

Consolidated Financial Statements

**Ciscom Corp.**

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

# Cisco Corp.

For the years ended December 31, 2024 and 2023

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## Table of contents

**INDEPENDENT AUDITOR'S REPORT** .....1-4

### **CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Statements of Financial Position.....5

Consolidated Statements of Loss and Comprehensive Loss .....6

Consolidated Statements of Changes in Shareholders' Equity.....7

Consolidated Statements of Cash Flows.....8

Notes to Consolidated Financial Statements.....9-34

*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Ciscom Corp.

### **Opinion**

We have audited the consolidated financial statements of Ciscom Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024 and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy 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, 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit 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 audit of the consolidated financial statements in Canada. 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.

### **Other matter**

The consolidated financial statements of the Company for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 2024.

### **Material uncertainty related to going concern**

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2024 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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 of the current period. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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.

Key audit matter	How our audit addressed the key audit matter
<p><i>Goodwill</i></p> <p>The Company has a goodwill balance in the amount of \$6,584,729 which is required to be tested for impairment annually.</p> <p>The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount, including determination of cash-generating unit (CGU). The recoverable amount of the CGU has been derived from discounted cash flow models which requires estimates such as revenue forecasts, discount rates, and terminal growth rates, which are affected by expected future market or economic conditions, and cause a high degree of estimation uncertainty.</p> <p>The Company's disclosures about goodwill are included in Note 7, which specifically explains that small changes in the significant assumptions used could give rise to an impairment of the goodwill balance in the future.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- We evaluated management's external valuator's expertise, independence and methodology used for the valuation.</li> <li>- Engaging a valuation expert to assist in assessing the methodologies, assumptions, and data used by the Company.</li> <li>- Assessing the adequacy of the Company's disclosures about those significant assumptions to which the outcome of the impairment test is most sensitive.</li> </ul>

## Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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 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 audit 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 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 judgement 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 risks 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.
- 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.

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 of the audit resulting in this independent auditor's report is Soheil Talebi.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 3, 2025

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

<b>As at December 31,</b>	<b>2024</b>	<b>2023</b>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	96,502	515,725
Trade and other receivables [note 4]	2,394,891	7,092,914
Income taxes and harmonized sales tax receivable	141,774	-
Prepays and deposits	237,899	202,481
	<b>2,871,066</b>	<b>7,811,120</b>
<b>NON-CURRENT</b>		
Deposits	250,000	250,000
Property and equipment [note 8]	28,834	30,209
Intangible assets [note 6]	4,894,208	6,534,208
Goodwill [notes 7]	6,584,729	6,584,729
<b>Total assets</b>	<b>14,628,837</b>	<b>21,210,266</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Revolving line of credit [note 11]	2,175,259	2,329,578
Accounts payable and accrued liabilities [note 5]	4,127,267	7,613,996
Harmonized sales tax payable	-	102,701
Due to related parties [note 10]	-	214,473
Convertible debenture from related parties current portion [note 11]	-	375,601
Loans payable - current portion [note 11]	966,505	1,213,970
	<b>7,269,031</b>	<b>11,850,319</b>
<b>NON-CURRENT</b>		
Convertible debenture from related parties [note 11]	911,245	836,479
Loans payable – non-current portion [note 11]	-	966,502
Deferred tax liabilities [note 14]	1,271,372	1,731,866
<b>Total liabilities</b>	<b>9,451,648</b>	<b>15,385,166</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital [note 13]	10,471,065	9,114,565
Shares to be issued [note 13]	4,500	900,000
Stock options reserve [note 13]	763,845	605,886
Contributed surplus	422,910	422,910
Accumulated deficit	(6,485,131)	(5,218,261)
<b>Total shareholders' equity</b>	<b>5,177,189</b>	<b>5,825,100</b>
<b>Total liabilities and shareholders' equity</b>	<b>14,628,837</b>	<b>21,210,266</b>

*Nature of Operations and going concern [note 1], Contingencies [note 17] and Subsequent events [note 18]*

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

Approved on behalf of the Board:

