

Consolidated Financial Statements

**Ciscom Corp.**

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise stated)

# Cisco Corp.

For the years ended December 31, 2023 and 2022

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## INDEPENDENT AUDITOR’S REPORT

**To the Shareholders of Ciscom Corp.**

### *Opinion*

We have audited the consolidated financial statements of Ciscom Corp. and its subsidiaries (together the “Company”), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders’ equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies and information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Goodwill and intangible assets impairment assessment</b></p> <p>The Company’s impairment test required management to make significant assumptions in determining the recoverable amount, such as revenue forecast, discount rate and terminal growth, etc.</p>	<p>We determined this as a key audit matter as it represented an area of significant risk of material misstatement given the magnitude of the goodwill and intangible assets and the high degree of estimation uncertainty in determining the recoverable amount. In addition, significant auditor judgement and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Company’s determination of the recoverable amount. We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment and developing the assumptions to determine the recoverable amounts.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>▪ Evaluated management’s process and methodology;</li> <li>▪ Tested the completeness and accuracy of data and, reasonableness of assumptions used in the Company’s impairment assessment;</li> <li>▪ Engaged our professional with specialized skills and knowledge in the field of valuation to evaluate the methodology and assumptions used;</li> <li>▪ Performed sensitivity analyses over these assumptions to assess the impact on the recoverable amount of the goodwill and intangible assets; and</li> <li>▪ Assessed the overall presentation and disclosure in the consolidated financial statements.</li> </ul>

*(continues)*



## **Independent Auditor's Report to the Shareholders of Ciscom Corp. (continued)**

### ***Other Information***

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audits of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(continues)



**Independent Auditor's Report to the Shareholders of Cisco Corp. (continued)**

***Auditor's Responsibilities for the Audits of the Consolidated Financial Statements (continued)***

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sameer Parekh.

*SRCO Professional Corporation*

Richmond Hill, Canada  
March 27, 2024

CHARTERED PROFESSIONAL ACCOUNTANTS  
Authorized to practice public accounting by the  
Chartered Professional Accountants of Ontario

**Ciscom Corp.**  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars, unless otherwise stated)

<b>As at December 31,</b>	<b>2023</b>	<b>2022</b>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	515,725	1,053,042
Trade and other receivables [note 5]	7,092,914	7,330,769
Related party receivable [note 12]	-	180,000
Income taxes and harmonized sales tax receivable	-	190,157
Prepays and deposits	452,481	394,979
	<b>8,061,120</b>	<b>9,148,947</b>
<b>NON-CURRENT</b>		
Property and equipment [note 8]	30,209	44,345
Right-of-use assets [note 9]	-	1,348
Intangible assets [notes 4 and 7]	6,534,208	8,024,208
Goodwill [notes 4 and 7]	6,584,729	6,584,729
<b>Total assets</b>	<b>21,210,266</b>	<b>23,803,577</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Revolving line of credit [notes 13 and 14]	2,329,578	2,436,384
Accounts payable and accrued liabilities [note 6]	7,613,996	7,295,702
Harmonized sales tax payable	102,701	-
Lease liabilities [note 10]	-	1,508
Deferred revenue	-	65,209
Due to related parties [notes 12 and 14]	214,473	1,114,483
Convertible debenture from related parties – current portion [notes 12 and 14]	375,601	125,292
Loans payable - current portion [notes 12 and 14]	1,213,970	1,041,370
	<b>11,850,319</b>	<b>12,079,948</b>
<b>NON-CURRENT</b>		
Convertible debenture from related parties – non-current portion [notes 12 and 14]	836,479	894,834
Loans payable – non-current portion [notes 13 and 14]	966,502	2,099,488
Contingent consideration liability [note 4]	-	690,116
Deferred tax liabilities [notes 4 and 17]	1,731,866	2,126,879
<b>Total liabilities</b>	<b>15,385,166</b>	<b>17,891,265</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital [notes 4 and 16]	9,114,565	8,886,565
Shares to be issued [notes 4 and 16]	900,000	-
Stock options reserve [note 16]	605,886	359,969
Contributed surplus [note 12]	422,910	422,910
Accumulated deficit	(5,218,261)	(3,757,132)
<b>Total shareholders' equity</b>	<b>5,825,100</b>	<b>5,912,312</b>
<b>Total liabilities and shareholders' equity</b>	<b>21,210,266</b>	<b>23,803,577</b>

*Contingencies [note 20]*

*Subsequent events [note 21]*

*The accompanying notes are an integral part of these consolidated financial statements*

Approved on behalf of the Board:

Director

Director

**Ciscom Corp.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars, unless otherwise stated)

<b>For the year ended December 31,</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE</b> [note 11]	<b>35,160,166</b>	14,766,407
<b>COST OF REVENUE</b>	<b>28,254,303</b>	12,468,249
<b>GROSS PROFIT</b>	<b>6,905,863</b>	2,298,158
<b>EXPENSES</b>		
Depreciation and amortization [notes 7, 8 and 9]	1,515,178	817,969
Professional services	799,796	697,057
Salaries and wages [notes 12 and 20]	4,402,202	1,582,435
Share-based compensation [notes 12 and 16]	245,917	327,961
General and administrative [note 5]	751,728	388,996
Finance costs [notes 10, 12, 13 and 14]	725,241	250,408
Amortization of deferred grants [note 15]	-	(6,173)
Loan loss provision [note 12]	201,215	-
Fair value change in contingent consideration liability [note 4]	209,884	406
<b>TOTAL EXPENSES</b>	<b>8,851,161</b>	4,059,059
<b>NET LOSS BEFORE INCOME TAXES</b>	<b>(1,945,298)</b>	(1,760,901)
Current income tax [note 17]	(89,156)	-
Deferred income tax [note 17]	(395,013)	(215,537)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(1,461,129)</b>	(1,545,364)
<b>Basic and diluted loss per share</b>	<b>(0.028)</b>	(0.035)
<b>Weighted average number of common shares</b>	<b>51,525,309</b>	44,491,060

*The accompanying notes are an integral part of these consolidated financial statements*

**Ciscom Corp.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
(Expressed in Canadian Dollars, unless otherwise stated)

	Number of shares	Share capital \$	Number of shares to be issued	Shares to be issued \$	Stock options reserve \$	Contributed surplus \$	Accumulated deficit \$	Total \$
Balance, December 31, 2022	51,108,882	8,886,565	-	-	359,969	422,910	(3,757,132)	5,912,312
Issuance of common shares [notes 16]	454,951	228,000	-	-	-	-	-	228,000
Issuance of common shares pursuant an Earn-Out achievement [notes 4, 12 and 16]	-	-	2,000,000	900,000	-	-	-	900,000
Issuance of stock options [notes 12 and 16]	-	-	-	-	245,917	-	-	245,917
Net loss and comprehensive loss	-	-	-	-	-	-	(1,461,129)	(1,461,129)
<b>Balance, December 31, 2023</b>	<b>51,563,833</b>	<b>9,114,565</b>	<b>2,000,000</b>	<b>900,000</b>	<b>605,886</b>	<b>422,910</b>	<b>(5,218,261)</b>	<b>5,825,100</b>

