

DXStorm.com Inc.
Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended June 30, 2023 and 2022

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Independent Auditor's Report

To the Shareholders of **DXStorm.com Inc.**

Opinion

We have audited the accompanying consolidated financial statements of **DXStorm.com Inc.** (the "Company"), which comprise the consolidated statement of financial position as at June 30, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in deficit and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2023 and 2022, 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 audits 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company currently has an accumulated deficit of \$13,048,567 and has a working capital deficit of \$735,423 during the year ended June 30, 2023. As stated in Note 1, these events or conditions, along with other matters indicate that a material uncertainty exists that may 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 that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended June 30, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described above to be the only key audit matter to be communicated in our report.

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 audits 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 audits 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 on this other information, 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

MS PARTNERS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

- 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nick Miseros, CPA, CA.

Toronto, Ontario
October 31, 2023

MS Partners LLP

MS Partners LLP
Licensed Public Accountants

DXStorm.com Inc.
Consolidated Statements of Financial Position
As at June 30

	2023	2022
	\$	\$
ASSETS		
Current		
Cash (Note 3)	10,752	29,276
Accounts receivable, net (Note 4)	1,829	3,473
GST/HST/QST receivable	-	831
Prepaid expenses and deposit (Note 5)	4,552	4,315
Total current assets	17,133	37,895
Non-Current		
Property, and equipment (Note 6)	3,819	3,713
Total Assets	20,952	41,608
LIABILITIES		
Current		
Accounts payable and accrued liabilities	651,447	556,698
GST/HST/QST payable	578	-
Deferred revenue (Note 7)	6,679	7,970
Due to director (Note 14(c))	93,852	-
Total current liabilities	752,556	564,668
Long Term Liabilities		
Bank Loans (Note 16)	40,000	40,000
Total Liabilities	792,556	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	(13,048,567)	(12,840,023)
Total Shareholders' Deficit	(771,604)	(563,060)
Total Liabilities and Shareholders' Deficit	20,952	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 consolidated financial statements

DXStorm.com Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended June 30

	2023 \$	2022 \$
Revenue		
E-commerce services	78,140	111,251
	78,140	111,251
Operating expenses		
Administrative	66,175	85,752
Research and development	97,810	131,166
Rent (Note 14(a))	120,000	120,000
Amortization (Note 6)	2,300	1,592
Bad debts expense	355	406
Foreign exchange loss (gain)	44	(107)
	286,684	338,809
Loss for the year	(208,544)	(227,558)
Net loss and comprehensive loss for the year	(208,544)	(227,558)
Loss per share	(0.009)	(0.010)
Weighted average number of shares outstanding	23,586,650	23,586,650

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

DXStorm.com Inc.
Consolidated Statements of Changes in Shareholders' Deficit
For the Years Ended June 30

	2023	2022
	\$	\$
Share Capital		
Balance - Beginning of year	11,113,082	11,013,082
Balance - End of year	11,113,082	11,113,082
Shares reserved for acquisition of ACEnetx Inc.		
Balance - Beginning of year	156,441	156,441
Balance - End of year	156,441	156,441
Contributed Surplus		
Balance - Beginning of year	1,007,440	1,007,440
Balance - End of year	1,007,440	1,007,440
Deficit		
Balance - Beginning of year	(12,840,023)	(12,612,465)
Loss for the year	(208,544)	(227,558)
Balance - End of year	(13,048,567)	(12,840,023)
Total Shareholders' Deficit	(771,604)	(563,060)

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

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

DXStorm.com Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30

	2023	2022
	\$	\$
Operating activities		
Net loss for the year	(208,544)	(227,558)
Items not affecting cash:		
Amortization	2,300	1,592
	(206,244)	(225,966)
Change in non-cash working capital items		
Accounts receivable	1,644	58,047
GST/HST/QST receivable	831	(419)
Prepaid expenses and deposit	(237)	(1,282)
Accounts payable and accrued liabilities	94,749	108,504
GST/HST/QST payable	578	-
Deferred revenue	(1,291)	(6,607)
Total cash used in operating activities	(109,970)	(67,723)
Investing activities		
Property, and equipment (Note 6)	(2,406)	-
Total cash used in investing activities	(2,406)	-
Financing activities		
Due to director (Note 14(c))	93,852	(10,000)
Common Shares	-	100,000
Total cash provided by financing activities	93,852	90,000
Change in cash	(18,524)	22,277
Cash:		
Beginning of the year	29,276	6,999
End of the year	10,752	29,276

