

DXStorm.com Inc.
Consolidated Financial Statements
For the Three Months Ended September 30, 2022
(Unaudited and Prepared by Management)

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DXStorm.com Inc.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Zoran Popovic"

Zoran Popovic
President and Chief Executive Officer

November 28, 2022

DXStorm.com Inc.
Consolidated Interim Statements of Financial Position

	September 30, 2022 \$	June 30, 2022 \$
ASSETS		
Current		
Cash (Note 3)	23,910	29,276
Accounts receivable, net (Note 4)	39,075	3,473
GST/HST/QST receivable	1,695	831
Prepaid expenses and deposit (Note 5)	2,694	4,315
	67,374	37,895
Non-Current		
Property, plant and equipment (Note 6)	3,930	3,713
Total Assets	71,304	41,608
LIABILITIES		
Current		
Accounts payable and accrued liabilities	622,815	556,698
Deferred revenue (Note 7)	6,831	7,970
Due to director (Note 13 (b))	15,000	-
	644,646	564,668
Long Term Liabilities		
Bank Loans (Note 15)	40,000	40,000
Total Liabilities	684,646	604,668
SHAREHOLDERS' DEFICIT		
Share capital (Note 9(b))	11,113,082	11,113,082
Shares reserved for acquisition of ACEnetx Inc. (Note 8)	156,441	156,441
Contributed surplus (Note 9(e))	1,007,440	1,007,440
Deficit	(12,890,305)	(12,840,023)
Total Shareholders' Deficit	(613,342)	(563,060)
Total Liabilities and Shareholders' Deficit	71,304	41,608

Going concern (Note 1)

Approved on behalf of the Board:

signed “Zoran Popovic” Director signed “Steve Smashnuk” Director

The accompanying notes form an integral part of these unaudited consolidated interim financial statements

DXStorm.com Inc.
Consolidated Interim Statements of Loss and Comprehensive Loss
For the Three Months Ended September 30

	2022 \$	2021 \$
Revenue		
E-commerce services	39,530	41,224
	39,530	41,224
Operating expenses		
Administrative	14,253	16,029
Research and development	45,336	49,472
Rent (Note 13(a))	30,000	30,000
Amortization (Note 6)	287	398
Foreign exchange (gain) loss	(64)	(74)
	89,812	95,825
Loss for the period	(50,282)	(54,601)
Net loss and comprehensive loss for the period	(50,282)	(54,601)
Loss per share	(0.002)	(0.003)
Weighted average number of shares	23,586,650	20,729,508

The accompanying notes form an integral part of these unaudited consolidated interim financial statements.

DXStorm.com Inc.
Consolidated Interim Statements of Changes in Shareholders' Deficit
For the Three Months Ended September 30

	2022	2021
	\$	\$
Share Capital		
Balance - Beginning of year	11,113,082	11,013,082
Balance - End of period	11,113,082	11,013,082
Shares reserved for acquisition of ACEnetx Inc.		
Balance - Beginning of year	156,441	156,441
Balance - End of period	156,441	156,441
Contributed Surplus		
Balance - Beginning of year	1,007,440	1,007,440
Balance - End of period	1,007,440	1,007,440
Deficit		
Balance - Beginning of year	(12,840,023)	(12,612,465)
Loss for the period	(50,282)	(54,601)
Balance - End of period	(12,890,305)	(12,667,066)
Total Shareholders' Deficit	(613,342)	(490,103)

The Company does not have any other accumulated comprehensive income or loss balance.

The accompanying notes form an integral part of these unaudited consolidated interim financial statements

DXStorm.com Inc.
Consolidated Interim Statements of Cash Flows
For the Three Months Ended September 30

	2022	2021
	\$	\$
Operating activities		
Net loss for the period	(50,282)	(54,601)
Items not affecting cash:		
Amortization	287	398
	(49,995)	(54,203)
Change in non-cash working capital items		
Accounts receivable	(35,602)	34,363
GST/HST/QST receivable	(864)	(352)
Prepaid expenses and deposit	1,621	383
Accounts payable and accrued liabilities	66,117	28,159
Deferred revenue	(1,139)	2,765
Total cash used in operating activities	(19,862)	11,115
Investing activities		
Property, plant and equipment	(504)	-
Total cash used in investing activities	(504)	-
Financing activities		
Due to director	15,000	(8,500)
Total cash provided by financing activities	15,000	(8,500)
 Change in cash	 (5,366)	 2,615
 Cash:		
Beginning of the year	29,276	6,999
End of the period	23,910	9,614

