



Quisitive Technology Solutions, Inc.
Third Quarter Report September 30, 2024

QUISITIVE TECHNOLOGY SOLUTIONS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2024 and 2023
(all amounts in thousands of USD unless otherwise stated)

This management discussion and analysis ("MD&A") of Quisitive Technology Solutions, Inc. (the "Corporation", "Quisitive", "we" or "us") for the three and nine months ended September 30, 2024, should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and the notes thereto for the three and nine months ended September 30, 2024 and the audited financial statements and the notes thereto for the years ended December 31, 2023 and 2022. We have prepared this MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Our consolidated annual financial statements are prepared in accordance with IFRS Accounting Standards ("IFRS"). All amounts are expressed in thousands of United States dollars unless otherwise indicated.

This MD&A is current as at November 25, 2024, and may include certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws. Forward-looking statements and information can generally be identified using forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue", "plans" or similar terminology. Forward-looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Corporation to control or predict, that may cause the Corporation's actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out herein. These statements include, but are not limited to, statements with respect to proposed activities, consolidation strategy and future expenditures. These statements address future events and conditions and, as such, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements. Such factors include, among others the limited history of operations, lack of profitability, availability of financing, the need for additional financing, the timing and amount of expenditures, ability to successfully execute on consolidation strategies, the failure to find economically viable acquisition targets, funding for internally developed technology solutions, client retention and attrition, client demands, reliance on key personnel, economic spending in the IT industry and technological changes in the IT industry. The Corporation undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed, and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.

This MD&A also contains certain measures that do not have a standardized meaning under generally accepted accounting principles (GAAP) and therefore may not be comparable to similarly titled measures and metrics presented by other publicly traded companies. The Corporation includes these measures because it believes certain investors use these measures and metrics as a means of assessing financial performance. EBITDA (earnings before interest, taxes, depreciation and amortization is calculated as net earnings before finance costs (net of finance income), income tax expense, and depreciation and amortization of intangibles) is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. We prepare and release quarterly unaudited and annual audited financial statements prepared in accordance with IFRS. The Corporation also discloses and discusses certain non-GAAP financial information, used to evaluate our performance, in this MD&A as a complement to results provided in accordance with IFRS. We believe that current shareholders and potential investors in the Corporation use non-GAAP financial measures, such as Adjusted EBITDA, in making investment decisions about the Corporation and measuring our operational results. The term "Adjusted EBITDA" refers to a financial measure that we define as earnings before certain charges that management considers to be non-operating expenses and which consist of interest, taxes, depreciation, amortization, stock-based compensation (for which we include related fees and taxes), changes in fair value of derivatives, transaction and acquisition-related expenses, US payroll protection plan loan forgiveness, and earn-out settlement losses.

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OVERVIEW OF THE CORPORATION AND STRUCTURE

Business Overview General

Qusitive Technology Solutions, Inc. (the "Corporation") is a premier Microsoft solutions provider that leverages the power of the Microsoft cloud and artificial intelligence, alongside custom and proprietary technologies, to drive business outcomes for its customers.

Based on the information reviewed by the chief operating decision maker, and following the divestitures of LedgerPay, Inc. (PayiQ) and BankCard USA Merchant Services, Inc (Bankcard) during 2024, the Corporation consists of a sole operating and reporting segment, Cloud Solutions.

Qusitive focuses on helping enterprises across industries leverage the Microsoft platform to adopt, innovate, and thrive in the era of AI. With a legacy of deep technical and business expertise across the entire Microsoft cloud platform, Qusitive maintains capabilities in Microsoft Azure, Microsoft Dynamics, Microsoft 365, artificial intelligence, security, custom application development, managed services, and more.

Even before the founding of Qusitive, Qusitive's CEO, Michael Reinhart, and the Qusitive extended leadership and management teams had over 40 years of experience in the Microsoft ecosystem. Qusitive's core foundation is the combination of deep Microsoft technical expertise and ongoing relationship with Microsoft as a core partner to build strong joint sales and marketing motions that enable significant lead generation. The Corporation's brand identity as a premier Microsoft partner together with its senior executive relationships in the Microsoft ecosystem are considered key pillars to the Corporation's value proposition.

To date, Qusitive has acquired four Cloud Solutions businesses with geographic reach across North America, India, Pakistan, and the United Kingdom. This has allowed the Corporation to grow sales capabilities, expand geographic presence, incorporate nearshore and offshore development centers, and facilitate expansion of its products and services. These acquired businesses provide the Corporation with scale delivery operations and a complementary suite of products and services capabilities. The outcome is the ability to cross-sell and connect its global customer base with a broad set cloud services and solutions.

Global Cloud Solutions includes capabilities in AI, infrastructure, data and analytics, security, digital workplace, application development, and business applications services that apply the benefits of technology to solve business needs and help customers meet their goals. As a complement to its Cloud Solutions services, the Corporation also develops IP and complete first-party business applications to better serve its customers and their business goals. Additionally, the Corporation provides on-going technology service and maintenance through its managed services offerings across security, infrastructure, and Dynamics, that expand on existing customer relationships and create robust streams of recurring revenue.

Aligned to Microsoft's sales and marketing approach for enhanced synergies and increased demand generation, Qusitive goes to market with an industry approach that applies industry acumen with technical expertise to deliver solutions customized to address industry specific challenges. The Corporation particularly specializes in the industries of healthcare, manufacturing, and state and local government, with first-party industry-IP developed to meet the unique needs of these sectors.

By committing to its strategic partnership with Microsoft, the Corporation has differentiated itself in the market. The strategic relationship with Microsoft enables aligned sales and marketing motions that drive revenue, but also has established Qusitive as a premier solution provider in the ecosystem, providing enhanced opportunities for acquisition of other Microsoft partners and a reputation as a talent destination for Microsoft technologists. These attributes combine to enable Qusitive to provide full-service technology solutions to meet enterprise customers' diverse needs as a best-in-class technology consulting organization.

