2000, Peel street, Suite 680
Montreal (Quebec)
Canada H3A 2W5

T: (514) 398-9799
F: (514) 398-9353
www.alphinat.com

ALPHINAT®

Management Discussion and Analysis

Alphinat Inc. ("Alphinat" or the "Company") (TSX Venture Exchange: NPA) has reported its results for the 3-month period ended May 31, 2016.

General

This MD&A has been prepared as of July 15, 2016. This MD&A should be read in conjunction with our interim condensed financial statements for the three-month period ended May 31, 2016, prepared in accordance with IAS 34, Interim financial reporting.

These financial statements were prepared by management in accordance with IFRS.

All dollar amounts are expressed in Canadian dollars unless stated otherwise.

This MD&A was prepared based on information available as at July 15, 2016.

Overview - SmartGuide® brings agile development to the Cloud, Web and mobile.

Alphinat provides online self-service tools and workspaces that make it easy to deal with an organization. Its software suite simplifies, accelerates and improves interactions with all business constituents — resulting in greater cost-effectiveness, customer satisfaction and employee productivity.

Deployable natively in J2EE or .NET environments, on premises or in the cloud, SmartGuide can help quickly build interactive web and mobile dialogs that guide people to the relevant response, help them diagnose problems or lead them through a series of well-defined steps that make it easy to key-in data and to complete complex—or infrequently performed—tasks. It is ideally suited for:

- Customer self-service
- Electronic forms
- Knowledge bases
- Guided selling
- Diagnostic tools
- Life event based applications
- Education or training

SmartGuide is chock-full of drag-and-drop features that other solutions require developers to code, making your applications easier to build, test and maintain. Furthermore, SmartGuide will automatically generate customizable documentation of the application being built.

Alphinat technology could be used in the government sector, healthcare, banking, insurance, telecommunications and other sectors, in modernising, automating and rendering cost-effective a number of business processes at a fraction of the cost associated with conventional customized solutions. For more details about Alphinat or its software suite, please visit www.alphinat.com.

Business operations

During the quarter under review, Alphinat has focused its efforts on nurturing and expanding its distribution channels and on diversifying its offering.

The Company has also given particular attention to ensuring high quality delivery of major projects. The projects will be strong showcases of SmartGuide's capabilities in the public sector, at the Federal as well as State levels.

During the quarter under review, sales activities with partners resulted in the sales of SmartGuide licenses the Shared Services Agency of a provincial government in Canada, to a Departmental Council in France and to the ministry of Finance of an African country. Alphinat has also received confirmation of orders for additional SmartGuide licenses and maintenance contract renewals for existing clients.

Alphinat intends to pursue its partnership strategy with consulting firms and systems integrators for resale and delivery of SmartGuide, with independent software vendors for OEM agreements and with other partners for the launch of SaaS services. Management believes that these agreements will help reduce the sales cycle of the company's products while giving it exposure to more potential clients.

Selected quarterly financial data (unaudited)

Period	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015 (restated)	Q2 2015 (restated)	Q1 2015 (restated)	Q4 2014 (restated)
	31-05-2016	29-02-2016	30-11-2015	31-08-2015	31-05-2015	28-02-2015	30-11-2014	31-08-2014
	$	$	$	$	$	$	$	$
Revenue	417,460	473,381	380,850	345,821	499,075	335,818	257,107	377,946
Net earnings	104,183	46,790	30,983	(146,392)	86,673	(133,330)	(202,543)	(186,795)
Basic and diluted EPS	0.002	0.001	0.001	(0.003)	0.002	(0.003)	(0.004)	(0.004)

Revenue

For the 3-month period ended May 31, 2016, the Company recorded total revenue of $417,460 compared to $499,075 (restated) for the same period in 2015.

During the period under review, revenues result from new license sales in the amount of $180,653, software support and maintenance in the amount of $166,318 and professional services for training and SmartGuide implementation in the amount of $70,489.