*"Paul Gaynor"*

Paul Gaynor, Chair of the Board of Directors

*"Eric Klein"*

Eric Klein, Chair of the Audit Committee

**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>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE</b> [note 12]	<b>35,017,984</b>	35,160,166
<b>COST OF REVENUE</b>	<b>28,195,695</b>	28,254,303
<b>GROSS PROFIT</b>	<b>6,822,289</b>	6,905,863
<b>OPERATIONAL EXPENSES</b>		
Salaries and wages [note 10]	<b>3,257,137</b>	4,402,202
Share-based compensation [notes 10 and 13]	<b>157,959</b>	245,917
Professional services	<b>658,884</b>	799,796
General and administrative	<b>881,812</b>	719,426
<b>TOTAL OPERATIONAL EXPENSES</b>	<b>4,955,792</b>	6,167,341
<b>OPERATING PROFIT</b>	<b>1,866,497</b>	738,522
<b>OTHER EXPENSES</b>		
Finance costs [note 11]	<b>549,671</b>	725,241
Depreciation and amortization [notes 6 and 8]	<b>1,508,841</b>	1,515,178
Impairment of intangible assets [note 6]	<b>150,000</b>	-
Impairment provision for accounts receivable [note 4]	<b>1,384,848</b>	32,302
Loan loss provision [note 16]	-	201,215
Fair value change in contingent consideration liability [note 13]	-	209,884
<b>TOTAL OTHER EXPENSES</b>	<b>3,593,360</b>	2,683,820
<b>NET LOSS BEFORE INCOME TAXES</b>	<b>(1,726,863)</b>	(1,945,298)
Current income tax [note 14]	<b>502</b>	(89,156)
Deferred income tax [note 14]	<b>(460,495)</b>	(395,013)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(1,266,870)</b>	(1,461,129)
<b>Basic and diluted loss per share</b>	<b>(0.024)</b>	(0.028)
<b>Weighted average number of common shares</b>	<b>53,711,069</b>	51,525,309

*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, 2023	51,563,833	9,114,565	2,000,000	900,000	605,886	422,910	(5,218,261)	5,825,100
Issuance of common shares [notes 13]	5,668,750	453,500	-	-	-	-	-	453,500
Issuance of common shares for services [note 13]	32,693	3,000	56,284	4,500	-	-	-	7,500
Issuance of common shares pursuant an Earn-Out achievement [note 13]	2,000,000	900,000	(2,000,000)	(900,000)	-	-	-	-
Issuance of stock options [note 13]	-	-	-	-	157,959	-	-	157,959
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(1,266,870)	(1,266,870)
<b>Balance, December 31, 2024</b>	<b>59,265,276</b>	<b>10,471,065</b>	<b>56,284</b>	<b>4,500</b>	<b>763,845</b>	<b>422,910</b>	<b>(6,485,131)</b>	<b>5,177,189</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, 2022	51,108,882	8,886,565	-	-	359,969	422,910	(3,757,132)	5,912,312
Issuance of common shares [note 13]	454,951	228,000	-	-	-	-	-	228,000
Issuance of common shares pursuant an Earn-Out achievement [note 13]	-	-	2,000,000	900,000	-	-	-	900,000
Issuance of stock options [notes 13]	-	-	-	-	245,917	-	-	245,917
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(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>

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

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

For the year ended December 31,	2024	2023
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(1,266,870)	(1,461,129)
Items not affecting cash:		
Depreciation and amortization	1,508,841	1,515,178
Impairment of intangible assets	150,000	-
Deferred income taxes	(460,495)	(395,013)
Share-based compensation	157,959	245,917
Shares issued for services	7,500	-
Fair value change in contingent consideration liability	-	209,884
Interest accretion	149,165	193,213
Amortization of loan related transaction costs	58,333	58,333
Changes in non-cash working capital balances:		
Trade and other receivables	4,698,023	417,855
Income taxes and harmonized sales tax	(244,475)	292,858
Prepays and deposits	(35,418)	(57,202)
Deferred revenue	-	(65,209)
Accounts payable and accrued liabilities	(3,486,728)	318,295
<b>Cash provided by (used in) operating activities</b>	<b>1,235,835</b>	<b>1,272,980</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(17,466)	(11,042)
<b>Cash used in investing activities</b>	<b>(17,466)</b>	<b>(11,042)</b>
<b>FINANCING ACTIVITIES</b>		
Principal repayment on term loan	(1,272,301)	(1,019,111)
Repayment of revolving line of credit	(154,319)	(106,806)
Issuance of common shares for cash	453,500	228,000
Repayment of loan from related party	(214,473)	(900,010)
Repayment of convertible debenture to a related party	(450,000)	-
Lease payments	-	(1,328)
<b>Cash (used in) provided by financing activities</b>	<b>(1,637,593)</b>	<b>(1,799,255)</b>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(419,223)</b>	<b>(537,317)</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>515,725</b>	<b>1,053,042</b>
<b>CASH - END OF YEAR</b>	<b>96,502</b>	<b>515,725</b>
<b>Supplementary cash flow information</b>		
Issuance of shares pursuant to Earn-Out achievement	900,000	-
Interest paid	305,417	419,621
Income tax paid	502	-

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

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2024 and 2023**

(Expressed in Canadian Dollars, unless otherwise stated)

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## **1. NATURE OF BUSINESS AND GOING CONCERNS**

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, both businesses are part of the advertising industry. 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.

The consolidated financial statements are prepared as a going concern basis of presentation, which contemplates the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company’s future operations are dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain financing sufficient to meet current and future obligations.

