

BRAINHUNTER SYSTEMS LTD.
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

BRAINHUNTER SYSTEMS LTD.

MARCH 31, 2025

CONTENTS

	<u>Page</u>
Independent auditor's report	1-2
Consolidated financial statements	
Consolidated balance sheet	3
Consolidated statement of income and deficit	4
Consolidated statement of cash flows	5
Notes to consolidated financial statements	6 - 16



INDEPENDENT AUDITOR'S REPORT

To the Shareholder of:
Brainhunter Systems Ltd.

Opinion

We have audited the financial statements of Brainhunter Systems Ltd. (the Company), which comprise the balance sheet as at March 31, 2025, and the statements of income and deficit, and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are prepared, in all material respects, in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial statements in Canada, and we have fulfilled our other 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.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the 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.

KNAV Professional Corporation

KNAV Professional Corporation
Chartered Professional Accountants

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

Toronto, Ontario
May 2, 2025

BRAINHUNTER SYSTEMS LTD.

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2025

	<u>2025</u>	<u>2024</u>
ASSETS		
Current		
Cash and cash equivalents (note 3)	\$ 663,183	\$ 1,149,760
Accounts receivable	7,929,976	5,282,604
Prepaid expenses	82,891	179,001
	<u>8,676,050</u>	<u>6,611,365</u>
Non-Current		
Deposits	115,985	46,353
Deposits with government authorities (note 13)	746,947	675,026
Future income tax recoverable (note 9)	340,822	361,457
Investments (note 14)	5,001,375	5,001,375
Property and equipment (note 4)	780,561	445,176
Intangibles (note 5)	<u>842,858</u>	<u>699,078</u>
	<u>7,828,548</u>	<u>7,228,465</u>
	<u>\$ 16,504,598</u>	<u>\$ 13,839,830</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 5,135,826	\$ 2,794,250
Due to affiliated parties current portion (notes 6 and 8)	1,000,000	1,027,375
Deferred revenue	35,014	44,867
Deferred leasehold inducement	19,765	140,155
Income tax payable (note 9)	<u>27,642</u>	<u>31,544</u>
	<u>6,218,247</u>	<u>4,038,191</u>
Non-Current		
Due to affiliated parties (notes 6 and 8)	<u>4,185,629</u>	<u>3,903,257</u>
	<u><u>10,403,876</u></u>	<u><u>7,941,448</u></u>
SHAREHOLDER'S EQUITY		
Capital stock (note 10)	7,224,655	7,224,655
Deficit	<u>(1,123,933)</u>	<u>(1,326,273)</u>
	<u>6,100,722</u>	<u>5,898,382</u>
	<u><u>\$ 16,504,598</u></u>	<u><u>\$ 13,839,830</u></u>

Approved: _____

See accompanying notes.

BRAINHUNTER SYSTEMS LTD.
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 2025

	<u>2025</u>	<u>2024</u>
Revenue	\$ 57,591,587	\$ 54,431,441
Cost of sales	<u>49,935,201</u>	<u>46,530,801</u>
Gross margin	<u>7,656,386</u>	<u>7,900,640</u>
 Expenses		
Salaries and benefits	4,893,106	4,602,097
Selling, general, and administrative	<u>1,112,633</u>	<u>796,989</u>
	<u>6,005,739</u>	<u>5,399,086</u>
 Income before the undernoted items	1,650,647	2,501,554
Loss on foreign exchange	(1,150)	(1,757)
Interest expense (note 8)	(682,359)	(554,662)
Depreciation of property and equipment (note 4)	(246,697)	(237,484)
Amortization of intangibles (note 5)	<u>(350,399)</u>	<u>(220,573)</u>
 Income before income tax	<u>370,042</u>	<u>1,487,078</u>
 Income tax		
Current (note 9)	147,067	257,113
Future (note 9)	<u>20,635</u>	<u>28,575</u>
	<u>167,702</u>	<u>285,688</u>
 Net income	202,340	1,201,390
 Deficit, beginning of year	<u>(1,326,273)</u>	<u>(2,527,663)</u>
 Deficit, end of year	<u>\$ (1,123,933)</u>	<u>\$ (1,326,273)</u>

See accompanying notes.

