

Unaudited Condensed Interim Consolidated Financial Statements

Ciscom Corp.

For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

Cisco Corp.

For the three-month periods ended March 31, 2023 and 2022

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Ciscom Corp.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	March 31, 2023 (reviewed)	December 31, 2022 (audited)
	\$	\$
ASSETS		
CURRENT		
Cash	636,844	1,053,042
Trade and other receivables <i>[note 5]</i>	3,556,279	7,330,769
Related party receivable <i>[Note 12]</i>	180,000	180,000
Harmonized sales tax recoverable	-	25,624
Income taxes receivable	39,649	164,533
Prepays and deposits	334,902	394,979
	4,747,674	9,148,947
Property and equipment <i>[note 8]</i>	46,412	44,345
Right of use assets <i>[note 9]</i>	1,059	1,348
Intangible assets <i>[notes 4 and 7]</i>	7,651,708	8,024,208
Goodwill <i>[notes 4 and 7]</i>	6,584,729	6,584,729
Total assets	19,031,582	23,803,577
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Revolving line of credit <i>[notes 13 and 14]</i>	1,311,893	2,436,384
Accounts payable and accrued liabilities <i>[note 6]</i>	4,485,108	7,295,702
Harmonized sales tax payable	86,563	-
Lease liabilities <i>[notes 10]</i>	1,192	1,508
Deferred revenue	262,912	65,209
Due to a related party <i>[notes 12 and 14]</i>	514,473	1,114,483
Convertible debenture loan from a related party – current portion <i>[note 12 and 14]</i>	115,158	125,292
Loan payable - current portion <i>[notes 12 and 14]</i>	1,055,677	1,041,370
	7,832,976	12,079,948
Convertible debenture loan from a related party <i>[note 12 and 14]</i>	949,900	894,834
Loan payable - noncurrent portion <i>[notes 13 and 14]</i>	1,830,463	2,099,488
Contingent consideration liability <i>[note 4]</i>	690,116	690,116
Deferred tax liabilities <i>[notes 4 and 17]</i>	2,028,126	2,126,879
Total liabilities	13,331,581	17,891,265
SHAREHOLDERS' EQUITY		
Share capital <i>[notes 4 and 16]</i>	9,114,565	8,886,565
Stock options reserve <i>[note 16]</i>	494,857	359,969
Contributed surplus <i>[note 12]</i>	422,910	422,910
Accumulated deficit	(4,332,331)	(3,757,132)
Total shareholders' equity	5,700,001	5,912,312
Total liabilities and shareholders' equity	19,031,582	23,803,577

Subsequent events *[note 21]*

See accompanying notes

Approved on behalf of the Board:

Director

Director

Ciscom Corp.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars, unless specified otherwise)

	For the three months ended March 31, 2023 (reviewed)	For the three months ended March 31, 2022 (reviewed)
	\$	\$
REVENUE <i>[note 11]</i>	7,253,560	403,449
COST OF REVENUE	5,958,642	323,028
GROSS PROFIT	1,294,918	80,421
EXPENSES		
Salaries and wages	967,431	146,802
Professional services <i>[notes 12 and 16]</i>	149,111	106,459
General and administrative	195,189	68,391
Share-based compensation	134,888	20,436
Finance costs <i>[notes 12, 14, and 15]</i>	156,973	16,793
Depreciation and amortization <i>[notes 7, 8, and 9]</i>	381,764	133,682
Amortization of deferred grants	-	(1,554)
TOTAL EXPENSES	1,985,356	491,009
NET LOSS BEFORE INCOME TAXES	(690,438)	(410,588)
Current income tax <i>[note 17]</i>	(16,486)	-
Deferred income tax <i>[note 17]</i>	(98,753)	(33,250)
NET LOSS AND COMPREHENSIVE LOSS	(575,199)	(377,338)
Basic and diluted loss per share	(0.011)	(0.009)
Weighted average number of common shares	51,396,895	40,409,557

See accompanying notes

Ciscom Corp.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars, unless specified otherwise)