The Company has recognised net losses for the year ended December 31, 2024 of \$1,266,870 which include a total of \$1,571,303 of non-cash expenses. The Company has negative working capital deficiency of \$4,397,965 and a positive cash flow from operations of \$1,235,835. The ability of the Company to continue as a going concern is dependent on achieving profitable operations, positive operating cash flows and obtaining the necessary financing. The outcome of these matters cannot be predicted at this time. The Company will continue to review the prospects of raising additional debt and equity financing to support its operations until such time that its operations become self-sustaining, to fund its operating activities and to ensure the realization of its assets and discharge of its liabilities. While the Company is exerting its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for future operations. These factors indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. As at December 31, 2024, the Company had cash on hand of \$96,502 and \$324,741 available on its line of credit.

These consolidated financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, revenues and expenses, and the consolidated statements of financial position classifications used, that would be necessary if the going concern assumptions were not appropriate. Such adjustments could be material.

Management believes that existing cash along with current revenue and expected increase, and potential equity raises, and debt financings will be sufficient to meet requirements for the next twelve months from the end of the reporting period. 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. BASIS OF PRESENTATION**

### **2.1 Statement of compliance**

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2024 and 2023**

(Expressed in Canadian Dollars, unless otherwise stated)

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

### **2.1 Statement of compliance (continued)**

Some of the comparative figures for 2023 were reclassified in the statement of financial position to conform to the 2024 presentation. These consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on April 3, 2025.

### **2.2 Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries 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.

### **2.3 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.

### **2.4 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**

Revenue arises mainly from sales of advertising solutions with include consumer analytics and media management services. To determine whether to recognize revenue, 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 at a point in time or over time when the Company satisfies performance obligation by transferring the promised goods and services to its customer.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

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

### 3.2 Revenue recognition (continued)

The Company often enters into customer contracts to supply a bundle of services. The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amount collected on behalf of third parties.

Advertising solutions contracts involve a series of integrated services to deliver a working solution such that there is a single performance obligation to provide that solution. The Company has assessed that control of these solutions transfers to the customer over time as consumer analytics are performed and media campaigns are delivered.

### 3.3 Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment. 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.

Maintenance and repairs are charged to expenses 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 Income taxes

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.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2024 and 2023**

(Expressed in Canadian Dollars, unless otherwise stated)

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

#### **3.4 Income taxes (continued)**

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.

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

Financial liabilities are classified and measured in two categories: amortized cost or FVTPL. The Company measures cash, trade and other receivables, accounts payables and accrued liabilities, revolving line of credit, loans payable, convertible debenture and due to related parties at amortized cost.

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

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

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

#### 3.5 Financial instruments (continued)

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

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.

Financial liabilities classified as amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, such 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

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.

The Company makes use of a simplified approach in accounting for trade and other receivables as and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking factors specific to the debtors and the economic environment. If in a subsequent year, the amount of the estimated impairment loss increases or decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the carrying value of the financial assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 120 days past due based on historical experience of recoveries of similar assets. If a past write-off is later recovered, the recovery is recognized in the consolidated statements of losses.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF MATERIAL 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 business combinations are initially recognized at fair value. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. 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 estimated useful lives of intangible assets are as follows:

Customer relationships and 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 tests 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-financial assets

At each reporting date, the Company reviews the carrying amounts of its property and equipment, intangible assets and goodwill 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.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2024 and 2023**

(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 (continued)**

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.

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 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.

#### **3.10 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.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2024 and 2023**

(Expressed in Canadian Dollars, unless otherwise stated)

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

### **3.11 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.

### **3.12 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.

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

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The fair value of each option is measured at the date of grant using the Black-Scholes option pricing model and recorded as a compensation expense in the period the options are vested, or the performance is complete. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Any consideration paid on exercise of stock options is credited to share capital. On expiry, any amount related to the initial value of the stock option is recorded to accumulated deficit.

### **3.14 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, the 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, 2024 and 2023.

### **3.15 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 expenditure 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 an interest expense.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

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

#### 3.16 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.

#### 3.17 Compound financial instruments

The components of the convertible debenture are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The conversion option of the convertible debentures issued meet the criteria for equity classification and accordingly, are accounted for in equity.

The financial liability created (liability component) and conversion feature (equity component) 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 New accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded.

In January 2020, IAS 1 – Presentation of Financial Statements was amended to provide a more general approach to classification of liabilities, based on contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. This amendment did not have a significant impact on the consolidated financial statements.

#### *Future accounting standards not yet effective*

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2024:

(i) Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments – Disclosures. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI. The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

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

#### 3.18 New accounting pronouncements (continued)

(ii) Presentation and Disclosure in Financial Statements (IFRS 18).

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standards replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

The Company is assessing the impact of the pronouncements on the Company's consolidated financial statements upon adoption.

