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ALPHINAT®

Management Discussion and Analysis

Alphinat Inc. ("Alphinat" or the "Company") Tiohtiá:ke/Montreal, QC headquarters are situated on the traditional territory of the Kanien'kehà:ka, which has long served as a site of meeting and exchange amongst many First Nations including the Kanien'kehá:ka of the Haudenosaunee Confederacy, Huron/Wendat, Abenaki, and Anishinaabeg. We recognize and respect the Kanien'kehà:ka as the traditional custodians of the lands and waters on which we operate and are committed to promoting diversity and inclusion within our company and community. (TSX Ventures Exchange: NPA.H:NEX) has reported its results for the 3-month period ended May 31, 2024.

General

This MD&A has been prepared as of November 27, 2024. This MD&A should be read in conjunction with our interim unaudited condensed financial statements for the three-month period ended May 31, 2024, prepared in accordance with IAS 34, Interim financial reporting and are available on SEDAR (www.sedar.com).

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 November 27th, 2024.

Overview - SmartGuide® brings faster agile development with LIVEaiASSIST© to the Cloud, Web and mobile and now extends its offering with SmartProfile® standalone secure Single Sign On (SSO) solution.

Alphinat sells SmartGuide® software solutions which are used for development and delivery of advanced digital services and secure portal solutions for public sector and industry.

SmartGuide® is a drag-and-drop development platform complete with features that many other solutions require developers to code, making applications easier to build, test and maintain. SmartGuide® software also provides easy support for accessibility standards with translation capacity supporting multiple languages and can automatically generate customizable documentation of the application being built.

SmartGuide software solutions are used by finance industry, federal, state and over 25 municipal governments with our secure portal technology for enterprise digital service delivery. Designed to leverage existing technologies such as CRM, document management, workflow and other back-office assets. SmartGuide is designed to be compatible with major cloud providers, allowing customers to deploy multiple applications on the same instance.

SmartGuide software is designed to be compatible and scalable with leading cloud providers, enabling clients to deploy multiple applications on the same instance to meet critical workload needs.

The Alphinat SmartGuide software platform is designed to allow for enterprise-level security and control over the applications it helps create, including leveraging features such as, artificial intelligence (AI), blockchain, unlimited encryption and two+ factor authentication that are specifically designed to thwart information, data and identity theft.

Deployable natively in J2EE or .NET environments, on premises or in the cloud, SmartGuide software solutions 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 defined steps that make it easy to interact and to complete complex or infrequently performed tasks. It is ideally suited for complex digital service offerings.

SmartGuide® is a drag-and-drop development platform complete with features that many other solutions require developers to code, making applications easier to build, test and maintain. SmartGuide® software also provides easy support for accessibility standards with translation capacity supporting multiple languages and can automatically generate customizable documentation of the application being built. As of Version 11 SmartGuide comes with optional Artificial Intelligence (AI) assisted development accelerator LIVEaiASSIST© leveraging your choice of large language model subscriptions.

The public sectors, healthcare, banking, insurance, telecommunications, and others, can benefit from SmartGuide® technology to modernize, automate and make profitable a multitude of business processes by realizing substantial savings compared to solutions tailor-made and coded. For more information on Alphinat or its software suite, please visit www.alphinat.com/en.

Business operations

Alphinat has experienced government cutbacks in IT spending in the post Covid economy but has worked to mitigate the business impact as the public sector continues to need to digitize citizen and enterprise services. Alphinat has an active diversity policy with 42% of its workforce being 1st or 2nd generation immigrants or visible minorities, being a women lead firm and gender orientation indifferent, seeking only the best minds to join our team

During the 3-month period ended May 31, 2024, Alphinat focused its efforts on improving its operating cash flow and increasing software sales, including its branded solutions and professional services.

We have also continued to work on expanding our distribution channels and on diversifying our offerings including security and automation features.

In order to accelerate future growth, Alphinat has six main areas of solution deliveries:

1) SmartGuide® Grants and Contributions solution (http://www.smartgrants.ca) was developed in conjunction with a federal department of the Canadian Government. This platform offers unparalleled productivity for federal, state and municipal clients creating calls for grants including financial program creations for applications, adjudication and payments;

2) SmartGuide® Portal Edition for Dynamics 365[1] (http://www.smartd365.com) has optimize the way that clients can now create and deploy online services on top of Microsoft Dynamics 365 CRM solutions. This offering is available in SaaS mode as well as on-premises;

3) SmartGuide® Green House Gas Registry solutions (www.SmartGHGR.cais a green fintech solution allowing governments and industry to work together in reducing the harmful effects of greenhouse gas. Alphinat currently has three provincial clients for our SmartGHGR.ca solution;

4) SmartGuide® Claims solutions (www.smartclaims.ca/) was developed in conjunction with a major IT consulting partner, which aims at offering unparalleled productivity to federal, state and municipal clients for financial claims applications, adjudication and settlements for financial compensation and class action settlements;

5) SmartGuide® CIVIC Portal, CIVIC Portal for Permits & Licensing (http://www.permitsmarter.ca) and SmartGuide® Municipal Cloud are Municipal Cloud and on-premises solutions front ending partner solutions and other digital services for improved user experience for both the cities and their citizens.