During the quarter ended May 31, 2015, restated revenues resulted from new license sales in the amount of $287,825, software support and maintenance in the amount of $141,499 and professional services for training and SmartGuide implementation in the amount of $69,751.

Operating expenses

For the 3-month period ended May 31, 2016, operating expenses amounted to $274,996 compared to $365,150 in 2015.

The cost of services, selling and administrative expenses amounted to $174,274 for the quarter ended May 31, 2016 compared to $268,989 for the quarter ended May 31, 2015. This decrease results mainly from the cost cutting plan that management started executing in the previous exercise in order to centralize the Company's sales structure.

Research and development for the quarter ended May 31, 2016 amounted to $100,722 compared to $77,011 for the quarter ended May 31, 2015. This increase is due mainly to additional efforts focused on the evolution of SmartGuide.

Financing expenses

Financing expenses amounted to $36,167 for the quarter ended May 31, 2016 compared to $45,138 for the quarter ended May 31, 2015. This decrease is due to lower Interest and bank charges, lower Interest on debenture, gains on Foreign exchange and lower Interest capitalized on long term debt. For more information on financing expenses, refer to note 25 of the financial statements.

Earnings for the period

The earnings for the period ended May 31, 2016 amounted to $104,183 or $0.002 per outstanding common share compared to earnings (restated) of 86,673 or $0.002 per outstanding common share for the 3-month period ended May 31, 2015.

Assets

Cash amounted to $22,213 as at May 31, 2016 compared to $4,588 as at August 31, 2015.

As at May 31, 2016, accounts receivable amounted to $418,924 compared to $521,631 as at August 31, 2015.

As at May 31, 2016, work in progress amounted to $17,010 compared to $6,103 as at August 31, 2015.

As at May 31, 2016, prepaid expenses amounted to $16,115 compared to $17,680 as at August 31, 2015.

Liabilities

The bank loan amounted to $0 as at May 31, 2016 compared to $20,000 as at August 31, 2105. Since December 2015, the Company does not have a line a credit.

Accounts payable and accrued charges decreased from $911,324 as at August 31, 2015 to $630,261 as at May 31, 2016. This decrease results from payment of accounts payable.

Deferred revenue increased from $211,550 as at August 31, 2015 to $282,214 as at May 31, 2016. This increase is mainly due to the renewal of license maintenance and support contracts that must be recognized over the period of the contract.

The loan from a private company represents advances of $65,000 and $10,000 from a private company, bearing interest at an annual rate of 12%, which are payable monthly, with no maturity date.

As at May 31, 2016, subordinated advances from a director and individuals related to a director amounted to $9,160, unchanged as compared to August 31, 2015. This loan does not bear interest.

As at May 31, 2016, loan from a director amounted to $35,000, unchanged as compared to August 31, 2015. This loan bears interest at an annual rate of 12%, which are payable monthly, with no maturity date.

As at May 31, 2016, loan from a company under common control amounted to $50,000 bearing interest at an annual rate of 12%, which are payable monthly, with no maturity date.

As at May 31, 2016, the Company has received $227,500 with regards to a DEC federal economic program. This loan is interest free. Under the provisions of IAS 39, this loan was initially measured at fair value using a commonly used market interest rate. The difference of $59,115 between the fair value of $168,385 and the cash received of $227,500 was recorded as a grant in the statements of income ($34,016 was recorded in fiscal year ended August 31, 2012 and $25,099 in fiscal year ended August 31, 2011). Initially these contributions were repayable in 3 equal annual and consecutive payments of $75,833. A first payment was made on March 1st, 2013, before the renegotiation of the payments schedule. Starting April 1st, 2014, monthly payments of $6,319 are being made until March 1st, 2016. Further to this change, the effective interest rate was revised downward. An effective annual interest rate of 9.21% is calculated monthly and accounted for in accretion of the debt value. As at May 31, 2016 there is no balance payable. For more information refer to note 15 of the financial statements.

