



SYLOGIST LTD.

ANNUAL INFORMATION FORM

For the fiscal period ended December 31, 2023

DATED: APRIL 2, 2024

SYLOGIST LTD.

ANNUAL INFORMATION FORM

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ITEM 1 - EXPLANATORY NOTES AND CAUTIONARY STATEMENTS

1.1 Explanatory Notes

In this Annual Information Form (“AIF”), unless otherwise noted or the context indicates otherwise, references to “Sylogist” or to the “Corporation” or to the “Company” or to “we” are to Sylogist Ltd. and include its subsidiaries.

Reference is made in this AIF to the Corporation’s financial statements and management discussion and analysis (“MD&A”). The Corporation’s financial statements and MD&A are available for review under the Corporation’s SEDAR+ profile at www.sedarplus.ca. All financial information in this AIF is prepared in Canadian dollars and using International Financial Reporting Standards as issued by the International Accounting Standards Board.

This AIF has been prepared as of April 2, 2024, and, unless otherwise stated, the information contained herein is stated as of December 31, 2023.

1.2 Forward-looking Information

The Corporation cautions that forward-looking statements in this AIF are based on certain assumptions or anticipated results made by the Corporation that may prove to be inaccurate or unachievable. Such forward-looking statements are made for the purpose of providing information about management’s current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions.

Since forward-looking information addresses future events and conditions, such information by its very nature involves inherent risks, uncertainties, and other factors, any or all of which could cause or contribute to actual results or achievements differing materially from those currently anticipated. These include, but are not limited to, the risks and uncertainties associated with the industries and markets in which Sylogist operates in general such as: costs and expenses; interest rate and foreign exchange rate fluctuations; competition; failure to realize the anticipated benefits of a transaction and to successfully integrate an acquired company or business unit; ability to access sufficient capital from internal and external sources; and changes in legislation, including but not limited to tax laws. Readers are referred to the “Risk Factors” section in this AIF.

Forward-looking statements include those identified by the expressions “anticipate”, “believe”, “could”, “may”, “may not”, “plan”, “estimate”, “expect”, “ability”, “foresee”, “if”, “depend”, “intend”, “will” and similar expressions to the extent that they relate to the Corporation or its management. In particular, forward-looking information and statements contained in this AIF include, but are not limited to, the following:

- the performance of the Corporation’s business and operations;
- the development, expansion, strategy and assumed future results of the Corporation’s business and operations;
- the intention to grow the Corporation’s business and operations;
- the Corporation’s expectation that it will continue acquiring or investing in businesses, products and technologies that expand or complement the Corporation’s current business, products, and services, as well as the possibility that the Corporation may at any time choose to divest a portion of its business;

- the possibility that the Corporation may enter into major contracts that are complex and have several delivery milestones;
- the Corporation's expectation that its operating expenses and capital expenditures will increase correspondingly and, as a result, that the Corporation will need to generate increased revenue to maintain profitability;
- the expense levels of the Corporation are based in part on its expectations of future sales and projects, and the Corporation may not be able to adjust spending in a timely manner to compensate for any sales shortfall;
- the Corporation's ability to generate future revenue;
- the Corporation's ability to access sufficient capital from internal and external sources and the ability to access sufficient capital on favourable terms;
- the Corporation's collection of receivables;
- the Corporation's inability to foresee if any of its patent applications will result in the issuance of any patents;
- the unforeseen business and public relations situations that can be caused by changes in international markets;
- the Corporation's ability to purchase common shares of the Corporation under a normal course issuer bid ("**NCIB**");
- the Corporation's ability to make future dividend payments;
- the Corporation's expectation that competition will persist, increase, and intensify in the future as the markets for the Corporations' products and services continue to develop and as additional companies enter each of its markets;
- the Corporation's ability to register trademarks and other intellectual property ("**IP**");
- the Corporation's ability to attract and retain skilled management and staff;
- the Corporation's belief that growth of its product lines and personnel is required to maintain its competitive position;
- the Corporation's expectation that customers and potential customers will continue to transition to online working environments and the anticipated disruption such transition will continue to cause;
- the applicability of relevant laws, regulations, and any amendments thereof;
- the anticipated actions of various governments and governmental authorities;
- expectations of market prices and costs, including foreign exchange fluctuations; and
- income and sales tax regulatory matters, market and business competition, sales projections, currency, and interest rate fluctuations.

These forward-looking statements relate to the future operations and profitability of the Corporation and are not historical facts but reflect the Corporation's current expectations and assumptions regarding future results or events. Particularly, these forward-looking statements are based on management's estimate of revenues and expenses based on estimates and forecasts made at the date of this AIF. Readers are cautioned, as provided in this AIF, that actual revenue and expense results may vary materially from estimates and, in particular, are subject to risks including delivery, competition and management of growth. Additional assumptions include: (i) its ability to generate cash flow from operations and obtain financing on acceptable terms under its existing credit facility or otherwise; (ii) whether it will be in a financial position to make future dividend payments and purchases under a NCIB; (iii) general economic, financial market, regulatory, and political conditions; (iv) market and business competition; (v) anticipated and unanticipated costs; (vi) disruptions or changes in the credit or securities markets; (vii) changes in law and regulation, or the application and interpretation of same; (viii) the ability to implement business plans and strategies, and to pursue business opportunities; and (ix) various other events, conditions or circumstances that could disrupt the Corporation's priorities, plans, strategies and prospects. Please see also the "Risk Factors" section for risks and uncertainties that may affect the Corporation.

Although Sylogist believes that the expectations and anticipated results reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because Sylogist can give no assurance that they will prove to be correct. The forward-looking statements contained in this AIF are made as of its date and Sylogist undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information or future events, unless so required by applicable securities laws.

Certain information set out in this AIF may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Sylogist's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

1.3 Currency and Exchange Rates

In this AIF, unless otherwise indicated, references to "\$" are to Canadian dollars. References to "US\$", "USD" or "US dollars" are to the lawful currency of the United States.

On December 31, 2023, the noon buying rate for conversion of US dollars into Canadian dollars was USD \$1.00 = \$1.326.

ITEM 2 - CORPORATE STRUCTURE

2.1 Name, Address, and Incorporation

Sylogist Ltd. was incorporated under the *Business Corporations Act* (Alberta) (the "**ABCA**") on March 1, 1993, as "557356 Alberta Ltd.". On February 16, 1994, the Corporation filed articles of amendment to change its name from "557356 Alberta Ltd." to "FinTech Services Ltd.". On February 27, 1998, the Corporation amended its articles to remove the applicable private company provisions, including all share transfer restrictions, and to remove all of the then existing classes of shares except for the class "A" shares of the Corporation. The articles of the Corporation were again amended on November 17, 2000, to change the name of the Corporation from "FinTech Services Ltd." to "FinTech Solutions Ltd.". On July 17, 2001, the Corporation filed articles of amendment which, in place of the class "A" share class of the Corporation, authorized the Corporation to issue an unlimited number of common shares of the Corporation. On June 20, 2002, the Corporation changed its name from "FinTech Solutions Ltd." to "Sylogist Inc." and, on November 14, 2002, the Corporation further amended its articles to effect a seven (7) for one (1) consolidation of the common shares of the Corporation and to change the name of the Corporation from "Sylogist Inc." to "Sylogist Ltd.". On October 1, 2005, the

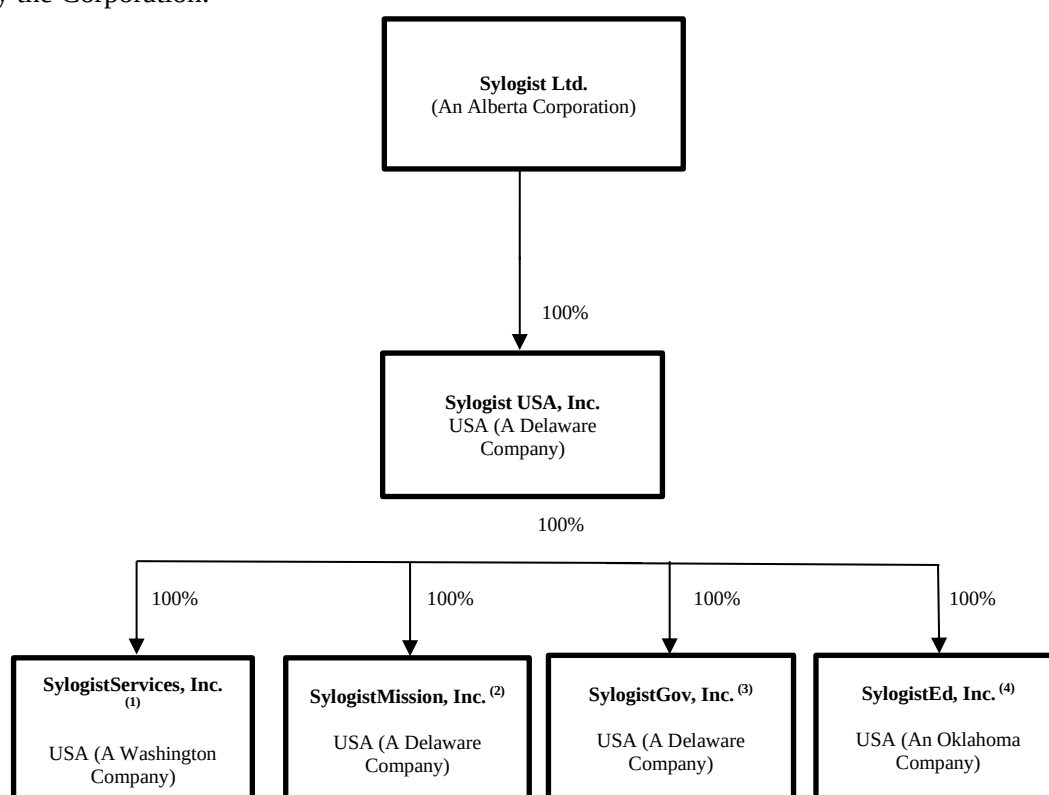
Corporation utilized the short form amalgamation provisions of the ABCA to amalgamate its wholly owned subsidiary, E-Point Technologies Inc., into Sylogist, which then utilized the short form amalgamation provisions of the ABCA to amalgamate its wholly owned subsidiary, Masterworks Software Systems Ltd., into Sylogist on January 1, 2008. On July 1, 2013, the Corporation utilized the short form amalgamation provisions of the ABCA to amalgamate its wholly owned subsidiary, Epic Data International Inc., into Sylogist. On October 1, 2022, the Corporation utilized the short form amalgamation provisions of the ABCA to amalgamate its wholly owned subsidiary, Mission CRM Ltd., into Sylogist and, on January 1, 2023, the Corporation utilized the short form amalgamation provisions of the ABCA to amalgamate its subsidiaries, FPA Group Inc. and The Pavliks Group Inc., into Sylogist.