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Structure

On January 1, 2024, the Corporation effected an internal reorganization through the amalgamation of Corporate Renaissance Group, Inc. into Qusitive Technology Solutions, Inc. As at September 30, 2024, the structure of the Corporation was as follows:

Entity name	Country	Ownership percentage at September 30, 2024	Ownership percentage at December 31, 2023
		%	%
Bankcard USA Merchant Services, Inc. (Sold April 4, 2024)	USA	—	100
Ledgerpay, Inc rebranded as PayiQ (Sold January 26, 2024)	USA	—	100
Mazik Global, Inc.	USA	100	100
Qusitive Technology Solutions India Private Limited	India	100	100
Qusitive, Ltd	USA	100	100
Qusitive, LLC	USA	100	100
Qusitive Payment Solutions, Inc	USA	100	100

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Third quarter results

The following table summarizes results for the three months ended September 30, 2024 and 2023:

	Three months ended September 30,		Change	
	2024	2023*	Amount	%
Revenue from continuing operations	\$ 30,715	\$ 30,679	\$ 36	— %
Cost of Revenue	17,544	17,513	31	— %
Gross Margin	13,171	13,166	5	— %
Operating Expenses				
Sales and marketing expense	3,878	3,080	798	26 %
General and administrative	4,986	5,190	(204)	(4)%
Development	121	108	13	12 %
Share-based compensation (Note 9)	501	548	(47)	(9)%
Interest expense (Note 6)	643	1,570	(927)	(59)%
Amortization (Note 5)	1,748	1,842	(94)	(5)%
Acquisition Related Compensation	5	—	5	— %
Depreciation (Note 4)	217	267	(50)	(19)%
Foreign exchange loss	157	(166)	323	(195)%
Acquisition-related, transaction and other expenses ..	186	1,428	(1,242)	(87)%
Other Income	(6)	(7)	1	(14)%
Loss from continuing operations before income taxes	\$ 735	\$ (694)	\$ 1,429	(206)%
Income tax expense (recovery) - current	370	1,017	(647)	(64)%
Deferred income tax expense (recovery)	(32)	(336)	304	(90)%
Loss from continuing operations	\$ 397	\$ (1,375)	\$ 1,772	(129)%
Discontinued Operations				
Income loss from discontinued operations	(112)	96	(208)	(217)%
Income (loss) for the Period	\$ 285	\$ (1,279)	\$ 1,564	(122)%

***Comparative information has been represented due to a discontinued operation. See Note 15 and Note 16 in the unaudited condensed consolidated interim statements for the three and nine months ended September 30, 2024.**

Revenue remained consistent at \$30,715 for the three months ended September 30, 2024 compared to \$30,679 for the three months ended September 30, 2023. During the three months ended September 30, 2024, professional services revenue decreased compared to the three months ended September 30, 2023, but was offset by increased revenue from managed services and software licensing.

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The following table summarizes results for the three months ended September 30, 2024 and 2023 on a segmented basis:

	Three months ended September 30,					
	2024			2023		
	Global Cloud Solutions	Global Payment Solutions (Discontinued Segment)	Consolidated	Global Cloud Solutions	Global Payment Solutions (Discontinued Segment)	Consolidated
Revenue	\$ 30,715	\$ —	\$ 30,715	\$ 30,679	\$ 13,692	\$ 44,371
Expenses	26,473	26	26,499	25,779	11,582	37,361
Adjusted EBITDA	4,242	(26)	4,216	4,900	2,110	7,010
All other expenses			3,844			8,289
Net loss from disposal of BankCard			(86)			—
Net income (loss)			\$ 286			\$ (1,279)

Revenue within the Global Cloud Solutions segment remained consistent at \$30,715 for the three months ended September 30, 2024 compared to \$30,679 for the three months ended September 30, 2023. The decrease in revenue from professional services was partially offset by an increase in the Corporation's revenue from maintenance, license and support services.

Revenue within the discontinued segment Global Payment Solutions was \$0 for the three months ended September 30, 2024 as the sale of Bankcard closed on April 4, 2024. Revenue for the three months ended September 30, 2023 was \$13,692

Overall revenue primarily decreased \$(13,656), or (31)%, to \$30,715 for the three months ended September 30, 2024 from \$44,371 for the three months ended September 30, 2023, due to the discontinued Global Payment Solutions segment.

Cost of revenue is comprised of salaries and other personnel related costs, direct subcontractor and other costs associated with delivering the services in the Global Cloud Solutions segment. Cost of revenue remained consistent at \$17,544 for the three months ended September 30, 2024 compared to \$17,513 for the three months ended September 30, 2023.

Gross margin increased \$5, or 0%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. Revenue and expense remained stable. As a percentage of revenue, gross margin also remained stable at 43% for both the three months ended September 30, 2024 and the three months ended September 30, 2023.

Operating expense is comprised of salaries, commissions, other personnel related costs, facilities, bad debt expenses, travel expenses, advertising programs, investor relations and other promotional activities associated with administrating the Corporation and selling and marketing its services. Operating expenses are further described below.

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The following table summarizes condensed results for the nine months ending September 30, 2024 and 2023:

	Nine months ended September 30,		Change	
	2024	2023	Amount	%
Revenue (Note 14)	\$ 90,241	\$ 92,814	\$ (2,573)	(3) %
Cost of Revenue	51,797	56,095	(4,298)	(8) %
Gross Margin	38,444	36,719	1,725	5 %
Operating Expenses				
Sales and marketing expense	11,550	9,312	2,238	24 %
General and administrative	14,932	17,274	(2,342)	(14) %
Development	339	332	7	2 %
Share-based compensation (Note 9)	1,386	3,209	(1,823)	(57) %
Interest expense (Note 6)	3,229	4,850	(1,621)	(33) %
Amortization (Note 5)	5,460	5,652	(192)	(3) %
Acquisition Related Compensation	182	638	(456)	(71) %
Depreciation (Note 4)	693	810	(117)	(14) %
Foreign exchange loss	(77)	53	(130)	(245) %
Acquisition-related, transaction and other expenses	3,707	2,165	1,542	71 %
Other Income	(26)	3	(29)	(967) %
Loss from continuing operations before income taxes	\$ (2,931)	\$ (7,579)	\$ 4,648	(61)%
Income tax expense (recovery) - current	(213)	1,862	(2,075)	(111) %
Deferred income tax expense (recovery)	(32)	(1,213)	1,181	(97) %
Loss from continuing operations	\$ (2,686)	\$ (8,228)	\$ 5,542	(67)%
Discontinued Operations				
Income from discontinued operations	16,611	943	15,668	1662 %
Income (loss) for the Period	\$ 13,925	\$ (7,285)	\$ 21,210	(291)%

Revenue decreased by \$(2,573), or (3)%, to \$90,241 for the nine months ended September 30, 2024 from \$92,814 for the same period in 2023. The decrease was influenced by a shift in market demand within professional services revenue and the Corporation's strategic realignment of revenue-generating headcount.