As at May 31, 2016, debentures amounted to $ 1,056,211 compared to $1,042,925 as at August 31, 2015. The difference is due to a decrease in deferred financing expenses that were accounted for during the period. For more information on the debentures, please refer to note 16 of the financial statements.

Shareholders' equity

As at May 31, 2016, the number of common shares outstanding of the Company was 50,213,220. As at the date of this report, the number of common shares outstanding of the Company was 50,213,220.

Options and warrants

During the quarter ended May 31, 2016, 300,000 options expired. At that date, there were 1,790,000 options outstanding with an average exercise price of $0.12, a weighted contractual life of 24 months. As of the date of this report, there were 1,790,000 options outstanding.

During the quarter ended May 31, 2016, no warrants were issued, had expired or were cancelled. As at May 31, 2015, there were 0 warrants outstanding. As of the date of this report, there were 0 warrants outstanding.

Liquidity and solvency

As at May 31, 2016, the Company had cash and cash equivalence totalling $22,213. This amount includes cash for an amount of $22,213 and a Bank overdraft for an amount of $0. As at August 31, 2015, the Company had cash and cash equivalents totalling $4,588. This amount includes cash for an amount of $4,588 and a Bank overdraft in the amount of $0.

In order to finance its operations, the Company relies on receipts from accounts receivable, loans from shareholders, directors and individuals related to a director, the use of repayable funding through the Business and Regional Growth program of Economic Development Canada that Alphinat was awarded, proceeds resulting from Class A and Class B Debentures the Company announced on August 6, 2013 and future contracts for major license sales and professional services related to these licenses and ongoing projects.

The Company believes that current funds available, loans from shareholders, directors and individuals related to a director, proceeds resulting from Class A and Class B Debentures the Company announced on August 6, 2013, non-claim of repayment of a loan from a company under common control and of a loan from an individual related to a Director, as well as funds it will obtain upon entering into contracts from initiatives under way will enable it to recruit the additional personnel required to ensure its growth and to meet its financial obligations as they become due.

Related party transactions

- ***Key management compensation***
  Key management compensation, paid as salaries, for the three-month period ended May 31, 2016 was $85,636 ($76,240 for the three-month period ended May 31, 2015).

- ***Related party transactions***
  During the three-month period ended May 31, 2016, the Company has paid interest to:
  - directors and individuals related to directors totalling $5,848 ($17,879 for the three-month period ended May 31, 2015) on a loan from a director and debentures.
  - companies related to directors and a company owned by a director, totalling $9,326 ($19,479 for the three-month period ended May 31, 2015) on loans from a company related to a director and debentures.
  - a shareholder and a company owned by a controlling shareholder, totalling $6,134 ($11,618 for the three-month period ended May 31, 2015) on a loan from a company owned by a shareholder and debentures.

  As at May 31, 2016 accounts payable include an amount of $0 ($76,077 as at May 31, 2015) relating to these transactions.

  These transactions were carried out in the normal course of business.

Financial instruments

Information on financial instruments is presented in note 20 to the financial statements.

Subsequent events

After the quarter under review, Alphinat has received renewal notices for SaaS-based municipal services as well as confirmation of renewals for annual software maintenance contracts of SmartGuide from existing clients.

Risks and uncertainties

The main uncertainty relates to the length of the sales cycle in the public, telecom, financial services and health care sectors where the Company has thus far concentrated the bulk of its efforts.

Several factors could impact actual results and cause them to be different from expected results. These factors include the Company's ability to develop new markets and partnerships and its dependence on a limited number of customers.

Alphinat has limited financial resources and could require additional cash resources that may not be available or be available under conditions deemed unacceptable to the Company.

The significant value of Alphinat's Internet tools and solutions could draw attention from players who are capable of deploying considerable means to develop competing products, which would affect Alphinat's business potential.

The Company uses and intends to continue to use various measures such as copyrights, trademarks, trade secrets legislation, confidentiality agreements and other contractual terms in order to establish, to maintain and to protect its intellectual property rights. Unauthorized parties could attempt to copy certain of the Company's products or portions of its products or to obtain what is considered as proprietary information. With increased competition, there is a greater risk that other companies will attempt to produce new substitute products or technologies.