	Number of shares	Share capital \$	Number of shares to be issued	Shares to be issued \$	Stock options reserve \$	Contributed surplus \$	Accumulated Deficit \$	Total \$
Balance, December 31, 2021	40,254,979	4,038,012	-	-	32,008	23,343	(2,235,111)	1,858,252
Issuance of common shares [note 16]	2,420,014	1,213,303	-	-	-	-	-	1,213,303
Issuance of common shares pursuant to business acquisition [notes 4 and 16]	7,633,889	3,435,250	-	-	-	-	-	3,435,250
Issuance of common shares pursuant the conversions of a debenture and loan [notes 12 and 16]	800,000	200,000	-	-	-	(23,343)	23,343	200,000
Equity portion of convertible debenture [note 4]	-	-	-	-	-	422,910	-	422,910
Issuance of stock options [notes 12 and 16]	-	-	-	-	327,961	-	-	327,961
Net loss and comprehensive loss	-	-	-	-	-	-	(1,545,364)	(1,545,364)
<b>Balance, December 31, 2022</b>	<b>51,108,882</b>	<b>8,886,565</b>	<b>-</b>	<b>-</b>	<b>359,969</b>	<b>422,910</b>	<b>(3,757,132)</b>	<b>5,912,312</b>

See accompanying notes

**Ciscom Corp.**  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian Dollars)

For the year ended December 31,	2023	2022
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(1,461,129)	(1,545,364)
Items not affecting cash:		
Depreciation and amortization	1,515,178	811,796
Deferred income taxes	(395,013)	(215,537)
Share-based compensation	245,917	327,961
Fair value change in contingent consideration liability	209,884	406
Interest accretion – government loan, debenture, lease liability	193,694	67,547
Amortization of loan related transaction costs	58,333	51,916
Changes in non-cash working capital balances:		
Trade and other receivables	417,855	(3,744,176)
Income taxes and harmonized sales tax	292,858	(50,038)
Prepays and deposits	(57,502)	96,249
Deferred revenue	(65,209)	(311,948)
Accounts payable and accrued liabilities	318,295	3,620,540
<b>Cash provided by (used in) operating activities</b>	<b>1,272,980</b>	<b>(890,648)</b>
<b>INVESTING ACTIVITIES</b>		
Cash received on business acquisition	-	1,194,748
Receivable from related party	-	(180,000)
Purchase of property and equipment	(11,042)	(1,075)
Payment for business acquisition	-	(5,800,000)
<b>Cash used in investing activities</b>	<b>(11,042)</b>	<b>(4,786,327)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from term loan	-	3,325,000
Principal repayment on term loan	(1,019,111)	(1,191,667)
Proceeds of revolving line of credit	-	2,500,000
Repayment of revolving line of credit	(106,806)	(63,616)
Issuance of common shares for cash	228,000	1,213,303
Repayment of loan from related party	(900,010)	(49,038)
Lease payments	(1,328)	(10,098)
<b>Cash (used in) provided by financing activities</b>	<b>(1,799,255)</b>	<b>5,723,884</b>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(537,317)</b>	<b>46,909</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>1,053,042</b>	<b>1,006,133</b>
<b>CASH - END OF YEAR</b>	<b>515,725</b>	<b>1,053,042</b>
<b>Supplementary cash flow information</b>		
Interest paid	419,621	207,372
Income tax paid	-	-

See accompanying notes

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2023 and 2022**

(Expressed in Canadian Dollars, unless otherwise stated)

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## **1. NATURE OF BUSINESS**

Ciscom Corp. (the “Company”, or “Ciscom”) was incorporated under the Business Corporations Act of Ontario on June 29, 2020. The Company’s principal business is managing, investing in and acquiring operating companies in the Information, Communication and Technology sector and assuming an active role in the management of these companies to mitigate risk and maximize growth. The office address of the Company is 20 Bay Street, Suite 1110, Toronto, Ontario, M5J 2N8. The Company acquired 100% of all issued and outstanding shares of Market Focus Direct Inc. (“MFD”) on August 31, 2021, and 1883713 Ontario Inc. (“188Ont”) including its subsidiary Prospect Media Group Ltd. (“PMG”) on September 30, 2022 (Note 4). Since June 2023 and October 2023, the Company’s shares are trading publicly on the Canadian Securities Exchange (CSE: CISC) and OTC Markets (OTCQB: CISCF), respectively.

## **2. BASIS OF PRESENTATION**

### **2.1 Statement of compliance**

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”).

These consolidated financial statements have been prepared on a going concern basis, which assumes that the future operations will allow for the realization of assets and the discharge of liabilities in the normal course of business. In due course, the Company intends to raise additional equity and debt to finance its growth (notes 14, 16 and 18). These consolidated financial statements do not include any adjustments to the carrying value and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

These consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on March 27, 2024.

### **2.2 Liquidity and financing**

The Company reported a consolidated net loss of \$1,461,129 for the year ended December 31, 2023 (December 31, 2022: \$1,545,364). As at December 31, 2023, the Company had a working capital deficit of \$3,789,199 (2022: \$2,931,001) and an accumulated deficit of \$5,218,261 (2022: \$3,757,132). During the year ended December 31, 2023, the Company generated cash of \$1,272,980 from operating activities and at that date the Company had cash on hand of \$515,725. With the acquisition of 188Ont completed in 2022, the Company is continuing on its revenue growth trajectory and is improving its liquidity through continued business development and additional equity or debt capitalization of the Company.

Management believes that existing cash along with current revenue and expected increase, and potential equity raise and debt financing will be sufficient to meet requirements for the next twelve months from the reporting period end. However, if the Company is unable to obtain additional funding on a timely basis, the Company may be required to modify its operating plan and curtail operating expenses.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2023 and 2022**

(Expressed in Canadian Dollars, unless otherwise stated)

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## **2. BASIS OF PRESENTATION (continued)**

### **2.3 Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries. The Company acquired and consolidates MFD and 188Ont including PMG. Subsidiaries are those entities over which the Company has direct or indirect control. Control is achieved when the Company is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries, including entities that the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. Intercompany transactions and balances have been eliminated in full.

### **2.4 Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained.

### **2.5 Functional and presentation currency**

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Company’s and its subsidiaries functional currency is the Canadian dollar. These consolidated financial statements are presented in Canadian dollars (“CAD”), which is the Company’s presentation currency.

## **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

### **3.1 Cash**

Cash includes amounts deposited with financial institutions and demand deposits held with banks with an original maturity of 90 days or less.

### **3.2 Revenue recognition**

The Company recognizes revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Specifically, the Company uses a 5-step approach to revenue recognition:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the Company satisfies a performance obligation

The Company derives revenue from the transfer of goods and services. Revenue recognition is based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognized either when the performance obligation has been performed (“point in time” recognition) or “over a period of time” as control of the performance obligation is transferred to the customer.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### 3.2 Revenue recognition (continued)

Distribution and production of advertisement revenue and market strategy service revenue are recognized at a “point in time”, after all foregoing conditions of revenue recognition have been met. For those amounts of payments from customers for services to be rendered in a future time, those amounts are deferred and presented as deferred revenue in the consolidated statement of financial position and recognized as revenue upon delivery of services. Revenue related to advertisement is recognized when advertisements are printed and distributed or are placed on the digital platforms and collection is reasonably assured. Revenue related to market strategy is recognized when the related services are provided to customers.

#### 3.3 Property and equipment

Property and equipment is stated at cost, less accumulated depreciation. The cost of property and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated over the useful life of the property and equipment less estimated residual value and recognized in the consolidated statements of loss and comprehensive loss. The methods and rates used for calculating the depreciation are as follows:

Furniture and equipment	20% to 30% declining basis
Computer equipment and software	30% to 55% declining basis

Property and equipment acquired during the period but not placed into use is not depreciated until they are placed into use. All additions made during the period are depreciated at 50% of the above rates.

Maintenance and repairs are charged to expense as incurred. Renewals and betterments, which materially prolong the useful lives of the assets, are capitalized. The cost and related accumulated depreciation of property and equipment retired or sold are removed from the accounts, and gains or losses are recognized in the consolidated statements of loss and comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property and equipment, and any changes in estimates arising from the assessment are applied by the Company prospectively.

