expenses related to delivering our service and providing support and the costs of data center capacity fees and hosting, including direct expenses from our India subsidiary. We allocate overhead such as information technology infrastructure, rent and occupancy charges based on headcount. Employee benefit costs and taxes are allocated based upon a percentage of total compensation expense. As such, general overhead expenses are reflected in each cost of revenue and operating expense category. Cost of professional services and other revenues consists primarily of employee-related costs associated with these services, including stock-based expenses, the cost of subcontractors, certain third-party fees and allocated overhead.

Operating expenses

Research and development

Research and development expenses primarily consist of personnel costs, non-recoverable engineering costs related to research, development, design and testing of a new software products or services – including periodic upgrades to our platform(s), product updates, and new feature innovations.

Selling, general and administrative

Selling, general and administrative expenses primarily consist of costs of personnel, accounting and legal fees, patent costs, information systems costs, sales commissions, costs for trade shows and marketing development programs, as well as depreciation, allocated facilities expenses, and stock-based compensation expense. Our costs related to personnel, facilities, sales commissions, trade shows and marketing development programs are predominately denominated in U.S. dollars. Given our TSXV listing efforts, we do incur financing, accounting, and legal cost that are denominated in Canadian dollars. Accordingly, the reported costs in U.S. dollars vary based on the exchange rate between the U.S. dollar and the Canadian dollar.

Other income (expense)

Other income (expense) consists of finance costs and finance income. Given the Company's reverse takeover transaction, other expenses included a large number of fees and expenses incurred during that process and non-cash valuation adjustments on certain financial instruments and capital account conversions. Finance costs also include loan origination fees and interest expense on our outstanding debt.

On December 13, 2017, Boardwalktech, Inc. entered into a Forbearance and Second Amendment to its original Loan and Security Agreement, dated February 1, 2016, with its primary lender, SQN Venture Income Fund, L.P. ("SQN") Under this amendment, the lender agreed to forbear from exercising those remedies as a result of any existing defaults, in exchange for the extension of additional credit and other changes. As part of this Amendment, SQN received an additional 481,883 warrants of Boardwalktech, Inc., all of which were converted into common shares of the Company as part of its reverse takeover transaction with Wood Composite Technologies Inc.

On June 15, 2018, Boardwalktech, Inc. entered into a Fourth Amendment to its original Loan and Security Agreement, dated February 1, 2016, with SQN. The maturity date of the loan, bearing a principal amount of \$5.8 million, was extended to December 1, 2021, payable in 42 monthly principal and interest payments, including an extra penalty free principal payment allowed on the first installment. This Amendment included a \$1.5 million repayment from proceeds of the financing undertaken in connection with the Company's reverse takeover transaction. While the loan contains certain prepayment penalties, there were no new additional warrants received by SQN.

Finance income includes investment income on cash and cash equivalents and available-for-sale financial investments. Increases and decreases in market value of available-for-sale financial investments are included in other comprehensive income until realized.

Current and Deferred Tax for the Period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income (loss) profit or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income (loss) profit or directly in equity respectively.

CURRENT PERIOD OPERATING RESULTS

Revenue

<i>in thousands of U.S. dollars</i>	<u>for Three-month period ended</u>			<u>Six -month period ended</u>	
	Sept 30, <u>2018</u>	June 30, <u>2018</u>	Sept 30, <u>2017</u>	Sept 30, <u>2018</u>	Sept 30, <u>2017</u>
Software Subscriptions and Service	\$692	\$711	\$597	\$1,403	\$1,224
Professional Services	544	298	496	842	1,004
Total Revenue	\$1,236	\$1,009	\$1,093	\$2,245	\$2,228

Q2 Fiscal 2019 compared to Q1 Fiscal 2019

Revenues for the second quarter of FY19 totaled \$1.2 million, a 22% increase from \$1.0 million of revenue in the second quarter of this year. This sequential increase was primarily due to a 30% increase in bookings and higher contribution from professional services supporting these new bookings.

Q2 Fiscal 2019 compared to Q2 Fiscal 2018

Revenues of \$1.2 million for the second quarter of FY19 increased 9% from revenue of \$1.1 million in the second quarter of FY18. The year-over-year increase reflects the early stages of our strategy to shift our focus to recurring software subscription sales of our Blockchain Platform.