The head office of the Corporation is located at Suite 102, 5 Richard Way S.W., Calgary, Alberta, T3E 7M8. Effective May 1, 2024, Sylogist's new head office will be at 5920 1A Street SW, Calgary, AB T2S 1R8. The registered and records office of the Corporation is located at the offices of Osler, Hoskin & Harcourt LLP, Suite 2700, 225 - 6th Avenue SW, Calgary, Alberta, T2P 1N2.

The common shares in the capital of the Corporation (the “**Common Shares**”) are listed on the Toronto Stock Exchange (“**TSX**”) under the trading symbol “SYZ.”

2.2 Intercorporate Relationships

The following chart illustrates, as at the financial year ended December 31, 2023, the Corporation's principal subsidiaries, including their respective place of incorporation and the percentage of voting securities in each that are beneficially owned, or controlled or directed, directly or indirectly, by the Corporation:



Notes:

- (1) Formerly, Serenic Software (US) Corporation.
 - (2) Formerly, Serenic Software Inc.
 - (3) Formerly, Information Strategies, Inc.
 - (4) Formerly, Municipal Accounting Systems, Inc.
- Each of the above name changes were made in November 2023.

ITEM 3 - GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

Sylogist, over the past three (3) years, has gone through a transformation. In late 2020, Sylogist underwent a Chief Executive Officer “CEO” retirement and an ensuing strategic review resulted in the appointment of current President and CEO Bill Wood, who has since been the key architect for the Company’s transformation from a low growth/high profitability consolidator model to an organic growth oriented, software-as-a-service (“SaaS”) focused model complemented by business acquisitions. Mr. Wood has over twenty-five (25) years of experience in the non-profit and municipal government sectors, and, notably, was an early founding member at Blackbaud, a major Sylogist competitor in the non-profit software market, where he led their sales & marketing organization.

Under Mr. Wood’s leadership, Sylogist has invested in creating new market specific SaaS platform offerings, including the rewrite of strategic legacy products from the bottom up. In addition, Sylogist expanded its credit facility, cut its dividend and made significant investments both internally and through mergers and acquisitions (“M&A”), which allowed it to transform from being a suite of siloed software solutions to a sophisticated provider of purpose-built integrated SaaS platforms. In addition, three (3) strategic acquisitions over the past three (3) years accelerated this transformation and strengthened its position as a prominent Microsoft Partner focused on the public sector.

Sylogist’s financial strategy is focussed on a “Rule of 40”¹ posture with organic revenue growth in the low to mid-teens balanced by EBITDA² margins in the mid-20s percentage range. The overall strategy is therefore a combination of scalable growth leveraged off a strong foundation of profitability.

. Set out below is a more detailed summary of the events and conditions that have influenced the general development of the Corporation’s business since October 1, 2020.

Fiscal Year Ended 2021 (12 months ended September 30, 2021)

On November 9, 2020, William C. Wood was appointed a director and the CEO and President of Sylogist.

On January 18, 2021, Theresa (Terry) LoPresti was appointed the Chief Technology and Innovation Officer (“CTIO”) of Sylogist.

On February 11, 2021, Bill Wood, CEO, advised that he had been leading the Corporation through a strategic planning process, with a focus on accelerating both organic and inorganic growth, and that investments in driving the top line were to commence.

On March 18, 2021, the Corporation announced the acquisition of Municipal Accounting Systems, Inc. (“MAS”), a well regarded, Oklahoma-based provider of student information management and accounting solutions for kindergarten to grade 12 (“K-12”) public school districts. MAS was acquired for cash consideration of \$37.8 million, subject to working capital adjustments, 50% of which

¹ “The Rule of 40” is a commonly used calculation for assessing the efficiency software companies. The premise behind the Rule of 40 is that software companies are considered to be efficiently run when the sum of their year-over-year revenue growth rate percentage and their EBITDA as a percentage of revenue is at least 40%.

² EBITDA refers to Earnings before Interest, Tax, Depreciation and Amortization; for more details relating to EBITDA please refer to the Corporation’s MD&A available for review under the Corporation’s SEDAR+ profile at www.sedarplus.ca

was paid from cash on hand and the remainder was drawn under the Corporation's credit facility with a Canadian Chartered Bank (the "**Credit Facility**").

On March 18, 2021, Sylogist expanded its Credit Facility from \$40 million to \$75 million.

On March 31, 2021, the Common Shares of the Company were listed on the TSX under the symbol "SYZ", along with a simultaneous delisting from the TSX Venture Exchange.

On April 7, 2021, Ian McKinnon was appointed as a director of the Corporation.

During the year ended September 30, 2021, pursuant to the 2021 NCIB, Sylogist repurchased a total of 118,400 Common Shares at an average price of \$10.96 for a total cost of \$1,297,664.

Fiscal Year Ended 2022 (15 months ended December 31, 2022)

On October 6, 2021, the Corporation acquired MISSION CRM Ltd. ("**Mission CRM**"), the developer of the Mission CRM fundraising and donor engagement SaaS platform for large and mid-market non-profit organizations. Mission CRM was acquired for cash consideration of \$2.67 million, subject to working capital adjustments, plus an earnout tied to agreed-upon targets over the next three (3) years.

On October 18, 2021, the Corporation acquired The Pavlik Group Inc. and affiliated entities ("**Pavliks**"), a provider of proprietary SaaS applications and professional services primarily to public sector organizations. Pavliks was acquired for cash consideration of \$11.5 million, subject to working capital adjustments.

On December 1, 2021, Tracy Harder was appointed as Vice-President, Talent & Engagement.

On January 31, 2022, Sylogist expanded its Credit Facility from \$75 million to \$125 million.

On March 30, 2022, Lester Fernandes resigned as a director of the Corporation, and Janice P. Anderson was elected as a director.

On March 30, 2022, the Corporation's shareholders voted to approve and adopt the share unit plan of the Corporation, which governs all issuances of deferred share units, performance share units, and restricted share units.

On November 1, 2022, Sylogist announced a change in its fiscal year end from September 30 to December 31.

On November 14, 2022, Sylogist announced that it was increasing investment in organic growth initiatives, including go-to-market, project delivery capacity, and account management activities. The Company further announced a new branding strategy centred on its Sylogist identity, as well as growth initiatives in each of its three (3) target verticals: SylogistMission, SylogistEd and SylogistGov.

Additionally, on November 14, 2022, the Company significantly reduced its quarterly dividend to \$0.01 per share.

On November 15, 2022, the Corporation commenced the 2023 NCIB to acquire up to 2,281,177 Common Shares (10% of the Corporation's public float as of November 15, 2022) over the ensuing twelve (12) month period at prevailing market prices. During the year ended December 31, 2022, pursuant to the 2022 NCIB, Sylogist repurchased a total of 86,100 Common Shares at an average price of \$5.52 for a total cost of \$475,439.

On November 18, 2022, Dave Elder retired as Sylogist's Executive Vice President and Corporate Secretary.

On December 12, 2022, Grant McLarnon was appointed Chief Revenue Officer of Sylogist.

Fiscal Year Ended 2023 (12 months ended December 31, 2023)

On January 31, 2023, the Corporation renewed its Credit Facility on the existing terms for one (1) year.

On March 27, 2023, Sylogist announced that Sujeet Kini was appointed as Chief Financial Officer with a start date of May 1, 2023.

On May 18, 2023, the Corporation announced that it has engaged LodeRock Advisors Inc., a leading investor relations advisory and capital markets communication firm, to strengthen its outreach and investor communication strategy.

On June 20, 2023, the Corporation announced that its largest shareholder, PenderFund Capital Management Ltd ("**PenderFund**"), had entered into a nomination agreement with the Corporation pursuant to which the Corporation agreed to appoint one (1) independent PenderFund nominee to the board of directors of the Corporation and thereafter, include one (1) PenderFund nominee among the management recommended nominees for election to the board of directors of the Corporation at each shareholder meeting at which directors of the Corporation are elected. PenderFund agreed to vote in favour of the appointment of all of the Corporation's director nominees at the Corporation's annual and special meetings of shareholders held on June 27, 2023.

Effective August 25, 2023, Errol Olsen, a nominee of PenderFund, was appointed as a director of the Corporation and Janice P. Anderson resigned as a director of the Corporation.

On September 21, 2023, the Company repaid \$4 million of the outstanding balance under the Credit Facility.

On November 21, 2023, the Corporation commenced the 2024 NCIB to acquire up to 2,273,409 Common Shares (10% of the Corporation's public float as of November 13, 2023) over the ensuing twelve (12) month period at prevailing market prices. The daily purchase limit under the 2024 NCIB is 7,377 Common Shares. During the year ended December 31, 2023, pursuant to the 2023 NCIB, Sylogist repurchased a total of 343,600 Common Shares at an average price of \$6.16 for a total cost of \$2,118,000.

Fiscal Year Ended 2024 (To Date)

On January 31, 2024, Sylogist further extended its Credit Facility under identical terms, with a maturity date set for June 28, 2024.

On February 7, 2024, Tracy Edkins and Andrea Ward were appointed to the board of directors of the Corporation.

On February 23, 2024, the Corporation announced that it acquired the asset "Time Clock Now", a comprehensive SaaS solution for streaming time tracking and scheduling, for a total consideration of \$1.65 million (USD), inclusive of a holdback of \$400,000 (USD).

3.2 Significant Acquisitions

No acquisitions were completed during Sylogist's most recently completed financial year.

ITEM 4 - DESCRIPTION OF THE BUSINESS

4.1 Overview

Founded in 1993, Sylogist is a SaaS provider of Enterprise Resource Planning (“ERP”), and Customer Relationship Management (“CRM”), and other mission critical business administration software solutions to public-service organizations that operate in the non-profit organization (“NPO”)/non-governmental organization (“NGO”), public school administration, and local and municipal government market segments.