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The following table summarizes results for the nine months ended September 30, 2024 and 2023 on a segmented basis:

Segment	For the nine months ended September 30,					
	2024			2023 (Restated)		
	Global Cloud Solutions	Global Payment Solutions (Discontinued Segment)	Consolidated	Global Cloud Solutions	Global Payment Solutions (Discontinued Segment)	Consolidated
Revenue	\$ 90,241	\$ 11,532	\$ 101,773	\$ 92,814	\$ 45,190	\$ 138,004
Expenses	78,210	7,894	86,104	82,666	36,953	119,619
Adjusted EBITDA	12,031	3,638	15,669	10,148	8,237	18,385
All other expenses			16,765			25,670
Net gain from disposal of PayIQ and revaluation of BankCard assets held for sale			15,022			—
Net income (loss)			<u>\$ 13,926</u>			<u>\$ (7,285)</u>

Revenue within the Global Cloud Solutions segment decreased \$(2,573), or (3)%, to \$90,241 for the nine months ended September 30, 2024 from the nine months ended September 30, 2023. The decrease in revenue from professional services was partially offset by an increase in the Corporation's revenue from maintenance, license and support services.

Revenue within the discontinued Global Payment Solutions segment concluded on April 4, 2024 with the sale of Bankcard.

Overall revenue decreased \$(36,231) or (26)%, to \$101,773 for the nine months ended September 30, 2024 from \$138,004 for the nine months ended September 30, 2023, primarily due to the sale of Bankcard within the discontinued Global Payment Solutions segment.

Cost of revenue is comprised of salaries and other personnel related costs, direct subcontractor and other costs associated with delivering the services in the Global Cloud Solutions segment. Cost of revenue decreased \$(4,298), or (8)%, to \$51,797 for the nine months ended September 30, 2024 compared to \$56,095 for the nine months ended September 30, 2023. The decrease in cost of revenue is due to the Corporation's reductions in headcount to align with market demand.

Gross margin increased \$1,725, or 3%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 as the Corporation streamlined its cost basis as part of headcount reductions. As a result, the Corporation earned more gross margin even though revenue decreased between the periods. As a percentage of revenue, gross margin increased to 43% of revenue for the nine months ended September 30, 2024 compared to 40% for the nine months ended September 30, 2023.

Operating expense is comprised of salaries, commissions, other personnel related costs, facilities, bad debt expenses, travel expenses, advertising programs, investor relations and other promotional activities associated with administrating the Corporation and selling and marketing its services. Operating expenses are further described below.

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Sales and marketing expense

The following table summarizes sales and marketing expenses for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Sales and marketing expense	3,878	3,080	11,550	9,312
As a percentage of revenue	13 %	10 %	13 %	10 %

Sales and marketing expense consist primarily of salary and personnel related costs including commissions.

Additional expenses include digital marketing campaigns, marketing events, travel and efforts on proof of concept. The overall increase in sales and marketing expense for both the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023 is primarily due to increased headcount within the sales, presales and marketing teams.

General and administrative expense

The following table summarizes General and administrative expense for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
General and administrative expense \$	4,986	\$ 5,190	\$ 14,932	\$ 17,274
As a percentage of revenue	16 %	17 %	17 %	19 %

General and administrative expense consists primarily of salary and personnel related costs. Additional expenses include professional fees, insurance, bad debt, occupancy costs and other office related expenses. General and administrative expenses decreased \$(204), or (4)%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 and for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023, general and administrative expenses decreased \$(2,342), or (14)%. The Corporation reduced headcount and overhead during the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023 and also began to receive monthly payments from Fulcrum Payment Solutions (Fulcrum) for certain back-office services provided to PayiQ during a transitional period after the sale of PayiQ.

Amortization is attributable to intangible assets, including the Microsoft relationship, customer agreements and relationships, brand and software acquired in the Corporation's prior acquisitions as well as website and capitalized software development costs. Intangibles assets with a finite life are amortized to expense over their useful life. Amortization decreased \$(94) to \$1,748 for the three months ended September 30, 2024 compared to \$1,842 for three months ended September 30, 2023 and decreased \$(192) to \$5,460 for the nine months ended September 30, 2024 compared to \$5,652 for the nine months ended September 30, 2023.

Interest expense on borrowings during the three and nine months ended September 30, 2024, was \$671 and \$3,184, respectively (September 30, 2023 - \$1,507 and \$4,595). The primary driver of the decrease in Interest expense was the reduction in the Company's outstanding borrowings of \$34,613 with proceeds from the sale of Bankcard on April 4, 2024. The Company also makes quarterly payments on its borrowing of \$850 per quarter.

Share-based compensation is the value ascribed to the granting of stock incentives to employees and directors of the Corporation. Share-based compensation can encompass stock options, restricted stock units, performance based stock units, deferred share units and stock appreciation rights. For the three and nine months ended September 30, 2024, the Corporation recognized share-based compensation of \$501 and \$1,386, respectively. (September 30, 2023 — \$548 and \$3,209). Share-based compensation decreased to \$1,386 for the nine months

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ended September 30, 2024 from \$3,209 for the nine months ended September 30, 2023 as the 2023 period included the conversion of various accrued bonuses to share-based compensation in the second quarter of 2023.

Depreciation expense for the three and nine months ended September 30, 2024 was \$217 and \$693, respectively, compared to \$267 and \$810 for the three and nine months ended September 30, 2023. The decrease is primarily related to reductions in office lease right of use expense for office locations and also reduced depreciation related to software.

Acquisition-related, transaction and other expenses include all direct and incremental expenses associated with ongoing transactions related to acquisition activity. They are comprised of legal, accounting, valuation, taxation and other consulting expenses incurred directly related to corporate transactions including acquisitions and divestitures. Transaction related expenses for the three and nine months ended September 30, 2024 were \$186 and \$3,707, respectively (September 30, 2023 - \$1,428 and \$2,165). The Corporation notes the divestitures of PayiQ in January 2024 and BankCard in April 2024 have driven the various transaction related expenses.

Acquisition-related compensation reflects the expectation of earn-out obligations classified as compensation rather than purchase consideration. There was \$5 and \$182 of acquisition-related compensation for the three and nine months ended September 30, 2024 compared to \$0 and \$638 for the three and nine months ended September 30, 2023.

For the three months ended September 30, 2024 and 2023 Adjusted EBITDA reconciliation:

	For the three months ended September 30,	
	2024	2023
Net income (loss) for the period	\$ 285	\$ (1,279)
Income (loss) from discontinued operations, net of tax	(112)	96
Net loss from continued operations	397	(1,375)
Current income tax expense (recovery)	370	1,017
Deferred income tax recovery	(32)	(336)
Foreign exchange	157	(166)
Depreciation	217	267
Amortization	1,748	1,842
Interest	643	1,570
Share-based compensation	501	548
Acquisition Related Compensation	5	—
Acquisition-related, transaction and other expenses	186	1,428
Other	(71)	(3)
Development	121	108
Adjusted EBITDA	\$ 4,242	\$ 4,900

Adjusted EBITDA for the three months ended September 30, 2024 was \$4,242, or 14% of revenue, compared to \$4,900, or 16% of revenue, for the three months ended September 30, 2023. The decrease in Adjusted EBITDA was due to increased sales and marketing expense experienced during the three months ended September 30, 2024 due to increased headcount within sales, marketing and presales and also customer-related travel and events. The increase in sales and marketing expense was offset by a decrease in general and administrative expense, which was driven by the expense offset of the transitional services agreement with Fulcrum.