Fiscal 2019 YTD compared to Fiscal 2018 YTD

Revenue for the six-month period ending September 30, 2018 was \$2.2 million compared to \$2.2 million for the six-month period ending September 30, 2017. This 1% increase over the comparable period reflects the early stages of our new growth strategy, and lower revenue in the first quarter of FY19 due, in part, to impacts from our reverse takeover transaction process.

The Company expects this level of revenue growth in future quarters, as bookings continue to rise from the Company's recently implemented sales force expansion and new go-to-market campaign.

Revenue Derived from Major Customers

Based on information from our direct and reseller sales, our customers representing greater than 10% of our revenue for the periods are:

	<u>for Three-month period ended</u>			<u>Six -month period ended</u>	
	Sept 30, 2018	June 30, 2018	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017
Customer A	17.4%	9.6%	0.0%	13.8%	0.0%
Customer B	11.6%	5.9%	4.1%	9.0%	3.1%
Customer C	6.8%	4.1%	20.3%	5.5%	15.3%
Customer D	5.4%	8.2%	7.2%	6.7%	10.9%
Top 5	50.6%	40.9%	49.8%	44.4%	48.4%
Top 10	77.4%	66.8%	73.5%	66.9%	72.5%

Currently, the Company's quarterly revenues can be impacted by and fluctuate due to the timing and frequency of new and existing contracts. While we currently receive a large portion of our revenue from a limited number of customers, we expect our customer concentration to continue to decline in the future. To this point, the Company has seen revenue from our top five customers decline from 48% to 44% for the first half of FY19 and FY18, respectively, and revenue from our top ten customers decline from 73% to 67% for those same comparable periods.

Gross Margin

Our revenue, cost of sales, and gross margin for the fiscal periods indicated are as follows:

<i>in thousands of U.S. dollars</i>	<u>for Three-month period ended</u>			<u>Six -month period ended</u>	
	Sept. 30, 2018	June 30, 2018	Sept. 30, 2017	Sept 30, 2018	Sept 30, 2017
Revenue	\$1,236	\$1,009	\$1,135	2,245	\$2,228
<u>Cost of Sales</u>	<u>144</u>	<u>147</u>	<u>134</u>	<u>291</u>	<u>300</u>
Gross Profit \$	<u>\$1,092</u>	<u>\$862</u>	<u>\$1,000</u>	<u>\$1,955</u>	<u>\$1,928</u>
Gross Margin %	88.4%	85.4%	88.2%	87.1%	86.5%

Q2 Fiscal 2019 compared to Q1 Fiscal 2019

Gross margin for second quarter of FY19 was 88.4%, a 3.0%-point sequential increase from the 85.4% level in the first quarter of FY19. This sequential improvement is primarily due to growing business volumes (new licenses), higher levels of revenue per customer (from more applications being added and better partner pricing on the new platforms), and better data center hosting efficiencies. Beginning this year, the Company began reclassifying a portion of consulting expenses from operating expenses to cost of sales. This reclassification of \$54,400 in the second quarter FY19 is responsible for a 4.4% adverse impact to the 88.4% gross margin percentage in the second quarter of FY19 and 4.5% impact (\$45,900) to first quarter FY19 margin.

Q2 Fiscal 2019 compared to Q2 Fiscal 2018

Gross margin for second quarter of FY19 increased 0.2% points from the previous year's level of 88.4%, as a result of better economies of scale and better data center hosting efficiencies, partially offset by higher consultant related costs allocated to revenue

Fiscal 2019 YTD compared to Fiscal 2018 YTD

Gross margin six-month period ending September 30, 2018 was 87.2% compared to 84.2% million for the six-month period ending September 30, 2017. This 3.0%-point increase from the comparable period last year is a result of growing volumes (new licenses and applications), better pricing, and better data center hosting efficiencies.

We expect to maintain or increase our gross margins in future quarters. Short term period-to-period fluctuations are anticipated however, due to a variety of factors, including the average prices of our products and services, our product mix, the timing and pass-through of cost reductions to our customers, as well as the timing of signing and entering into development agreements.

Operating Expenses

The following table provides an analysis of the Company's operating expenses as a percentage of total revenue.