The accompanying notes form an integral part of these unaudited consolidated interim financial statements.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

1. NATURE OF OPERATIONS AND GOING CONCERN

DXStorm.com Inc. (the “Company”) was created on June 16, 2000 as a result of the reverse takeover of West Park Resources Inc. by DXStorm Inc. and continued under the laws of Ontario on June 19, 2000 as DXStorm.com Inc. The Company is a public company for which the common shares are listed on the TSX Venture Exchange (trading symbol “DXX”) and is located at 824 Winston Churchill Blvd, Oakville ON L6J 7X2. Its principal business is providing services relating to medical application software development, e-commerce and internet based solutions to clients in Canada and the United States of America.

These unaudited consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from September 30, 2022. At September 30, 2022, the Company has an accumulated deficit of \$12,890,305 (June 30, 2022 - deficit of \$12,840,023) and has working capital deficit of \$577,272 (June 30, 2022 – deficit of \$526,773). The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient funds and to continue to obtain sufficient capital from investors to meet its current and future obligations. The Company is subject to risks and challenges similar to companies in a comparable stage of software development, e-commerce services and internet based solutions. As a result of these risks, a material uncertainty exists which casts significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these unaudited consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

Statement of compliance

These unaudited consolidated interim financial statements have been prepared in accordance with IAS34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the IFRS Interpretations Committee (IFRICs). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards (“IFRS”) for complete financial statements for yearend reporting purpose. Results for the period ended September 30, 2022, are not necessarily indicative of future results.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of presentation (cont'd)

Statement of compliance

The Company operates in one segment defined as the cash generating unit (“CGU”) which is North America. These financial statements were authorized for issue by the Board of Directors on November 28, 2022.

Basis of measurement

These unaudited consolidated financial statements have been prepared on a historical cost basis (except for the revaluation of certain financial instruments to fair value), in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board that are published at the time of preparation and are effective on September 30, 2022.

(b) Basis of consolidation

The unaudited consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Clic.net Telecommunications Inc., and the following inactive companies: DXStorm Inc.; Elan Informatique Inc., Clic.net Connexion Inc., 3697932 Canada Inc., operating as 5Click (“5Click”); and Medical Diagnostic Exchange Corporation (“MDX”), its 67% owned subsidiary. Effective July 1, 2003 the Company has also consolidated the financial position and results of ACEnetx Inc. (“ACEnetx”) on the basis that it exercised control over ACEnetx’s assets and operations. The Company’s control of ACEnetx is supported by its position as the senior secured creditor of ACEnetx and its rights under agreements with ACEnetx shareholders as described in Note 8.

(c) Revenue recognition

The Company sells products and services including software development, custom programming, e-commerce service packages, internet based solutions, web hosting, hardware resale and management services. The Company’s principal sources of revenue and recognition of these revenues are as follows:

- (i) Revenue from long-term contracts software development and custom programming are primarily fixed arrangements to render specific consulting and software modification services.
- (ii) Revenue from e-commerce services packages, internet based solutions and web hosting is recognized over the terms of contracts which generally range from one month to

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue recognition (cont'd)

fifteen months. Amounts billed but not yet earned are recorded as deferred revenue.

- (iii) Revenue from management services is recognized as the services are provided and collectability is reasonably assured.

Recognition of any revenues is subject to the provision that ultimate collection is reasonably assured.

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the completion of services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized when control of promised services is transferred to the customers, in an amount that reflects the consideration receivable in exchange for those services.

(d) Cash

Cash is comprised of cash held with Canadian financial institutions with an “AA” credit rating.

(e) Accounts receivable

Accounts receivable are carried at the amount due net of an allowance for doubtful accounts. Accounts receivable in US dollars are translated at the closing exchange rate as at September 30, 2022.

(f) Allowance for doubtful accounts

The Company records an allowance for doubtful accounts provision at the end of each reporting period for amounts assessed as being uncollectible. The allowance is based on the financial condition of its customers, the aging of the receivables, the current business environment and historical experience.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment

Recognition and measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated amortization and less any accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Amortization

Amortization is recognized in profit or loss and is calculated as follows:

IT equipment	- 2 to 3 years straight line
Office equipment	- 5 years straight line
Vehicles	- 30% declining balance
Leasehold improvements	- Straight line over the term of the lease

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Provisions

A provision is recognized if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation, where appropriate. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

(i) Income taxes

Income taxes are calculated using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for timing differences between the tax and accounting basis of assets and liabilities, and for the recognition of accumulated capital and non-capital losses, which in the opinion of management, are more likely than not to be realized before expiry. Deferred tax assets and liabilities are presented as a non-current item and measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the period in which the change is enacted or substantively enacted.