Sylogist is headquartered in Calgary, Alberta, with regional offices across the US, Canada, and the UK., and currently employs 200+ professionals. The Company is led by an experienced executive team with a significant leadership, operational, and entrepreneurial track-record across the public-sector software markets. The Company has 2,000+ mid to up-market customers primarily located across North America.

The primary source of revenue for Sylogist comes from SaaS subscriptions. These subscriptions, along with revenue from recurring maintenance and support contracts, collectively make up approximately 61% of the Company’s total revenue.

SaaS subscription revenue (~ 40% of total revenue) generally consists of multi-year customer agreements, ranging from 3 to 5 years. These agreements include an “up to” 5% annual price increase escalator.

Maintenance and support revenue (~ 21% of total revenue) consists of recurring revenue from maintenance and support activities for on-premise customers.

Project Services revenue (~ 34% of total revenue) consists of one-time, typically charged on a time and materials basis, for services related to implementation, configuration, and upgrades.

Hardware and Other revenue (~ 5% of total revenue) includes revenue generated from hardware, adhoc on-premise license sales and other ancillary revenue.

Strategy and Business Model

As indicated earlier in the document, Sylogist’s financial strategy is focussed on a “Rule of 40” posture with organic revenue growth in the low to mid-teens balanced by EBITDA margins in the mid-20s percentage range. The overall strategy is therefore a combination of scalable growth leveraged off a strong foundation of profitability.

As an evolution from the prior business model, the Company’s current strategy is focussed on selling its product offerings primarily on a SaaS subscription basis. As a result, SaaS subscription revenue as a percentage of total recurring revenue is expected to go up over time and is a significant part of the Company’s focus in terms of its product development and sales and marketing efforts.

SaaS subscription revenue as percentage of total recurring revenue has been steadily increasing quarter over quarter and was at 67% for the three months ended December 31, 2023, compared to 37% for the three months ended December 31, 2020.

Revenue from maintenance and support services relates in large part to the Company’s prior business model of selling perpetual licenses with attached maintenance and support fees. The Company expects maintenance and support revenue as a percentage of overall recurring revenue will continue to decline over time as new customers acquire SaaS subscriptions and existing customers migrate to the Company’s new SaaS offerings.

In addition, the Company has a successful record of strategic M&A, and this continues to be a catalyst for additional growth and value creation.

Strategic Alliances and Partners

During the 2023 fiscal year, Sylogist made substantial investments in the partner channel with a view to driving a larger portion of its project services delivery via partners. As result of these efforts, partner-related bookings³ that had prior to 2023 been de minimis, rose from 1% of total bookings in the quarter ended March 31, 2023, to 11% of bookings in the quarter ended December 31, 2023.

The Company's channel strategy is currently at an inflection point with partner driven bookings for the three months ended December 31, 2023, being up 800% over partner bookings for the three months ended March 31, 2023. The Company expects to continue expanding its partner ecosystem in 2024 and beyond to increase project delivery capacity and increase SaaS subscription revenue deal flow. To this end, in the near term, the Company expects to continue to invest in its internal team of project services staff to support both directly delivered implementation services as well as the onboarding and empowerment of partners.

Additionally, partners help Sylogist tap into future displacement/upgrade opportunities in their target customer community of cohorts of their customers (e.g., the sunset of Microsoft Dynamics Great Plains ERP in 2028).

The Microsoft relationship

Technology:

The Microsoft relationship is a competitive advantage for Sylogist, facilitating seamless integration of Sylogist's products into Microsoft's ecosystem and suite. This relationship provides Sylogist with significant technological benefits, including top-tier data security, reduction of its own data center footprint as systems and data are hosted in Microsoft's Azure data centers and allows Sylogist to gain leverage from investments that Microsoft makes in its technology stack.

All of this makes for research and development ("R&D") cost savings for Sylogist, allowing the Company to focus its R&D spend on efforts that provide value addition and greater return on investment for its customers.

Finally, the Microsoft relationship also allows the Company's customers greater accessibility to Microsoft's Artificial Intelligence ("AI") capabilities as they consider generative AI adoption, as the Company incorporates AI into its offerings.

Go to Market ("GTM")

The Microsoft relationship provides the Company a significant competitive GTM advantage in the form of joint GTM activities, critical validation and brand recognition, in bound referrals, the ability to leverage Microsoft's partner channels, easier adoption of Sylogist products by customers who are in the Microsoft ecosystem and additional 'referencability' in an RFP process.

Sales & Marketing

Sylogist's sales and marketing expenditures as a percentage of revenues had historically been low, generally not exceeding 5% of revenue prior to 2022. Since then, the Company has purposefully increased its sales and marketing spend. This increase in spending to approximately 10% of revenue in

³ Bookings refers to the total contract value of a new customer contract executed within a given reporting period.

the quarter ended December 31, 2023, is due to investments in hiring quota bearing sales account executives as well as programmatic marketing spend.

Sales and marketing related total headcount has increased from one (1) employee at the end of December 2020 to fourteen (14) employees at the end of December 2022 and twenty-three (23) employees at the end of December 2023. Additionally, in December 2022, the Company hired Grant McLarnon as its Chief Revenue Officer (“CRO”). This marked the first instance of the Company having a CRO, indicating a strategic emphasis on enhancing its revenue generation efforts.

The Company expects to continue to strategically increase such spending in the 2024 year to ~12% of revenue. This uptick will be driven by the hiring of quota-bearing sales staff, investments in partner-related activities, additional programmatic strategic spending to drive sales pipeline growth, and increased expenditure on marketing events to increase Sylogist brand awareness and generate leads – both customer and partner.

Customer Centric focus

Sylogist’s customer base is rooted in the mid to up-market. The Company prioritizes customer service, and its customer base is well diversified and loyal. The Company typically sees 3–9-month sales cycles that generally lead to a high level of customer retention with gross retention rates above 90% and net retention rates well above 100% as many of Sylogist’s customers have been with the Company for decades.

Sylogist’s lengthy sales and customer buying cycles can lead to variability in revenue recognition and cash flow generation. However, this aspect of the business is also an effective ‘moat’ as it creates barriers to entry for other competitors and creates for high switching costs for customers.

Given the collegial nature of the markets that Sylogist serves, the Company’s focus on customer-centric service has led to a significant increase in the Company’s Net Promoter Score (“NPS”) to 51 at year end 2023, up significantly from 20 in 2021. This is a crucial indicator of customer satisfaction. Given the collegial nature of the public sector markets that Sylogist operates in “word-of-mouth” referrals are critical to winning new business. Additionally, the Company has moved very purposefully to a ‘land and expand’ model via its integrated platform vs. previous management’s siloed products strategy. Finally, a deliberate focus on constituent relationship management is a key factor in expanded customer utilization and monetization by Sylogist.

Product and Development

Sylogist has made significant investments in product and development initiatives in the past 2-3 years allowing it to create a set of three wholly SaaS-based product platforms tailored to each of its three strategic market segments.

These material investments included both inhouse talent and team expansion, moving from a “waterfall” to “agile” software development methodology and adding offshore and contract resources. This “heavy lift” in terms of product and development has largely concluded. Moving forward, overall product and development costs, including capitalized development costs, should not materially increase as a percentage of revenue.

M&A

The Company views M&A as an accelerator to its growth and operational targets: not an enabler of growth for its own sake; rather, an additional lever to generate synergistic value creation and provide further optionality. M&A is therefore not critical from the point of view of meeting the Company's targets for any given period.

Sylogist is a disciplined and patient acquirer of the right businesses at the right price; and typically cultivates a pipeline of 200+ qualified potential M&A opportunities in-house. The Company also evaluates broker-originated M&A opportunities.

Companies and/or assets that are acquired are typically integrated within six (6) months, allowing the Company to gain the benefit of synergies in a short period of time given the executive team's deep expertise doing so.

The Company has significant self funding capacity for acquisitions through its Credit Facility. This financial flexibility provides it the "dry powder" to make strategic acquisitions without shareholder dilution.

Dividends

In November 2022, the Company reduced its quarterly dividend payout to \$0.01 per share per quarter, down from \$0.125. This strategic decision freed up ~\$11 million of annualized free cash flow that the Company is now able to deploy towards its profitable growth and value creation strategy.

Share Buybacks

Starting in November 2022, the Company put into place a NCIB program allowing it to buy up to 10% of its outstanding stock. This was a strategic capital allocation decision given the Company's stock price. From the commencement of the NCIB program through the date of this AIF, the Company has purchased 481,500 shares for a total cost of \$3.1 million at an average price of \$6.33 per share.

Cash Seasonality and Debt Paydown

The Company opportunistically pays down portions of its Credit Facility when it can. Given the seasonality related to its target markets' cycles, the Company's cash balances are at their highest point in the second half of the year allowing for the ability to paydown an appropriate portion of the Credit Facility to the extent the overall cash balance exceeds forecasted on going operational requirements. As a result, the Company paid down its Credit Facility in the amount of \$4 million in August 2023.

4.2 Products and Services

The Company product suite is tailored to three primary market segments: NPOs/NGOs ("**SylogistMission**"), public school administration ("**SylogistEd**"), and local and municipal government ("**SylogistGov**"). Additionally, software solutions and related services for customers outside its three (3) primary markets segments are included under Sylogist Services ("**SylogistServices**").

Other than its SylogistEd (US) offering (discussed in more detail below), the Sylogist Mission ERP and CRM platforms are built on the Microsoft Dynamics 365 Business Central and Dynamics CRM 365 platforms, respectively. Sylogist believes this has significant advantages, including top-

tier data security, agile go-to-market capability, and ease of synergistic third-party integration for its customers.

SylogistMission



SylogistMission provides mission critical, modularized SaaS-based ERP, CRM and analytics solutions for NPOs and NGOs. The end-to-end platform allows its customers to track the entirety of the fundraising cycle, from the point of receiving donations through to the deployment of funds and the measurement of outcomes.

The Sylogist Mission platform has two (2) primary modules:

1. SylogistMission ERP, a financial and grants management solution built on Microsoft Dynamics 365 Business Central.
2. SylogistMission CRM, an end-to-end donor engagement, campaign management and analytics platform built on Microsoft Dynamics 365 CRM, which includes the Microsoft non-profit common data model.