<i>figures in U.S. dollars, thousands</i>	<u>for Three-month period ended</u>			<u>Six -month period ended</u>	
	Sept 30,	June 30,	Sept 30,	Sept 30,	Sept 30,
	2018	2018	2017	2018	2017
Operating Expenses	\$2,041	\$1,677	\$1,158	\$3,719	\$2,388

Q2 Fiscal 2019 compared to Q1 Fiscal 2019

Total operating expenses in first quarter of FY19 were \$2.0 million, a \$0.4 million increase from \$1.7 million in the same quarter last year, due to new hires and higher expenses for our new direct sales/reseller infrastructure and incurred higher professional and G&A expenses associated with the Company's reverse takeover transaction.

Q2 Fiscal 2019 compared to Q2 Fiscal 2018

Total operating expenses in first quarter of FY19 were \$0.9 million higher than the \$1.2 million incurred in the same quarter last year, due to new hires and higher expenses for our new sales and go-to-market infrastructure and incurred higher professional and G&A expenses associated with the Company's reverse takeover transaction. The Company hired 5 experienced enterprise software sales people in June 2018, and those efforts are on track to contribute to new bookings going into the new calendar year.

Fiscal 2019 YTD compared to Fiscal 2018 YTD

Total operating expenses for the six-month period ending September 30, 2018 was \$3.7 million compared to \$2.4 million for the six-month period ending September 30, 2017. This increase was mostly due to higher payroll and related expenses from new sales hires and support staff, plus increased spending on our go-to-market strategy and incremental expenses as a public company.

We plan to expand the size of our sales and marketing organizations through additional expenditures and new hires, allowing us to support additional customers, as we continue to expand into existing and new markets. We also plan to continue to expand our domestic and international sales and marketing activities, while we build brand awareness. Overall, we expect our selling, general and administrative expenses to increase in absolute dollars, but longer term to generally decrease as a percentage of revenue, as our investments in SG&A translate into higher sales. We note that there is a lag between the investment in new SG&A costs (such as the hiring of new sales personnel) and the revenue generated from those expenses (via new customer wins), though the timing of that lag may vary by markets. However, even with a 6-7 month lag before new sales hires start to close licensing agreements, the company estimates that there is still a 2-3x return on those investments in the first year, with potential for increasing to 5-6x in subsequent periods from recurring revenue generated by these new sales investments.

As a percentage of revenue, research and development costs is expected to fluctuate from one quarter or period to another, but we do not expect any significant increases in R&D spending, as a percentage of revenue in order to meet our revenue and strategic plans in the next 12 months. The Company continues to invest in and develop both new upgrades to our platform and new updates, and thus expects overall R&D spending to increase in absolute dollars but decrease as of percentage of total revenue.

Other Expenses (Income)

The breakdown of other income and expense is as follows:

<i>figures in U.S. dollars, thousands</i>	<u>for Three-month period ended</u>			<u>Six-month period ended</u>	
	Sept 30, 2018	June 30, 2018	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017
Other Expenses (income), net	(\$2,399)	\$8,500	\$202	\$6,101	\$407
<u>Currency gain (Losses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Expenses (income), net	<u>(\$2,399)</u>	<u>\$8,500</u>	<u>\$202</u>	<u>\$6,101</u>	<u>\$407</u>

Q2 Fiscal 2019 compared to Q1 Fiscal 2019

Other expenses (income) for the second quarter of FY19 was a contribution of \$2.4 million, a \$10.6 positive impact from the \$(8.5) million of expenses incurred in the first quarter of FY19. Much of this change was due to recovery of a one-time \$2.6 million adjustment on non-cash share-based compensation expenses, as the Company shifted from options to RSU based equity awards and from numerous, large listing expenses and valuation charges associated with the Company's reverse takeover transaction in the first quarter. These first quarter expenses included \$3.6 from the extinguishment of debt (triggered by a preference success fee in the Second Amendment of the SQN loan), a \$1.5 million repayment of debt on the new Fourth Amendment, \$0.26 million of interest paid on that debt, \$0.7 million of listing expenses associated with the reverse takeover, and \$0.3 million of deferred compensation triggered by the Company's successful financing.