#### 3.19 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, and the best knowledge of current events or conditions and activities that the Company may undertake in the future. The 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:

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

#### Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 6 and 7).

#### Intangible assets and goodwill

Management is required to use judgement in determining the useful economic 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.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

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

#### 3.19 Significant accounting judgments and estimates (continued)

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

Provisions for taxes are made using the best estimate of the amount expected to be paid based on an assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. These balances are subject to audit by taxation authorities and as a result, maybe adjusted at some future date. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

##### 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.

### 4. TRADE AND OTHER RECEIVABLES

As at December 31,	2024	2023
	\$	\$
Trade and receivables [note 15]	3,677,266	7,130,441
Other receivables	140,000	-
Impairment provision for trade receivable	(1,422,375)	(37,527)
Trade and other receivables, net	2,394,891	7,092,914

  

As at December 31,	2024	2023
	\$	\$
Impairment provision for trade receivable at beginning of the year	37,527	5,225
Impairment provision increased for the year	1,384,848	32,302
Impairment provisions at the end of the year	1,422,375	37,527

During the year ended December 31, 2024, the Company increased its trade receivables impairment by an amount of \$1,384,848 from \$37,527 to \$1,422,375 in relation to a client filing for bankruptcy protection in January 2025. For the year ended December 31, 2023, the Company increased its trade receivables impairment by \$32,302, from \$5,225 to \$37,527. See note 17, Contingencies.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

### 5. ACCOUNT PAYABLE AND ACCRUED LIABILITIES

As at December 31,	2024	2023
	\$	\$
Accounts payable	3,561,008	5,855,923
Accrued liabilities	566,259	1,758,072
Total	4,127,267	7,613,996

### 6. INTANGIBLE ASSETS

#### Intangible assets

The intangible assets were recognized on closing of the acquisitions of 188Ont and MFD. The recoverable amount of the intangible assets is its value-in-use and were determined using an expert valuation firm and management's expectations in relation to market and economic considerations, relative to its current offerings and potential for continued growth. Should market conditions change or events occur, justifying a review of the value-in-use, management will adjust the carrying amount. Such conditions or events include the lost of material clients, obsolescence of technology and significant negative brand impact.

An impairment loss of \$150,000 (2023: Nil) was recognised for customer relationships in relation to a client filing for bankruptcy protection in January 2025. The recoverable amount of the asset is its value-in-use, determined using management's expectation that given the customer's bankruptcy filings future revenues from this customer would be reduced to \$nil (see Note 7 for the growth and discount rates used).

All amortization and impairment charges are included in 'Depreciation and amortization' in the statement of loss and comprehensive loss.

	Brand name	Technology	Customer relationships	Total
	\$	\$	\$	\$
<b>Cost</b>				
Balance at December 31, 2022, 2023 and 2024	5,923,000	1,220,000	2,613,000	9,756,000
<b>Amortization</b>				
Balance at December 31, 2022	899,750	271,110	560,932	1,731,792
Amortization for the year	896,500	203,332	390,168	1,490,000
Balance at December 31, 2023	1,796,250	474,442	951,100	3,221,792
Amortization for the year	896,500	203,332	390,168	1,490,000
Impairment for the year	-	-	150,000	150,000
Balance at December 31, 2024	2,692,750	677,774	1,191,268	4,861,792
<b>Net book value</b>				
Balance at December 31, 2023	4,126,750	745,558	1,661,900	6,534,208
Balance at December 31, 2024	3,230,250	542,226	1,121,732	4,894,208

**Ciscom Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and 2023**  
(Expressed in Canadian Dollars, unless otherwise stated)

**7. GOODWILL**

The movements in the net carrying amount of goodwill are as follows:

<b>Balance at December 31, 2022, 2023 and 2024</b>	<b>6,584,729</b>
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*Impairment testing*

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below and is compared to its recoverable value. As the Company operates as one CGU, no allocation is required between the business units.

The Company tests its CGU annually for goodwill impairment, or more frequently if there is an indication that the CGU may be impaired. The recoverable amount of the CGU is the higher of the CGU's fair value, less cost of disposal ("FVLCD") and its value-in-use.

Calculations of the value-in-use is determined by covering a detailed forecast approved by management followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows covering a five-year period and terminal year of each CGU is determined by applying a suitable discount rate reflecting current market assessments of the time value of money.

The value of key assumptions used reflect historical data from both external and internal sources of the Company are reflected in the following table:

<b>At December 31:</b>	<b>2024</b>	<b>2023</b>
Growth rates	<b>6.74%</b>	6.76%
Discount rates	<b>20.95%</b>	20.79%

***Growth Rates***

The growth rates reflect the long-term average growth rates for the offerings and industries of the segments (all publicly available). The growth rate for general advertising slightly exceeds the overall long-term average growth rates of the economy as this sector is expected to continue to grow at above-average rates for the foreseeable future.