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

DXStorm. com Inc.
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 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 audited 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 June 30, 2023. At June 30, 2023, the Company has an accumulated deficit of \$13,048,567 (June 30, 2022 - deficit of \$12,840,023) and has working capital deficit of \$735,423 (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 audited 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 audited consolidated financial statements have been prepared in accordance with IFRS using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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 October 31, 2023.

DXStorm. com Inc.
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

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

(a) Basis of presentation (cont'd)

Basis of measurement

These 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 June 30, 2023.

(b) Basis of consolidation

The audited 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 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.

DXStorm. com Inc.
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

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

(c) Revenue recognition (cont'd)

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) Significant accounting judgments and estimates

The preparation of the audited consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future event that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

DXStorm. com Inc.
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

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

(d) Significant accounting judgments and estimates (cont'd)

- the estimated fair value of non-financial assets which are included in the statement of financial position which are based on numerous assumptions may differ from actual fair values. These differences may have a material impact in the Company's financial position;

- the estimated fair value for accounts receivable that 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.

- the estimated useful lives and residual value of equipment which are included in the consolidated statement of financial position and the related depreciation included in profit or loss;

- the inputs used in accounting for share based payment transactions in profit or loss;

(e) Cash

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

(f) 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 June 30, 2023.

(g) 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 Financial Statements
For the Years Ended June 30, 2023 and 2022

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

(h) Property, and equipment

Recognition and measurement

On initial recognition, property, 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, and equipment is subsequently measured at cost less accumulated amortization and less any accumulated impairment losses.

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

Subsequent costs

The cost of replacing part of an item of property, 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 Financial Statements
For the Years Ended June 30, 2023 and 2022

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

(i) 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.

(j) 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.

(k) 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 Financial Statements
For the Years Ended June 30, 2023 and 2022

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

(k) 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.

(l) 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 Financial Statements
For the Years Ended June 30, 2023 and 2022

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

(l) 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.

(m) 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.

(n) 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 Financial Statements
For the Years Ended June 30, 2023 and 2022

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

(o) 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, due to director, and bank loans.

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 Financial Statements
For the Years Ended June 30, 2023 and 2022

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

(o) 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 Financial Statements
For the Years Ended June 30, 2023 and 2022

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

(p) 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.

(q) 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.

(r) 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.

(s) Impairment of financial assets

As at the year end there is no impairment of financial assets, 2022 (\$NIL).

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

(t) 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.

(u) 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.

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

(u) 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.

(v) 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.

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

(w) New standards and interpretations adopted and not yet adopted

IAS 1 Presentation of Financial Statements (“IAS 1”) – Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1. The amendments aim to promote consistency in applying the requirement by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2, Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policies disclosures that are more useful by replacing the requirement for entities to disclose “significant” accounting policies with a requirement to disclose their “material” accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of definition of material to accounting policy information, an effect date for these amendments is not necessary. The amendments are not expected to have a material effect impact on the Company’s consolidated financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of “accounting estimates”. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard explains how entities use measurement techniques and inputs to develop accounting estimates and states that these can include estimation and valuation techniques. The amendments become effective for annual reporting periods beginning on or after January 1, 2023. The Company has determined that adoption of these amendments has no significant effect on the Company’s consolidated financial statements.

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

(w) New standards and interpretations adopted and not yet adopted (cont'd)

IAS 12, Income Taxes ("IAS 12") – Deferred Tax related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal taxable and deductible temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company has determined that adoption of these amendments has no significant effect on the Company's consolidated financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Company's consolidated financial statements

3. CASH

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

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 June 30, 2023. As at June 30, 2023, the accounts receivable net of amounts estimated to be uncollectible, is \$1,829 (2022 - \$3,473).