Together, this modularized integrated platform's functionality includes accounting, fund raising and donation processing capabilities, grant administration, reporting and analytics, and program/event-based activities. Additionally, its modularized design enables the Company to execute its land & expand strategy by selling to the customer's primary need and then pulling through the remainder of the platform's functionality over time.

SylogistMission's revenue, inclusive of related project services revenue, was approximately 38% of total revenue for the twelve months ended December 31, 2023.

SylogistEd



SylogistEd is a wholly SaaS-based platform for K-12 public school districts and career-technical institutes in North America. The platform was rebranded from the acquired WenGAGE brand as part of the Company's overall branding and go-to-market strategy. SylogistEd's modular functionality includes ERP and accounting, student information management, HR & payroll, lunchroom administration, document management, online payments, and a teacher, parent/guardian and employee online portal.

SylogistEd has a level of seasonality in terms of its sales cycle which is dictated by the school academic year. The result of this is that although bookings within SylogistEd happen through the year software fulfillment and implementation typically happens during May through August of each year when students and faculty are on summer break.

SylogistEd's revenue inclusive of related project services revenue was approximately 22% of total revenue for the twelve months ended December 31, 2023.

The SylogistEd (US) suite is built utilizing the Microsoft development stack while SylogistEd's (CAN) ERP is built on the Microsoft Business Central platform.

SylogistGov



SylogistGov is a 100% SaaS solution for local and municipal governments in North America. It includes a fully integrated ERP along with market-specific functionality including citizen engagement, taxation & billing, asset management, budgeting, analytics, case management, and payments. SylogistGov also offers the Victim Services Suite (“VSS”) solution which is a specialized victim notification solution for state criminal justice agencies in the US, addressing a niche market that is underserved and supported by legacy dated applications.

SylogistGov experiences some seasonality as purchase decisions are driven by the local and municipal governments’ budget cycles, causing sales to be influenced by budget constraints and approval timing.

SylogistGov’s revenue inclusive of related project services revenue was approximately 13% of total revenue for the twelve months ended December 31, 2023.

SylogistServices covers the remainder of the Company's strategic offerings including:

- **Dynamics 365, Business Central, by Sylogist** – Tailored Dynamics 365 software solutions for enhanced productivity and workflows.
- **Epic Data, by Sylogist** – IP for Safety, Defence & Manufacturing (formerly known as Epic Data Solutions) that supports well-known public organizations and military-related entities across North America and the U.K.
- **Portal Connector, by Sylogist** – IP for building self-serve, customer facing web portals connected to enterprise back-end applications, such as Microsoft Dynamics CRM and ERP.
- **Payroll, by Sylogist** - Payroll and HR application modules that integrate seamlessly with SylogistMission, SylogistGov ERP and Microsoft Business Central.
- **Managed IT Services, by Sylogist** – Expert solutions for customers covering cyber security, data backup and penetration testing.
- **FuelPay, by Sylogist** – A flexible and customizable payment processing solution with easy ERP integration tailored for fleet fuel businesses, including features like “Point of Sale” and standalone operation and support for multiple pump brands. Fuel Pay targets businesses in the alternative and hydrogen fuel, marina fueling, and unattended operations space.

SylogistServices' revenue inclusive of related project services revenue was approximately 27% of total revenue for the twelve months ended December 31, 2023.

Project Services

The Company primarily provides project services that are billed on a time and materials basis. In some limited cases due to unique customer procurement obligations project services are also provided on a structured, well-defined fixed fee basis.

Project Services fall into two categories:

- a.) Implementation, configuration and training services related to Company's three strategic proprietary SaaS offerings: SylogistMission, SylogistGov, and SylogistEd;
- b.) Project services rendered via the SylogistServices team relating to strategic and/or customized project work and managed information technology (“IT”) services.

4.3 Competitive Conditions

The public sector software space is fragmented with a few large companies and smaller regional providers. Additionally, several of Sylogist's competitors offer dated and/or not fully integrated SaaS technology which positions Sylogist very well to gain new business.

The Company believes that a substantial portion of the public sector market continues to operate on legacy systems. Digital transformation in this sector, post COVID, has become a priority, complemented by Federal stimulus dollars in the US, creating a significant opportunity for Sylogist.

Competitors to Sylogist include Blackbaud Inc., Tyler Technologies Inc., Sage Group Plc, Central Square Technologies, Power School Holdings Inc., Cherry Road Technologies, Infinite Campus Inc., among others. The larger horizontal ERP companies such as Oracle Inc. and Salesforce Inc. are also active in the public sector, but their offerings do not typically offer the required functionality “out of the box,” are more expensive and take much longer to implement.

Although not as large as many of its competitors, Sylogist competes favorably across its target market on account of the modernity of its SaaS platforms and customer-centric approach.

4.4 IP and Trademarks

The IP of each of Sylogist’s subsidiaries is proprietary and protected under applicable trade secret laws and through nondisclosure agreements with employees, customers, and other third parties. The Corporation’s source code is compiled, and not available to end users.

Sylogist provides end-to-end integrated SaaS solutions enabled by its proprietary IP. These solutions allow customers to operate more efficiently, and reduce the time, cost and effort compared to the cost and effort of implementing multi-vendor hybrid information technology solutions, allowing customers to focus on other critical aspects of their business. The majority of the Corporation’s SaaS solutions are vertically focused extensions to Microsoft Dynamics 365, Business Central platforms, on which the Corporation has layered its own IP.

The Corporation owns all the IP in each of its solutions, which is typically layered on Microsoft foundations but may utilize other accounting platforms in the future. The Corporation relies on a combination of contractual provisions and copyright and trade secret laws to protect its IP and licenses the use of products to customers rather than transferring ownership. Source code is compiled, and not accessible to end users. Continuous investment in research and development, with a focus on enhancing products’ capabilities and interoperability, keeps Sylogist products competitive and up to date.

The principal trademarks owned by the Corporation and certain of its subsidiaries are “Serenic,” “Serenic Navigator,” “MissionCRM,” “NaviPayroll,” “InfoStrat,” “Sylogist Pay,” “WenGAGE,” and “The Portal Connector.” These trademarks are registered in Canada and the United States. The Corporation has applied for trademarks for “SylogistMission,” “Sylogist,” “Squiggle Design,” “SylogistEd,” “SylogistGov,” “Payroll by Sylogist,” and “FuelPay by Sylogist.”

These exclusive trademark rights are perpetual, provided that their registrations are filed and renewed on a timely basis and that the trademarks are used in commerce by the Corporation and its subsidiaries. The Corporation recognizes the importance of its trademarks and the need to protect and enhance their value. It is the practice of the Corporation to register or otherwise protect such intangible assets in all jurisdictions in which it operates.

4.5 Elongated Sales Cycle & Seasonality

Sylogist’s sales are subject to quarterly and seasonal variations that may cause significant fluctuations in operating results. The timing of the Corporation’s revenues may be difficult to predict. Customers typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle. The Corporation spends substantial time, effort, and money on its sales efforts without any assurance that the efforts will produce any sales during a given period.

4.6 Economic Dependence

The Corporation owns and controls its IP and has longstanding customer relationships. Certain aspects of the business benefit from its Microsoft relationship. Except for the Corporation’s SylogistEd product offering, our core software offerings are built on the Microsoft Dynamics 365 Business Central platforms. As a Microsoft ISV Embed Partner, Sylogist acquires Microsoft Dynamics 365 Business

Central and Microsoft Dynamics licenses and resells them to certain customers as part of its SylogistMission ERP and SylogistMission CRM platforms. Terminating the Microsoft relationship would adversely affect these platforms, and thereby the Corporation's profitability.

Sylogist is dependent upon the services of certain key technology licensors, distributors and manufacturers for the successful operation of its business. Sylogist's contracts with these licensors, distributors and manufacturers vary in duration and are generally terminable by either party at will or upon notice. A supplier's failure to supply materials or components in a timely manner, or Sylogist's inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to Sylogist, may affect Sylogist's ability to deliver its products and services. Additionally, the loss of the services of any of these suppliers and a failure to obtain an acceptable alternative solution at a similar cost could have a material adverse effect on the business, operations and financial condition of Sylogist.

4.7 Environmental Protection

There are no financial and operational effects of environmental requirements on the capital expenditures, profit or loss and competitive position of the Corporation in the current financial year and we do not reasonably expect any in future years either.

4.8 Employees

As of December 31, 2023, Sylogist, directly and through its subsidiaries, employs approximately two hundred (200) full-time employees in Canada and the United States. Most of Sylogist's employees are employed as remote workers.

4.9 Foreign Operations

Approximately 95% of Sylogist's revenues are generated in North America, with over 60% of Sylogist's revenues generated in the United States.

4.10 Reorganizations

Within the three (3) most recently completed financial years, the Corporation and its subsidiaries have not been the subject of a material reorganization.

4.11 Corporate (Social) Responsibility

The Corporation has and intends to continue financially supporting charitable causes in the communities in which it operates.

4.12 Risk Factors

Sylogist is subject to risks and uncertainties that could result in a material adverse effect on the Corporation's business and financial results on a consolidated basis. The board of directors of the Corporation has the overall responsibility and oversight of the Corporation's risk management practices. The Corporation's management is responsible for developing and monitoring the Corporation's risk strategy, and reports to the board of directors of the Corporation on its activities. Risk management is incorporated in all levels of strategic and operational planning and is reviewed regularly to reflect changes in market conditions and the Corporation's activities. Management has identified the risks below as specific risks to Sylogist. The reader is urged to review these risk factors. The markets in which Sylogist currently operates are very competitive and change rapidly and therefore, new risks may emerge from time to time.

Profitability

As we grow, we expect operating expenses and capital expenditures to increase correspondingly, and as a result, we will need to generate increased revenue to maintain profitability. We may not be able to sustain or to increase profitability or cash flows from operations on a quarterly or annual basis in the future and, in turn, could incur losses in future periods. If revenues decline, operating results could be seriously impaired because a portion of our expenses are fixed and cannot be easily or quickly reduced.