BRAINHUNTER SYSTEMS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2025

	<u>2025</u>	<u>2024</u>
Cash flows from (used in) operating activities		
Net income	\$ 202,340	\$ 1,201,390
Adjustments for:		
Future income tax recoverable	20,635	28,575
Depreciation of property and equipment (note 4)	246,697	237,484
Amortization of intangibles (note 5)	350,399	220,573
Accrued interest on loans from affiliated parties	<u>634,320</u>	<u>53,846</u>
	1,454,391	1,741,868
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(2,647,372)	(1,859,080)
Decrease (increase) in prepaid expenses	96,110	264,654
Increase (decrease) in accounts payable and accruals	2,341,580	1,361,673
Increase (decrease) in income tax payable	(3,902)	(192,885)
Increase (decrease) in deferred leasehold inducement	(120,390)	(114,699)
Increase (decrease) in deferred revenue	<u>(9,853)</u>	<u>(99,620)</u>
	<u>1,110,564</u>	<u>1,101,911</u>
Cash flows from (used in) investing activities		
Purchase of property and equipment	(582,083)	(127,869)
Deposits with government authorities	(71,921)	-
Deposits	(69,632)	(26,356)
Intangibles	<u>(494,179)</u>	<u>(492,033)</u>
	<u>(1,217,815)</u>	<u>(646,258)</u>
Cash flows from (used in) financing activities		
Loans from (to) affiliated parties	<u>(379,323)</u>	<u>(636,032)</u>
	<u>(379,323)</u>	<u>(636,032)</u>
Increase (decrease) in cash and cash equivalents	(486,574)	(180,379)
Cash and cash equivalents, beginning of year	1,149,760	1,330,136
Cash and cash equivalents, end of year	\$ 663,186	\$ 1,149,757
Supplemental information		
Interest paid	\$ 682,359	\$ 554,662
Income taxes paid	\$ 147,067	\$ 257,113

See accompanying notes.

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

1. Nature of operations:

The operations of Brainhunter Systems Ltd. (the "Company") primarily consists of consulting, solutions and services in the information technology and engineering sectors. The Company was incorporated on October 2, 2009 under the Ontario Business Corporations Act.

MFXchange Holdings Inc., holds 81% of the shares and Quess Corp Ltd holds 19% of the shares.

Pursuant to a share purchase agreement dated September 17, 2014, Quess Corp Limited ("Quess" or the "Parent"), acquired 7,000,100 common shares of Zylog Systems (Canada) Ltd. Simultaneously, 7,300,000 shares were issued to Quess Corp (USA) Inc. Subsequent to the acquisition described above, the Company changed its legal name to Brainhunter Systems Ltd.

Pursuant to a unanimous shareholders agreement dated March 31, 2019, Quess Corp (USA) Inc. converted debt of \$2,710,153 into 22,542,531 common shares of the Company.

Pursuant to a share exchange agreement dated April 1, 2019, Quess Corp (USA) Inc. agreed to transfer 29,842,531 common shares, in the capital of the Company, to MFXchange Holdings Inc. (a Quess Corp North America holding company).

2. Significant accounting policies:

a. Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"), and are presented in Canadian dollars, which is the Company's functional currency. The consolidated financial statements include all the accounts of the Company and its wholly owned subsidiary. Mindwire Systems Ltd. All intercompany transactions and balances have been eliminated upon consolidation.

b. Property and equipment:

Property and equipment are recorded at cost. Amortization is provided annually on a straight-line basis over their estimated useful lives using the following annual rates:;

Computer equipment	30%
Office furniture and fixtures	20%
Computer software	100%
Leasehold improvements	Term of lease

c. Revenue recognition:

Revenue is generated from information technology and engineering staffing and consulting services.

Revenue from staffing services includes temporary and permanent placement fees. Revenue from temporary placement fees are recognized once the services have been rendered, collection is reasonably assured, and all significant obligations have been fulfilled. Revenue from permanent placement fees are based on a percentage of annual salaries and are recognized once the employees have been placed, collection is reasonably assured, and all significant obligations have been fulfilled.

Revenue from IT service is recognized based on per call basis.

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

2. Significant accounting policies (continued):

The Company enters into contracts with customers to complete software consulting projects. Customer billings are prepared monthly based on hours worked and agreed rates, at which time revenue is recognized. To a significantly lesser degree, certain other contracts are fixed price, for which revenue is recorded monthly using the percentage-of-completion basis, whereby revenue is recorded at the estimated net realizable value of the work completed to date.