(j) Comprehensive income

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during the year except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until they are considered appropriate to recognize into net earnings.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Comprehensive income (cont'd)

The Company had no comprehensive income or loss transactions, other than its net loss, presented in the consolidated statements of loss and comprehensive loss, nor has the Company accumulated other comprehensive income during the periods that have been presented.

(k) Stock-based compensation

Where equity-settled stock options are awarded to employees, the fair value of the stock options are measured at the date of grant using the Black-Scholes option pricing model, and is charged to the consolidated statements of loss and comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statements of loss and comprehensive loss over the remaining vesting period. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the consolidated statements of operations and comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in consolidated statements of operations and comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the stock-based payment cannot be reliably estimated, the fair value

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Stock-based compensation (cont'd)

is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. All equity-settled stock-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black-Scholes and assumptions at the time of vesting. The applicable fair value of any stock options which are exercised are transferred from contributed surplus to share capital. Management is required to estimate forfeitures and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the year.

(l) Foreign currency translation

The reporting and functional currency of the Company is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at the average rate of exchange for the period. Gains or losses on translation are included in the consolidated statements of loss and comprehensive loss. All resulting exchange differences are recognized in other comprehensive income and accumulated in a cumulative translation reserve under shareholders' equity.

(m) Loss per share

Basic loss per share is computed by dividing net loss and comprehensive loss by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes party to a contractual agreement.

Classification of financial assets

Financial assets are initially measured at fair value and classified into one of the following specified categories: amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVOCI”). Financial assets measured at amortized cost are initially recognized at fair value and subsequently are measured at amortized cost using an effective interest rate method. Financial assets measured at FVTPL are measured at fair value with unrealized gains and losses recognized in the consolidated statements of loss and comprehensive loss.

Cash is classified as fair value through profit or loss and is measured at fair value.

Accounts receivable are all initially recognized at fair value and classified as amortized cost, and subsequently measured at amortized cost.

Prepaid expenses and deposit are initially recognized at fair value and is subsequently measured at amortized cost using an effective interest rate method.

Classification of financial liabilities

Financial liabilities are classified as either FVTPL or amortized cost. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the consolidated statements of loss and comprehensive loss unless the change in fair value is attributable to changes in credit risk in which case the change is reported in other comprehensive income. Financial liabilities consist of accounts payable and accrued liabilities.

Accounts payable and accrued liabilities are all initially recognized at fair value and classified as amortized cost, and subsequently measured at amortized cost.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial instruments (cont'd)

Level 1 – valuation based on quote prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs other than quote prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The company's cash is considered Level 1 in the hierarchy.

Cash in the statements of financial position comprise cash at Canadian banks with an "AA" credit rating.

A comparison of the classification of financial assets and financial liabilities before and after implementation of IFRS 9 is shown in the table below:

	IFRS 9
Cash	amortized cost
Accounts receivable	amortized cost
Prepaid expenses and deposit	amortized cost
Accounts payable and accrued liabilities	amortized cost
Due to director	amortized cost
Bank loans	amortized cost

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Research and development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss when incurred.

(p) Segmented information

The Company provides medical application software development, e-commerce and internet based solutions to customers providing medical services in Canada, the United States and Sint Maarten where the Company transacts its business. Management has concluded that based on the type of services provided and the fact that its customers are similar in nature, the Company operates in a single operating segment and has one cash generating unit in North America. In addition, management has concluded that the Company operates in three geographic segments. The information to segment the expenses, assets and profit is not separately identifiable by geographic area and therefore disclosure by segment is not appropriate.

(q) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or is a member of the key management personnel of the reporting entity. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between said parties. Such transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(r) Impairment of financial assets

As at the period end there is no impairment of financial assets, September 30, 2021 (\$NIL).

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, 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 asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing 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 for which the estimates of future cash flows have not been adjusted.