	Number of shares	Share capital \$	Number of shares to be issued	Shares to be issued \$	Stock option reserve \$	Contributed surplus \$	Accumulated deficit \$	Total \$
Balance, December 31, 2022 (audited)	51,108,882	8,886,565	-	-	359,969	422,910	(3,757,132)	5,912,312
Issuance of common shares [notes 16]	454,959	228,000	-	-	-	-	-	228,000
Issuance of stock options [notes 16]	-	-	-	-	134,888	-	-	134,888
Net loss and comprehensive loss	-	-	-	-	-	-	(575,199)	(575,199)
Balance, March 31, 2023 (reviewed)	51,563,841	9,114,565	-	-	494,857	422,910	(4,332,331)	5,700,001

	Number of shares	Share capital \$	Number of shares to be issued	Shares to be issued \$	Stock option reserve \$	Contributed surplus \$	Accumulated deficit \$	Total \$
Balance, December 31, 2021 (audited)	40,254,979	4,038,012	-	-	32,008	23,343	(2,235,111)	1,858,252
Issuance of common shares [notes 16]	243,367	124,178	-	-	-	-	-	124,178
Issuance of shares for services [note 16]	-	-	-	-	20,436	-	-	20,436
Net loss and comprehensive loss	-	-	-	-	-	-	(377,338)	(377,338)
Balance, March 31, 2022 (reviewed)	40,498,346	4,162,190	-	-	52,441	23,343	(2,612,449)	1,625,528

See accompanying note

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

	For the three- months period ended March 31, 2023 (reviewed) \$	For the three- months period ended March 31, 2022 (reviewed) \$
OPERATING ACTIVITIES		
Net loss	(575,199)	(377,338)
Items not affecting cash:		
Depreciation and amortization	381,764	133,682
Deferred income taxes	(98,753)	(33,250)
Share-based compensation	134,888	20,436
Accretion of interest – government loan	392	1,509
Amortization of deferred grants	-	(1,554)
Accretion of interest – lease liability	16	254
Accretion of interest – convertible debenture	44,932	3,994
Amortization of loan related transaction costs	14,974	2,000
Changes in non-cash working capital balances:		
Trade and other receivables	3,774,490	460,058
Harmonized sales tax recoverable	112,187	(12,952)
Prepays and deposits	60,077	8,318
Deferred revenue	197,703	-
Income taxes receivable	124,844	-
Accounts payable and accrued liabilities	(2,810,594)	(404,284)
Cash provided by (used in) operating activities	1,361,371	(198,227)
INVESTING ACTIVITIES		
Computer equipment purchase	(11,042)	-
Receivable from related party	-	(180,000)
Cash used in investing activities	(11,042)	(180,000)
FINANCING ACTIVITIES		
Principal repayment on term loan	(270,084)	(50,000)
Repayment of revolving line of credit	(1,124,491)	-
Repayment of loan to a related party	(600,010)	-
Issuance of common shares for cash	228,000	124,178
Lease payments	(332)	(8,106)
Cash provided by (used in) financing activities	(1,766,917)	66,072
DECREASE IN CASH	(416,198)	(312,155)
CASH - BEGINNING OF PERIOD	1,053,042	1,006,133
CASH - END OF PERIOD	636,844	693,978
Supplementary cash flow information		
Interest paid	101,731	9,036
Income tax paid	-	-

See accompanying notes

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian Dollars, unless specified otherwise)

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).

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. The Company has submitted an application to the Ontario Securities Commission and Canadian Securities Exchange to become a publicly traded entity. 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 May 23, 2023.

2.2 Liquidity and financing

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. 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. The Company reported a consolidated net loss of \$575,199 for the three-month period ended March 31, 2023 (December 31, 2022 – \$1,545,364). As at March 31, 2023, the Company had a working capital deficit of \$3,085,302 (December 31, 2022, working capital deficit of \$2,931,001) and an accumulated deficit of \$4,332,331 (December 31, 2022: \$3,757,132). During the three-month period March 31, 2023, the Company generated positive cash from operating activities of \$1,361,761 and at that date the Company had a cash on hand of \$636,844 (for the year ended December 31, 2022, respectively a use of cash of \$890,648 and cash on hand of \$1,053,042). Considering the availability on the line of credit, the Company had \$1,824,951 in available cash (December 31, 2022: \$1,116,658) With the acquisition of 188Ont completed, the Company anticipates that it will

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Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian Dollars, unless specified otherwise)

2. BASIS OF PRESENTATION (continued)

2.2 Liquidity and financing (continued)

continue on its revenue growth trajectory and improve its liquidity through continued business development and additional equity or debt capitalization of the Company. During the past three years, the Company has raised \$3.1 million in equity (including the conversion of convertible notes of \$200,000). Based on these facts and assumptions, Management believes that existing cash along with expected revenue 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.