The Company earns revenue from software licenses for in-house developed software that is deferred and recognized over the term of the license. Software customization revenue is recognized in the year the customization is completed.

d. Deferred financing costs:

Financing costs relating to the long-term debt and bank indebtedness are deferred and amortized using the effective interest method over the expected term of the corresponding loans. As the loans are repaid, the corresponding financial costs are charged to net income. Deferred financing costs are presented under bank indebtedness and long-term debt in the consolidated balance sheet and the related amortization under financing costs in the consolidated statement of operations and deficit.

e. Income taxes:

The Company accounts for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined by reference to the temporary differences between carrying values and the tax basis of assets and liabilities. The future income tax assets or liabilities are measured using the income tax rates and laws that are anticipated to apply when these differences are expected to be recovered or settled. Future income tax assets are recognized to the extent that realization of such benefits are considered more likely than not. The effect on future income tax assets and liabilities of a change in income tax rates is recognized into net income in the year that includes the enactment date.

f. Management plans:

The operation of the company has improved since the prior year and projections for the future are favorable, so it is anticipated that the company will continue without any assistance. Consequently, the management considers that it is appropriate to prepare these financial statements on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The management has prepared future projections supported by business plans and contracted agreements supporting its sales. Further the Company has been generating positive operating cash flows in the current year and previous year. The Company also has been regular in its payment of bank debt and related party debt. As a result, these consolidated financial statements have been prepared on the basis that the Company will continue to be a going concern and has therefore continued to apply the going concern basis of accounting to the consolidated financial statements.

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

2. Significant accounting policies (continued):

g. Use of estimates:

The preparation of consolidated financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

(i) Allowance for doubtful accounts:

The Company makes a provision to allow for potentially uncollectible amounts owed from customers. The allowance is reviewed by management periodically based on an analysis of the age of the outstanding accounts receivable. At March 31, 2025, an allowance of \$126,882 (2024 - \$62,312) has been included in the consolidated balance sheet.

(ii) Accrued liabilities:

Accrued liabilities, including those pertaining to commissions, bonuses and professional fees are established by management based on their best estimate of the actual obligation. Management believes that the estimates used in establishing these accrued liabilities are accurate.

(iii) Impairment of assets:

Property and equipment, goodwill and intangible assets are tested for impairment for each business unit should an event or circumstance indicate that their fair value has fallen below their carrying value. Should any negative variances occur in the comparison, an impairment representing the excess is made to the goodwill and then to intangible assets.

(iv) Income taxes:

The Company estimates its Canadian federal income taxes based on interpretation of tax rules and regulations. The Company is also subject to audits from the Canada Revenue Agency and the outcome of such audits may differ from original estimates. Management believes that a sufficient amount has been accrued for income taxes.

h. Foreign currency translation:

Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the consolidated balance sheet date. Property and equipment and related amortization are translated at rates prevailing at the dates of acquisition. Revenue and expenses, other than amortization, are translated at the average rate of exchange in effect during the month that the transaction occurred. All exchange gains and losses are recognized in the current year's net income.

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

2. Significant accounting policies (continued):

i. Intangible assets and goodwill:

The Company classifies intangible assets, obtained through acquisitions or developed internally, as definite-lived and indefinite-lived intangible assets, as well as goodwill. Definite-lived intangibles are amortized on a straight-line basis over the asset's useful life while indefinite-lived intangibles and goodwill are not amortized but are tested for impairment annually, or more frequently, if events or circumstances indicate that they might be impaired. The impairment test consists of allocating indefinite-lived intangibles and goodwill to reporting units and then comparing the book value of the reporting units, including indefinite-lived intangibles and goodwill, to their fair values. The Company determines fair value by using discounted future cash flows for reporting units. The excess of carrying value over fair value, if any, is recorded as an impairment charge to the consolidated statement of operations and deficit in the year in which the impairment is determined. Subsequent reversals of impairment are prohibited.

j. Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months from the date of acquisition.

k. Related party transactions:

Monetary-related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

3. Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months from the date of acquisition.

	<u>2025</u>	<u>2024</u>
Cash	\$ 663,183	\$ 1,149,760

At year end, the carrying value of cash and cash equivalents approximated fair market value due to the short-term nature of the investments.