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 statements of loss and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, provided 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 years. A reversal of an impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

(t) Use of estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Use of estimates (cont'd)

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Accounts receivable

The estimated fair value for accounts receivable is determined by estimating the uncollectable amount which is recorded in the allowance for doubtful accounts based on the financial condition of its customers, the aging of the receivables, the current business environment and historical experience.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted using the Black-Scholes model. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

(u) Government assistance

The Company makes periodic applications for financial assistance under available government incentive programs and tax credits related to the research and development expenditures. The Company recognizes government assistance on an accrual basis when all requirements to earn the assistance have been completed and receipt is reasonably assured. Government assistance is recognized on the balance sheet under tax credits recoverable and accrued as a reduction of research and development expenses. Government assistance relating to research and development expenditures are reflected as a reduction of the cost of research and development expenditures.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2022

3. CASH

Cash is comprised of cash held with Canadian financial institutions with an “AA” credit rating.

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Cash	<u>\$23,910</u>	<u>9,614</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable is carried at the amount due net of an allowance for doubtful accounts. Accounts receivable in US dollars is translated at the closing exchange rate as at September 30, 2022. As at September 30, 2022, the accounts receivable net of amounts estimated to be uncollectible, is \$39,075 (September 30, 2021 - \$27,157).

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Accounts receivable	\$ 44,819	\$ 32,495
Allowance for doubtful accounts	<u>(5,744)</u>	<u>(5,338)</u>
Accounts receivable, net	<u>39,075</u>	<u>27,157</u>

5. PREPAID EXPENSES AND DEPOSIT

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Prepaid expenses and deposit	<u>\$ 2,694</u>	<u>\$ 2,650</u>

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Three Months Ended September, 2022

6. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	IT equipment	Leasehold improvements	Total
Cost	\$	\$	\$	\$
As at July 1, 2021	259,376	1,535,622	53,831	1,848,829
Additions	-	-	-	-
Disposals	-	-	-	-
As at June 30, 2022	259,376	1,535,622	53,831	1,848,829
Accumulated amortization				
As at July 1, 2021	254,504	1,535,189	53,831	1,843,524
Amortization	1,431	161	-	1,592
Disposals	-	-	-	-
As at June 30, 2022	255,935	1,535,350	53,831	1,845,116
Net book value, as at June 30, 2022	3,441	272	-	3,713
Cost				
As at July 1, 2022	259,376	1,535,622	53,831	1,848,829
Additions	504	-	-	504
Disposals	-	-	-	-
As at September 30, 2022	259,880	1,535,622	53,831	1,849,333
Accumulated amortization				
As at July 1, 2022	255,935	1,535,350	53,831	1,845,116
Amortization	256	31	-	287
Disposals	-	-	-	-
As at September 30, 2022	256,191	1,535,381	53,831	1,845,403
Net book value, as at September 30, 2022	3,689	241	-	3,930

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7. DEFERRED REVENUE

Deferred revenue represents the extent that billings to clients are in excess of revenue recognized. The Company's revenue from e-commerce service packages, internet based solutions and web hosting is recognized over the terms of contracts which generally range from one month to fifteen months. Amount billed but not earned are recorded as deferred revenue.

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Deferred revenue	<u>\$ 6,831</u>	<u>\$ 17,342</u>

8. BUSINESS COMBINATIONS

Consolidation of ACEnetx. Inc. ("ACEnetx")

In order to expand DXStorm database centre and establish the Company's fibre-optic communication lines, commencing on July 1, 2003, the Company has directed perations of ACEnetx and the use of its assets, in order to preserve the value of its investments in ACEnetx. Accordingly, as of that date, the Company has consolidated the financial position and results of operations of ACEnetx.

The following summarizes the estimated fair value of the assets and liabilities consolidated as of July 1, 2003:

Current assets	\$ 72,809
Capital assets	554,000
Goodwill	349,982
Total assets acquired	<u>976,791</u>
Current liabilities	<u>(820,350)</u>
Interest of ACEnetx shareholders	<u>\$ 156,441</u>

The interest of ACEnetx shareholders represents the proposed issue of 158,021 common shares of the Company in exchange for all of the 7,901,071 issued shares of ACEnetx, on the basis of one common share of the Company for each 50 common shares of ACEnetx. The Company's common shares have been accounted for at the closing price on June 30, 2003 of \$0.99 per share.

As at June 30, 2007, as a consequence of the reduced profitability of the division, the Company undertook a goodwill impairment test that resulted in a write down of ACEnetx's goodwill of \$349,982.

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9. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares.

(b) Issued and outstanding:

	Number	Stated Value
Balance, September 30, 2021	20,729,508	\$11,013,082
Private Placement	2,857,142	\$100,000
Balance, September 30, 2022	23,586,650	11,113,082

(c) Stock options:

Weighted

	Stock Options	Everage Exercise Price
Balance, September 30, 2022 and September 30, 2021	-	-

(d) Warrants:

As at September 30, 2022 and September 30, 2021 there were no outstanding warrants.