Revenue recognition

Professional service revenues are recognized according to the percentage-of-completion method. Work in progress is established by taking into account services rendered that have not yet been invoiced. Any payment received before services are rendered is recorded as deferred revenue.

Fees from software products, after-sales technical support and other services are normally allocated among the various elements based on vendor-specific evidence of the fair value of each element and the Company recognizes the revenue for each element when revenue recognition criteria are met. To determine the fair value of each element, the Company uses the requested price for an element when it is sold separately and any other information considered to be relevant.

Revenues from software licenses are recognized when there is persuasive evidence of a valid arrangement, the software product has been delivered and accepted from the client and no significant obligations from the Company remain. The after-sales technical support is recognized on a straight-line basis over the contractual service period and revenues from other services are recognized as the services are rendered.

Accounting standards issued but not yet applied

- **IFRS 15 - Revenue from Contracts with Customers** - In May 2014, the IASB issued IFRS 15 which replace IAS 18 - Revenue, IAS 11 - Construction contracts and other revenue related interpretations. IFRS 15 specify how and when to recognize revenue as well as requiring the provision of more information and relevant disclosures. The standard will be effective for period beginning on or after

October 1, 2017 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its financial statements.

Stock option agreements

The Company provides stock option and stock-based compensation plan that is described in note 18 a) to the financial statements.

Continuous disclosure process and disclosure controls

The Company files its financial statements, management discussions and analyses, press releases and other required documents in the Sedar database at www.sedar.com.

The Company's shares are listed on the TSX Venture Exchange under stock symbol NPA.

The Company issued its code of ethics that was sent to all employees by the Chief Executive Officer. The company instructs all employees invited to contact the audit committee directly if they are aware of information that could potentially impact the Company's financial statements.

Given Alphinat's current size, it is difficult to ensure segregation of all management duties. However, the Chief Executive Officer's direct involvement in the business on a daily basis compensates for this weakness, as he is able to exercise more effective oversight than in a larger entity as well as by the hiring of a chief financial officer.

Outlook

Alphinat specializes in the development and marketing of a Cloud-related next generation rapid application development (RAD) platform with a service-oriented architecture (SOA) approach that simplify and accelerate the implementation of applications, sites and portals designed to meet specific user needs while ensuring reuse of computer resources and experience within an organization.

The Company's products respond to a real need in the market, which is definitely moving toward the deployment of reusable services and the use of organizations' internal expertise. Market expectations show that 80% of new applications developments will be done through the development of composite applications (i.e. assembly and reuse of existing functionalities) rather than traditional applications development.

The Company's SmartGuide® suite is the result of years of experience with customers who saw the need to customize access to their data and processes based on users' needs and situation regardless of where the computer systems were located. This capability is crucial for making it easier for citizens and businesses to deal with the government, whose operations lead to many complex procedures. Alphinat's unified access layer is part of the Government of Quebec's new generation of service portals that are currently being deployed. The Company is actively working to build on this added value and to establish an integrated support, training and service delivery plan for its software solution.

There is a strong potential for Alphinat's "turnkey" solution in the public and private sector markets. Indeed, in most large administrations, the number of retirements anticipated over the coming decade, the increasing number of procedures and their increasing complexity, and the reduction of operating budgets, require an improvement in the public and private sector's productivity while users press for a radical simplification of the administrative burden.

Forward-looking statements

This MD&A contains forward-looking statements regarding the Company. These forward-looking statements are inherently subject to certain risks and uncertainties that could cause actual results to be materially different from those suggested by these statements.

The Company believes that these forward-looking statements were based on premises that were reasonable at the time they were made. However, readers are warned that future assumptions, several of which are beyond management's control, could otherwise prove to be incorrect.

Readers are invited to refer to Sedar (www.sedar.com) for additional information on the Company.