Volatility in Quarterly Operating Results

Quarterly operational results may be impacted by many factors, including revenue fluctuations based on demand, economic conditions, capital allocation and budgeting cycles, timing of sales, acquisitions and related costs, customer acceptance of product enhancements, and by seasonality variations in our markets. We consider fluctuations in our quarterly operations to have an impact on our future financial position. Our expense levels are based in part on our expectations of future sales and projects, and we may not be able to adjust spending in a timely manner to compensate for any sales shortfall.

Dependence on Key Personnel

The success of the Company is largely dependent on its senior leadership. Failure to retain key employees and to attract and retain additional ones with required skills and experience could impact our growth and profitability. Competition for highly skilled management, technical, project delivery, and other key work streams is intense in the information technology industry.

Our progress to date in commercializing our proprietary products has been dependent, to a significant extent, on the skills of our senior management. The departure of certain members of the executive team could have an adverse effect on us.

We have experienced changes in our management personnel in the past and further changes may occur in the future. We may face transitional difficulties in connection with these changes, and there can be no assurance that we will be able to attract and retain highly skilled and qualified personnel to replace key employees who leave the Company.

Pricing and Margins

Pricing of software and services is highly competitive, as is pricing for related hardware and components. There are competitors of all sizes with similar offerings to that of the Company, with notably larger competitors offering mission critical systems and support services. These competitive offerings can put pressure on prices and, consequently, operating margins.

Third Party Technology

We incorporate third-party technology including technology from Microsoft Corporation into some of our products and may incorporate additional third-party technology as we develop and expand our product offerings. The operation of our products could be impaired if errors occur in such third-party technology, which errors may be difficult to correct being out of our control, or to replace if a third-party vendor seeks to terminate our license to use the technology. Such technology could become subject to claims of infringement by others.

Key Partner Relationships

We have some reliance on partner relationships and resellers including third-party providers to generate revenue. The financial stability, marketing plans, and personnel of these partnering

organizations could change and materially impact our relationships, and the services and products we provide to our customers.

Cyber Security

We are attentive to our cyber security risk by ensuring appropriate technologies, processes and practices are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. The primary risks to the Company include but are not limited to nefarious breaches of its computer systems, loss of access to data, loss of Cloud connectivity, destruction or corruption of data, compromising of confidential customer and/or employee information, leaked information, disruption of business, and theft or extortion of funds. Any of the above-mentioned risks could have a material, adverse effect on our competitive position, financial condition, and results from operations.

We apply technical and process controls that are in line with industry-accepted standards to protect our information assets and systems.

We may need to expend significant capital and other resources to protect against the threat of, or recover from, nefarious security breaches. Identifying and eliminating security breaches, viruses and other external intrusions may require interruptions, delays or cessation of service to users and customers transacting business with us. Infrastructure and network security breaches may lead to a material disruption of our business and/or the loss of business information, which may materially and adversely affect our business. Risks relating to any such security breach may include, among other things: a material adverse impact on our business and future financial results due to the theft, destruction, loss, misappropriation or release of confidential data; possible negative publicity resulting in reputation or brand damage with customers, vendors or peers due to the theft, destruction, loss, misappropriation or release of confidential data; operational or business delays resulting from the disruption of information technology systems and subsequent clean-up and mitigation activities; and potential adverse effects on our compliance with regulatory laws and regulations. Repeated or substantial interruptions could result in the loss of customers and reduced revenues.

Artificial Intelligence (“AI”)

The rapid development of AI in recent years has created uncertainty to its effect on companies that rely on technology and software. Additionally, companies leveraging AI can pose a threat to the current market by potentially outpacing the technological advancement of their competitors, which may redefine industry dynamics. The unpredictable advancement of AI and its impact on software further contribute to uncertainties, making it challenging to anticipate and navigate potential risks to Sylogist.

Fixed Price Contracts and Delivery Management

A portion of our project service contracts are fixed price contracts. In the context of these fixed price contracts, there is a risk that we will be unable to deliver under the contract within the time specified and at a cost to us that is equal to or less than the contract price. The technical sophistication of the systems delivered under the contracts may require amendments to be negotiated from time to time, subject to mutually agreed upon contract change processes. A significant contract overrun that is caused by the actions or inactions of the Company could affect our results of operations and financial position.

Market and Competition

The markets for our products and services are competitive and significantly affected by new product introductions and other market activities by industry participants. We expect competition to persist, even increase and intensify in the future as the markets for our products and services continue to develop, and additional companies enter its markets. Numerous releases of products and services that

compete with those of the Company can be expected in the future. There can be no assurance that we will be able to compete effectively with current and future competitors. If these or other competitors were to engage in aggressive pricing policies with respect to other competing products, or significant price competition was to otherwise develop, we may be forced to lower our prices.

Potential Acquisitions and Investments

In previous years, we acquired and expect to continue acquiring or investing in businesses, products and technologies that expand or complement our current business, products and services and accelerate our organic growth strategy. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisition or investment can be satisfactorily financed or, if acquired, will generate revenue, income or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on our administrative and operational resources and our ability to manage growth.

Management of Growth and Integration of Acquisitions

Our thesis is centered on a profitable growth strategy. We intend to grow both organically and through strategic acquisitions in the future. There can be no assurance that the Company will complete any future acquisitions and, if completed, such acquisitions will be successfully integrated into the Company. Our growth will likely place strains on its resources and increased demands on its internal systems, procedures, and controls. With any acquisition, we need to integrate and manage the businesses acquired. This would increase the demands on our management, resources, systems, procedures and controls. There can be no assurance that our administrative infrastructure, systems, procedures and controls will continue to adequately support our operations or that management will be able to achieve the rapid, effective execution of the product and business initiatives necessary to successfully expand our products and services, and successfully integrate any acquisitions in the future.

Major Contracts

We have and may enter into major contracts that are complex and have several delivery milestones. These contracts are subject to delays, changes, revisions, and termination. There is no guarantee that we can complete all activities on time and on budget and that the funding available from the customer will be adequate to meet possible adjustments the project plan and duration. Failure by the Company to manage customer delivery responsibilities, the project schedule, deliver project resources, and collect payments on a timely basis are significant risks to us.

Government Contracts

A significant portion of our total annual services revenue is derived from contracts with public sector entities. Changes in government, government policy, priorities, or funding could affect our financial condition or results of operations. Government contracts could be terminated or suspended at any time.

Risk to Reputation

Reputation is a critical asset in the technology services industry. Potential damage to that reputation is a significant risk for us. Any of the risks identified in this document could damage our reputation which, in turn, may result in a lack of customer or employee confidence, legal liability, and difficulties in securing capital.

Volatility in Stock Price

The market price of our common shares can be highly volatile and subject to fluctuations. These fluctuations in common share market price may continue due to quarterly variations in operating results,

announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts or other events or factors. In addition, the financial markets have experienced significant price fluctuations over the last few years that have particularly affected the market price of equity securities of many technology companies. In many cases, such pressures have been unrelated to the operating performance of such companies or the failure of such companies to meet market expectations in a particular timeframe.

Foreign Currency Risk

We operate internationally and, accordingly, a portion of our financial resources is held in currencies other than the Canadian dollar, the functional currency of the Company. Further, we generate revenues and incurs expenses in U.S. dollars, Euros and British pounds. Our exposure to the U.S. dollar, Euros and the British pound may change over time as the geographic mix of the business changes. Consequently, our results have been affected and we expect our future results could be adversely affected by significant foreign exchange fluctuations.

Environment and Market Risk

Sales are subject to some conditions outside our control such as economic cycles, the growth of complementary businesses such as communications networks and software applications or events in specific industry verticals. The liquidity and financial position of the Company is a function of the decisions it will have to make to successfully compete and expand. As the marketplace for our products and services evolves, our future results could be impacted by a dependence on a few customer or partner relationships. In addition, the timing and customer acceptance of new or upgraded products and services may also affect our results in the future.

Dividends

Our Board of Directors determined to pay a quarterly dividend commencing in 2010, which is reviewed quarterly. Our Board of Directors will, at their discretion, determine the amount of any future dividends payable. Although we have paid quarterly dividends since 2010, there can be no assurance that the Board of Directors will declare further dividends. The actual dividends declared, if any, will depend on numerous factors, such as capital requirements to fund growth, working capital, and sufficient operating cash flow. We may adjust future dividends payable upward or downward based on shareholder valuation creation and capital allocation opportunities available to us.

IP Rights

Although we make efforts to protect our IP rights, there can be no guarantee that unlicensed copying of our software will not take place, especially in countries where software piracy laws and enforcement are weak. Policing unauthorized use of our technology, if required, may be difficult and costly.

From time to time we may receive notices from third parties alleging that it has infringed their IP rights. Responding to any such claim, regardless of its merit, may be time-consuming, result in costly litigation, divert management's attention and resources or cause us to incur significant expenses. Any meritorious claim of IP infringement against us may potentially result in a temporary or permanent injunction, prohibiting us from marketing or selling certain products or requiring it to pay royalties to a third-party. In the event of a meritorious claim, failure of the Company to develop or license substitute technology may materially adversely affect its business and results of operations.

As we develop new technologies, our ability to protect our proprietary rights from unauthorized use by third parties may be possible only to the extent that our IP is effectively maintained as confidential know-how/trade secrets. The industries in which the Company operates can be subject to expensive litigation regarding IP rights. As a result, we may be required to defend against claims of IP

infringement which may adversely affect our financial condition and operating results. Although we do not typically pursue patents, if we choose to do so in the future, we cannot foresee whether any of our future patent applications will result in the issuance of any patents. If approved, any future patents of the Company may not be sufficiently broad to prevent others from developing competing products. The validity and enforceability of the Company's patents, if any, cannot be predicted with certainty and its future patents may be found to be invalid or unenforceable or its future patent applications may not be accepted.

Unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our IP is difficult, and the Company cannot be certain that the steps it has taken will prevent unauthorized use of its technology. If competitors are able to use the Company's technology, its ability to compete effectively could be harmed. Moreover, others may independently develop and obtain patents for technologies that are like, or superior to, the Company's technologies. If that happens, the Company may need to license these technologies, and it may not be able to obtain licenses on reasonable terms, if at all, which could have a material adverse effect on its business.