#### 3.4 Taxation

Income tax expense represents the sum of current income tax expense and deferred income tax expense. Current income tax expense is based on taxable income for the period. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected income tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2023 and 2022**

(Expressed in Canadian Dollars, unless otherwise stated)

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### **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

#### **3.4 Taxation (continued)**

Deferred income tax assets and liabilities are recognized based on differences in the consolidated financial statement carrying amount for assets and liabilities and the associated tax balance.

Deferred income tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable income against which deductible temporary differences can be utilized.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to business acquisitions to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current income tax assets and liabilities on a net basis.

#### **3.5 Financial instruments**

The three classification categories for financial assets are: measured at amortized cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Further, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instruments as a whole are assessed for classification.

Financial assets are recognized in the consolidated statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. All financial instruments are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

All financial assets are initially measured at fair value plus, for items not classified as FVTPL, transaction costs that are directly attributable to its acquisition.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### 3.5 Financial instruments (continued)

##### a) Classification of financial assets and financial liabilities

Financial liabilities are classified and measured in two categories: amortized cost or FVTPL. The Company's financial assets and financial liabilities are classified as follows:

	<b>Classification</b>
Cash	Amortized cost
Trade and other receivables	Amortized cost
Related party receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Revolving line of credit	Amortized cost
Loans payable	Amortized cost
Convertible debenture	Amortized cost
Due to related parties	Amortized cost
Lease liabilities	Amortized cost
Contingent consideration liability	FVTPL

Subsequent to initial recognition, financial assets at amortized costs are measured at cost using the effective interest method reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statements of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statements of loss and comprehensive loss.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the consolidated statement of loss and comprehensive loss. At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in the consolidated statement of loss and comprehensive loss in the period in which they arise.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### 3.5 Financial instruments (continued)

##### b) Impairment of financial assets

The expected credit loss (“ECL”) model requires judgement, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The ECL impairment model is applied, at each reporting date, to the Company’s financial assets measured at amortized cost. Impairment losses are recorded in the consolidated statements of loss and comprehensive loss with the carrying amount of the financial asset reduced through the use of impairment allowance accounts and the movement in the allowance is reflected in the consolidated statement of loss and comprehensive loss immediately.

##### c) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in profit or loss. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### 3.6 Intangible assets

Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value. The intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives unless such lives are deemed indefinite. The Company evaluates the reasonableness of the estimated useful lives of these intangible assets on an annual basis. The Company reviews intangible assets with indefinite lives annually for impairment but impairment may be reviewed earlier if circumstances indicate that the carrying amount may not be recoverable.

The estimated useful lives of intangible assets are as follows:

Customer relationships	4 to 6 years
Brand name	4 to 6 years
Technology	6 years

#### 3.7 Goodwill

Goodwill represents the excess purchase price over the fair value of identifiable assets acquired less liabilities assumed from business combinations. Goodwill is not amortized. The Company reviews goodwill annually for impairment but impairment may be reviewed earlier if circumstances indicate that the carrying amount may not be recoverable.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2023 and 2022**

(Expressed in Canadian Dollars, unless otherwise stated)

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### **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

#### **3.8 Impairment of non-financial assets**

At each date of the consolidated statements of financial position, the Company reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease. As of December 31, 2023, the Company is operating as one cash generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior periods. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Impairment loss recognized for goodwill is not reversed in a subsequent period.

#### **3.9 Significant accounting judgments and estimates**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the applications of accounting policies regarding certain types of assets, liabilities, revenues, and expenses in the preparation of these consolidated financial statements. Estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. These estimates and judgments are based on management's historical experience, best knowledge of current events or conditions and activities that the Company may undertake in the future. Actual results could differ materially from these estimates.

Information about significant judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2023 and 2022**

(Expressed in Canadian Dollars, unless otherwise stated)

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### **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

#### **3.9 Significant accounting judgments and estimates (continued)**

- i) Intangible assets and goodwill
- ii) Determination of current and deferred income taxes
- iii) Share-based payment
- iv) Provisions and contingencies

#### **Intangible assets and goodwill**

Management is required to use judgement in determining the economic useful lives of identifiable intangible assets. Judgement is also required to determine the frequency with which these assets are to be tested for impairment. The Company uses judgment in determining the grouping of assets to identify its Cash Generating Units (“CGUs”) for purposes of testing for impairment of intangible assets and goodwill. In testing for impairment, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination. In testing for impairment of intangibles with indefinite lives, these assets are allocated to the CGUs to which they relate.

#### **Determination of current and deferred income taxes**

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled.

Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

#### **Share-based payment**

In calculating stock purchase options valuations, various inputs and assumptions are used with respect to the expected option life, risk free interest rate, dividend yield; expected volatility.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

**For the years ended December 31, 2023 and 2022**

(Expressed in Canadian Dollars, unless otherwise stated)

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### **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

#### **3.9 Significant accounting judgments and estimates (continued)**

##### **Provisions and contingencies**

The Company recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a loss contingency provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. As information becomes known a loss contingency provision is recorded when a reasonable estimate can be made. The estimates are reviewed at each reporting date and the estimates are changed when expectations are revised. An outcome that deviates from the Company's estimate may result in an additional expense or release in a future accounting period.

##### **3.10 Lease**

The Company uses a single lessee accounting model which requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. For all lease contracts entered into or changed the Company recognizes a right-of-use asset and a lease liability at the lease commencement or change date, respectively.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentive received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. There are no dismantling, removal and restoration costs included in the cost of the right-of-use asset as management has not incurred an obligation for those costs.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method.

##### **3.11 Inventory**

The Company has no inventory.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2023 and 2022**

(Expressed in Canadian Dollars, unless otherwise stated)

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## **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **3.12 Business combinations**

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired, and liabilities assumed, including contingent liabilities, are recognized, regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated statements of financial position at their respective fair values. Goodwill is recorded based on the excess of the fair value of the consideration transferred over the fair value of the Company's interest in the acquiree's net identifiable assets on the date of the acquisition. Any excess of the identifiable net assets over the consideration transferred is immediately recognized in the consolidated statements of loss and comprehensive loss.

The consideration transferred by the Company to acquire control of an entity is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Company, including the fair value of all the assets and liabilities resulting from a deferred payment arrangement. Acquisition-related costs are expensed as incurred. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

### **3.13 Foreign currency translation**

In preparing the consolidated financial statements, transactions in currencies other than the Company's functional currency are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. Exchange gains and losses are recognized on a net basis in the consolidated statement of loss and comprehensive loss.

### **3.14 Segmented information**

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Chief Financial Officer. The operating results are regularly reviewed by the CODM to determine decisions about resources and how they will be allocated to determine performance. At this time, management does not make decisions by revenue stream, but rather as an organization as a whole on a consolidated basis. Therefore, the consolidated financial statements are presented as one operating segment and one geographical area.

### **3.15 Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and units are recognized as a deduction from equity. The Company records proceeds from share issuances net of issue costs and any tax effects.

### **3.16 Share-based payment**

Where common shares are issued to employees and non-employees for services received, they are recorded at the fair value of the service received at the grant date. The issuance date fair value is recognized in the consolidated statements of loss and comprehensive loss over the vesting period.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2023 and 2022**

(Expressed in Canadian Dollars, unless otherwise stated)

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## **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **3.16 Share-based payment (continued)**

Stock purchase options that have been granted is measured by using Black-Scholes Option Pricing Model and is recognized in the consolidated statements of loss and comprehensive loss over the vesting period with a corresponding increase in stock options reserve.