***Discount Rates***

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors for the CGU.

***Cash Flow Assumptions***

The Company reviews the industry economic environment to identify whether any event or trend are developing as a potential indicator of impairment of its non-current assets. Without being an indicator of impairment, certain economic matters may nevertheless negatively affect several assumptions used for determining the estimated cash flows used in computing the value-in-use for the impairment test. Cash flow projections, as referred to above, are extracted from the Company's business plan to take into account action plans implemented by management to address, as needs be, business challenges and economic vacillations and any potential mitigation efforts.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

#### 7. GOODWILL (continued)

Changes in key assumptions that management believes are reasonably possible would not cause the recoverable amount to fall below the carrying value.

#### 8. PROPERTY AND EQUIPMENT

	Furniture and equipment	Computer equipment	Computer software	Total
	\$	\$	\$	\$
<b>Cost:</b>				
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
Additions	-	17,466	-	17,466
Dispositions	(4,277)	-	(723)	(5,000)
As at December 31, 2024	-	448,341	-	448,341
<b>Accumulated depreciation:</b>				
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
Depreciation	-	18,841	-	18,841
Disposition	(4,277)	-	(723)	(5,000)
As at December 31, 2024	-	419,507	-	419,507
<b>Net book value:</b>				
As at December 31, 2023	-	30,209	-	30,209
<b>As at December 31, 2024</b>	<b>-</b>	<b>28,834</b>	<b>-</b>	<b>28,834</b>

#### 9. 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 have been working remotely. As at December 31, 2024 and 2023, the Company did not have any short-term and long-term lease. The continuity of lease liabilities is presented in the table below:

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

#### 9. LEASE LIABILITIES (continued)

	As at December 31, 2024	As at December 31, 2023
	\$	\$
Opening balance	-	1,508
Accretion expense	-	41
Lease payments	-	(1,549)
Closing balance	-	-
Current portion	-	-

#### 10. 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, 2024 and 2023, are as follows:

	2024	2023
	\$	\$
Due to related parties	-	214,473

As at December 31, 2024, the Company had \$50,939 (2023: \$159,362) in accounts payable owing to various directors and officers of the Company. These amounts are unsecured.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly, including directors of the Company.

As part of the key management personal employment agreements, the Company may be required to make additional payments for all key management personnel up to \$562,000 pursuant to yearly incentive compensation plans on the achievement of set objectives and key performance indicators. The Company may also be required to make payments for all key personal up to \$1,436,500 upon termination without cause. The above payments are recorded in the consolidated financial statements as they become due. Key management personnel compensation:

	As at December 31, 2024	As at December 31, 2023
	\$	\$
Salaries, bonuses and benefits	882,721	855,151
Directors and officers' compensation	53,695	82,439
Share-based compensation	157,959	196,067
Closing balance	1,094,375	1,133,657

See notes 11 and 13.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

## 11. CREDIT FACILITIES

### 11.1 Loans from related parties

On September 30, 2022, and in amendments thereafter, 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. Any repayment of the loan must be approved by the Company's bank. While the convertible debenture is due on demand, the owners waived repayment to January 1, 2026 or later, thus qualifying the convertible debenture as a long-term liability. There is no schedule to start repaying the loan and it has a conversion option to convert into common shares of the Company. It has a nominal interest rate of 5.0% per year. The loan is secured by the assets of the Company. During the year ended December 31, 2024, the Company repaid \$450,000.

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 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, 2024, the accretion of interest expense in the amount of \$149,165 (2023: \$191,954) was charged to the consolidated statement of loss and comprehensive loss. Interest expenses in the amount of \$56,756 were accrued for the year ended December 31, 2024 (2023: \$70,343).

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Convertible debenture	\$
Balance at December 31, 2022	1,020,126
Accretion for the year	191,954
Balance at December 31, 2023	1,212,080
Accretion for the year	149,165
Repayment	(450,000)
Balance at December 31, 2024	<b>911,245</b>

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### 11.2 Bank Revolving Line of Credit and Term Loan

On September 29, 2022, the Company entered into an Operating Loan and Term Loan Facility Agreement totalling an amount of \$6,000,000 with the HSBC Bank Canada (HSBC) which was acquired by the Royal Bank of Canada (RBC) in 2024.

#### Bank Revolving Line of Credit

The Operating Loan Facility is in the amount of \$2,500,000 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. RBC took over the HSBC credit facilities as they were, without changes.

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

#### 11. CREDIT FACILITIES (continued)

##### 11.2 Bank Revolving Line of Credit and Term Loan (continued)

###### Bank Term Loan

The Term Loan Facility was for an amount of \$3,500,000. The term loan is amortized over 36 months and matures in October 2025. For the first 12 months the loan, monthly principal repayment followed an amortization schedule. Starting 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. RBC took over the HSBC credit facilities as they were without changes.