Q2 Fiscal 2019 compared to Q2 Fiscal 2018

Other expenses (income) for the second quarter of FY19 had a positive impact of \$2.3 million, from the \$(0.2) million of expenses incurred in the second quarter of FY18, mainly due to the \$2.6 million non-cash adjustment to share-based compensation and from interest expenses related to the SQN term loan

Fiscal 2019 YTD compared to Fiscal 2018 YTD

Other expenses (income) for the six-month period ending September 30, 2018 was \$6.1 million compared to \$0.4 million for the six-month period ending September 30, 2017. The large impact for the first half of FY19 was due to related charges from the SQN loan and the Company's reverse takeover transaction in the first quarter; while, the other expenses in the first half of FY18 was entirely from interest paid on the SQN term loan.

With the exception of future monthly interest payments on the Company's long-term debt, the remaining Other Expenses are considered to be one-time impacts to comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has financed its operations primarily through the sale of equity securities, debt, and cash from operating activities.

Cash and cash equivalents

As at September 30, 2018, the Company's cash and cash equivalents were \$1.7 million from the \$3.7 million level in the previous quarter and \$0.1 million at the end of our prior fiscal year ending March 31, 2018. The second quarter of FY19 ending balance reflects cash invested in new business development, while the first quarter of FY19 ending balance reflects net proceeds from the Cdn\$10.1 million (US\$7.9 million) of subscription receipt proceeds released upon completion of the Company's reverse takeover process.

Working capital

Working capital represents the Company's current assets less its current liabilities. The Company's net working capital balance was \$(1.0) as of September 30, 2018, from a \$0.4 million level as at June 30, 2018, from a \$(4.9) million level as at March 31, 2018. This sequential change during the three-month ending September 30, 2018 was primarily due to cash investments in new sales and marketing operations and payments on pre-RTO liabilities. The improvement during the June quarter was primarily due to proceeds and costs from the Company's financing and a refinancing of the Company's debt from shift the current liability of the Term loan by \$2.2 million.

<i>in thousands of U.S. dollars</i>	as at Sept 30, 2018	as at June 30, 2018	as at March 31, 2017
Current Assets	\$ 2,435	\$ 4,542	\$ 1,551
Current Liabilities	3,406	4,108	6,438
Working Capital	\$ (971)	\$ 434	\$ (4,887)

The Company expects working capital to improve further over time, as revenue growth occurs. While the Company plans to keep its targeted collection days in-line with its payment terms, aggregate trade receivables level should increase in absolute dollars as revenue levels grow.

The following table shows our cash flows from operating activities, investing activities and financing activities for the periods indicated.

Cash inflows (outflows) by activity:	<u>for Three-month period ended</u>			<u>Six -month period ended</u>	
<i>in thousands of U.S. dollars</i>	Sept 30, 2018	June 30, 2018	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017
Operating Activities	(\$1,865)	(\$1,858)	(\$10)	(\$3,723)	(\$285)
Investing Activities	0	(4)	0	(3)	(3)
Financing Activities	(148)	5,452	(37)	5,304	303
Net Inflows (outflows)	<u>(\$2,013)</u>	<u>\$3,591</u>	<u>(\$48)</u>	<u>\$1,578</u>	<u>\$14</u>

Cash Flows Used in Operating Activities

Cash flows applied to operating activities primarily consist of our net loss adjusted for non-cash expenses and for changes in working capital items. Non-cash adjustments generally include depreciation, share-based compensation expense, and fair value adjustments on warrant liabilities. Working capital adjustments generally include changes in accounts receivable, which will increase as revenue increases, deferred revenue, and changes to accounts payable as we purchase more goods and services from suppliers to support such growth.

Q2 Fiscal 2019 compared to Q1 Fiscal 2019

During the current quarter, for the three-month period ending September 30, 2018, net cash usage from operating activities was \$(1.9) million, which was level with usage during the previous quarter. Cash usage for the current quarter was primarily due to operating loss of \$(0.9), a slightly higher operating loss than the previous quarter, plus \$0.3 of deferred compensation paid during the quarter, and \$0.4 decrease in other current liabilities; while cash usage during the first quarter of FY19 was from operating loss of \$(0.8) plus \$0.2 million increase in receivables from orders late in the quarter, and \$0.2 million in outstanding payables.