### **3.17 Compound financial instruments**

The financial liability created (liability component) and option granted (equity component) from non-derivative convertible debenture issued are separately recognized upon the date of the issuance and presented separately in the consolidated statement of financial position. The liability component is measured at fair value upon recognition. The equity component is then determined by deducting the fair value of the financial liability from the issuing price of the convertible debenture. The liability component is subsequently measured at amortized cost using the effective interest method and the accretion of interest over the term of the convertible debenture is recorded as an increase of the financial liability as well as a charge into the consolidated statement of loss and comprehensive loss. Interest expense resulting from the convertible debentures' coupon interest rate is expensed in the consolidated statement of loss and comprehensive loss.

### **3.18 Loss per share**

Basic loss per share is calculated by dividing the Company's net loss by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares issued and outstanding assuming all additional shares that would have been outstanding if potentially dilutive instruments were converted. When there is a loss, inclusion of the Company's stock options in the computation of diluted loss per share would have an antidilutive effect on the loss per share. Accordingly, the Company has excluded these from the calculation of diluted loss per share. Consequently, there is no difference between basic loss per share and diluted loss per share as at December 31, 2023 and 2022.

### **3.19 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### **3.20 Government assistance**

Government grants and loans are recognized when there is reasonable assurance that the grant will be received and that the Company will comply with the conditions attached to them.

### **3.21 New accounting pronouncements**

The Company has evaluated all recent accounting pronouncements up to the date of issuance of these consolidated financial statements and conclude that these pronouncements are not expected to have any significant impact on the Company's consolidated financial statements. The impact of standards adopted on January 1, 2023 was considered insignificant.

**Ciscom Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2023 and 2022**  
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**4. BUSINESS ACQUISITION**

On August 31, 2021, the Company acquired 100% of all issued and outstanding shares of Market Focus Direct Inc. (“MFD”) of Markham Ontario, from its shareholders. A business valuation was performed on the closing date of the acquisition whereas the following value were established:

Brand name (note 7)	\$729,000
Technology (note 7)	1,220,000
Customer relationships (note 7)	1,060,000
Fair value of identifiable intangible assets	\$3,009,000
Deferred tax liabilities (note 17)	(798,000)
Net liabilities assumed*	(89,243)
Goodwill (note 7)	1,653,243
<b>Purchase consideration</b>	<b>\$3,775,000</b>

\*The details of net liabilities assumed is as below:

	\$
Assets acquired	743,161
Liabilities assumed	(832,404)
<b>Net liabilities assumed</b>	<b>(89,243)</b>

For the year ended December 31, 2023, MFD had revenue of \$2,344,512 (December 31, 2022: \$3,110,085) and a net income of \$92,334 (December 31, 2022: loss of \$202,905).

On September 30, 2022, the Company acquired 100% of all issued and outstanding shares of 188Ont, inclusive of its wholly owned subsidiary PMG, from its shareholders. The purchase price of \$12,488,481 was satisfied with a cash payment of \$5,800,000, a short-term note payable of \$1,163,521 without interest and of which \$900,010 was paid before December 31, 2023 (2022: \$49,038) (note 12 and 14) for a net balance of \$214,473 as at December 31, 2023 (2022: \$1,114,483), the issuance of 7,633,889 common shares of the Company in the amount of \$3,435,250 that was determined by using \$0.45 per share, an Earn-Out of \$900,000 and a convertible debenture in the amount of \$1,400,000.

The Earn-Out revenue performance targets are a gross profit increase of \$275,000 for 2022 over 2021 and a gross profit increase of \$500,000 for 2023 over 2022. The fair value of the Earn Out Consideration was in the amount of \$689,710 upon acquisition date and \$690,116 as of December 31, 2022 (face value of \$900,000). As the Earn Out Consideration is conditional upon achieving certain milestones, it has been treated as a financial liability and classified as FVTPL. For the year ended December 31, 2022, fair value change in the amount of \$406 was charged to consolidated statements of loss and comprehensive loss. At December 31, 2023, the Earn-Out was maximized at a value of \$900,000 payable in shares at \$0.45 per share for the issuance of 2,000,000 common shares of the Company. The difference of \$209,884 between the \$900,000 Earn-Out and the \$690,116 contingent liability was expensed as fair value change in contingent consideration liability in the consolidated statements of loss and comprehensive loss.

**Ciscom Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2023 and 2022**  
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**4. BUSINESS ACQUISITION (continued)**

A business valuation was performed on the closing date of the acquisition whereas the following value were established:

Intellectual property (note 7)	\$4,650,000
Customer relationships (note 7)	1,281,000
Fair value of identifiable intangible assets (note 7)	\$5,931,000
Deferred tax liabilities (note 17)	(1,571,715)
Net assets acquired*	2,116,657
Goodwill (note 7)	6,012,539
<b>Purchase consideration</b>	<b>\$12,488,481</b>

\*The details of net assets purchase are as below:

	\$
<b>Assets acquired</b>	
Cash	1,194,748
Accounts receivable	2,963,148
Income taxes receivable	115,914
Prepays and deposits	417,204
Property and equipment cost (note 8)	418,116
Property and equipment accumulated amortization (note 8)	(370,834)
Right-of-use assets (note 9)	2,638
Intangible assets, cost (note 7)	816,000
Intangible assets accumulated amortization (note 7)	(765,000)
Goodwill (note 7)	572,190
	<b>5,364,124</b>
<b>Liabilities assumed</b>	
Accounts payables and other current liabilities	(2,810,499)
Deferred revenue and advance from customers	(377,157)
Harmonized sales tax payable	(39,806)
Deferred tax liability (note 17)	(17,034)
Lease liabilities (note 10)	(2,971)
	<b>(3,247,467)</b>
<b>Net assets acquired</b>	<b>2,116,657</b>

Pursuant to the acquisition of 188Ont, total cost of intangible assets and goodwill were in the amount of \$6,747,000 and \$6,584,729 respectively (note 7).

The goodwill of \$6,584,729 arising from the 188Ont acquisition consists largely of the synergies and economies of scale expected from combining the operations of Ciscom and 188Ont. Ciscom will provide financial resource for the continued operation of 188Ont to enhance future revenue generation while 188Ont's continued operation with established reputation will reward Ciscom more opportunities for future

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

#### 4. BUSINESS ACQUISITION (continued)

expansion into the commercial sector via organic growth and potential business acquisitions. None of the goodwill recognized is expected to be deductible for income tax purposes.

The December 31, 2022 revenue included in the consolidated statement of loss and comprehensive loss since September 30, 2022, contributed by 188Ont was \$11,656,322. 188Ont had an income before income taxes of \$1,064,962 and net profit of \$824,035 over the same period.

Had 188Ont been acquired and consolidated from January 1, 2022, the consolidated statement of loss and comprehensive loss for the year ended December 31, 2022 would have included revenue of \$30,725,474, income before income taxes of \$1,965,844 and net income of \$1,724,917.

#### 5. TRADE AND OTHER RECEIVABLES

<b>As at December 31,</b>	<b>2023</b>	<b>2022</b>
	\$	\$
Trade and other receivables	<b>7,130,441</b>	7,335,994
Impairment provision for trade receivable	<b>(37,527)</b>	(5,225)
Trade and other receivables, net	<b>7,092,914</b>	7,330,769

<b>As at December 31,</b>	<b>2023</b>	<b>2022</b>
	\$	\$
Impairment provision for trade receivable at beginning of the year	<b>5,225</b>	111,740
Write-back of provision	-	(106,515)
Impairment provision increased for the year	<b>32,302</b>	-
Impairment provisions at the end of the year	<b>37,527</b>	5,225

During the year ended December 31, 2023, the Company increased its trade receivables impairment by \$32,302, from \$5,225 to \$37,527 and included into general and administrative expenses. For the year ended December 31, 2022, the Company has written-off \$106,515 in trade receivable and did not provide for additional impairment.