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 now 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 subsidiary’s 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 SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash

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

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars, unless specified otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 entity 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.

Distribution and production of advertisement flyer 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 are stated at cost, less accumulated amortization. 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	30% to 55% declining basis
Computer software	33% 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.

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Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023 and 2022

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property and equipment

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 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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

	Classification
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 party	Amortized cost
Lease liabilities	Amortized cost
Contingent consideration liability	FVTPL

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 liabilities 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 recognized when the Company becomes a party to the contractual provisions of the instrument. 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 the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars, unless specified otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

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 profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. All financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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.

b) Impairment of financial assets

IFRS 9 uses a forward-looking "expected credit loss" ("ECL") model. The 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 profit or 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.

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For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian Dollars, unless specified otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

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.

3.8 Impairment of non-current assets

At each date of the consolidated statements of financial position, the Company reviews the carrying amounts of its tangible 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.

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian Dollars, unless specified otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of non-current assets (continued)

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, 2022, 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 the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars, unless specified otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Significant accounting judgments and estimates (continued)

- i) Business combination
- ii) Intangible assets and goodwill
- iii) Determination of current and deferred income taxes
- iv) COVID-19
- v) Share-based payment

Business combination

The Company uses judgement in determining the entities that it controls and therefore consolidates or has significant influence and therefore equity accounts. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company has significant influence when the Company has the power to participate in the financial and operating policy decisions of the investee but does not control nor has joint control of that investee's policies.

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 profit or 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.

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Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian Dollars, unless specified otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Significant accounting judgments and estimates (continued)

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.

COVID-19

Due to the disruption of the COVID-19 crisis, the Company's business activities might be subject to certain level of adverse impact. To the date of the issuance of these consolidated financial statements, the Company is still assessing the impact on its business, results of operations, financial position and cash flows, which will be accounted for when the reliable estimates will become available.

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.

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.

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian Dollars, unless specified otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 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.

3.12 Foreign currency translation

In preparing the consolidated financial statements, transactions in currencies other than the entity'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.

3.13 Segments

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 the performance of the operating segments, has been identified as the Chief Executive Officer 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.

Ciscom Corp.

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For the three-month periods ended March 31, 2023 and 2022

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 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.

3.15 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 profit or loss over the vesting period.

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

3.16 Compound financial instruments

The financial liability created (liability component) and option granted (equity component) from the non-derivative convertible debenture issued are separately recognized upon the date of the issuance and presented separately in the consolidated financial 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 subsequent measured at amortized cost using effective interest method and the accretion of interest over the term of the convertible debenture is recorded as an increase of financial liability as well as an 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.

3.17 Loss per share

Loss per share is calculated by dividing the total net loss by the weighted average number of shares outstanding during the period. Outstanding warrants and options as at December 31, 2022, and 2021 have not been factored into the calculation as they are considered anti-dilutive.

3.18 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 the passage of time is recognized as interest expense.

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian Dollars, unless specified otherwise)

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. 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).

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	(798,000)
Net liabilities assumed*	(89,243)
Goodwill (note 7)	1,653,243
Purchase consideration	\$3,775,000

*The details of net liabilities assumed is as below:

	\$
Assets acquired	
Cash	358,362
Accounts receivable and other current assets	360,682
Property and equipment (note 8)	5,642
Right-of-use assets	18,475
	743,161
Liabilities assumed	
Accounts payables and other current liabilities	(753,683)
Loan payable	(51,574)
Deferred grants	(8,245)
Lease liabilities	(18,902)
	(832,404)
Net liabilities assumed	(89,243)

The goodwill of \$1,653,243 arising from the MFD acquisition consists largely of the synergies and economies of scale expected from combining the operations of Ciscom and MFD. Ciscom will provide financial resource for the continued operation of MFD to enhance future revenue generation while MFD’s continued operation with established reputation will reward Ciscom more opportunities for future 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.