6) SmartProfile® (www.smartprofile.ca) a secure Single Sign On solution is now a standalone solution, built on SmartGuide it provides industry leading flexible for full integration and end-user satisfaction.

1 Dynamics 365 is a trademark of Microsoft Corporation

The company delivers solutions to various industry, federal, state / provincial agencies and municipalities across North America. In addition, the company continues to be involved in supporting its partners to ensure the delivery of solutions to government customers.

Alphinat is evolving its partnership strategy with consulting firms and systems integrators to promote and ensure resale and delivery of SmartGuide and SmartGuide solutions, as well as with independent software vendors for Original Equipment Manufacturer for portal (OEM) agreements and with other partners for SaaS services. Management believes that these agreements will help to reduce the sales cycle of the company's products while giving it additional exposure to new potential clients.

Selected quarterly financial data (unaudited)

Period	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
	29-02-2024	29-02-2024	30-11-2023	31-08-2023	31-05-2023	28-02-2023	30-11-2022	31-08-2022
	$	$	$	$	$	$	$	$
Revenue	256,533	242,715	224 ,738	351,968	393,621	368,684	365,954	388,329
Net earnings (Loss)	(43,866)	803	(10,856)	175,956	(5,848)	(19,430)	9,919	(121,736)
Basic and diluted EPS	(0.000695)	0.00001	(0.00017)	0.0027	(0.0001)	(0.0003)	0.0002	(0.002)

Revenue

For the 3-month period ended May 31, 2024, the Company recorded total revenues of $256,533 compared to $393,621 for the same period ended May 31, 2023.

During the period under review, revenues result from new license sales in the amount of $21,000 the same as the $21,000 license sales recorded for the 3-month period ending May 31, 2023. Software support and maintenance revenue decreased to $97,486 compared to $105,083 in the prior year's period ended May 31, 2023, principally due to some legacy clients shifting a former partner's light SaaS portal offering.

Professional services revenues for SmartGuide implementations and training for the 3 months ended May 31, 2024, decreased to $138,047 resulting from fewer and smaller active mandates compared to the prior year's 3 months period ended May 31, 2023, implementations in the amount of $267,538.

Operating expenses

Operating expenses were reduced to $287,491 for the 3-month period ended May 31, 2024, compared to $366,758 for the period ended May 31, 2023, due mainly to salary and head count restructuring efforts to mitigate losses but partly offset by higher insurance and other administrative expenses as detailed in note 14 to the financial statements.

Expenses related to the cost of services, administrative, selling and development for the three-month period ended May 31, 2024, decreased to $270,182 compared to $340,056 for the equivalent period ended May 31, 2023. Non-cash compensation expenses in the form of stock options is $17,309 for the period ended May 31, 2024, and was $26,702 for the corresponding period ended May 31, 2023.

Financing expenses

Financial expenses were $2,839 for the 3-month period ended May 31, 2024, compared to $13,990 for the 3-month period ended May 31, 2023. This decrease is mainly attributable to a reduction on the foreign exchange loss of ($79) versus a ($5,271) loss in the period ended May 31, 2023, and lower interest and penalties paid of $1,926 versus paid $6,851 in the prior year's period with governments and lessor. For more information on financial charges, see note 18 to the financial statements.

Earnings (loss) for the period

The net loss for the 3-month period ended May 31, 2024 amounted to ($43,866) or ($0.000695) per common share outstanding compared to a net loss of ($5,848) for the 3-month period. month ended May 31, 2023, or ($0.0001) per common share outstanding.

Assets

Cash amounted to $46,719 as at May 31, 2024 compared to $67,919 as at August 31, 2023.

As at May 31, 2024 accounts receivable amounted to $450,300 compared to $393,001 as at August 31, 2023. This increase is mostly due to an increase tax credit receivables and in total trade receivables as described in note 5 of the financial statements.

As at May 31, 2024, work in progress is $0 compared to $56,325 as at August 31, 2023 due to up to date invoicing of professional services contracts with non that overlap the quarter end May 31, 2024.

As at May 31, 2024, prepaid expenses amounted to $24,968 compared to $31,554 as at August 31, 2023 reflecting a increase in prepaid insurance fees.