#### 6. ACCOUNT PAYABLE AND ACCRUED LIABILITIES

<b>As at December 31,</b>	<b>2023</b>	<b>2022</b>
	\$	\$
Accounts payable	<b>5,855,923</b>	6,523,137
Accrued liabilities	<b>1,758,073</b>	772,565
	<b>7,613,996</b>	7,295,702

# Ciscom Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

### 7. INTANGIBLE ASSETS AND GOODWILL

#### Intangible assets

	Brand name	Technology	Customer relationships	Total
	\$	\$	\$	\$
<b>Cost</b>				
Balance at the date of acquisition (note 4)	729,000	1,220,000	1,060,000	3,009,000
Additions	-	-	-	-
<b>Balance at December 31, 2021</b>	<b>729,000</b>	<b>1,220,000</b>	<b>1,060,000</b>	<b>3,009,000</b>
Additions	5,194,000	-	1,553,000	6,747,000
<b>Balance at December 31, 2022</b>	<b>5,923,000</b>	<b>1,220,000</b>	<b>2,613,000</b>	<b>9,756,000</b>
Additions	-	-	-	-
<b>Balance at December 31, 2023</b>	<b>5,923,000</b>	<b>1,220,000</b>	<b>2,613,000</b>	<b>9,756,000</b>

### 7. INTANGIBLE ASSETS AND GOODWILL (continued)

<b>Balance at date of acquisition</b>	-	-	-	-
Amortization for the year	40,500	67,778	58,889	167,167
<b>Balance at December 31, 2021</b>	<b>40,500</b>	<b>67,778</b>	<b>58,889</b>	<b>167,167</b>
Additions	510,000	-	255,000	765,000
Amortization for the year	349,250	203,332	247,043	799,625
<b>Balance at December 31, 2022</b>	<b>899,750</b>	<b>271,110</b>	<b>560,932</b>	<b>1,731,792</b>
Amortization for the year	896,500	203,332	390,168	1,490,000
<b>Balance at December 31, 2023</b>	<b>1,796,250</b>	<b>474,442</b>	<b>951,100</b>	<b>3,221,792</b>

#### Net book value

<b>Balance at December 31, 2021</b>	<b>688,500</b>	<b>1,152,222</b>	<b>1,001,111</b>	<b>2,841,833</b>
<b>Balance at December 31, 2022</b>	<b>5,023,250</b>	<b>948,890</b>	<b>2,052,068</b>	<b>8,024,208</b>
<b>Balance at December 31, 2023</b>	<b>4,126,750</b>	<b>745,558</b>	<b>1,661,900</b>	<b>6,534,208</b>

#### Goodwill

				\$
<b>Balance at December 31, 2021</b>				-
Addition				6,584,729
<b>Balance at December 31, 2022</b>				<b>6,584,729</b>
Addition				-
<b>Balance at December 31, 2023</b>				<b>6,584,729</b>

# Ciscom Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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### 8. PROPERTY AND EQUIPMENT

	Furniture and equipment	Computer equipment	Computer software	Total
	\$	\$	\$	\$
<b>Cost:</b>				
As at December 31, 2021	4,277	642	723	5,642
Additions	-	1,075	-	1,075
Additions on acquisition (note 4)	-	418,116	-	418,116
As at December 31, 2022	4,277	419,833	723	424,833
Additions	-	11,042	-	11,042
As at December 31, 2023	4,277	430,875	723	435,875
<b>Accumulated depreciation:</b>				
As at December 31, 2021	335	86	97	518
Additions (note 4)	-	370,834	-	370,834
Depreciation	1,006	7,839	291	9,136
As at December 31, 2022	1,341	378,759	388	380,488
Depreciation	2,936	21,907	335	25,178
As at December 31, 2023	4,277	400,666	723	405,666
<b>Net book value:</b>				
As at December 31, 2022	2,936	41,074	335	44,345
As at December 31, 2023	-	30,209	-	30,209

### 9. RIGHT-OF-USE ASSETS

All the office, and equipment, leases expired during the year ended December 31, 2023.

	As at December 31, 2023	As at December 31, 2022
	\$	\$
<b>Cost:</b>		
Opening balance	21,113	18,475
Addition pursuant to acquisition (note 4)	-	2,638
Closing balance	21,113	21,113
<b>Accumulated depreciation:</b>		
Opening balance	19,765	10,557
Additions	1,348	9,208
Closing balance	21,113	19,765
<b>Net book value:</b>		
As at year end	-	1,348

# Ciscom Corp.

## Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars, unless otherwise stated)

### 10. LEASE LIABILITIES

The Company's leases were related to the leasing of office space and equipment. The lease payments are discounted using an incremental borrowing rate of 5% per annum. The lease liability for the office space ended March 31, 2022 and the equipment lease ended on December 31, 2023. The Company had renewed an office lease on a month-to-month basis from April 1, 2022 to March 31, 2023 and no lease liability was recognized. Since April 1, 2023, all employees are working remotely. As at December 31, 2023, the Company did not have any short-term and long-term lease. The continuity of lease liabilities is presented in the table below:

	As at December 31, 2023	As at December 31, 2022
	\$	\$
Opening balance	1,508	8,360
Additions (note 4)	-	2,971
Accretion expense	41	275
Lease payments	(1,549)	(10,098)
Closing balance	-	1,508
Current portion	-	1,508

### 11. REVENUE

The Company's revenues for the years ended December 31, 2023 and 2022 comprised of distribution/direct mail, digital and marketing strategy of \$25,476,449, \$7,744,951 and \$1,938,766, respectively (2022: \$8,984,352, \$5,163,844 and \$618,211 respectively).

Distribution/direct mail revenues involve the distribution of printed promotional documents to households. Digital revenues are promotional messages and advertisements distributed via emails and posted on the internet. Marketing strategy revenues include account management and analytics services.

### 12. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

Related party balances as at December 31, 2023 and 2022, are as follows:

	2023	2022
	\$	\$
Shareholder loan	-	180,000
Due to related parties (notes 4 and 14)	214,473	1,114,483
Convertible debenture loan from a related party (notes 4 and 14)	1,212,080	1,020,126

On February 23, 2022, the Company advanced \$180,000 to an executive of the Company under a Promissory Note. On February 23, 2023, the Promissory Note was extended to December 31, 2023.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

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#### 12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The executive can repay the Promissory Note at any time. It carries interest at the rate of 7.7% per year. As a guarantee, the executive placed 500,000 of his Company shares in escrow with the Company's legal counsel. At December 31, 2023, the outstanding principal was \$180,000 and the accrued interests receivable were in the amount of \$21,515 (2022: \$180,000 and \$9,552 respectively). The Company demanded repayment and the executive has failed to repay the Promissory Note (principal and interests). The Company provided for the full amount in its 2023 expenses (loan loss provision) and initiated legal procedures to recuperate the amount receivable which continues to carry interests.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors, advisory board members, officers of the Company. The salary benefit for key management personnel of the Company was in the amount \$855,151 in cash and Nil non-cash for the year ended December 31, 2023 (2022: \$602,871). During the year ended December 31, 2023, directors' fees were \$82,439 (2022: Nil) and share-based compensation in the amount of \$196,067 (2022: \$327,961) was awarded by the Company to key management personnel. Until December 31, 2023, the Company has issued the following:

- On November 10, 2020, the Company granted an aggregate of 2,225,000 share purchase options under the Company's share option plan to certain directors, officers, and consultants of the Company. The options are exercisable at \$0.10 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$20,361 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 0.26%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.019 at the time of grant for a valuation of \$0.0092 per option (note 16). No share purchase options were exercised or cancelled during the year ended December 31, 2023 (2022: Nil).
- On November 10, 2020, the Company issued 6,500,000 common shares to management and directors for various professional services provided to the Company. The fair value of the share-based compensation transaction, in the amount of \$31,250, was determined by fair value of those services received by the Company (note 16), included in share-based compensation expenses and charged to the consolidated statement of loss and comprehensive loss during 2020.
- On July 15, 2021, the Company granted an aggregate of 495,000 share purchase options under the Company's share option plan to certain directors, officers, and consultants of the Company. The options are exercisable at \$0.25 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$11,647, charged to the consolidated statement of loss and comprehensive loss during 2021, was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 0.26%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.05 at the time of grant for a valuation of \$0.0235 per option (note 16).