For the twelve months ended December 31, 2024 and 2023, transaction costs in the amount of \$58,333 were amortized to the consolidated statement of loss and comprehensive loss. As at December 31, 2024 the unamortized portion of the transaction costs was \$43,750 (2023: \$102,083) of which \$43,750 (2023: \$58,333) is the current portion and \$Nil (2023: \$43,750) is the non-current portion.

	As at December 31, 2024	As at December 31, 2023
	\$	\$
Balance, beginning of the year	2,120,472	3,081,250
Repayment of term loan	(1,212,301)	(1,019,111)
Amortization of deferred financing costs	58,333	58,333
Balance, end of year	966,505	2,120,472
Less: Current portion	966,505	1,153,970
Non-current portion	-	966,502

The Company's bank credit facility as described above is subject to certain financial covenants. The two financial covenants are debt coverage ratio and debt servicing ratio. The Company determined that it was in full compliance since inception through December 31, 2024.

##### 11.3 CEBA Term Loan (Government Sponsored)

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. 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, 2022	59,608
Interest accretion during the period	392
Balance as at December 31, 2023	60,000
Repayment	(40,000)
Forgiveness	(20,000)
<b>Balance as at December 31, 2024</b>	<b>-</b>

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

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## 12. REVENUE

Revenue recognized for services transferred at a point in time were \$245,744 (2023 - \$209,629). All remaining revenue was recognized for services transferred over time.

## 13. 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 pursuant the achievement of an Earn-Out:

On December 31, 2023, based on the Earn-Out achievement as part of the share purchase agreement of 188Ont the Earn-Out, a total of 2,000,000 shares were issued for a value of \$900,000 (priced at \$0.45 each). The Earn-Out revenue performance targets were a gross profit increase of \$275,000 for 2022 over 2021 and a gross profit increase of \$500,000 for 2023 over 2022, which were exceeded. The shares were earned in 2023 and issued on March 1, 2024.

### c) Shares issued pursuant to a private placement:

During the year ended December 31, 2024, the Company issued 5,668,750 (2023: 454,951) common shares and raised cash of \$453,500 (2023: \$228,000) (gross and net proceeds). No commissions or charges were paid in relation to the private placements. A total of 5,418,750 common shares were issued to directors and officers of the Company for gross proceeds of \$433,500.

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

During the 12-month period ended December 31, 2024, the Company issued to advisors a total of 32,693 shares for services (December 31, 2023: Nil) valued at \$3,000 and 56,284 to be issued (issued in January 2025) common shares for services value at \$4,500. The number of shares were determined using a monthly 10-day weighted average of the Company's common share closing price on the Canadian Securities Exchange.

### e) Share options:

The Company has reserved a rolling 10% of its issued and outstanding Common Share for its Stock Option Plan. Each stock option is exchangeable for one Common Share. The exercise prices, vesting terms and expiry dates are determined by the Company's Board of directors at the time of grant. As at December 31, 2024, the following options were outstanding:

	<b>Number</b>	<b>Weighted average price</b>
As at December 31, 2022	3,220,000	\$0.24
Granted in 2023	450,000	\$0.55
As at December 31, 2023	3,670,000	\$0.28
Granted in 2024	2,075,000	\$0.12
Expired in 2024	(1,707,000)	\$0.17
<b>As at December 31, 2024</b>	<b>4,038,000</b>	<b>\$0.24</b>

**Ciscom Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and 2023**  
(Expressed in Canadian Dollars, unless otherwise stated)

**13. SHARE CAPITAL** (continued)

e) **Share options** (continued):

<b>Grant date</b>	<b>Number of options</b>	<b>Number of options exercisable</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Remaining life (years)</b>
Nov. 10, 2020	500,000	500,000	\$0.10	Nov. 9, 2025	0.8
Jul. 15, 2021	265,000	265,000	\$0.10	Jul. 14, 2026	1.5
Feb. 28, 2022	60,000	60,000	\$0.25	Feb. 27, 2027	2.1
Sep. 30, 2022	838,000	838,000	\$0.55	Sep. 29, 2027	2.7
Feb. 28, 2023	300,000	300,000	\$0.55	Feb. 27, 2028	3.1
Feb. 5, 2024	650,000	316,667	\$0.17	Feb. 4, 2029	4.1
Apr. 2, 2024	250,000	250,000	\$0.10	Apr. 1, 2029	4.3
Jun. 25, 2024	500,000	500,000	\$0.10	Jun. 24, 2029	4.4
Oct. 18, 2024	675,000	675,000	\$0.10	Oct. 17, 2029	4.8
	<b>4,038,000</b>	<b>3,704,667</b>			