The discontinued Global Payment Solutions segment delivered \$(26) of Adjusted EBITDA for the three months ended September 30, 2024. Total Adjusted EBITDA for the three months ended September 30, 2024 would have reflected \$4,216 before the impact of discontinued operations presentation.

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Nine months ended September 30, 2024 and 2023 Adjusted EBITDA reconciliation

	Nine months ended September 30,	
	2024	2023
Net income (loss) for the period	\$ 13,925	\$ (7,285)
Income from discontinued operations, net of tax	16,611	\$ 943
Net loss from continued operations	(2,686)	(8,228)
Current income tax expense (recovery)	(213)	1,862
Deferred Income tax recovery	(32)	(1,213)
Acquisition-related, transaction and other expenses	3,707	2,165
Foreign exchange loss (gain)	(77)	53
Depreciation	693	810
Acquisition-related compensation	182	638
Amortization	5,460	5,652
Interest	3,229	4,850
Share-based compensation	1,386	3,209
Development	339	332
Other	43	18
Adjusted EBITDA	<u>\$ 12,031</u>	<u>\$ 10,148</u>
Adjusted EBITDA as a percentage of revenue	13 %	11 %
	\$ 90,241	\$ 92,814

Adjusted EBITDA for the nine months ended September 30, 2024 was \$12,031, or 13% of revenue, compared to \$10,148 or 11% of revenue, for the nine months ended September 30, 2023. The increase in Adjusted EBITDA was due to a streamlined cost structure as the Corporation responded to reduced market demand for professional services. During the nine months ended September 30, 2023, the Corporation carried excess staff capacity as market demand was decreasing. The Corporation responded to the market changes and adjusted its billable staff and also reduced general and administrative expenses. During the nine months ended September 30, 2024, the Corporation experienced an expense offset provided by the transitional service agreement with Fulcrum.

The discontinued Global Payment Solutions segment delivered \$3,638 of Adjusted EBITDA for the nine months ended September 30, 2024. Total Adjusted EBITDA for the nine months ended September 30, 2024 would have reflected \$15,669 before the impact of discontinued operations presentation.

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Quarterly Operating Results

Selected financial information for each of the most recently completed quarters of Quisitive, presented with the combined effect of continuing operations and discontinued operations, are as follows:

	Quarter ended	Revenue (\$)	Gross Margin (\$)	Net income (loss) (\$)	Income (Loss) per share (\$)	Income (Loss) per fully diluted share (\$)	Adjusted EBITDA (\$)
Q3 2024	30-Sep-24	30,715	13,171	285	—	—	4,216
Q2 2024	30-Jun-24	30,334	12,922	7,447	(0.01)	(0.01)	4,227
Q1 2024	31-Mar-24	40,724	17,537	6,193	0.02	0.01	7,226
Q4 2023	31-Dec-23	39,467	17,026	(85,001)	(0.21)	(0.23)	4,729
Q3 2023	30-Sep-23	44,371	18,332	(1,279)	(0.00)	(0.00)	7,009
Q2 2023	30-Jun-23	45,322	16,730	(3,418)	(0.01)	(0.01)	4,350
Q1 2023	31-Mar-23	48,311	18,168	(2,587)	(0.01)	(0.01)	7,046
Q4 2022	31-Dec-22	45,901	18,998	(5,107)	(0.01)	(0.01)	8,072

LIQUIDITY AND CAPITAL RESOURCES

Selected financial information from the audited consolidated statements of financial position as at September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024	December 31, 2023
Working capital surplus	\$ 12,090	\$ 33,197

The Corporation defines working capital as current assets less current liabilities. The Corporation had a working capital surplus at September 30, 2024 of \$12,090 compared to \$33,197 at December 31, 2023. The Corporation's entire Payments Solution segment was classified as held for sale at December 31, 2023. The net asset value of the disposal group, net of liabilities, was \$102,724 at December 31, 2023 and was zero at September 30, 2024, as the dispositions of PayiQ and Bankcard were completed. Further, the \$10,333 contingent consideration payable at December 31, 2023 was settled as part of the Bankcard disposition and has a zero balance at September 30, 2024. At December 31, 2023, the current portion of the BMO Loan Agreement was \$67,512 as the Corporation's entire facility was classified as current. The credit facility was paid down by \$34,613 as part of the Bankcard disposition and the BMO Loan Agreement was amended. The current portion of the loan agreement was \$3,400 at September 30, 2024.

The remaining change reflects an increase in cash and work in process, an increase in prepaid expenses, an increase in accounts payable and accrued liabilities, a decrease in taxes payable and a decrease in deferred revenue.

(i) BMO Loan agreement and repayment of previous loan facilities

On August 3, 2022, the Corporation amended and restated its existing 2021 BMO Loan Agreement with a new credit agreement (the "BMO Loan Agreement"), with a syndicate led by Bank of Montreal ("BMO"). The Corporation concluded that the amendment of the 2021 BMO Loan Agreement should be accounted for as a debt modification based on the guidance in IFRS 9. The BMO Loan Agreement provided for a term loan of \$75,554 (the "Term Loan"), an additional term loan of \$9,500 (the "Earn-Out Loan") and a revolving loan facility of up to \$5,000 (the "Revolving Facility"). The Corporation ultimately borrowed \$7,500 of the Earn-Out Loan. All debts, liabilities, and obligations of the Corporation and guarantors under the BMO Loan Agreement

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are collaterally secured by a first ranking security interest in all of the present and future undertaking, property and assets of the Corporation and its material subsidiaries. The proceeds from the Revolving Facility were

expected to be used by the Corporation to fund working capital requirements in the ordinary course. The Term Loan, Earn-Out Loan and Revolving Facility were available by way of Canadian dollar prime rate loans, U.S. dollar base rate loans, Canadian dollar CDOR loans and SOFR loans in either US or Canadian dollars.

Interest on the Term Loan, the Earn-Out Loan and the Revolving Facility were payable based on a price grid which ranges, depending on the Corporation's total senior debt to EBITDA ratio. The rates range on Canadian prime rate advances or U.S. base rate advances from 0.25% to 2.50%, CDOR advances or SOFR advances from 1.75% to 4.0% and a standby fee ranging from .35% to .60%.