Fiscal 2019 YTD compared to Fiscal 2018 YTD

During the six-month period ending September 30, 2018, the cash usage from operating activities was \$(3.7) million compared to cash usage of \$(0.3) million during the six-month period ending September 30, 2017. The cash usage for six month period of this fiscal year reflected investments in the company's new growth strategy (such as new sales hires), but also included non-cash adjustments to net loss included \$0.8 million of stock-based compensation

expenses, a \$3.6 million extinguishment of debt charge (from a success fee/ preference in the SQN loan), \$0.7 million of listing expenses, \$0.3 million of deferred compensation, partially offset by a \$0.5 million increase in payable and accrued liabilities, a \$0.4 million increase in deferred revenue, along with a \$0.1 million change from account and other receivables.

Cash Flows from Investing Activities

Net cash out flows from investing activities resulted from purchases and disposals of property, plant and equipment, and intangible assets such as third party licensed intellectual property, to support product development, facilities expansion and general growth.

Q2 Fiscal 2019 compared to Q1 Fiscal 2019

During the current quarter, for the three-month period ending September 30, 2018, net cash change from investing activities were nil, similar to levels in the previous quarter, with the small changes in both quarters from the purchase of new computer equipment.

Fiscal 2019 YTD compared to Fiscal 2018 YTD

During the six-month period ending September 30, 2018, net cash change from investing activities were nil, similar with cash usage for the comparable period last year. For both periods, the small changes from the purchase of new computer equipment.

Cash Flows from Financing Activities

Q2 Fiscal 2019 compared to Q1 Fiscal 2019

During the current quarter, for the three-month period ending September 30, 2018, net cash outflows from financing activities was \$(0.15) million, due to interest payments on our SQN loan. The company had no other financings in the current quarter but will continue to evaluate opportunities that can help the Company accelerate its strategic plans.

Fiscal 2019 YTD compared to Fiscal 2018 YTD

During the six-month period ending September 30, 2018, net cash inflows from financing activities was \$5.3 million compared to \$0.3 million for the six-month period ending September 30, 2017. The inflows this year were primarily due to net proceeds from the financing associated with the Company's reverse takeover transaction while the inflows last year were due to proceeds from the SQN term loan.

Liquidity and Cash Resource Requirements

We believe that our \$1.6 million of cash and cash equivalents at September 30, 2018, our existing credit lines, financing options, and expected cash flow from operations will be sufficient to fund our projected operating requirements for at least the next 12 months. However, we may need to obtain additional financing to pursue our business strategy, develop new products, respond to competition and market opportunities, and possibly acquire complementary business or technologies. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our engineering, sales and marketing activities, the timing and extent of our expansion into new markets, the timing of introductions of new products and enhancements to existing products, and the continuing market acceptance of our products.

Off-Balance Sheet Arrangements

During the periods presented, the Company did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Financial Instruments and Risk Management

Boardwalk's activities expose it to a variety of financial risks. Boardwalk is exposed to credit risk and liquidity risk because of holding certain financial instruments. Boardwalk is not exposed to market risk (currency, interest rate, or other) as it does not hold financial instruments that expose Boardwalk to market risk. Boardwalk's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Boardwalk's financial performance.

Risk management is carried out by senior management, in particular, the board of directors of Boardwalk.

Fair Value

Boardwalk's financial instruments consist of cash, trade and other receivables, due from trade payables and accrued liabilities, contingent consideration, and convertible notes. Aside from convertible notes and contingent consideration, the carrying amounts of these items approximate their fair value due to their short period to maturity. The carrying amounts of convertible notes do not approximate their fair value as the convertible notes are a derivative contract, which will be settled with a variable number of equity instruments. Contingent consideration is carried at fair value.

The carrying value of the revolving bank loan payable is based on amortized cost.

Market Risk and Foreign Currency risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise these types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank debt obligations with floating interest rates.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and to a lesser degree from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade accounts receivable

Customer credit risk is managed through the Company's established policy, procedures and control relating to customer credit risk management. In order to further reduce charges for doubtful accounts, the Company has recently adopted new policies to insure customer acceptance is explicitly confirmed in writing before an invoice is generated against recognized or deferred revenue.