4. Property and equipment

	<u>2025</u>			<u>2024</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 1,741,932	\$ 1,266,589	\$ 475,342	\$ 34,405
Office furniture and fixtures	487,437	486,456	981	2,635
Computer software	767,095	726,339	40,756	58,343
Leasehold improvements	<u>1,259,810</u>	<u>996,328</u>	<u>263,482</u>	<u>349,793</u>
	<u>\$ 4,256,274</u>	<u>\$ 3,475,712</u>	<u>\$ 780,561</u>	<u>\$ 445,176</u>

The depreciation of property and equipment totaled \$ 246,697 in 2025 (2024 - \$ 237,484).

During the year, \$333,043 (2024 - NIL) was capitalized as computer equipment towards upgradation of Data Centre.

5. Intangibles

	<u>2025</u>	<u>2024</u>
Cost	\$ 2,349,487	\$ 1,855,308
Accumulated amortization	<u>(1,506,629)</u>	<u>(1,156,231)</u>
	<u>\$ 842,858</u>	<u>\$ 699,077</u>

The amortization of intangibles totaled \$ 350,399 in 2025 (2024 - \$220,573).

During the year \$ 494,179 (2024 - \$ 492,033) was capitalized as intangibles, which consist of Mobile enabled Enterprise Collaboration App of \$293,888 (2024 - \$214,700) and Facelift of Talentflow ATS application of \$145,740 (2024 - \$277,333), and Datacentre Maintenance and Support application of \$54,192 (2024 - \$NIL) which will seamlessly connect with the Company's ecosystem consisting of employees, clients, consultants, vendors, and job seekers. Management has estimated a useful life of 3 years and is amortizing it over that term accordingly.

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

6. Bank indebtedness:

On November 22, 2019 a term loan and facilities agreement was executed between ICICI Bank of Canada and MFXchange Holdings Inc., the parent company, and its subsidiaries and other related companies whereby the existing facility with ICICI Bank of Canada was assigned to MFXchange Holdings Inc. (note 8). The loan is secured by a general security arrangement and has been guaranteed by Brainhunter Systems Limited and its subsidiary Mindwire Systems Limited amongst other guarantors.

The outstanding bank indebtedness was refinanced to include the following two facilities: (a) a \$7,500,000 term loan facility and (b) a \$12,500,000 working capital facility. Both of these facilities were utilized by MFXchange Holdings Inc. and its subsidiaries.

7. Accounts payable and accrued liabilities:

	2025	2024
Trade and accrued liabilities	\$ 5,120,826	\$ 2,766,026
Salaries and commissions payable	<u>15,000</u>	<u>28,220</u>
	<u><u>\$ 5,135,826</u></u>	<u><u>\$ 2,794,246</u></u>

Included in accounts payable and accrued liabilities as at March 31, 2025 are government remittances payable (recoverable) of \$74,891 (2024 - \$65,798) relating to federal and provincial sales taxes, payroll taxes, health taxes and workers' safety insurance.

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2025

8. Due from (to) affiliated parties:

	<u>2025</u>	<u>2024</u>
MFXchange Holdings Inc. towards credit facilities from ICICI Bank of Canada (note 6) bearing interest at CDOR plus 2.5% per annum (2024 - 2.5%)	\$ (5,745,903)	\$ (5,083,498)
Quess Corp Limited bearing interest at NIL% per annum (2024 - NIL%)	<u>208,032</u>	<u>152,866</u>
	<u><u>\$ (5,185,629)</u></u>	<u><u>\$ (4,930,632)</u></u>
 Current portion	 \$ (1,000,000)	 \$ (1,027,375)
Long-term portion	<u>(4,185,629)</u>	<u>(3,903,257)</u>
	<u><u>\$ (5,185,629)</u></u>	<u><u>\$ (4,930,632)</u></u>

During the year ended March 31, 2025, the Company recognized \$682,359 (2024 - \$554,662) in interest expense on the amounts due to MFXchange Holdings Inc.

The amount receivable from Quess Corp Limited in the amount of \$188,135 (2024 - \$152,866), and from Quess GTS Canada Holdings Inc. in the amount of \$19,897 (2024 - \$2,397), reflects debit notes issued for the expenses incurred on behalf of Quess Corp Limited.