On March 31, 2023, the Corporation amended the BMO Loan Agreement to reduce the minimum fixed charge coverage ratio covenant, as defined therein, from 1.25:1.00 to 1.10:1.00 through December 31, 2023. The minimum fixed charge coverage ratio returned to 1.25:1.00 for the quarter ending March 31, 2024. As part of the amendment, additional financing costs were capitalized and will be expensed over the life of the loan.

On April 4, 2024, the Corporation entered into a second amendment to the BMO Loan Agreement (the "Second Amendment") with the same syndicate of institutions led by Bank of Montreal and including Federation descaisses Desjardins du Quebec that (i) reduced the term loan credit facility from approximately \$68,617 to \$34,000, and (ii) reduced the revolving loan credit facility from \$5,000 to \$3,500. A portion of the cash proceeds received from the sale of BankCard (Note 15) were used to partially repay the BMO Loan Agreement in the amount of \$34,613. The Corporation concluded that the Second Amendment should be accounted for as a debt modification based on the guidance in IFRS 9. All debts, liabilities, and obligations of the Corporation and guarantors under the Second Amendment are collaterally secured by a first ranking security interest in all of the Corporation's shares and its material subsidiaries. The maturity date of the facility is April 4, 2026.

After the the Second Amendment, interest on the Term Loan and the Revolving Facility is payable based on a price grid which ranges depending on the Corporation's total senior debt to EBITDA ratio. The rates range on Canadian prime rate advances or U.S. base rate advances from 1% to 2.50%, CORRA advances or SOFR advances from 2% to 3.50% and a standby fee ranging from .40% to .70%.

As part of the Second Amendment, the minimum fixed charge coverage ratio covenant was set as to 1.10:1.00 through March 31, 2025. The minimum fixed charge coverage ratio will increase to 1.15:1.00 commencing on April 1, 2025 through December 31, 2025. On January 1, 2026, the minimum fixed charge coverage ratio will increase to 1.25:1.00 at all times thereafter. As part of the amendment, additional financing costs of \$400 were capitalized and will be expensed over the life of the loan.

The total of capitalized financing costs equals \$1,077 at September 30, 2024 (December 31, 2023 - \$1,451). After the Second Amendment, the BMO Loan Agreement is repayable in equal quarterly installments of \$850 over the loan term with a final payment due at maturity.

The BMO Loan Agreement contains standard compliance requirements as well as ongoing debt service and coverage covenants. The Corporation was in compliance with all covenants on September 30, 2024, however there can be no assurances that compliance will be achieved throughout the remaining term of the agreement.

Interest expense on borrowings during the three and nine months ended September 30, 2024 was \$671 and \$3,184 (September 30, 2023 - \$1,507 and \$4,595).

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(ii) Sale of PayiQ

On November 28, 2023, Qusitive entered into a definitive stock purchase agreement dated November 28, 2023 (the “PayiQ Agreement”) with Fulcrum pursuant to which Qusitive agreed to sell its PayiQ subsidiary which includes the PayiQ cloud-enabled payment processing platform, operations and team (the “PayiQ Sale”). The PayiQ Sale was completed on January 29, 2024. Pursuant to the terms of the PayiQ Agreement, Qusitive is entitled to aggregate consideration of up to \$45,000 comprised of \$27,000 of Fulcrum Shares (as defined below) and earn-out payments in cash of up to \$18,000 based on PayiQ exceeding revenue growth. On completion of the PayiQ sale, Qusitive received 27,000 preferred shares of Fulcrum (the “Consideration Shares”). The Consideration Shares have a right to receive a dividend on an annual basis equal to 4.0% of the value of the Consideration Shares, to be paid in kind. On January 29, 2027, the Consideration Shares will be automatically converted into common shares of Fulcrum (the “Fulcrum Shares”) with a value equal to one thousand dollars per Consideration Share, provided that the Fulcrum Shares are listed and posted for trading on a recognized stock exchange in Canada or in the United States. If the Fulcrum Shares are not publicly traded at such time, Qusitive shall have the right to require Fulcrum to purchase all or a portion of the Consideration Shares for a purchase price equal to one thousand dollars per Consideration Share, for aggregate consideration of up to \$27,000. Qusitive may also be entitled to additional contingent consideration in the form of performance earn-outs if PayiQ achieves certain financial thresholds during the three-year period following the closing of PayiQ Sale Transaction. The amount of the earn-out is a maximum of \$18,000 payable in cash based on PayiQ exceeding revenue growth targets.

(iii) Sale of BankCard

On April 4, 2024, Qusitive finalized a definitive stock purchase agreement. (the “BUSA Agreement”) pursuant to which Qusitive agreed to sell its BankCard business unit (the “BUSA Transaction”) to BUSA Acquisition Co. (the “Acquiror”), a Nevada incorporated entity owned by a consortium of current employees of BankCard, including Shawn Skelton, Scott Hardy and Jason Hardy, as well as other arm’s length third parties. The BUSA Pursuant to the terms of the BUSA Agreement, the consideration received by Qusitive for the sale of BankCard consisted of: (i) \$40,000 in cash; (ii) the return by the Acquiror of 133,095,158 common shares of Qusitive (the “Qusitive Shares”) to a wholly-owned subsidiary of Qusitive; and (iii) delivery by the former vendors of BankCard of a settlement agreement releasing Qusitive (and certain of its subsidiaries) of any and all obligations to pay a \$10,000 earnout payment (plus accrued interest) as provided pursuant to the terms of a stock purchase agreement between Qusitive, a wholly-owned subsidiary of Qusitive, and the former vendors of BankCard dated March 29, 2021. The parties to the BUSA Transaction also agreed to full and final customary mutual releases.

Sources and Uses of Cash

The cash activity presented below presents the combined results of continuing operations and discontinued operations.

	Nine months ended September 30,	
	2024	2023
Cash generated from operating activities	\$ 6,289	\$ 10,486
Cash provided by (used in) investing activities	37,655	(5,761)
Cash used by financing activities	(41,672)	(8,521)
Net increase (decrease) in cash	\$ 2,272	\$ (3,796)

The net increase in cash as of September 30, 2024 was primarily attributable to cash generated from operating activities and reduced capital expenditures for software development after the sale of PayiQ. In addition, the

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Corporation received \$40,000 as part of the Bankcard disposition, which was offset by \$36,313 in repayments of the BMO Loan Agreement (\$34,613 of which was paid down as part of the amendment to the credit agreement concurrent with the sale of Bankcard on April 4, 2024), \$1,000 in contingent consideration paid related to the Mazik acquisition, \$3,163 of interest paid and \$2,269 of capital expenditures for software development related to its Global Cloud Solutions segment.