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

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#### 12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- On February 28, 2022, the Company granted an aggregate of 55,000 share purchase options under the Company's share option plan to certain directors, officers, and consultants of the Company. The options are exercisable at \$0.55 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$20,436 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.60%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.51 at the time of grant for a valuation of \$0.3716 per option (note 16). The \$20,436 was included into share-based compensation expenses and charged to the consolidated statement of loss and comprehensive loss during 2022.
- On September 30, 2022, the Company granted an aggregate of 655,000 share purchase options under the Company's share option plan to certain directors, officers, employees and consultants of the Company. The options are exercisable at \$0.55 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$265,922 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.60%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.550 at the time of grant for a valuation of \$0.4060 per option (note 16). The \$265,922 was included into share-based compensation expenses and charged to the consolidated statement of loss and comprehensive loss during 2022.
- On September 30, 2022, the Company granted an aggregate of 290,000 share purchase options under the Company's share option plan to certain employees of the Company. The options are exercisable at \$0.55 per share, are vesting over a period of 3 years that started at October 1, 2022, and shall be exercisable for a term of 5 years upon vesting date. The value of these options in amount of \$117,737 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.60%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.550 at the time of grant for a valuation of \$0.4060 per option (note 16). The amount \$49,850 was included into share-based compensation expenses and charged to the consolidated statement of loss for the year ended December 31, 2023 (2022: \$41,603).
- On February 28, 2023, the Company granted an aggregate of 300,000 share purchase options under the Company's share option plan to certain directors, officers, employees and consultants of the Company. The options are exercisable at \$0.55 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$134,888 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.60%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.550 at the time of grant for a valuation of \$0.4496 per option (note 16). During the year ended December 31, 2023, \$134,888 was charged to the consolidated statement of loss and comprehensive loss as share-based compensation expenses.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

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#### 12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- On April 24, 2023, the Company granted an aggregate of 150,000 share purchase options under the Company's share option plan to certain directors, officers, employees and consultants of the Company. The options are exercisable at \$0.55 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$61,179 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.60%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.550 at the time of grant for a valuation of \$0.4496 per option (note 16). During the year ended December 31, 2023, \$61,179 was charged to the consolidated statement of loss and comprehensive loss as share-based compensation expenses.
- No share purchase options were exercised for the years ended December 31, 2023 and 2022. A total of 500,000 share purchase options were cancelled during the year ended December 31, 2022 following the death of the option-holder and the estate not exercising their option within 180 days of the passing as per the terms and conditions of the plan.
- At December 31, 2023, the 188Ont acquisition Earn-Out was maximized at a value of \$900,000 payable in shares at \$0.45 per share for the issuance of 2,000,000 common shares of the Company. The difference of \$209,884 between the \$900,000 Earn-Out and the \$690,116 was expensed as fair value change in contingent consideration liability in the consolidated statements of loss and comprehensive loss. The shares were issued on March 1, 2024.

#### Loans from related parties

On February 5, 2021, the Company obtained a loan in the amount of \$50,000 from a corporation where the key management member of the Company is the main shareholder. The loan initial maturity date was December 31, 2021 and was extended to March 31, 2022. It has an interest rate of 1% per year. The Company can repay in whole or in part any portion of the loan before maturity. The loan is unsecured and not guaranteed. On September 29, 2022, the loan was converted to 200,000 common shares.

On August 31, 2021, the Company obtained a convertible debenture loan in the amount of \$150,000 from a corporation where the key management member of the Company is the main shareholder with the original maturity on January 31, 2023. It has a nominal interest rate of 4.7% per year. The loan is unsecured and not guaranteed. The conversion right is for 4 Company shares for \$1 of outstanding loan (\$0.25 per share). The convertible debenture loan can be increased up to \$300,000 should the Company need additional working capital. The loan was accounted by using the effective interest method and the conversion feature in the amount of \$23,343 was recorded into contributed surplus. The remaining portion of the convertible debenture was subjected to accretion of interest. On September 29, 2022, the debentures were converted to 600,000 common shares. The total accretion of interest expense in the amount of \$18,200 was included into finance cost for the year ended December 31, 2022.

On September 30, 2022, as part of the 188Ont acquisition, the Company obtained a convertible debenture loan in the amount of \$1,400,000 from the selling shareholders of 188Ont of which an individual is also a key management member of the Company. The loan has no maturity date, and it has a conversion option to convert into common shares of the Company, the Company must start repaying the debenture in October 2023, now extended to March 2024, at the rate of \$50,000 per month (principal and interest) until fully repaid. It has a nominal interest rate of 5.0% per year. The loan is secured by the assets of the Company.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2023 and 2022**

(Expressed in Canadian Dollars, unless otherwise stated)

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#### **12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

The conversion right is \$0.45 per share (up to 3,111,111 shares) if no portion is repaid. The Company can repay the loan at any time. The loan was accounted by recognizing \$422,910 as equity relative to its issued price. The conversion feature in the amount of \$422,910 was recorded into contributed surplus. The remaining portion of the convertible debenture with a balance of \$977,090 on initial recognition were subjected to accretion of interest. For the year ended December 31, 2023, the accretion of interest expense in the amount of \$191,954 (2022: \$43,036) was charged to the consolidated statement of loss and comprehensive loss. Interest expenses in the amount of \$70,343 were accrued for the year ended December 31, 2023 (2022: \$17,500).

#### **13. REVOLVING LINE OF CREDIT**

On August 31, 2021, the Company and MFD entered into a Line of Credit Agreement in the amount of \$250,000 with the Bank of Montreal (BMO), a Canadian financial institution. The line of credit carries interests at the bank's prime rate plus 1.50% per annum and remains unutilized since inception. The line of credit is guaranteed by a Personal Property Security Agreement ("PPSA") over the Company's assets and several personal guarantees up to \$250,000 of three individuals related to the Company. The facility was closed on September 29, 2022 and all guarantees were released and discharged and as such there is no interest expense related to the line of credit during 2023.

On September 29, 2022, the Company entered into an Operating Loan Facility Agreement in the amount of \$2,500,000 with the HSBC Bank Canada which carries interests at the bank's prime rate plus 1.10% per annum. The operating loan facility borrowing level is supported by the accounts receivable of the Company and its subsidiaries and is guaranteed by a PPSA and General Securities Agreement over the Company's and its subsidiaries assets. The Company expensed immediately the \$125,000 transaction cost being directly attributable to the financing.

#### **14. TERM LOAN**

On August 31, 2021, the Company entered into a Loan Agreement in the amount of \$1,000,000 with BMO. The loan matures in August 2026 (a 60-month period) and carries interests at the bank's prime rate plus 1.25% per annum. The Company made repayment of \$66,666 for year ended December 31, 2022. The loan is guaranteed by a PPSA over the Company's assets and joint and several personal guarantees up to \$500,000 of three individuals related to the Company. The Company incurred \$40,000 transaction cost that was directly attributable to the term loan financing. The transaction cost was accounted for as a reduction of the loan and would amortize over the term of the loan. During 2022, the remaining balance of BMO term loan was repaid, the transaction cost of \$37,333 was fully amortized to the consolidated statement of loss and comprehensive loss, and all guarantees were released and discharged.