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian Dollars, unless specified otherwise)

4. BUSINESS ACQUISITION (continued)

The Company recognized an impairment of goodwill in the amount of \$1,653,243 as of December 31, 2021 due to the delay in realizing the synergies and economies of scale expected at acquisition date.

The revenue included in the December 31, 2021, consolidated statement of loss and comprehensive loss since August 31, 2021 contributed by MFD was \$1,132,076. MFD had a loss of \$65,710 over the same period. Had MFD been acquired and consolidated from January 1, 2021 the consolidated statement of loss and comprehensive loss would have included revenue of \$2,780,412 and loss of \$146,725.

For the three-month period ended March 31, 2023, MFD had revenue of \$479,569 and a loss of \$122,380. For the year ended December 31, 2022, MFD had revenue of \$3,110,085 and a 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 and of which \$649,048 was paid as of March 31, 2023 (\$49,038 as of December 31, 2022) (note 12 and 14), 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 the acquisition date and \$690,116 as of March 31, 2023 and December 31, 2022 respectively (face value of \$900,000). As 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.

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 asset acquired*	2,116,657
Goodwill (note 7)	6,012,539
Purchase consideration	\$12,488,481

*The details of net assets purchase are as below:

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian Dollars, unless specified otherwise)

4. BUSINESS ACQUISITION (continued)

	\$
Assets acquired	
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
	5,364,124
Liabilities assumed	
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)
	(3,247,467)
Net assets acquired	2,116,657

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 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 revenue included in the consolidated statement of loss and comprehensive loss since September 30, 2022 to December 31, 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. For the three-month period ended March 31, 2023, 188Ont had revenue of \$6,773,990 and a net income of \$377,050.

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

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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5. TRADE AND OTHER RECEIVABLES

	March 31, 2023 (reviewed) \$	December 31, 2022 (audited) \$
Trade and other receivables	3,569,659	7,335,994
Impairment provision for trade receivable	(13,380)	(5,225)
Trade and other receivables, net	3,556,279	7,330,769
Impairment provision for trade receivable	5,225	111,740
Increase of provision	8,155	-
Write-off of provision	-	(106,515)
Impairment provisions at the end of the period	13,380	5,225

6. ACCOUNT PAYABLE AND ACCRUED LIABILITIES

	March 31, 2023 (reviewed) \$	December 31, 2022 (audited) \$
Accounts payable	3,707,008	6,523,137
Accrued liabilities	778,100	772,565
	4,485,108	7,295,702

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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7. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

	Brand name	Technology	Customer relationships	Total
	\$	\$	\$	\$
Cost				
Balance at date of acquisition (note 4)	729,000	1,220,000	1,060,000	3,009,000
Additions (note 4)	5,194,000	-	1,553,000	6,747,000
Balance at December 31, 2022 (audited)	5,923,000	1,220,000	2,613,000	9,756,000
Additions	-	-	-	-
Balance at March 31, 2023 (reviewed)	5,923,000	1,220,000	2,613,000	9,756,000
Accumulated amortization				
Balance at date of acquisition	-	-	-	-
Amortization	899,750	271,110	560,932	1,731,792
Balance at December 31, 2022 (audited)	899,750	271,110	560,932	1,731,792
Amortization	224,125	50,833	97,542	372,500
Balance at March 31, 2023 (reviewed)	1,123,875	321,943	658,474	2,104,292
Net book value				
Balance at December 31, 2022 (audited)	5,023,250	948,890	2,052,068	8,024,208
Balance at March 31, 2023 (reviewed)	4,799,125	898,057	1,954,526	7,651,708
Goodwill				
				\$
Balance at date of acquisition (note 4)				1,653,243
Impairment (note 4)				(1,653,243)
Balance at December 31, 2021 (audited)				-
Addition (note 4)				6,584,729
Balance at December 31, 2022 (audited) and March 31, 2023 (reviewed)				6,584,729

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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8. PROPERTY AND EQUIPMENT