The net decrease in cash as of September 30, 2023 was driven by \$5,425 in capital expenditures for software development primarily for the PayiQ platform, \$7,020 in repayments of the BMO Loan Agreement and \$4,591 in interest, partially offset by \$4,544 in net proceeds from the issuance of common stock in a bought deal.

RELATED PARTY TRANSACTION AND BALANCE

(i) Key management compensation

The Corporation's key management consist of executive officers and directors. The compensation recorded to key management personnel during the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Salaries and short term benefits	\$ 223	\$ 223	\$ 685	\$ 668
Share Based Compensation	\$ 233	\$ 59	\$ 589	\$ 1,043

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Quisitive has leased several office facilities under separate non-cancelable operating leases which are capitalized under IFRS16.

Future minimum cash payments required under the property leases held by the Corporation are as follows:

	September 30, 2024
2024	\$ 191
2025	553
2026	449
2027	269
2028+	502
Total	\$ 1,964
Discounting	(209)
Total	\$ 1,755

In addition, the Corporation has the following contractual obligations with payments set out below:

	under 3 months	3 months-1 year	1-2 years	3-5 years
Accounts payable and accrued liabilities	\$ 12,246	\$ 4,064	\$ —	\$ —
Income taxes payable	—	714	—	—
Loan agreement	850	2,550	6,800	21,023
Total	\$ 13,096	\$ 7,328	\$ 6,800	\$ 21,023

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OUTSTANDING SHARE CAPITAL

At September 30, 2024, there were 277,417,081 Common Shares issued and outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Corporation has no material undisclosed off balance sheet arrangements that have or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that is material to investors.

FINANCIAL INSTRUMENTS

The carrying values of the cash, accounts receivable, accounts payable and accrued liabilities, and income tax receivable (payable) approximate their fair values due to their short term to maturity. The carrying value of the Loan Agreements approximate fair value as they were at market rates of interest.

The Corporation has exposure to the following risks from its use of financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with major US and Canadian financial institutions and the Corporation's concentration of credit risk for cash and maximum exposure thereto is at September 30, 2024 is \$9,697 (December 31, 2023 — \$7,015).

With respect to its accounts receivable, the Corporation assesses the credit rating of all customers and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Corporation's credit risk with respect to trade accounts receivable and maximum exposure thereto is at September 30, 2024 is \$17,657 (December 31, 2023 — \$18,727). Accounts receivable are shown net of provision of credit losses of \$723 (December 31, 2023 — \$577).

	<u>under 30</u>	<u>30-60 days</u>	<u>over 60 days</u>	<u>Total</u>
Trade receivables	\$ 12,527	\$ 1,932	\$ 3,921	\$ 18,380

The Corporation has no customer that constitutes greater than 10% of accounts receivable at September 30, 2024 and December 31, 2023.

(b) Liquidity risk

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Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. At September 30, 2024, the Corporation has \$9,697 (December 31, 2023 — \$7,015) of unrestricted cash and liabilities with the following due dates at their carrying values:

	<u>under 3 months</u>	<u>3 months-1 year</u>	<u>1-2 years</u>	<u>3-5 years</u>
Accounts payable and accrued liabilities	\$ 12,246	\$ 4,064	\$ —	\$ —
Income taxes payable	—	714	—	—
Loan agreement	850	2,550	6,800	21,023
Total	<u>\$ 13,096</u>	<u>\$ 7,328</u>	<u>\$ 6,800</u>	<u>\$ 21,023</u>

The Corporation manages its liquidity risk by relying upon its revenues. Any concerns with respect to the liquidity risks presented by the outstanding contingent consideration were alleviated as a result of the aforementioned divestiture of Bankcard subsequent to the year ended December 31, 2023. Liquidity risks to repay the full balance of the Loan agreement on demand were removed by amending and restating the BMO Loan Agreement, as noted above.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

(d) Interest rate risk

The Corporation is exposed to interest rate risk through the Term Loan. Quarterly interest payments are based on a price grid which ranges, depending on the Corporation's total senior debt to EBITDA ratio. The rates range on Canadian prime rate advance or U.S. Base Rate advance from 1% to 2.5%; CORRA advance, SOFR advance from 2% to 3.5% and a standby fee ranging from .40% to .70%. A 1% change in the interest rate would lead to +/- \$312 change in interest over 1 year.

(e) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Corporation's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Corporation is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Corporation are not denominated in its functional currency. The Corporation does not manage currency risk through hedging or other currency management tools.

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As at September 30, 2024 and December 31, 2023, the Corporation's net exposure to foreign currency risk on its financial instruments is as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
	CAD\$	CAD\$
Cash	\$ 5,410	\$ 6,541
Accounts receivable	2,317	2,536
Accounts payable and accrued liabilities	(5,410)	(4,099)
	<u>\$ 2,317</u>	<u>\$ 4,978</u>
United States dollar equivalent	<u>\$ 1,716</u>	<u>\$ 3,764</u>

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is not exposed to other price risk as at September 30, 2024, other than those arising from interest rate risk or foreign currency risk.

The carrying value of investment in equity securities in Fulcrum are not readily-determinable as Fulcrum is a privately-held entity. Although the discounted cash flow analyses used to determine the fair value of the investment were based on assumptions that the Corporation's management considered reasonable and were based on the best available information at the time that the analyses were developed, there is significant judgment used in determining future cash flows. The Corporation believes that deviations in the significant assumptions of the likelihood of sales volume, operating margins and perpetual growth rates, could potentially materially change the valuation of its investment in Fulcrum. Additionally, the value of its investment in Fulcrum could be significantly impacted by changes in the discount rate, which could be caused by numerous factors, including changes in market inputs.

(g) Fair values

The carrying values of cash, accounts receivable, accounts payables and accrued liabilities and income tax receivable (payable) approximate fair values due to the short-term nature of these items or they are being carried at fair value. The risk of material change in fair value is not considered to be significant. The Corporation does not use derivative financial instruments to manage this risk. Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Corporation categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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Investment in equity securities measured at fair value are classified as Level 3 financial instruments. The valuation method and significant assumptions used to determine the fair value of the equity securities have been disclosed in Note 4. During the period, there were no transfers of amounts between levels.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated annual financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Corporation reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment. Material accounting policies and estimates under IFRS are found in Note 3 of the Corporation's consolidated annual financial statements and the notes thereto for the three months and nine ended September 30, 2024 and 2023.

ACCOUNTING STANDARDS ISSUED ADOPTED DURING THE PERIOD

For the preparation of these audited consolidated financial statements, there were no new standards or amendments to standards adopted in 2024 that had a material impact on the Corporation.