All of the related party balances are recorded at their carrying amounts.

Accounts receivable include an amount due from MFXchange Holdings Inc. of \$4,746 (2024 - \$2,119), from Quess Corp (USA), Inc. of \$157,982 (2024 - \$352,242), and from MFXchange US Inc. of \$132,481 (2024 - \$46,829).

Accounts payables include an amount due to MFX Infotech Private Limited for \$NIL (2024 - \$188,421), and to MFXchange US Inc. of \$201,143 (2024 - \$26,877).

During the year ended March 31, 2025, the Company earned revenue of \$53,671 (2024 - \$NIL) from Quess Corp (USA), Inc., other income of \$617,316 (2024 - \$67,317) from MFXchange US Inc., and \$22,950 (2024 - \$72,214) from MFXchange Holdings Canada.

During the year ended March 31, 2025, the Company incurred expenses \$NIL (2024 - \$NIL) from Quess Corp (USA), Inc., \$630,630 (2024 - \$253,092) from MFXchange US Inc., and interest of \$634,319 (2024 - \$554,662) from MFXchange Holdings Canada.

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

9. Income taxes:

The Company pays income taxes at a statutory rate of 26.5% (2024 - 26.5%). The difference between the Company's reported income tax expense on operating income and the expense that would otherwise result with the application of the applicable rate is as follows:

	2025	2024
Income before income taxes	\$ 370,042	\$ 1,487,078
Rate	26.5%	26.5%
Expected provision for (recovery of) income taxes	98,061	394,076
Increase (decrease) in income taxes resulting from:		
Permanent difference	2,863	2,687
Prior year adjustments	-	18,077
Change in valuation allowance	(132,407)	(173,877)
Other	199,185	1,263
Income tax expense	<u>\$ 167,702</u>	<u>\$ 242,226</u>

As at March 31, 2025, the Company has \$1,014,339 (2024 - \$1,175,321) of future tax assets before any valuation allowance. As at March 31, 2025, the Company recognized a future tax asset of \$340,822 (2024 - \$361,457) related to one of its subsidiaries, as it was determined to be more likely than not to recognize these future tax assets. The remaining balance of \$673,517 (2024 - \$813,864) of future tax assets has not been recognized as the future realization of these income tax assets did not meet the test of being more likely than not to occur. A summary of the future tax assets at March 31, 2025 is as follows:

	2024	2023
Future income tax assets (liabilities):		
Non-capital losses	\$ 708,660	\$ 885,311
Property and Equipment	291,703	252,762
Sub-lease inducement	(2,537)	20,735
Other temporary differences	16,513	16,513
	<u>1,014,339</u>	<u>1,175,321</u>
<u>Less: valuation allowance</u>	<u>673,517</u>	<u>813,864</u>
Net future income tax assets	<u>\$ 340,822</u>	<u>\$ 361,457</u>
Current income tax payable	<u>\$ 27,642</u>	<u>\$ 31,544</u>

As at March 31, 2025, the Company has non-capital losses of \$2,674,189 which can be used to reduce taxable income of future years. The potential tax benefit of these losses has not been recorded in consolidated financial statements. These losses are set to expire as follows:

2036	\$ 1,209,498
2037	1,146,245
2038	318,446
	<u>\$ 2,674,189</u>

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

10. Capital stock:

	<u>2025</u>	<u>2024</u>
Authorized		
Unlimited common shares		
Issued:		
36,842,631 (2024 - 36,842,631) common shares	<u>\$ 7,224,655</u>	<u>\$ 7,224,655</u>

11. Commitments:

The Company has entered into leases for office space. As at March 31, 2025, the Company has contractual obligations for basic rent payments as follows:

2025 - 2025	\$ 201,713
2026 and thereafter	\$ 789,545

12. Financial risks and concentration of risk:

Financial instruments are initially recorded at fair value. Financial instruments that are short-term investments are written down when their carrying amounts exceed their quoted market values. All other financial instrument assets are written down when their carrying amounts exceed their estimated market values and this condition is expected to be other than temporary.