	Furniture and equipment	Computer equipment	Computer software	Total
	\$	\$	\$	\$
Cost:				
As at December 31, 2021(audited)	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 (audited)	4,277	419,833	723	424,833
Additions	-	11,042	-	11,042
As at March 31, 2023 (reviewed)	4,277	430,875	723	435,875
Accumulated depreciation:				
As at December 31, 2021 (audited)	335	86	97	518
Depreciation	1,006	7,839	291	9,136
Additions (note 4)	-	370,834	-	370,834
As at December 31, 2022 (audited)	1,341	378,759	388	380,488
Depreciation	2,936	5,704	335	8,975
As at March 31, 2023 (reviewed)	4,277	384,463	723	389,463
Net book value:				
As at December 31, 2022 (audited)	2,936	41,074	335	44,345
As at March 31, 2023 (reviewed)	-	46,412	-	46,412

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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9. RIGHT-OF-USE ASSETS

	As at March 31, 2023 (reviewed)	As at December 31, 2022 (audited)
	\$	\$
Cost:		
Opening balance	21,113	18,475
Addition pursuant acquisition (note 4)	-	2,638
Maturity	(19,476)	-
Closing balance	1,637	21,113
Accumulated depreciation:		
Opening balance	19,765	10,557
Additions	289	9,208
Maturity	(19,476)	-
Closing balance	578	19,765
Net book value:		
As at period end and year-end	1,059	1,348

10. LEASE LIABILITIES

The Company's leases are related to the leasing of office space, equipment, and vehicle. The lease payments are discounted using an incremental borrowing rate of 5% per annum. The continuity of lease liabilities is presented in the table below:

	As at March 31, 2023 (reviewed)	As at December 31, 2022 (audited)
	\$	\$
Opening balance	1,508	8,360
Additions (note 4)	-	2,971
Accretion expense	16	275
Lease payments	(332)	(10,098)
Closing balance	1,192	1,508
Current portion	1,192	1,508

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2023 and 2022

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11. REVENUE

The Company's revenues for the period ended March 31, 2023, comprised of distribution and marketing strategy of \$6,829,017 and \$424,543, respectively (period ended March 31, 2022: \$340,624 and \$62,825 respectively).

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 March 31, 2023 and December 31, 2022, are as follows:

	March 31, 2023 (reviewed)	December 31, 2022 (audited)
	\$	\$
Shareholder loan	180,000	180,000
Due to a related party (notes 4 and 14)	514,473	1,114,483
Convertible debenture loan from a related party (notes 4 and 14)	1,065,058	1,020,126

On February 23, 2022, the Company advanced \$180,000 to an executive of the Company under a Promissory Note. The executive can repay the Promissory Note at any time and it matures on February 21, 2023. It carries single interest at the rate of 6.25% per year. As a guarantee, the executive placed 500,000 of his Company shares in escrow with the Company's legal counsel. As at December 31, 2022, the outstanding principal was \$180,000, and the accrued interest receivable in the amount of \$9,552 (2021: Nil) was included in trade and other receivables. In February 2023, the Promissory Note was extended until December 31, 2023 under the same terms except that the interest rate was increased to 7.7% per annum.

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, and officers of the Company. The salary benefit for key management personnel of the Company was in the amount of \$128,750 for the period ended March 31, 2023 and in the amount \$602,871 for the year ended December 31, 2022. During the year ended December 31, 2022, share-based compensation in the amount of \$327,961 was awarded by the Company to key management personnel (2023: Nil). Until March 31, 2023, the Company has issued the following:

Ciscom Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- 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 the 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, 2022 (2021: Nil). The \$20,361 was included into share-based compensation expenses and charged to the statement of loss and charged to the statement of loss for the period ended December 31, 2020.
- 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 statement of loss for the period ended December 31, 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, 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).
- 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.

Ciscom Corp.

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12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- 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.
- 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 \$41,603 was included into share-based compensation expenses and charged to the consolidated statement of loss for the year ended December 31, 2022. An amount of \$12,530 was included into share-based compensation expenses and charged to the consolidated statement of loss for the period ended March 31, 2023.
- 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 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 \$122,358 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 \$122,358 was included into share-based compensation expenses and charged to the consolidated statement of loss and comprehensive loss.

Ciscom Corp.