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 \$0.55 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 \$0.55 at the time of grant for a valuation of \$0.4079 per option. The \$61,179 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 February 5, 2024, the Company granted an aggregate of 650,000 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 \$0.17 per share, of which 316,666 vested immediately, 166,667 vesting on January 31, 2025 and 166,667 vesting on January 31, 2026. All are exercisable for a term of 5 years. The value of these options in amount of \$81,856 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 \$0.170 at the time of grant for a valuation of \$0.126 per option. During the year ended December 31, 2024, \$44,508 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, 2024 and 2023**  
(Expressed in Canadian Dollars, unless otherwise stated)

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**13. SHARE CAPITAL** (continued)

**e) Share options** (continued):

On April 2, 2024, the Company granted an aggregate of 250,000 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 \$0.10 per share, vesting immediately. All are exercisable for a term of 5 years. The value of these options in amount of \$18,359 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 \$0.10 at the time of grant for a valuation of \$0.074 per option. During the year ended December 31, 2024, \$18,359 was charged to the consolidated statement of loss and comprehensive loss as share-based compensation expenses.

On June 25, 2024, the Company granted an aggregate of 500,000 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 \$0.10 per share, vesting immediately. All are exercisable for a term of 5 years. The value of these options in amount of \$37,078 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 \$0.10 at the time of grant for a valuation of \$0.074 per option. During the year ended December 31, 2024, \$37,078 was charged to the consolidated statement of loss and comprehensive loss as share-based compensation expenses.

On October 18, 2024, the Company granted an aggregate of 675,000 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 \$0.10 per share, vesting immediately. All are exercisable for a term of 5 years. The value of these options in amount of \$38,425 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 \$0.10 at the time of grant for a valuation of \$0.057 per option. During the period ended December 31, 2024, \$38,425 was charged to the consolidated statement of loss and comprehensive loss as share-based compensation expenses.

No stock options to purchase shares of the Company were exercised for the periods ending December 31, 2024 and December 31, 2023. From inception to December 31, 2024, a total of 2,207,000 stock options to purchase shares have lapsed.

**f) Warrants:**

	<b>Number</b>	<b>Weighted average price</b>
As at December 31, 2022	915,873	\$0.59
Granted in 2023	67,171	\$1.00
As at December 31, 2023	983,044	\$0.62
Granted in 2024	5,668,750	\$0.15
Expired in 2024	(275,451)	\$1.00
<b>As at December 31, 2024</b>	<b>6,376,343</b>	<b>\$0.19</b>

**Ciscom Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and 2023**  
(Expressed in Canadian Dollars, unless otherwise stated)

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**13. SHARE CAPITAL** (continued)

f) **Warrants** (continued):

As at December 31, 2024, the following warrants were outstanding:

<b>Number of warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Remaining contractual life (years)</b>
6,000	\$1.00	January 31, 2025	0.08
2,005	\$1.00	February 28, 2025	0.16
14,550	\$1.00	March 31, 2025	0.25
500,000	\$0.25	May 31, 2025	0.41
5,182	\$1.00	May 31, 2025	0.41
24,454	\$1.00	June 30, 2025	0.50
14,736	\$1.00	July 31, 2025	0.58
73,495	\$1.00	August 31, 2025	0.67
18,182	\$1.00	January 31, 2026	1.08
48,989	\$1.00	February 28, 2026	1.16
5,668,750	\$0.15	December 23, 2026	1.98
<b>6,376,343</b>			

As part of its capital raising efforts, the Company issued warrants from November 2021 to February 2023 with a 3-year expiry date. Each of ten (10) shares purchased during this period gave the owner one warrant to purchase one share at the exercise price of \$1.00 per share. A total of 483,044 warrants were issued, and at December 31, 2024, a total of 275,451 warrants had expired. The value of the warrants was determined to be nil.

In October 2022, a total of 500,000 performance warrants were issued to two executives of the company. Each performance warrant entitles the owner to purchase one share at the exercise price of \$0.25 until its expiry on May 31, 2025. The value of the warrants was determined to be nil.

In relation to the Company's private placement that closed in December 2024, the Company issued 5,668,750 warrants entitling the owner to purchase one Common shares at a price of \$0.15 for a period of 2 years ending to December 23, 2026. The value of the warrants was determined to be nil. A total of 5,418,750 warrants were issued to directors and officers of the Company.