The Company's financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, due to related parties, accounts payable and accrued liabilities and bank indebtedness. The fair values of cash and cash equivalents, accounts receivable, due to related parties, accounts payable and accrued liabilities approximate their recorded amounts due to the short-term receipt or payment of cash or determinable cash flow streams. The carrying value of the bank indebtedness approximates fair value because the interest rates approximate market rates.

a. Credit risk:

The Company grants credit to its customers in the normal course of business. The consolidated financial statements take into account an allowance for bad debts. The Company is exposed to credit risk from their customers but the concentration of the risk is minimized because of the large customer base. There has been no change to the risk exposure since the prior fiscal year.

b. Interest rate risk:

The Company is financed through related party debt which bears interest at rates tied to the related party acceptance rates. Consequently, the Company is exposed to the risk of increases in the bankers' acceptance rates. There has been no change to the risk exposure since the prior year.

c. Foreign exchange risk:

The Company carries out some transactions in U.S. dollars and, as such, is exposed to fluctuations in exchange rates. Approximately 2.18% (2024 - 1.29%) of the Company's sales and purchases are in U.S. dollars. The Company has not entered into derivative instruments to mitigate these risks. During the year ended March 31, 2025, the Company recorded a foreign exchange gain (loss) of \$(1,150) (2024 - \$(1,757)). There has been no change to the risk exposure since the prior year.

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

12. Financial risks and concentration of risk (Continued):

d. Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. There has been no change to the risk exposure since the prior fiscal year.

13. Contingencies:

EHT Matter

On December 13, 2016, the Company received a Notice of Assessment from the Ontario Ministry of Finance regarding an employer health tax audit related to calendar years 2012 to 2015. The amount in the Notice of Assessment is \$576,118. In the opinion of management, this assessment is without substantial merit and the Company filed a Notice of Objection on June 7, 2017. Subsequent to filing the Notice of Objection, the Company entered into a compliance arrangement with the Ontario Ministry of Finance. Under this compliance agreement, the Company has agreed to remit the amount owing over an 18-month period while the objection is being reviewed. The last instalment was paid in the quarter ending December, 2018.

As at March 31, 2025, the Company has remitted payments which have been recorded as a deposit with government authorities on the consolidated balance sheet as follows:

	<u>2025</u>	<u>2024</u>
Deposit	\$ 746,947	\$ 675,026

On July 15, 2019 the company made additional submissions to the Ministry of Finance (Ontario) stating that the analysis of the Ministry of Finance (Ontario) fails to consider the relevant case law and that no analysis or decisions were provided to state that their conclusion "is consistent with the facts and judgements provided in various court cases". The company concluded in their submissions that based on relevant case law it is obvious that the workers are not employees. On September 18, 2019, the senior appeals officer of Ministry of Finance, Advisory, Objections, Appeals and Services Branch disagreed with the submissions of the company and concluded that the workers are providing their services to the company as employees under contract of service. On January 10, 2020 the company filed a Notice of Appeal with the Ontario Superior Court of Justice for the 2012 through 2015 taxation years with the respondent being the Minister of Finance. The company has filed with detailed submissions stating that the workers are not employees and are independent contractors.

On July 6, 2020, the Ministry of Finance indicated their intention to proceed with their claim.

During the year, an assessment was received for the year ended December 31, 2017 for the amount of \$31,880. The Company paid the amount of \$31,880 and filed a notice of objection in December 2021.

On August 2, 2022, the Ministry of Finance indicated that no change be made to the Notice of Assessment. The company filed a Notice of Appeal with the superior Court of Justice for the matter on November 4, 2022.

On April 28, 2023 the Minister of Finance filed a reply to the notice of appeal for the year ending December 31, 2017.

The Company believes that the likelihood of success on the appeal is "more likely than not" and therefore no provision has been recorded as at March 31, 2025.

BRAINHUNTER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

14. Investment:

	2025	2024
MFXchange US Inc.	\$ 4,991,865	\$ 4,991,865
MFXchange Holdings Inc.	9,510	9,510
Total	\$ 5,001,375	\$ 5,001,375

The investment from MFXchange US Inc. resulted from a loan receivable, during the year ended March 31, 2020, the amount due of \$4,648,045 from MFXchange US Inc. was converted to 100 series B preference shares to the Company. The difference with \$4,991,865 is due to foreign exchange gain.

15. Subsequent Events

The Company evaluated all events and transactions that occurred after March 31, 2025 through May 2, 2025, the date the financial statements are issued. Based on the evaluations, the Company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.