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12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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 initially matured on 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) if not repaid at maturity. The convertible debenture loan can be increased up to \$300,000 should the Company need additional working capital. The loan was accounted by using effective interest method and the conversion feature in the amount of \$23,343 was recorded into contributed surplus. The remaining portion of the convertible debentures were 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 (2021 - \$5,143) was included into finance cost for the year ended December 31, 2022 (2023: Nil).

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 at the rate of \$50,000 per month (principal and interests) until fully repaid. It has a nominal interest rate of 5.0% per year. The loan is secured by the assets of the Company. 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 with a 10-day notice. Upon receiving notice, the loan owners can convert the loan at their will. then force conversion. 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 debentures with a balance of \$977,090 on initial recognition were subjected to accretion of interest. For period ended March 31, 2023, the accretion of interest expense in the amount of \$44,932 was charged to consolidated statement of loss and comprehensive loss (2022: \$43,036). Interest expenses in the amount of \$17,500 were accrued for the period ended March 31, 2023 (2022: \$17,500).

Ciscom Corp.

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(Expressed in Canadian Dollars, unless specified otherwise)

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 (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, and as such there is no interest expense related to the Line of Credit. 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.

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. The operating loan facility carries interests at the bank's prime rate plus 1.10% per annum and was fully drawn on inception. The operating loan facility borrowing level is supported by the accounts receivable of the Company and its subsidiaries and is guaranteed by a Personal Property Security Agreement ("PPSA") and General Securities Agreement over the Company's and its subsidiaries assets. The Company incurred \$125,000 transaction cost that was directly attributable to the financing. The transaction cost was expensed at the closing date.

14. TERM LOAN

On August 31, 2021, the Company entered into a Loan Agreement in the amount of \$1,000,000 with Bank of Montreal ("BMO", a Canadian Financial Institution). 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 (2021: \$2,667) was fully amortized to 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 HSBC Bank Canada. The loan matures in August 2025 (a 36-month period) and carries interests at a fix rate of 7.695% per annum for the first year. The loan is guaranteed by a PPSA and CSA over the Company's and its subsidiaries assets. The Company incurred \$175,000 transaction cost that was directly attributable to the term loan financing. The transaction cost was accounted for as a reduction of the loan and will amortize over the term of the loan. On closing of the acquisition, the allocation of the transaction cost into its current portion and noncurrent portion are in the amount of \$58,333 and \$116,667 respectively. For the period ended March 31, 2023, transaction cost in the amount of \$14,583 was amortized to the consolidated statement of loss and comprehensive loss and the unamortized portion of the transaction cost was \$145,833 and the amounts \$58,333 and \$87,500 were allocated into current portion and noncurrent portion. As at December 31, 2022 the unamortized portion of the transaction cost was \$160,417 and the amounts \$58,333 and \$102,084 were allocated into current portion and noncurrent portion.

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14. TERM LOAN (continued)

The Company has entered into several loan agreements detailed in Notes 12, 13, 14 and 15, as follows:

	March 31, 2023 (reviewed)	December 31, 2022 (audited)
	\$	\$
CEBA loan payable (note 15)	60,000	59,608
Bank term loan (note 14)	2,826,140	3,081,250
Revolving operating loan (note 13)	1,311,893	2,436,384
Loan due to a related party (note 12)	514,473	1,114,483
Convertible debenture loan from a related party (note 12)	1,065,058	1,020,126
Total loans payable	5,777,564	7,711,851
Current portion	2,997,201	4,717,529
Non-current portion	2,780,363	2,994,322

15. GOVERNMENT SPONSORED TERM DEBT AND DEFERRED GRANTS

In April 2021, MFD obtained \$60,000 loan under the Canada Emergency Business Account Program. If the Company repays \$40,000 by December 31, 2022, a \$20,000 balance will be forgiven. Otherwise, an interest rate of 5% per annum will apply to the balance, which will be repayable in 36 monthly blended instalments by December 31, 2025. 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 the present value of the CEBA loan in 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 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.