RISK FACTORS

The following risk factors should not be exhaustive and may not be all the risks that Qusitive may face. Management of the Corporation believes that these factors set out below could cause actual results to be different from expected and historical results. In addition to the risks noted below, risks related to Financial Instruments as set forth in this MD&A, and those risk factors described in Qusitive's annual information form dated May 29, 2023 which is available on SEDAR, special consideration should be given when evaluating trends, risk and uncertainties relating to Qusitive's business.

Profitability

There is no assurance that Qusitive or any of its Subsidiaries will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue Qusitive's business development and marketing activities. If Qusitive does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Availability of Financing

The ability of Qusitive to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of Qusitive and its Subsidiaries. There can be no assurance that Qusitive will be successful in its efforts to arrange additional financing, or that such financing will be available on terms satisfactory to Qusitive. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of Qusitive may change and shareholders may suffer additional dilution. Similarly, future acquisitions may be funded in part by equity of a Qusitive Subsidiary or proposed acquisition target, in a manner similar to the arrangements comprising the Qusitive Employment Incentives or as otherwise may be determined by the Board of the Corporation from time to time. Any such arrangement could have a dilutive effect on the interest of shareholders in one or more operating subsidiaries of Qusitive.

If adequate funds are not available, or are not available on acceptable terms, Qusitive and Qusitive Subsidiaries may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

Changes in the IT Industry

The IT industry is characterized by rapid technological innovation, changing client needs, evolving industry standards and frequent introductions of new products, product enhancements, services and distribution methods.

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The success of Qusitive depends on its ability to develop expertise with these new products, product enhancements, and services and to implement IT consulting and professional services, technology integration and managed services that anticipate and respond to rapid and continuing changes in technology, industry dynamics and client needs. The introduction of new products, product enhancements and distribution methods could decrease demand for current products/services or render them obsolete. Sales of products and services can be dependent on demand for specific product categories, and any change in demand for or supply of such services could have a material adverse effect on net sales, if Qusitive fails to adapt to such changes in a timely manner.

As client requirements evolve and competitive pressures increase, Qusitive will likely be required to modify, enhance, reposition or introduce new IT solutions and service offerings.

Qusitive may experience difficulties that could delay or prevent the successful development, introduction and marketing of services and solutions that respond to technological changes or evolving industry standards or fail to develop services and solutions that adequately meet the requirements of the marketplace or achieve market acceptance. Qusitive may not be successful in doing so in a timely, cost effective and appropriately responsive manner, or at all, which could adversely affect its competitive position and financial condition. All of these factors make it difficult to predict future operating results, which may impair Qusitive's ability to manage its business and its investors' ability to assess Qusitive's prospects.

Client Retention / Attrition

Once Qusitive's solutions and methodologies are deployed within its clients' IT infrastructure environments, the clients rely on Qusitive's support services to resolve any related issues. A high level of client support and service is important for the successful marketing and sale of the services and solutions of Qusitive. If Qusitive does not help its clients quickly resolve post deployment issues and provide effective ongoing support, Qusitive's ability to sell its IT solutions to existing clients would suffer and its reputation with prospective clients could be harmed.

Information Systems

Qusitive's information systems will be internally developed. They will contain external applications that are linked to the proprietary core. There are continued risks when various departments in Qusitive operate on different systems and Qusitive must rely on developed interfaces between these systems. There can be no assurance that these systems will continue to expand to meet the needs of the growth of Qusitive or that the interfaces will be robust enough as Qusitive grows.

Client Demand

Qusitive plans to significantly expand the number of clients it serves and the diversity of its client base thereby increasing revenues. Qusitive continuously strives to identify and provide additional products and services that appeal to existing clients in an effort to increase its revenues. Qusitive's ability to attract new clients, as well as increase revenues from existing clients, is dependent on a number of factors including but not limited to offering high quality products and services at competitive prices, the strength of its competitors and the abilities of its sales and marketing teams. The failure of Qusitive to attract new clients or to obtain new business from existing clients may mean that Qusitive will not increase its revenues as quickly as is anticipated, if at all.

Attracting and Retaining Clients

Once Qusitive's solutions and methodologies are deployed within its client's environments, such clients will be reliant on Qusitive's support services to resolve any issues with such solutions and methodologies. A high level of support and service is important for the successful marketing and sale of Qusitive's services and solutions. Failure to help its clients quickly to resolve post deployment issues and provide effective ongoing support may adversely affect Qusitive's reputation with prospective clients and its ability to sell its solutions to existing clients.

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Economic Conditions

Qusitive will be sensitive to the spending patterns of its clients, which are subject to economic and business conditions. It is difficult to estimate the level of growth for the economy as a whole. As all components of Qusitive's budgeting and forecasting will be dependent upon estimates of growth in the markets that Qusitive will serve and economic uncertainties make it difficult to estimate future income and expenditures. Downturns in the economy or geopolitical uncertainties may cause clients to reduce or cancel orders. Hence, economic factors could have an effect on Qusitive's business.

Qusitive's client base is predominantly in North America, and to the extent that capital investment in IT either declines or increases, Qusitive may be affected.

Ability to Successfully Execute Strategies

If Qusitive fails to execute any element of its strategy in a timely and effective manner, competitors may be able to seize marketing opportunities that Qusitive has identified. Qusitive's business strategy will require that it successfully and simultaneously complete many tasks. In order to be successful, Qusitive must:

(i) continue to attract and retain clients; (ii) hire, train and retain quality employees; and (iii) evolve Qusitive's business to gain advantages in a competitive environment.

Equity Securities

The expected benefits of our investment in Fulcrum may not materialize in the expected manner or timeframe or at all, including due to foreign currency exchange rates, Fulcrum's business results, impairment losses on the value of the investment, and the incurrence of additional tax liabilities related to the investment in Fulcrum.

We account for our investment in Fulcrum under the equity method of accounting. Dividends and earnings from the carrying value of our equity investment in Fulcrum are also subject to the risks encountered by Fulcrum in its business, its business outlook, cash flow requirements and financial performance, the state of the market and the general economic climate.

We assess the value of our equity investment in ABI as required by IFRS. If the carrying value of our investment in Fulcrum exceeds its fair value and any loss in value is other than temporary, we record appropriate impairment losses. It is possible that we may be required to record impairment charges in the future and, if we do so, our net income and carrying value of our equity investment in Fulcrum could be materially adversely affected.

Acquisitions

Qusitive intends to acquire additional businesses in the future. Acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the business, results of operations and financial condition. In addition, there can be no assurance that Qusitive can complete any acquisition it pursues on favorable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the business. Furthermore, the potential funding of any such future acquisitions could require diversion of revenue or securing of debt or equity financings by Qusitive which could, in turn, result in a potentially dilutive issuance of equity securities. If a strategy of growth through acquisition is pursued, the failure of Qusitive to successfully manage this strategy could have a material adverse effect on Qusitive's business, results of operations and financial condition.