(e) Contributed surplus:

Balance at September 30, 2021	\$1,007,440
Stock based compensation	-
Balance at September 30, 2022	\$ 1,007,440

Included in contributed surplus are stock options and warrants at valuations determined using the Black-Scholes option pricing model.

10. FINANCIAL INSTRUMENTS

The carrying values for primary financial instruments, including cash, accounts receivable, prepaid expenses and deposit, accounts receivable non-current, accounts payable and accrued liabilities, deferred revenue and due to director. The Company's exposure to potential loss from financial instruments relates primarily to its cash held with a Canadian financial institution and accounts receivable. There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the period. The objectives and strategy for the development of business operations remains unchanged.

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10. FINANCIAL INSTRUMENTS (cont'd)

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework and monitors risk management activities.

Credit risk

Cash consists of cash deposits held at a Canadian bank. At September 30, 2022 and September 30, 2021 cash deposits were concentrated at major Canadian banks. The carrying amounts of accounts receivable and cash represent maximum credit exposure. The risk is that counterparties have an inability to fulfill their payment obligations. The Company provides an allowance for doubtful accounts as at September 30, 2022 and September 30, 2021 for those accounts receivable balances with doubtful collectability.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, being current assets are less than current liabilities. The Company's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions without incurring unacceptable losses, relinquishment of assets or risking harm to the Company's reputation. The Company also utilizes authorizations for expenditures on projects to further manage capital expenditures. The Company's financial liabilities as at September 30, 2022, consist of accounts payable and accrued liabilities, bank loans and due to director, and its working capital deficit balance is \$577,272 (June 30, 2022 - deficit of \$526,773). The Company manages liquidity risk by monitoring cash flows and budgeting.

Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, and interest rates will affect the Company's net income or the value of financial instruments. The objective of market risk management is to mitigate risk exposures within acceptable limits, while maximizing returns. The Company currently does not manage market risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain transactions are denominated in United States of America dollars. Foreign exchange (gain) loss for the period ended September 30, 2022 was (\$64) and for the period ended September 30, 2021 was (\$74). The Company had no forward exchange rate contracts in place as at or during the periods ended September 30, 2022 and 2021. The exposure to foreign currency risk is not significant.

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10. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's interest rate risk is minimal as there is no interest-bearing outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Sensitivity analysis

Foreign currency risk

The Company believes that if the US dollar appreciated by 10%, the Company's net loss would decrease by and total assets would increase by an immaterial amount. If the US dollar depreciated by 10%, the Company's net loss would increase by an immaterial amount. The Company does not manage its foreign currency risk.

11. CAPITAL MANAGEMENT

The Company manages capital, based on its cash and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into software development, custom programming, e-commerce services and other business activities, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the periods ended September 30, 2022 and September 30, 2021.

The Company's capital structure reflects a company focused on software development, custom programming and financing both internal and external growth opportunities. The software development and custom programming involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and capital structure based on economic and other conditions. The Company relies on equity financings and earnings through normal business operations to maintain adequate liquidity to support its ongoing software development activities and ongoing working capital commitments.

12. LOSS PER SHARE

Loss per share is calculated on the basis of net loss divided by the weighted average number of common shares outstanding for the period. Diluted loss per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive instruments. The weighted average number of common shares was 23,586,650 (September 30, 2021 – 20,729,508).

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13. RELATED PARTY TRANSACTION

- (a) The Company incurred the following transactions with a corporation controlled by an officer and director:

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Rent	\$ 30,000	30,000

- (b) A loan in the amount of \$15,000 (September 30, 2021 - \$NIL) is due to a director and is non-interest bearing and has no terms of repayment.

These transactions are in the normal course of business and have been valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. SEGMENTAL REPORTING

The Company's operations and property, plant and equipment are located in Canada. Sales for September 30, 2022 and September 30, 2021 principally to customers in Canada and the United States, with Canadian sales representing approximately 99% of total revenues and US 1%. The information to segment the expenses, assets and profit is not separately identifiable by geographic area and therefore disclosure by segment is not appropriate.

15. BANK LOANS

The Company received a \$60,000 interest free loan due December 2022 supported by the Government of Canada through the Canada Emergency Business Account (CEBA) program. Payment of \$40,000 by the due date will result in \$20,000 forgiveness.