	March 31, 2023
The reconciliation of the CEBA loan is as follows:	\$
Balance as at December 31, 2022 (audited)	59,608
Interest accretion during the period	392
Current portion of CEBA loan	60,000

	December 31, 2022
The reconciliation of deferred grants is as below:	\$
Balance as at December 31, 2021	6,173
Amortization of deferred grants during the year 2022	(6,173)
Balance as at March 31, 2023 and December 31, 2022	-

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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 statement of loss as share-based compensation expenses, 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 were totaling \$200,000 were converted to 800,000 common shares (\$0.25/share) of the Company.

During the year ended December 31, 2022 and 2021, the Company issued 2,420,014 (2021: 14,014,863) common shares and raised cash of \$1,213,303 (2021: \$1,386,262) (gross and net proceeds). For the quarter ended March 31, 2023 the Company issued 454,949 common shares and raised cash of \$228,000 (gross and net proceeds). No commissions or charges were paid in relation to the private placements.

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.

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16. SHARE CAPITAL (continued)

c) Share options:

During the period ended March 31, 2023 and the year ended December 31, 2022 none of the options expired nor were they exercised. As at March 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	2.6
495,000	\$0.25	July 14, 2026	3.3
55,000	\$0.55	February 27, 2027	3.9
945,000	\$0.55	September 29, 2027	4.5
300,000	\$0.55	February 27, 2028	4.9

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 \$0.25 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 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.

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16. SHARE CAPITAL (continued)

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.

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 \$41,603 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. An amount \$12,530 was included into share-based compensation expenses and charged to the consolidated statement of loss and comprehensive loss for the period ended March 31, 2023.

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 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 \$122,358 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 \$122,358 was included into share-based compensation expenses and charged to the consolidated statement of loss and comprehensive loss for the period ended March 31, 2023.

A total of 500,000 share purchase options were cancelled during the year ended December 31, 2022 (2023: Nil) 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.

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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:

	March 31, 2023 (reviewed)	March 31, 2022 (reviewed)
Current income taxes	\$	\$
Net loss before income taxes	(690,438)	(410,588)
Tax rate	26.50%	26.50%
Income tax recoverable	(182,966)	(108,806)
Non-deductible items and others	141,810	41,785
Unrecognized deferred tax assets	24,670	67,021
	(16,486)	-
	March 31, 2023 (reviewed)	March 31, 2022 (reviewed)
Deferred tax assets	\$	\$
Non-capital loss carry-forward	329,697	64,944
Deferred tax assets not recognized	(329,697)	(64,944)
	-	-
	March 31, 2023 (reviewed)	March 31, 2022 (reviewed)
Deferred tax liabilities	\$	\$
Balance, beginning of the period/year	2,126,879	-
Deferred tax recognized pursuant to business acquisitions <i>[note 4]</i>	-	753,667
Deferred income taxes amortization	(98,753)	(33,250)
	2,028,126	720,417

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 March 31, 2023, the Company had non-capital losses amounting to \$1,250,898 (December 31, 2022: \$1,157,805 and March 31, 2022: \$909,645) and will expire starting in 2041.

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18. FINANCIAL RISK FACTORS

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.

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.

Financial Risk Management

The Company is exposed to credit risk and liquidity risk. 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 financial risks are identified, measured, and managed in accordance with Company policies and the Company risk appetite.

As at March 31, 2023, the Company had \$4,747,673 in current assets including \$636,844 in cash (considering the availability on the line of credit the Company had \$1,824,951 in cash available), against \$7,717,817 in current liabilities which mainly include \$1,311,893 revolving bank facility ("revolving line of credit"), accounts payable and accrued liabilities in the amount of \$4,485,108, current portion of bank term loan in the amount of \$1,041,370, and a balance due to the selling shareholders of 188Ont in the amount of \$514,473. 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

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18. FINANCIAL RISK FACTORS (continued)

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.

(a) 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. During the period ended March 31, 2023, the Company's accumulated provision is in the amount of \$13,380. (Note 5)

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 March 31, 2023	2,822,396	596,998	98,569	38,316	3,556,279
At December 31, 2022	3,717,117	3,223,930	228,215	166,732	7,335,994

(b) 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.

(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.

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18. FINANCIAL RISK FACTORS (continued)

(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 a 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 March 31, 2023, and December 31, 2022.

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 March 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.

21. SUBSEQUENT EVENTS

Subsequent to March 31, 2023, the Company issued 150,000 stock options to a director of the Company.