Seasonality of the Business

Qusitive's sales are subject to seasonal variations that may cause significant fluctuations in operating results.

Sale Cycle

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The timing of Qusitive's revenues may be difficult to predict. Clients typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle. Qusitive will spend substantial time, effort and money on its sales efforts without any assurance that the efforts will produce any sales during a given period.

Reliance on Key Personnel

Qusitive is, and Qusitive will be, substantially dependent upon the services of its management team for the successful operation of its business. The loss of the services of any of these individuals could have a material adverse effect on the business of Qusitive. If Qusitive cannot successfully recruit and retain the employees it needs, or replace key employees following their departure, Qusitive's ability to develop and manage its business will be impaired.

Management of Growth

Qusitive may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of Qusitive to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Qusitive to deal with this growth may have a material adverse effect on Qusitive's consolidated business, financial condition, results of operations and prospects.

Regulatory Risks

The activities of Qusitive or any of its Subsidiaries may become subject to regulation by governmental authorities, in jurisdictions where such companies may exist or conduct its business. Qusitive cannot predict the regulations it may be required to comply with, or the time required to secure all appropriate regulatory approvals, or the extent of information and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the consolidated business, results of operations and financial condition of Qusitive.

Qusitive and its Subsidiaries may incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of Qusitive's consolidated operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Qusitive's consolidated operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the consolidated business, results of operations and financial condition of Qusitive.

Changes in Laws, Regulations and Guidelines

While to the knowledge of management, Qusitive and its Subsidiaries are currently in compliance with all laws, any changes to laws, regulations, guidelines and policies due to matters beyond the control of Qusitive may cause adverse effects to its operations.

Reliance on Computer Systems

Qusitive's information technology and internal infrastructure is susceptible to damage from computer viruses, unauthorized access, natural disasters, terrorism, war, telecommunication and electrical failures, hackers and other security issues. Significant disruption to the availability of information technology and internal infrastructure could cause delays in research and development work. Qusitive would incur liability and development of product candidates would be delayed if any disruption or security breach were to result in a loss of, or damage to, Qusitive's or any of Qusitive Subsidiaries' data.

Employee Regulations

Qusitive is exposed to the risk of employee fraud and other misconduct. Employee fraud includes intentional failure to comply with regulations, intentional failure to provide accurate information to regulatory authorities

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and intentional failure to comply with industry standards. Other misconduct includes failure to report financial information accurately, failure to disclose unauthorized activities to Qusitive, and the improper use of information obtained in the course of employment. Employee misconduct resulting in legal action, significant fines or other sanctions could result in a material adverse effect to Qusitive's consolidated business, results of operations or financial condition.

Foreign Currency Risk

Qusitive will be subject to risks and losses resulting from fluctuations in the relative value of the currencies of different countries where its clients and operations are located. While Qusitive will attempt to be prudent in managing such foreign exchange risks, there can be no assurance that shareholders will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations.

Competition

Global Cloud Solutions

The IT Services industry in which Qusitive operates is developing rapidly and related technology trends are constantly evolving. In this environment, Qusitive will face significant price competition from its competitors. There is no assurance that Qusitive will be able to respond effectively or in a timely manner to the various competitive factors affecting the industries in which it operates. Qusitive may be forced to reduce the prices of the products and services it sells in response to offerings made by its competitors. In addition, Qusitive may not be able to maintain the level of bargaining power that it has enjoyed in the past when negotiating the prices of its services.

Qusitive faces substantial competition from other national, multiregional, regional and local value added resellers and IT service providers, some of which may have greater financial and other resources than that of Qusitive or that may have more fully developed business relationships with clients or prospective clients than Qusitive. Many of Qusitive's competitors compete principally on the basis of price and may have lower costs or accept lower selling prices and, therefore, Qusitive may need to reduce its prices.

Qusitive's profitability is dependent on the rates it is able to charge for its products and services. The rates charged for products and services are affected by a number of factors, including but not limited to:

- clients' perceptions of Qusitive's ability to add value through its services;
- introduction of new services or products by Qusitive or its competitors;
- competitors' pricing policies;
- the ability to charge higher prices where market demand or the value of Qusitive's services justifies it;
- the ability to accurately estimate, attain and sustain contract revenues, margins and cash flows over long contract periods;
- procurement practices of Qusitive's clients; and
- general economic and political conditions.

If Qusitive is not able to maintain favorable pricing for its products and services, its profit margin and profitability may suffer.

Litigation

Qusitive may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Qusitive becomes involved be determined against Qusitive such a decision could adversely affect Qusitive's ability to continue operating and the market price

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for the common shares and could use significant resources. Even if Qusitive is involved in litigation and wins, litigation can redirect significant Qusitive resources. Litigation may also create a negative perception of Qusitive's brand.

Protection of Intellectual Property Rights

The future success of Qusitive's consolidated business is dependent upon the intellectual property rights surrounding certain technology held by Qusitive from time to time, including trade secrets, know-how and continuing technological innovation. Although Qusitive seeks to protect proprietary rights, its actions may be inadequate to protect any proprietary rights or to prevent others from claiming violations of their proprietary rights. There can be no assurance that other companies are not investigating or developing other technologies that are similar to the technology of Qusitive from time to time. In addition, effective intellectual property protection may be unenforceable or limited in certain countries, and the global nature of the Internet makes it impossible to control the ultimate designation of the applicable technology. Any of these claims, with or without merit, could subject Qusitive to costly litigation. If the protection of proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of Qusitive and other intangible assets may be diminished. Any of these events could have an adverse effect on Qusitive's consolidated business and financial results.

Global Economic and Financial Deterioration Impeding Access to Capital or Increasing the Cost of Capital

Market events and conditions, including disruption in the Canadian, U.S. and international financial markets and other financial systems and the deterioration of Canadian, U.S. and global economic and financial market conditions, could, among other things, impact currency trading and impede access to capital or increase the cost of capital, which would have an adverse effect on Qusitive's ability to fund its working capital and other capital requirements.

Dividends

Any decision to declare and pay dividends in the future will be made at the discretion of Qusitive's Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the common shares unless they sell their shares of Qusitive for a price greater than that which such investors paid for them. Qusitive has no earnings or dividend record and may not pay any dividends on its common shares in the foreseeable future. Dividends paid by Qusitive could be subject to tax and potentially withholding.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the annual consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the annual consolidated financial statements; and (ii) the annual consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented.

In contrast to the certificate required for non venture issuers under National Instrument 52109 Certification of Disclosure in issuers' Annual and Interim filings ("NI 52109"), the Venture Issuer Basic Certificate filed by the Corporation does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under

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securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation: and

- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Corporation's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.