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 5,627	\$ 9,217
Allowance for doubtful accounts	<u>(3,798)</u>	<u>(5,744)</u>
Accounts receivable, net	<u>1,829</u>	<u>3,473</u>

5. PREPAID EXPENSES AND DEPOSIT

	<u>2023</u>	<u>2022</u>
Prepaid expenses and deposit	\$ <u>4,552</u>	\$ <u>4,315</u>

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6. PROPERTY, 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	2,406	-	-	2,406
Disposals	-	-	-	-
As at June 30, 2023	261,782	1,535,622	53,831	1,851,235
Accumulated amortization				
As at July 1, 2022	255,935	1,535,350	53,831	1,845,116
Amortization	2,193	107	-	2,300
Disposals	-	-	-	-
As at June 30, 2023	258,128	1,535,457	53,831	1,847,416
Net book value, as at June 30, 2023	3,654	165	-	3,819

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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>2023</u>	<u>2022</u>
Deferred revenue	<u>\$ 6,679</u>	<u>\$ 7,970</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 operations 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:

	<u>Number</u>	<u>Stated Value</u>
Balance, June 30, 2022	23,586,650	\$11,113,082
Private placement	-	-
Balance, June 30, 2023	<u>23,586,650</u>	<u>\$11,113,082</u>

(c) Stock options:

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>
Balance, June 30, 2023 and June 30, 2022	-	-

(d) Warrants:

As at June 30, 2023 and June 30, 2022 there were no outstanding warrants.

(e) Contributed surplus:

Balance at June 30, 2022	\$1,007,440
Stock based compensation	-
Balance at June 30, 2023	<u>\$ 1,007,440</u>

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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Notes to the Consolidated Financial Statements
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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 June 30, 2023 and June 30, 2022 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 June 30, 2023 and June 30, 2022 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 June 30, 2023, consist of accounts payable and accrued liabilities, bank loans and due to director, and its working capital deficit balance is \$735,423 (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 year ended June 30, 2023 was \$44 and for the year ended June 30, 2022 was (\$107). The Company had no forward exchange rate contracts in place as at or during the year ended June 30, 2023 and 2022. The exposure to foreign currency risk is not significant.

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Notes to the Consolidated Financial Statements
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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 years ended June 30, 2023 and June 30, 2022.

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 (2022 – 23,586,650).

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Notes to the Consolidated Financial Statements
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13. INCOME TAXES

The Company's effective tax rate, which differs from the combined federal and provincial statutory rate of 26.5% (2022 – 26.5%), is reconciled as follows:

	2023	2022
Consolidated loss before income taxes	\$ 208,544	\$ 227,558
Income tax recovery @26.5% (2022 – 26.5%)	(55,264)	(60,303)
Valuation	55,264	60,303
Income tax (recovery) expense	\$ -	\$ -

The deferred tax asset and liability are calculated using a substantially enacted tax rate of 26.5% (2022 – 26.5%) is as follows:

	June 30, 2023	June 30, 2022
Deferred tax assets		
Property, plant and equipment	\$ 1,500	\$ 2,145
Undeducted non-capital losses	\$ 1,550,512	\$ 1,495,248
Less: Valuation allowance	(1,552,012)	(1,497,393)
Net deferred tax asset	\$ -	\$ -

The Company has the following non-capital losses available to offset future income for tax purpose. The non-capital losses will expire as follows:

	\$
2026	731,983
2027	824,446
2029	754,058
2030	243,088
2031	345,326
2032	389,811
2033	415,841
2034	444,389
2036	243,566
2037	256,346
2038	258,742
2039	127,604
2040	180,664
2041	199,185
2042	227,558
2043	208,544
	<u>5,851,151</u>

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Notes to the Consolidated Financial Statements
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14. RELATED PARTY TRANSACTION

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

	<u>2023</u>	<u>2022</u>
Rent	\$ 120,000	120,000

Rent is month to month.

- (b) The Company paid consulting fees to a company owned by a director in the amount of \$5,625 (2022 - \$6,755).
- (c) The loan is due to a director and is non-interest bearing and payable on demand.

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.

15. SEGMENTAL REPORTING

The Company's operations and property, plant and equipment are located in Canada. Sales for June 30, 2023 and June 30, 2022 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.

16. BANK LOANS

The Company received a \$60,000 interest free loan due January 18, 2024 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.