On September 30, 2022, the Company entered into a Term Loan Agreement in the amount of \$3,500,000 with the HSBC Bank Canada. The loan matures in August 2025, is being fully repaid over the 36-month term and carries interests at a fix rate of 7.695% per annum for the first year. Until the first-year anniversary of the loan, monthly principal repayment follows an amortization schedule and starts in October 2023, the monthly installments are fixed at \$101,025. The loan is guaranteed under the PPSA and Canadian Securities Administrators over the Company's and its subsidiaries' assets. The transaction cost of \$175,000 was accounted for as a reduction of the loan to be amortized over the term of the loan.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

#### 14. TERM LOAN (continued)

For the twelve months ended December 31, 2023 and 2022, transaction cost in the amount of \$58,333 was amortized to the consolidated statement of loss and comprehensive loss. As at December 31, 2023 the unamortized portion of the transaction cost was \$102,083 (2022: \$160,417) of which \$58,333 (2022: \$58,333) is the current portion and \$43,750 (2022: \$102,084) is the noncurrent portion.

The Company has entered into several loan agreements detailed in Notes 12, 13, 14 and 15, balances as at December 31, 2023 and 2022 are the following:

	2023	2022
	\$	\$
CEBA loan payable (note 15)	60,000	59,608
Bank term loan	2,120,472	3,081,250
Revolving line of credit (note 13)	2,329,578	2,436,384
Loan due to a related party (note 12)	214,473	1,114,483
Convertible debenture loan from a related party (note 12)	1,212,080	1,020,126
Total	5,936,603	7,711,851
Current portion	4,133,622	4,717,529
Non-current portion	1,802,981	2,994,322

#### 15. GOVERNMENT SPONSORED TERM DEBT AND DEFERRED GRANTS

In April 2021, MFD obtained a \$60,000 loan under the Canada Emergency Business Account (“CEBA”) Program. As the Company repaid \$40,000 by January 18, 2024, a \$20,000 balance was forgiven. Otherwise, an interest rate of 5% per annum will apply to the balance, which will be repayable in 24 monthly blended instalments by December 31, 2026. An effective rate of 12% per annum was used, taking into account the rate that the Company would have obtained for a similar loan, to arrive at the present value of the CEBA loan in the amount of \$49,264 upon receipt of the CEBA loan proceeds. The effective interest would be accreted to the loan balance as well as charged to the consolidated statement of loss and comprehensive loss over the period from date of receipt of loan proceeds to December 31, 2025. The difference between the present value and the proceeds from the CEBA loan in the amount of \$10,736 was recorded as a deferred grant in April 2021 and will be recognized in the consolidated statement of loss and comprehensive loss at the same time as the occurrence of underlying expenses.

The reconciliation of CEBA loans is as follows:

	\$
Balance as at December 31, 2021	53,572
Interest accretion during the period	6,036
Balance as at December 31, 2022	59,608
Interest accretion during the period	392
<b>Current portion of the loan as at December 31, 2023</b>	<b>60,000</b>

The CEBA loan was fully repaid on January 16, 2024, in an amount of \$40,000 and the Company received the \$20,000 forgiveness.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

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## 16. SHARE CAPITAL

### a) Authorized:

Unlimited number of common shares, one vote per share, without par value. Issuances of common shares are recorded in "Share capital" in the consolidated statement of financial position.

### b) Shares issued and to be issued for service provided:

On November 10, 2020, the Company issued 6,500,000 common shares to management and directors for various professional services provided to the Company. The fair value of the share-based compensation transaction, in the amount of \$31,250, was determined by fair value of those services received by the Company.

During the period ended December 31, 2020, the Company received certain professional service with a service provider and per agreement, the Company would issue 4,965,116 common shares to compensate the service provider. The share-based compensation transaction, included in the consolidated statement of loss and comprehensive loss, in the amount of \$30,000, was determined using the fair value of those services received by the Company. The shares were issued during year ended December 31, 2021.

On August 31, 2021, the Company acquired 100% of all issued and outstanding shares of MFD of Markham Ontario, from its shareholders. The purchase price of \$3,500,000 was satisfied with a cash payment of \$1,000,000 and \$2,500,000 in Ciscom common shares valued at \$0.25 per share (share issuance of 10,000,000 shares). The selling shareholders of MFD are entitled to an Earn-Out payment based on revenue performance for the years 2022 and 2023 to a cumulative maximum of \$500,000.

On September 29, 2022, as per the terms of the agreements, the convertible debenture and loan due to a related party totaling to \$200,000 were converted to 800,000 common shares (\$0.25/share) of the Company.

On September 30, 2022, the Company acquired 100% of 188Ont, settled partially by issuance of 7,633,889 Company's common shares in the amount of \$3,435,250 determined by using \$0.45 per share which represent a discount of \$0.10 per share when compared to the price at which the Company is raising equity in general.

During the year ended December 31, 2023 and 2022, the Company issued 454,951 (2022: 2,420,014) common shares and raised cash of \$228,000 (2022: \$1,213,303) (gross and net proceeds). No commissions or charges were paid in relation to the private placements.

On December 31, 2023, the Earn Out achievement as part of the share purchase agreement of 188Ont was maximized at \$900,000. It is payable in shares priced at \$0.45 each for a total of 2,000,000 common shares to be issued at year-end 2023. The shares were issued March 1, 2024. The amount of \$900,000 was satisfied by the contingent consideration liability in the amount of \$690,116 and an expense in fair value change in contingent consideration liability in the consolidated statements of loss and comprehensive loss in the amount of \$209,884.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

#### 16. SHARE CAPITAL (continued)

##### c) Share options:

During the year ended December 31, 2023 and 2022 none of the options expired nor were they exercised. As at December 31, 2023, the following options were outstanding:

Number of options	Exercise price	Expiry date	Remaining contractual life (years)
1,725,000	\$0.10	November 9, 2025	1.9
495,000	\$0.10	July 14, 2026	2.5
55,000	\$0.55	February 27, 2027	3.2
945,000	\$0.55	September 29, 2027	3.7
300,000	\$0.55	February 27, 2028	4.2
150,000	\$0.55	April 23, 2028	4.3

On November 10, 2020, the Company granted an aggregate of 2,225,000 share purchase options under the Company's share option plan to certain directors, officers, and consultants of the Company. The options are exercisable at \$0.10 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$20,361 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 0.26%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.019 at the time of grant for a valuation of \$0.0092 per option.

On July 15, 2021, the Company granted an aggregate of 495,000 share purchase options under the Company's share option plan to certain directors, officers, and consultants of the Company. The options are exercisable at \$0.10 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$11,647 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 0.26%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.05 at the time of grant for a valuation of \$0.0235 per option.

On February 28, 2022, the Company granted an aggregate of 55,000 share purchase options under the Company's share option plan to certain consultants of the Company. The options are exercisable at \$0.55 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$20,436 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.60%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.51 at the time of grant for a valuation of \$0.3716 per option.

On September 30, 2022, the Company granted an aggregate of 655,000 share purchase options under the Company's share option plan to certain directors, officers, employees and consultants of the Company. The options are exercisable at \$0.55 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$265,922 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.60%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.550 at the time of grant for a valuation of \$0.4060 per option. The amount of \$265,922 was included into share-based compensation expenses and charged to the consolidated statement of loss and comprehensive loss for the year ended December 31, 2022.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

#### 16. SHARE CAPITAL (continued)

##### c) Share options (continued):

On September 30, 2022, the Company granted an aggregate of 290,000 share purchase options under the Company's share option plan to certain employees of the Company. The options are exercisable at \$0.55 per share, are vesting over a period of 3 years that started at October 1, 2022, and shall be exercisable for a term of 5 years upon vesting date. The value of these options in amount of \$117,737 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.60%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.550 at the time of grant for a valuation of \$0.4060 per option. The amount \$49,850 was included into share-based compensation expenses and charged to the consolidated statement of loss and comprehensive loss for the year ended December 31, 2023 (2022: \$41,603).