Financial instruments and cash deposits

Credit risk from balances on deposit with banks and financial institutions is managed in accordance with the Company's policies. Investments of surplus funds are made only with approved counterparties and within credit limits approved for each of those counterparties. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

Liquidity risk

The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents, managing cash from operations, and if required through financing activities.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred in the twelve months ended March 31, 2018 nor during the six-month period ended September 30, 2018 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting. On June 1, 2018, Charlie Glavin CFA was hired as the Company's full-time chief financial officer.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. We regularly evaluate our estimates and assumptions related to revenue recognition, accounts receivable, share-based transaction expense, and warrant liability. We base our estimates and assumption on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenues, costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and actual results, our future results of operations will be affected. For a description of our critical accounting estimates, please refer to Note 3, *Accounting policies*, in our audited consolidated financial statements for the fiscal year ended March 31, 2018.

New standards, interpretations and amendments adopted by the Company

The accounting policies followed in these unaudited interim condensed consolidated financial statements are consistent with those used to prepare the annual consolidated financial statements for the year ended March 31, 2018, except as described below.

The nature and the impact of each new standard/amendment are described below:

New standards, interpretations and amendments adopted by the Company

The Company has adopted the following new and revised standards, along with any consequential amendments, effective February 1, 2016. These changes were made in accordance with the applicable transitional provisions.

Certain pronouncements were issued by the IASB that are mandatory for accounting periods beginning on or after February 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the details below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company. The Company plans to adopt these future accounting pronouncements on their effective dates.

i) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 provides guidance on revenue recognition and relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after January 1, 2018. The effective date of this standard is for the Company's fiscal year commencing February 1, 2018. The Company is in the process of assessing the impact that this standard will have on the consolidated financial statements.

ii) IFRS 16, *Leases* (“IFRS 16”)

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has not yet assessed the impact this standard will have on the consolidated financial statements.

Recently issued accounting standards now being applied

i) IFRS 9, *Financial Instruments* (“IFRS 9”)

IFRS 9 was issued in July 2014 and replaces IAS 39 Financial Instruments. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is adopting this standard in fiscal year 2019 and concluded that there is a minimal impact on the interim consolidated financial statements. The Company is reviewing the impact on prior annual consolidated financial statements.

Outlook

The market continues to have a high level of interest in Blockchain technology. Our belief is that Blockchain and Digital Ledgers will become the standard methodology for trusted, secure, enterprise data management and multi-party information exchange. This technology is so significant that it has the potential of driving a fundamental shift in the enterprise landscape that may be as important as the introduction of the relational database in the 1970's. Boardwalk's patented Enterprise private permissioned Blockchain Platform is used by companies world-wide to deliver digital ledger-based applications across a wide variety of industries and use cases. By utilizing Blockchain and digital ledger technology, companies are improving results from increased sales, improved margins and driving operational efficiencies by managing data and collaboration both internally and with their trading partners. Boardwalk is targeting the “white space” in the enterprise which are all of the unsupported and technically challenged workflows and information exchanges that today are done mostly via emails and attached spreadsheets. This is where mission critical decisions are made every day in the enterprise. By utilizing the Boardwalk Blockchain Platform, companies can now automate and integrate many of these mission critical processes (still sitting in the white space) and rapidly move them to a secure, trusted, automated next generation environment that will deliver a large ROI.

As a result of our new go-to-market strategy deployed in May 2018, targeting CIO's, VP's and industry experts in specific vertical markets, to date we have realized a substantial number of qualified leads validating that there is significant demand in the market regarding Blockchain and specifically the Boardwalk Private Permissioned Blockchain Platform. Also, having recently added five additional seasoned enterprise sales executives we continue to meet with companies everyday who are sincerely interested in working to improve their environments by utilizing the Boardwalk Enterprise Blockchain Platform. The go-to-market programs and lead generation efforts along with our new executive sales team members are designed to deliver an increase in bookings Q/Q and add recurring software revenue (SaaS) from new and existing enterprise customers this year and beyond. The Company believes these strategic decisions will allow Boardwalktech to continue to achieve significant growth. Over the next few quarters, we intend to add additional sales executives to the team and aggressively focus on expanding our marketing and sales efforts in existing and new promising vertical markets. We believe that future demand for Blockchain solutions in the enterprise is now starting to accelerate and that demand will rapidly increase over the foreseeable future. The Boardwalk Private Permissioned Blockchain Platform is well positioned to be the leader in this category.