Intrusion of the Company's Computer Systems

Our operations are dependent on the continued and uninterrupted performance of our computer systems, which are hosted in the cloud. Accordingly, we rely on our ability to protect our cloud-based computer systems against a wide range of risks, including but not limited to malware and data breaches. Any system failure, security breach or unanticipated problem with our cloud-based computer systems could interrupt or delay our operations, damage our reputation, and, if sustained or repeated, reduce the attractiveness of our services, potentially resulting in the loss of revenue and customers. In this cloud-based environment, the risk of data breaches and malware attacks is a particularly significant concern that we must address proactively to safeguard our operations and protect our stakeholders' interests.

Legislative, Insurance, Compliance Costs, Regulatory Action and Environment

To comply with various increasing and complex regulatory reporting and standards involves significant cost. Recent changes to securities regulatory standards, accounting policy, and compliance reporting have placed an additional expense burden on us. Insurers may increase premiums because of high claims rates experienced by them over the past and so future premiums for our various insurance policies, including directors' and officers' insurance policies, could be subject to increase. Proposed changes in the accounting rules could materially increase our internal accounting and external audit fees. Corporate governance standards in Canada are evolving continuously. Despite its best attempts, there can be no assurance that the Company will comply with all applicable corporate governance guidelines or best practices.

Key Supplier Relationships

Sylogist is dependent on its relationships with third parties to provide strategic components of its software sales and maintenance revenue, and its hardware sales. To the extent third parties are unable to support us in such areas, we may be forced to source components or software from others, perhaps at increased prices and with an impact on our ability to service our customers and win new business. Many of our products are dependent on the uninterrupted operations of third-party data hosting centers, which, if unavailable, even for a limited period, could result in revenue loss and customer claims. While we take reasonable precautions against some events, and that we believe our hosting providers, primarily Microsoft, are reputable businesses with strong availability, redundancy, and security protocols, there can be no assurance that their services will be provided uninterrupted.

Financial Condition, Liquidity, and Requirements Outlook

Our cash balance and working capital position are expected to be adequate to sustain our existing operations. If we are unable to continue to grow revenue and cash flow from operations, our cash and working capital position could be affected.

Management of Future Growth and Expansion

Planned expansion of our business and our future success will depend on our ability to manage strategic growth as we expand our products and marketing capacities, which may place a significant strain on our management resources, employees and operations, as well as our ability to finance such growth. To manage strategic growth effectively, we will be required to continue to implement changes in certain aspects of our business, expand our operations, and develop, train, manage and assimilate an increasing number of management-level and other employees. If management is unable to oversee and throttle growth effectively, our business, prospects, financial condition and operating results could be affected.

Financial Position of Customers

If a material number, or market segment, of our customers are not able to continue operations for whatever reason, consolidate or reduce their operations, or postpone current or expected purchases of our products and services, our business, results of operations, and financial condition could be adversely affected.

Customer Retention/Attrition

Once our solutions are deployed to a customer, they generally rely on us support services for a myriad of reasons. Due to the collegial nature of the markets, we serve, a high level of customer satisfaction wellness is important to revenue retention and successful future marketing and sales activities of the Company to win new business and expand customer wallet share.

Industry Growth

There can be no assurance that the market for our existing products will continue to grow or that we will be successful in independently growing market share for its products. If the markets in which our products compete grow more slowly than we currently anticipate, or if we are unable to grow within our target markets, our operating results, and financial condition could be adversely affected.

Lengthy and Variable Sales Cycle

Selling our products typically includes a thorough procurement process. Our sales cycle generally ranges from three to eighteen months. We spend a substantial amount of time educating potential customers about the use and benefits of our solutions and related services. Because the adoption of our technologies often represents a substantial investment, potential customers may take months to evaluate our technologies and products, determine the size of the user base to be covered, and obtain the necessary budget allocation and expenditure authorizations to purchase our products. The process of entering into a contractual agreement typically involves lengthy negotiations. Additionally, we may be required to integrate our solution with synergistic third -party products, which must be specified in the contract and agreed to by the customer.

We may also spend a significant amount of time and money on a potential customer that ultimately does not purchase our solution. Any such lost sales could cause our operating results to vary significantly from projected results. Also, we may not be able to accurately predict sales by partners since our partners may not always keep us informed about the status of possible sales and other revenue opportunities with their prospects and customers. Sales of our products by partners also may depend on

the availability of their own products and implementation resource. We have no control over the timing of our partners' product rollouts, and we may not be informed of when these rollouts will occur.

Because of these factors, it is difficult to forecast our revenue and operating results. Our inability to accurately predict the timing and magnitude of our sales could cause a number of problems, including: (i) we may have difficulty meeting our customers' delivery requirements in the event an unusually high number of bookings occur in a period of time; (ii) we may expend significant management efforts and incur substantial sales and marketing expenses in a particular period that do not translate into bookings in the planned periods, or at all; and, (iii) we may have difficulty meeting our cash flow requirements and obtaining credit because of delays in winning bookings or delays in receiving payment for its products and services. The problems resulting from our lengthy and variable sales cycle could impede our growth, harm our valuation, and restrict our ability to take advantage of new opportunities.

Economic Slowdown

From time-to-time markets have witnessed the weakening of global macro-economic conditions. This weakness affected information technology spending patterns on a global basis, and as a result affected our ability to forecast current and future period revenues. An unforeseen deterioration of economic conditions or unexpected market forces may have a negative impact on our future financial performance.

International Markets

Sales outside of Canada represent a significant portion of our total gross revenues. Sales to international customers are subject to a number of risks and uncertainties including, but not limited to, complications in both compliance with and unexpected changes in foreign government laws, regulations and telecommunications standards, import and export license requirements, tariffs and other trade barriers, potential adverse tax consequences, fluctuations in currency exchange rates, exchange controls, difficulty in collecting accounts receivable, difficulty in staffing and managing foreign operations, potential political and economic instability, events of international terrorism, economic effects of public health threats such as pandemics or epidemics, uncertainties of laws and enforcement relating to the protection of property rights including IP rights, unauthorized copying of our proprietary technologies, uncertainties in local commercial or financial sector practices, uncertainties in local accepted business practices and standards which may not be similar to accepted business practices and standards in Canada and which may create unforeseen business or public relations situations, and other factors depending on the country involved. While international sales are typically denominated in U.S. dollars and we typically extend limited credit terms, fluctuations in currency exchange rates could cause our products to become relatively more expensive to customers in a particular country, leading to a reduction in sales or profitability in that country. As a result of these factors, we may not be successful in entering certain international markets and maintaining or increasing international market demand for our products.

Litigation

We may be subject to litigation in the ordinary course of business, as well as in the context of potential securities claims, class actions and other corporate activities. Any litigation is time consuming and costly, both financially and by distracting management and staff resources from our day-to-day business.

Taxation

We are subject to income and non-income-based taxes in Canada, the United States, the United Kingdom and other foreign jurisdictions. Tax structure and tax filings are subject to review by taxation authorities in the ordinary course of business and we cannot be assured that the final determination of

any such review will not be different from what is reflected in our historical income tax filings, provisions or accruals and any such differences could materially affect operating results or result in additional tax expense in future periods. Significant judgment is required of management in determining our provisions for income taxes and other tax liabilities and while management strives to ensure our estimates and filing positions are reasonable, there can be no assurance that the result of any tax audits or proceedings will not differ, which may materially impact operating results. In addition, tax laws are subject to change which may materially impact our tax filings and operating results.

Potential Need for Future Financing

There can be no assurance that we will be able to obtain the financial resources that may be required to successfully compete in our markets on favorable commercial terms, or at all. Failure to obtain such financing could result in the delay or abandonment of some or all of our plans for product development, or in us being unable to satisfy our obligations as they become due.

Acquisition Related Liabilities

We may incur contingent liabilities through acquisitions which may be material, despite our best efforts to estimate risks associated with the contingencies and the likelihood of them materializing. Our estimates could differ materially from such liabilities actually incurred.

Product Liability

Our solutions are highly complex and sophisticated and, from time to time, may contain design defects that are difficult to detect and correct. Errors may be found in new products after commencement of commercial shipments or, if discovered, we may not be able to successfully correct such errors in a timely manner, if at all. The occurrence of such errors and failures in our products could result in a loss or delay in their market acceptance and correcting these could require significant expenditure of capital. Our solutions are integrated into our customers' networks and equipment. The sale and support of these products may entail the risk of product liability or warranty claims based on damage to such networks and equipment. In addition, the failure of our products to perform to customer expectations could give rise to warranty and potentially other legal claims.

ITEM 5 - DIVIDENDS AND DISTRIBUTIONS

The board of directors of the Corporation determined to pay a quarterly dividend commencing in 2010, which such quarterly dividend payment policy is reviewed quarterly. All declared dividends have been subsequently paid and, as of December 31, 2023, the Corporation had paid \$88.7 million in dividends since February 2010. During the three (3) most recently completed financial years, the board of directors of the Corporation declared aggregate annual dividends on the Common Shares in the amount of: (i) \$0.50 per Common Share for a total dividend payment of \$11.9 million during the fiscal year ended September 30, 2021; (ii) \$0.51 per Common Share for a total dividend payment of \$12.2 million during the fiscal year ended December 31, 2022; and (iii) \$0.04 per Common Share for a total dividend payment of \$0.9 million during the fiscal year ended December 31, 2023. Based on the Corporation's December 31, 2023, closing stock price, the trailing twelve (12) months' dividend yield, excluding special dividends, was 0.54%.

The Corporation's banking arrangements prohibit the payment of dividends if certain financial covenants are not met. To date, the Corporation has always satisfied such financial covenants.

ITEM 6 - DESCRIPTION OF CAPITAL STRUCTURE

The Corporation's authorized capital consists of an unlimited number of Common Shares. As at December 31, 2023, there were 23,486,177⁴ Common Shares issued and outstanding. As at the date of this AIF, 23,434,377 Common Shares are issued and outstanding.

6.1 Common Shares

Each Common Share carries the right to attend and vote at all general meetings of shareholders. Holders of Common Shares are entitled to receive on a *pro rata* basis such dividends, if any, as and when declared by the board of directors of the Corporation at its discretion from funds legally available for the payment of dividends and upon the liquidation, dissolution, or winding up of the Corporation are entitled to receive on a *pro rata* basis the net assets of the Corporation after payment of debts and other liabilities. The Common Shares do not carry any pre-emptive, subscription, redemption, or conversion rights, nor do they contain any sinking or purchase fund provisions.