As at May 31, 2024, a right-of-use asset of $9,071 for the rental of head office offices was recognized as explained in note 8 of the financial statements. As of August 31, 2023, this amount is $53,419.

Liabilities

The bank overdraft as of May 31, 2024, is $0 and $0 as of August 31, 2023.

Accounts payable and accrued liabilities are $785,905 as at May 31, 2024 compared to $843,910 as at August 31, 2023. The difference is mainly due to reduced salaries and benefits accrued and reduce outstanding invoice amounts as explained in note 9 of the financial statements.

Deferred revenues was $347,916 as of May 31, 2024 compared to $228,144 as of August 31, 2023 as a result of an increase in prepaid maintenance and support contracts.

As of May 31, 2024, lease obligations involve the recognition of a liability in the amount of $9,025 as explained in note 8 of the financial statements. As of August 31, 2023, this amount was $70,462.

Shareholders' equity

As of May 31, 2024, the number of ordinary shares in circulation of the company amounts to 63,148,956. As of the date of this report, the number of ordinary shares in circulation of the company amounts to 63,148,956 as disclosed in Note 11 to the financial statements.

Options and warrants

During the 3-month period ended May 31, 2024, 0 options expired and 0 were issued. As of May 31, 2024, there were 5,650,000 stock options outstanding at an average exercise price of $0.08 with a weighted contractual life of 50 months. As of the date of this report, there were 5,650,000 options outstanding as explained in note 12 to the financial statements.

During the quarter ended May 31, 2024 no warrants were issued, had expired or were cancelled. As at May 31, 2024 there were 0 warrants outstanding. As of the date of this report, there were 0 warrants outstanding.

Liquidity and solvency

As at May 31, 2024 the Company had a cash bank balance of $46,719 compared to cash of $67,919 as at August 31, 2023.

To finance its operations, the Company relies on receipts from accounts receivable, future contracts for major license sales and professional services related to these licenses and on-going projects. There is a risk that the company will not be able to obtain the funds necessary to meet its obligations.

The liquidity shortfalls were covered during the 3-month financial period ended May 31, 2024 by the support of suppliers, creditors and government authorities who tolerated late payments. Also related to the results for the fiscal year ended August 31, 2023, and the addition of cash, the company was able to repay all loans. These situations indicate the existence of significant uncertainties that could cast significant doubt on the Company's ability to continue its operations.

The company believes that, given the funds available, and with an operating profit before the generation of non-cash items, as well as the signature of contracts resulting from the initiatives in progress, will allow it to recruit the additional personnel necessary for its expansion, and thus its financial obligations as they become due.

Related party transactions

- ***Key management compensation***

The compensation of the principal officer, being the President, in the form of salaries, for the three-month period ended May 31, 2024 was $55,195 ($72,692 for the three-month period ended May 31, 2023). The Chief Financial Officer's compensation in the form of professional fees, for the three-month period ended May 31, 2024 was $2,895 ($10,980 for the three-month period ended May 31, 2023).

The compensation of key officers and directors, in the form of stock options, for the three-month period ended May 31, 2024 was $1,178 ($12,990 for the three-month period ended May 31, 2023).

The compensation of the principal officer, being the president, in the form of salaries, for the nine-month period ended May 31, 2024 was $139,653 ($200,769 for the nine-month period ended May 31, 2023). The Chief Financial Officer's compensation in the form of professional fees, for the nine-month period ended May 31, 2024 was $10,890 ($12,990 for the nine-month period ended May 31, 2023).

The compensation of key officers and directors, in the form of stock options, for the nine-month period ended May 31, 2024 was $4,218 ($0 for the nine-month period ended May 31, 2023).

Financial instruments

Information on financial instruments is presented in note 13 to the financial statements.

Subsequent events

The corporation has as at October 3rd 2024, entered into a 5 year lease for its head office starting December 1st, 2024 and other then that were no material events subsequent to the period ending May 31th, 2024.

The company has announced on November 11, 2024, a major contract win with the HCCH Court of Private Law in the Hague for the e-Country Profile, which is co-financed by the European Union, Australia, France, Germany, Italy, Sweden, Switzerland and EUBF and aims to establish a user-friendly, comprehensive digital platform.

Risks and uncertainties

The main uncertainty relates to the length of the sales cycle in the market 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 can deploy 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.

Stock option agreements

The Company provides stock option and stock-based compensation plan that is described in note 12 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.H:NEX.

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 having a chief financial officer to oversee all financial reporting.

Outlook

Alphinat specializes in the development and marketing of a Cloud-related next generation rapid application development (RAD) platform and related solutions 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 SmartGuide® suite is the result of years of experience with customers who also see 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 governments, and large institutions whose operations lead to many complex procedures. 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 institutions with the number of retirements anticipated over the coming decade, the increasing number of procedures, 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.