**Ciscom Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and 2023**  
(Expressed in Canadian Dollars, unless otherwise stated)

**14. 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% (2023 – 26.5%), as follows:

<b>As at December 31:</b>	<b>2024</b>	<b>2023</b>
<b>Current income taxes</b>	<b>\$</b>	<b>\$</b>
Net loss before income taxes	(1,726,863)	(1,945,298)
Tax rate	26.50%	26.50%
Income tax recoverable	(457,619)	(515,504)
Non-deductible items and others	50,921	201,347
Income taxes (Unrecognized deferred tax assets)	(53,295)	(170,012)
Income tax expense (recovery)	(459,993)	(484,169)
Deferred tax recovery	(460,495)	(395,013)
Current income tax expense (recovery)	502	(89,156)
Income taxes payable (receivable)	(459,993)	(484,169)
<b>Deferred tax assets</b>	<b>\$</b>	<b>\$</b>
Non-capital loss carry-forward	84,704	112,437
Financing costs	9,076	-
Deferred tax assets not recognized	(57,917)	(112,437)
Deferred tax assets	35,863	-
<b>Deferred tax liabilities</b>	<b>\$</b>	<b>\$</b>
Convertible debenture	10,270	-
Intangible assets	1,296,965	1,731,866
Deferred tax liabilities	1,307,235	1,731,866

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, 2024, the Company had non-capital losses amounting to \$351,000 (2023: \$599,644) which will start expiring in 2041 to 2044.

**15. 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.

**Ciscom Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and 2023**  
(Expressed in Canadian Dollars, unless otherwise stated)

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

**Financial Risk Management** (continued)

**(a) Liquidity Risk**

The Company is obligated to the following contractual maturities of undiscounted cash flows as at December 31, 2024:

	Carrying amount	Contractual cashflows	Less than 1 year	1 to 2 years
Accounts payable and accrued liabilities	4,127,267	4,127,267	4,127,267	-
Revolving line of credit	2,175,259	2,175,259	2,175,259	-
Loan payable	966,905	1,010,255	1,010,255	-
Convertible debentures	911,245	950,000	-	950,000
	8,180,275	8,262,781	7,312,781	950,000

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 investors and financiers.

**(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. The assets and liabilities 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, 2024 and 2023.

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. The term loan in the amount of \$966,505 is net of deferred financing cost and has a fair value of \$1,010,255. The convertible debenture in the amount of \$911,245 is a discounted value, which increases monthly through accretion interests, and has a fair value of \$950,000. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

# Ciscom Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

## 15. FINANCIAL RISK FACTORS (continued)

### Financial Risk Management (continued)

#### (b) Fair Value (continued)

- 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 qualifying trade receivables are individually insured with Intact Insurance for balances up to \$500,000 per client. During the year ended December 31, 2024, the Company's accumulated provision is in the amount of \$1,422,375. (Note 4)

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, 2024	1,575,416	1,950,134	114,189	37,527	3,677,266
At December 31, 2023	4,585,307	2,395,691	111,916	37,527	7,130,441

#### (d) 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.

#### (e) 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 Note 11 for details of interest rate exposure. The Company's interest risks are aligned to the variations of market rates which have been declining in 2024.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2024 and 2023**

(Expressed in Canadian Dollars, unless otherwise stated)

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#### **16. 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 are externally imposed capital requirements to which the Company is subject as at December 31, 2024 and December 31, 2023. See note 11.

There have been no changes in the Company's approach to capital management during the year ended December 31, 2024, nor have there been any changes made in the objectives, policies or procedures of the Company in respect of capital management.

#### **17. 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, 2024 and December 31, 2023, 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 other than those disclosed below. There are also no proceedings in which any of the Company's directors, officers or affiliates are an adverse party or have a material interest adverse to the Company's interest. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

In December 2023, a former executive, who was terminated for cause, filed a claim, which was subsequently amended, against the Company for alleged wrongful dismissal and punitive damages for a total of approximately \$550,000 against the Company and filed a defamation claim against a current executive of the Company for an amount of \$2.5 million. In the course of 2024, the Company and its executive filed a defense to the claim against them and filed a defamation counterclaim in the amount of \$1,250,000, inclusive of \$250,000 for aggravated, punitive, and exemplary damages, to the former executive.

A former executive is in default of repaying a Promissory Note in the amount of \$180,000 plus carried interests at the rate of 7.7% per year. As a guarantee, the former executive placed 500,000 of his Company shares in escrow with the Company's legal counsel. The Company filed a claim demanding repayment which is still pending. The Company provided for an amount of \$201,515 in its 2023 expenses.

In January 2024, the Company issued a claim against the same former executive for the non-repayment of the Promissory Note in the amount of \$180,000 plus on-going accrued interests.

While the Company and its executive believe they 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 (2024: Nil). There is a risk that the actual loss will exceed the amount accrued.

In June 2024, the Company received a damage claim filed with the Ontario Small Claims Court. The claim was settled for an amount of \$11,500 and full release was obtained from the claimant.

# **Ciscom Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2024 and 2023**

(Expressed in Canadian Dollars, unless otherwise stated)

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#### **18. SUBSEQUENT EVENTS**

In January 2025, the Company issued 56,284 Ciscom shares for a value of \$4,500 as part of the compensation for services under an advisory agreement. The Ciscom shares are subject to a four-month hold period.