6.2 Options and Other Convertible Securities

Prior to August 12, 2020, the Corporation had a rolling incentive stock option plan. On November 10, 2020, the board of directors of the Corporation adopted a fixed incentive stock option plan. On May 3, 2021, the board of directors of the Corporation adopted a rolling incentive stock option plan to replace the fixed incentive stock option plan. Under the rolling stock option plan, the aggregate number of common shares to be issued, upon exercise of all options granted under the plan, shall not exceed 10% of the issued Common Shares, at the time the options were granted. Options granted under the plan generally have a term of five (5) years, and vest at such times as determined by the board of directors of the Corporation at the date of grant, which is typically over three (3) years. The exercise price of each option is determined by the board of directors of the Corporation at the volume weighted average trading price per Common Share on the TSX for the three (3) trading days on which the Common Shares traded immediately preceding the date of grant. In the fiscal year ended December 31, 2023, the Corporation granted 150,000 stock options. In the same period, zero (0) stock options were exercised, 592,666 stock options expired and 3,334 stock options were forfeited.

On March 30, 2022, the Company instituted a share unit plan (the "**Plan**"), under which the Company is authorized to grant restricted share units ("**RSUs**"), performance share units ("**PSUs**") and deferred share units ("**DSUs**"). The purpose of the Plan is to advance the interests of the Company and its Shareholders by providing to the directors, officers, and employees of the Company a performance incentive for continued and improved services. The aggregate number of units issuable under the Plan, when combined with all other security-based compensation arrangements, shall not exceed 10% of the issued common shares of the Company. Under the Plan, the board of directors may determine the relevant conditions and vesting provisions of the RSUs and PSUs and any restriction period during which RSUs or PSUs are not vested.

Details of the stock options outstanding and exercisable as at December 31, 2023, are as follows:

Exercise Price	Number of Outstanding Options	Weighted-Average Remaining Period Until Exercisable	Number of Options Exercisable	Weighted-Average Remaining Contractual Life Post Vesting
\$12.75	15,000	-	15,000	0.1 years
\$10.65	75,000	-	75,000	0.8 years
\$10.30	664,000	-	664,000	1.9 years

⁴ As at the date of this AIF, 23,434,377 Common Shares are issued and outstanding.

Exercise Price	Number of Outstanding Options	Weighted-Average Remaining Period Until Exercisable	Number of Options Exercisable	Weighted-Average Remaining Contractual Life Post Vesting
\$11.78	225,000	0.1 years	150,000	2.1 years
\$15.64	30,000	0.4 years	20,000	2.2 years
\$15.33	36,000	1.3 years	12,000	2.3 years
\$5.87	150,000	2.3 years	-	-
TOTAL	1,195,000	0.3 years	936,000	1.7 years

ITEM 7 - MARKET FOR SECURITIES

7.1 Trading Price and Volume

The following table sets forth the reported high and low sales prices (which are not necessarily the closing prices) and the trading volumes for the Common Shares on the TSX as reported by sources Sylogist believes to be reliable for the periods indicated:

Period	High Trading Price	Low Trading Price	Volume (#)
December 2023	\$7.53	\$6.51	962,704
November 2023	\$7.69	\$6.71	1,274,043
October 2023	\$7.58	\$6.72	435,561
September 2023	\$7.90	\$6.80	453,769
August 2023	\$7.99	\$6.46	871,140
July 2023	\$7.65	\$6.57	299,043
June 2023	\$7.93	\$5.79	1,239,401
May 2023	\$6.51	\$5.40	535,624
April 2023	\$6.34	\$5.30	786,555
March 2023	\$5.84	\$4.62	818,681
February 2023	\$6.99	\$5.31	685,226
January 2023	\$6.27	\$5.79	739,624

7.2 Prior Sales

The Corporation did not issue any Common Shares during the fiscal year ended December 31, 2023. In the fiscal year ended December 31, 2023, the Corporation granted 150,000 stock options at a weighted average exercise price of \$5.87 per common share to directors and officers of the Corporation.

In the fiscal year ended December 31, 2023, 78,339 DSUs were granted to non-officer directors with an additional 684 DSUs granted based on dividends earned for a total of 79,023 DSUs outstanding. In the fiscal year ended December 31, 2023, \$637,000 was included in the consolidated statement of comprehensive income, and the liability at December 31, 2023, amounted to \$864,000.

In the fiscal year ended December 31, 2023, 246,444 RSUs were granted to employees and 31,243 RSUs vested. In the fiscal year ended December 31, 2023, \$233,000 was included in the

consolidated statement of comprehensive income, and the liability at December 31, 2023, amounted to \$229,000.

As at the date of this Annual Information Form, the Corporation has 1,180,000 stock options, 246,519 RSUs, and 109,373 DSUs outstanding. See notes 15 and 17 of the Corporation's consolidated financial statements for the year ended December 31, 2023, for a summary of the stock options, RSUs, DSUs, PSUs and phantom interest award units outstanding as at December 31, 2023.

ITEM 8 - ESCROWED SECURITIES

As at the date of this AIF, to the Corporation's knowledge, there are no securities held in escrow or subject to a contractual restriction on transfer.

ITEM 9 - DIRECTORS AND OFFICERS

9.1 Name, Occupation and Security Holding

The following table and the notes thereto set out as at December 31, 2023, or such subsequent date as indicated in the table, the names of all the directors and executive officers of the Corporation (or, as noted below, its subsidiaries) as well as information concerning their committee membership, municipalities of residence, principal occupations for the past five (5) years, and the date on which each became a director of the Corporation. Each of the directors of Sylogist will hold office until the next annual meeting of the holders of Common Shares or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with Sylogist's articles.

Name, Province, and Country of Residence	Current principal occupation and principal occupation during last five (5) years	Director Since
William C. Wood Massachusetts, USA <i>Director, CEO and President</i>	President and CEO of Sylogist since November 9, 2020. Prior thereto, President and CEO of FrontStream Holdings, LLC from April 2016 to September 2019. Prior thereto, SVP, Worldwide Marketing and Sales of BST NanoCarbon from November 2013 to March 2016.	November 9, 2020
Sujeet Kini ⁽⁵⁾ Ontario, Canada <i>Chief Financial Officer ("CFO")</i>	CFO of Sylogist since May 1, 2023. Prior thereto, CFO at BlueCat Networks Inc. May 2021 to April 1, 2023. Prior thereto, CFO at Shareworks by Morgan Stanley March 2018 to April 2021.	N/A
Xavier Shorter ⁽⁵⁾ Alberta, Canada <i>Vice-President, BP&A & Operations</i>	Vice-President BP&A & Operations since October 1, 2023. Prior thereto, Vice-President, Finance & Operations from May 1, 2023, to October 1, 2023. Vice-President, Finance and CFO of Sylogist from October 2016 to April 30, 2023.	N/A
Donna Smiley Alberta, Canada <i>Chief Customer Officer</i>	Vice-President, Customer Experience of Sylogist since June 2021. Prior thereto, Vice-President, Operations of Sylogist since January 2019. Prior thereto, Managing Director, Operations of Sylogist since July 2014.	N/A
Theresa (Terry) LoPresti Washington, DC, US <i>Chief Technology and Innovation Officer ("CTIO")</i> .	CTIO of Sylogist USA Inc. since January 2021. Prior thereto, Chief Technology Officer of FrontStream Holdings LLC since January 2012.	N/A

Name, Province, and Country of Residence	Current principal occupation and principal occupation during last five (5) years	Director Since
Tracy Harder Tennessee, US <i>Vice-President, Talent & Engagement</i>	Vice-President, Talent & Engagement of Sylogist USA Inc. since December 2021. Prior thereto, Vice-President, Human Capital of Arsenal Capital Partners from March 2020 to December 2021. Prior thereto, Vice President, Human Resources at FrontStream Holdings, LLC from September 2010 to March 2020.	N/A
Grant McLarnon Alberta, Canada <i>Chief Revenue Officer</i>	Chief Revenue Officer of Sylogist since December 2022. Prior thereto, Partner and National Leader, Microsoft at KPMG Canada from May 2018 to February 2021. Prior thereto, Co-Founder and CEO of Adoxio from October 2015 to May 2018.	N/A
Barry D.A. Foster ⁽¹⁾⁽³⁾⁽⁴⁾ Ontario, Canada <i>Director (Board Chair)</i>	President and Portfolio Manager, Innerkip Capital Management since 2004.	June 25, 2019
Tracy Edkins British Columbia, Canada <i>Director</i>	Corporate Director and Chair, Compensation Committee of D2L.com, a TSX listed company since July 2021; Corporate Director and Compensation Committee Chair at Happy Money.com; Chief Human Resources Officer at Splunk.	February 7, 2024
Taylor Gray ⁽¹⁾⁽²⁾⁽³⁾ Alberta, Canada <i>Director</i>	Since January 2018, a retired Partner of BDO Canada LLP. Prior thereto, a Partner at BDO Canada LLP since January 1998.	January 1, 2018
Craig O'Neill ⁽²⁾ Ontario, Canada <i>Director</i>	Currently CEO of Kindsight (formerly iWave) since April 2023; prior to that CEO at VersaPay Corp., between September 2013 and April 2023.	August 12, 2020
Ian McKinnon ⁽²⁾⁽³⁾ Ontario, Canada <i>Director</i>	Board Chair of MessagePoint, a privately owned technology company, since 2007; presently board member and compensation committee chair of Emerge Commerce, a TSX-V listed company; and past board member of Blu Ivy Group and College of Nurses of Ontario, past Board Member of Constellation Software.	April 7, 2021
Errol Olsen ⁽¹⁾ British Columbia, Canada <i>Director</i>	Corporate consultant since January 2024. Chief Operating Officer at Uncommon Purpose Ventures from April 2022 to December 2023. Chief Financial Officer at Traction Sales and Marketing (dba as "Traction on Demand") from December 2019 to April 2022. Chief Financial Officer at Absolute Software from July 2010 to December 2019.	August 25, 2023
Andrea Ward California, USA <i>Director</i>	Most recently Chief Marketing Officer at VidMob, September 2023; Vice President Enterprise Marketing at Adobe, July 2019; Chief Marketing Officer at Magento until 2018, Board Member/Advisor for IMA (Internet Marketing Association)	February 7, 2024

Notes:

- (1) Current member of the Audit Committee.
- (2) Current member of the Compensation Committee.
- (3) Current member of the Nominating and Governance Committee.
- (4) Barry D.A. Foster was appointed interim CEO of Sylogist from October 1, 2020, to November 9, 2020.
- (5) On March 27, 2023, Sylogist announced that Sujeet Kini had been hired as Chief Financial Officer, with a start date of May 1, 2023. Xavier Shorter transitioned from Vice-President, Finance and CFO to Vice-President, Finance & Operations on that date. On October 1, 2023, Xavier Shorter transitioned from Vice-President, Finance & Operations to VP, BP&A (Business Processes & Analysis) & Operations.