On February 28, 2023, the Company granted an aggregate of 300,000 share purchase options under the Company's share option plan to certain directors, officers, employees and consultants of the Company. The options are exercisable at \$0.55 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$134,888 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.60%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.550 at the time of grant for a valuation of \$0.4496 per option. The \$134,888 was included into share-based compensation expenses and charged to the consolidated statement of loss and comprehensive loss during the year ended December 31, 2023.

On April 24, 2023, the Company granted an aggregate of 150,000 share purchase options under the Company's share option plan to certain directors, officers, employees and consultants of the Company. The options are exercisable at \$0.55 per share, are vested immediately, and shall be exercisable for a term of 5 years. The value of these options in amount of \$61,179 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.60%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of \$0.550 at the time of grant for a valuation of \$0.4496 per option. During the year ended December 31, 2023, \$61,179 was charged to the consolidated statement of loss and comprehensive loss as share-based compensation expenses.

No share purchase options were exercised during the year ended December 31, 2023 (2022: Nil). A total of 500,000 share purchase options were cancelled during the year ended December 31, 2022 following the death of the option-holder and the estate not exercising their option within 180 days of the passing as per the terms and conditions of the plan.

#### 17. INCOME TAXES

The Company's Canadian operations are subject to income tax at a combined Federal and Provincial statutory income tax rate of 26.5% (2022 – 26.5%), as follows:

	December 31, 2023	December 31, 2022
<b>Current income taxes</b>	\$	\$
Net loss before income taxes	(1,945,298)	(1,760,901)
Tax rate	26.50%	26.50%
Income tax recoverable	(515,504)	(466,639)
Non-deductible items and others	596,360	335,644
Income taxes (Unrecognized deferred tax assets)	170,012	(130,995)
	<b>89,156</b>	-

# Ciscom Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars, unless otherwise stated)

### 17. INCOME TAXES (continued)

	December 31, 2023	December 31, 2022
<b>Deferred tax assets</b>	\$	\$
Non-capital loss carry-forward	112,437	282,439
Deferred tax assets not recognized	112,427	282,439
	December 31, 2023	December 31, 2022
<b>Deferred tax liabilities</b>	\$	\$
<b>Balance, beginning of the year</b>	2,126,879	753,667
On intangible assets arising from business acquisitions <i>[note 4]</i>	-	1,588,749
Deferred income taxes on amortization of intangible assets	(395,013)	(215,537)
	<b>1,731,866</b>	<b>2,126,879</b>

The Company's ability to realize the tax benefits is dependent upon a number of factors, including the history of earnings and the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, a corresponding full valuation allowance was recorded to deferred tax assets.

As at December 31, 2023, the Company had non-capital losses amounting to \$424,253 (December 31, 2022 - \$1,157,806) and will expire starting in 2041.

### 18. FINANCIAL RISK FACTORS

#### Financial Risk Management

The Company is exposed to credit, currency, interest rates and liquidity risks. The Company's management oversees the management of these risks. The Company's management is supported by the Board that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that risks are identified, measured and managed in accordance with Company policies and the Company risk appetite.

#### (a) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligation associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its shareholders.

As at December 31, 2023, the Company had \$8,061,120 (2022: \$9,148,947) in current assets including \$515,725 (2022: \$1,053,042) in cash, against \$11,850,319 (2022: \$12,079,948) in current liabilities which mainly include \$2,329,578 revolving bank facility, accounts payable and accrued liabilities of \$7,613,996 (2022: \$7,295,702), current portion of bank term loan of \$1,213,970 (2022: \$1,041,370), and a balance due to the selling shareholders in the amount of \$214,473 (2022: \$1,114,483). With the acquisition of 188Ont completed, the Company anticipates that it will continue on its revenue growth trajectory and improve its liquidity through continued business development and additional equity or debt capitalization of the Company and the Company will have sufficient funds to pay for its liabilities for the foreseeable future.

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**18. FINANCIAL RISK FACTORS (continued)**

**(b) Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. These financial assets carrying amounts approximate fair value due to their short-term nature and there was no transfer of fair value level during the years ended December 31, 2023 and 2022.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

**(c) Credit Risk**

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and trade receivables. The cash consists of money held in a reputable Canadian bank. To reduce its credit risk from its trade receivables balances, the Company reviews a new client credit history before extending credit and reviews the ongoing credit utilization on an ongoing basis. Additionally, the Company's trade receivables are individually insured with Intact Insurance for balances up to \$500,000 per customer. During the year ended December 31, 2023, the Company's accumulated provision is in the amount of \$37,527. (Note 5)

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## Notes to Consolidated Financial Statements

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#### 18. FINANCIAL RISK FACTORS (continued)

The following table provides information regarding the gross amount of aged trade receivables:

	Current	31-60 days	60 days to 90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
At December 31, 2023	4,585,307	2,395,691	111,916	37,527	7,130,441
At December 31, 2022	3,717,117	3,223,930	228,215	166,732	7,335,994

#### (c) Foreign Currency Risk

Currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate. The functional currency of the Company is the Canadian dollar. The Company is exposed to the currency exchange rate risk on its accounts payable. During the year, the Company did not incur significant foreign currency transactions. The Company does not use derivative financial instruments to mitigate its exposure to currency risk. Management, however, mitigates currency risk by regular monitoring, transacting in stable currencies, matching the foreign currency payables and minimizing the net exposure in any foreign currency at any point of time.

#### (d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Refer to Notes 12, 13 and 14 for details of interest rate exposure.

#### 19. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. The capital of the Company consists of equity.

The Company manages its capital structure and makes adjustments in light of the changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the Company's capital requirements, the Company has in place planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. There were no externally imposed capital requirements to which the Company is subject as at December 31, 2023 and December 31, 2022.

There have been no changes in the Company's approach to capital management during the year ended December 31, 2023, nor have there been any changes made in the objectives, policies or procedures of the Company in respect of capital management.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

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## **20. CONTINGENCIES**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As at December 31, 2023 and December 31, 2022, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

In January 2024, a former executive, who was terminated for cause, filed a claim against the Company for alleged wrongful dismissal and other matters in the total amount of approximately \$3.1 million, inclusive of punitive damages and general defamation of \$2.6 million. In January 2024, the Company filed an Intent to Defend the claim and issued a claim against the same former executive for the non-repayment of the Promissory Note in the amount of \$201,215, inclusive of accrued interest. While the Company believes it will be successful defending both claims, a provision of \$300,000 has been recognized as salaries and wage and the Company expensed a loan loss provision in the amount of \$201,215 in the consolidated financial statements for the year ended December 31, 2023. There is a risk that the actual loss will exceed the amount accrued.

## **21. SUBSEQUENT EVENTS**

As disclosed in Note 20, subsequent to December 31, 2023, a claim for wrongful dismissal was filed by a former executive of the Company that was terminated for cause. The Company filed an Intent to Defend in January 2024. In January 2024, the Company issued a claim against the same former executive for the non-repayment of the Promissory Note due on demand. While the Company believes it will be successful defending both claims, a provision of \$300,000 was recognized as salaries and wages in 2023 and the Company expensed a loan loss provision in the amount of \$201,215 in 2023.

On February 5, 2024, the Company issued 650,000 options to a director and an employee exercisable for 5 years at market price on February 2, 2024 (prior day close).

On February 8, 2024, the Company held an annual general and special meeting of shareholders where new by-laws and a new stock option plan aligned to public companies, versus private companies, were adopted.