As at the date of this AIF, the current directors, and executive officers of Sylogist, as a group, beneficially own, or control or direct, directly, or indirectly, an aggregate of 839,585 Common Shares, representing approximately 3% of the issued and outstanding Common Shares. The information as to the number of Common Shares beneficially owned, or controlled or directed, not being within the knowledge of the Corporation, has been furnished by the respective directors and executive officers of the Corporation individually.

9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, no director or executive officer of Sylogist is, as at the date hereof, or has been, within the ten (10) years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Sylogist) that was subject to a cease trade order, an order similar to a cease trade or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days, that was issued: (i) while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Corporation, no director or executive officer of Sylogist, or a shareholder holding sufficient number of securities of Sylogist to affect materially the control of Sylogist: (i) is, as at the date hereof, or has been, within the ten (10) years before the date hereof, a director, or executive officer of any company (including Sylogist) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten (10) years before the date hereof, become bankrupt, made a proposal under any legislation relating to the bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Corporation, no director or executive officer of Sylogist, or a shareholder holding sufficient number of securities of Sylogist to affect materially the control of Sylogist, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

9.3 Conflicts of Interest

There does not exist any conflicts of interest or potential material conflicts of interest between the Corporation and any director or executive officer of the Corporation.

Sylogist may, from time to time, become involved in transactions in which directors and executive officers of the Corporation have a direct interest or influence. The interests of these persons could conflict with those of the Corporation, and fiduciary duty may be impaired as a result. Conflicts

of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Corporation are required to act honestly, in good faith, and in the best interests of the Corporation.

ITEM 10 - PROMOTERS

No person or company has acted as a promoter within the meaning of the *Securities Act* (Alberta) during the years ended December 31, 2022, or December 31, 2023, or during the current financial year.

ITEM 11 - LEGAL PROCEEDINGS AND REGULATORY ACTIONS

During the normal course of business, claims by and against the Corporation arise from time to time. Management is not aware of any claims, legal proceedings or regulatory actions by and against the Corporation, including ones that may not cause a materially adverse effect on the Corporation or its operations.

ITEM 12 - INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No informed person (a director, officer, or holder of 10% or more Common Shares) or any associate or affiliate of any informed person had any interest, direct or indirect, in any transaction which has materially affected or is reasonably expected to materially affect the Corporation within the three (3) most recently completed financial years or during the current financial year.

ITEM 13 - TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is Computershare Trust Company of Canada, through its principal offices in Calgary, Alberta.

ITEM 14 - MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, Sylogist and its subsidiaries have not entered into any contracts that are material to Sylogist within the most recently completed financial year or before the most recently completed financial year, but which are still material and are still in effect.

ITEM 15 - INTERESTS OF EXPERTS

The Corporation's auditors since July 19, 2019, are KPMG LLP, Chartered Professional Accountants and have prepared an independent auditors' report for the fiscal year 2023. The current year's auditors' report is dated March 12, 2024, in respect of the Corporation's consolidated financial statements and accompanying notes as at and for the years ended December 31, 2023, and December 31, 2022. KPMG LLP has confirmed that it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta (registered name of The Institute of Chartered Accountants of Alberta).

ITEM 16 - AUDIT COMMITTEE

16.1 Audit Committee Charter

The Audit Committee of the board of directors of the Corporation operates under a written charter that sets out its responsibilities and composition requirements. A copy of the charter is attached to this AIF as Schedule "A."

16.2 Composition of the Audit Committee

As of December 31, 2023, the table below sets out the members of the Audit Committee and states whether they are financially literate and/or independent.

Director	Independent	Financially Literate ⁽¹⁾
Taylor Gray (Chair)	Yes	Yes
Barry D.A. Foster	Yes	Yes
Errol Olsen	Yes	Yes

Note:

⁽¹⁾ As defined by National Instrument 52-110 — *Audit Committees*.

16.3 Relevant Education and Experience

Each director serving on the Corporation's Audit Committee has an understanding of the accounting principles used to prepare Sylogist's financial statements; experience in preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements; or experience actively supervising individuals engaged in such activities, and experience as to the general application of relevant accounting principles; and an understanding of the internal controls and procedures necessary for financial reporting.

The following sets out the education and experience of each director relevant to the performance of his duties as a member of the Audit Committee:

Taylor Gray, Chair

Mr. Gray, CA, CPA has been a client service partner at BDO Canada LLP with over thirty (30) years' experience in serving entrepreneurial businesses in the areas of accounting, auditing, and taxation. His clientele spanned a wide variety of industries, including public companies, privately held companies and not-for-profit organizations. In addition to his years in public accounting, he spent five (5) years in sales for a private company and as Vice President, Finance for a public oil and gas service company. Mr. Gray also holds a B.A. (Economics) from Queens University.

Barry D.A. Foster

Mr. Foster has been a President and Portfolio Manager of Innerkip Capital Management Inc. ("**Innerkip**") since June 2004. Innerkip is registered with the Ontario Securities Commission as a Portfolio Manager and Investment Fund Manager, specializing in direct investments in small-cap Canadian-listed companies. Innerkip has been a Sylogist shareholder since 2006. From 2000 to 2003, Mr. Foster was a founding Partner of a New York-based private fund manager specializing in structured equity. From 1997 to 2000, he was a founding member and Vice President of the Equity Structured Trading Group, HSBC Securities' Canadian proprietary trading, and derivatives group. Mr. Foster is a graduate of the Ivey School of Business, Honours Bachelor of Arts in Business Administration (HBA) and began his career with HSBC Securities, where he specialized in Institutional Preferred Shares. Mr. Foster received the Chartered Financial Analyst designation (CFA) in 1998.

Errol Olsen

Mr. Olsen has more than twenty-five (25) years of experience leading the finance and operations functions of companies ranging from start-ups to multinational corporations and has broad

experience in finance, strategy, development, operations, technology, and governance. His previous positions include Chief Financial Officer at Traction Sales and Marketing (dba Traction on Demand) and Chief Financial Officer at Absolute Software.

Prior to leaving public practice, Mr. Olsen was a manager in the audit and advisory services group at KPMG LLP, where he worked with a portfolio of private and public companies. Mr. Olsen holds a CPA, CA designation and a Bachelor of Business Administration from Simon Fraser University.

16.4 Audit Committee Oversight

At no time during the financial year ended December 31, 2023, was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors of the Corporation.

16.5 Pre-Approval Policies and Procedures

Pursuant to the Audit Committee Charter and unless otherwise permitted by National Instrument 52-110 – *Audit Committees*, the Audit Committee of the Corporation must pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the external auditors of the Corporation. The Audit Committee may delegate to one (1) or more of its independent members authority to pre-approve non-audit services, but no such delegation may be made to management of the Corporation. The pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the Audit Committee at its first scheduled meeting following such pre-approval.

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services, including KPMG LLP's performance of certain services to assist Sylogist with the adoption of International Financial Reporting Standards.

16.6 External Auditor Service Fees

The aggregate fees billed by KPMG LLP in the financial years ended December 31, 2023, and December 31, 2022, are as follows:

Financial Year Ended	Audit Fees ⁽¹⁾	Audit-Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
December 31, 2023	\$264,000	Nil	N/A	\$2,000
December 31, 2022	\$222,500	\$40,000	N/A	\$2,000

Notes:

- (1) Audit fees consist of fees for the audit of annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements. The services provided in this category include quarterly review fees.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of Sylogist's financial statements and are not reported as Audit Fees. The services provided in this category included research of accounting and audit-related issues and review of internal controls.
- (3) Fees for tax compliance, tax advice and tax planning.
- (4) These fees related to matters in regard to the change to strategic acquisitions, financing, and other administrative charges.

ITEM 17 - ADDITIONAL INFORMATION

Additional information with respect to Sylogist may be found on SEDAR+ under the Corporation's profile at www.sedarplus.ca. Additional financial information is provided in the Corporation's financial statements and Management's Discussion and Analysis for the year ended December 31, 2023.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Sylogist's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in Sylogist's management information circular dated May 29, 2023 for its annual and special meeting of shareholders held on June 27, 2023 and will be contained in the Corporation's management information circular which relates to its annual meeting of shareholders to be held in 2024 and which will be filed on SEDAR+ under the Corporation's profile at www.sedarplus.ca.

SCHEDULE “A”
CHARTER OF THE AUDIT COMMITTEE

SYLOGIST LTD.

CHARTER OF THE AUDIT COMMITTEE OF SYLOGIST LTD.

Mandate

The primary function of the Audit Committee (the “**Committee**”) is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation’s systems of internal controls regarding finance and accounting and the Corporation’s auditing, accounting, and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures, and practices at all levels. The Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation’s financial reporting and internal control system and review the Corporation’s financial statements.
- Review and appraise the performance of the Corporation’s external auditors.
- Provide an open avenue of communication among the Corporation’s auditors, financial and senior management, and the Board of Directors.

Composition

The Committee shall be comprised of at least three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices within a reasonable period of time following his/her appointment to the Audit Committee. For the purposes of the Corporation’s Charter, the definition of “financially literate” is the ability to read and understand a balance sheet, an income statement, and a cash flow statement. The definition of “accounting or related financial management expertise” is the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders’ meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

Meetings

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review

- (a) Review and update this Charter annually.
- (b) Review the Corporation's financial statements, MD&A and any annual and interim earnings press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Corporation.
- (b) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation, consistent with Independence Standards Board Standard 1.
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the auditors.
- (d) Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval and the compensation of the external auditors.
- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.
- (g) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - (i) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;
 - (ii) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
 - (iii) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Processes

- (a) In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters and periodically assess the adequacy of these procedures.

Other

The Committee will review any related party transactions.