



Consolidated Financial Statements

MFExchange Holdings, Inc.

For the years ended March 31, 2026 and 2025



MFXCHANGE HOLDINGS, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
MFXchange Holdings, Inc. and Subsidiary

Adverse Opinion

We have audited the accompanying consolidated financial statements of MFXchange Holdings, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of March 31, 2026 and 2025, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the consolidated financial statements referred to in the first paragraph do not present fairly the consolidated financial position of MFXchange Holdings, Inc. and Subsidiary as of March 31, 2026 and 2025, or the results of its operations or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion

As more fully described in Note 1 to the consolidated financial statements, the Company has not consolidated its subsidiary, Brainhunter Systems Ltd. In our opinion, accounting principles generally accepted in the United States of America require such investment to be consolidated in these consolidated financial statements. The investment in Brainhunter Systems Ltd. is accounted for on a cost basis. Had Brainhunter Systems Ltd. been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Sorren CPAs P.C.

Raleigh, North Carolina
May 12, 2026

MFEXCHANGE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2026 AND 2025

	2026	2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,509,415	\$ 736,619
Accounts receivable	2,647,868	3,777,613
Due from related parties	2,188,067	439,456
Contract assets	2,442,574	1,378,531
Prepaid expenses	891,146	739,843
Loan receivable related party	808,629	4,011,040
Total current assets	10,487,699	11,083,102
Property and equipment, net	490,798	816,675
Right-of-use assets, net	-	55,600
Software costs, net	1,499,775	2,300,847
Investment in unconsolidated subsidiary	2,690,101	2,690,101
Deferred tax assets	442,000	442,000
Other assets	266,971	250,000
Total assets	\$ 15,877,344	\$ 17,638,325
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,420,366	\$ 1,546,984
Accrued expenses	4,809,801	1,929,502
Contract liabilities	457,472	45,839
Due to related parties-payables	3,034,244	3,930,223
Due to related parties-accrued expenses	1,771,000	300,475
Finance lease, current portion	92,831	233,480
Operating lease liability, current portion	-	61,102
Term loan facility, current portion	2,215,239	4,546,274
Total current liabilities	13,800,953	12,593,879
Finance lease, long-term portion	129,963	233,477
Total liabilities	13,930,916	12,827,356
Commitments and Contingencies (See Note 11)		
Equity:		
Class A redeemable preferred stock, unlimited shares authorized, 1 share issued and outstanding as of March 31, 2026 and 2025	7,123	7,123
Class B redeemable preferred stock, unlimited shares authorized, 1 share issued and outstanding as of March 31, 2026 and 2025	2,690,101	2,690,101
Redeemable noncontrolling interest	3,551,412	3,551,412
Stockholders' deficit:		
Common stock, unlimited authorized, 1,211 issued and outstanding, par value \$2,101	2,544,492	2,544,492
Additional paid-in capital	37,019,210	37,019,210
Accumulated deficit	(43,865,910)	(41,001,369)
Total stockholders' deficit	1,946,428	4,810,969
Total liabilities and stockholders' deficit	\$ 15,877,344	\$ 17,638,325

See notes to consolidated financial statements.

MFXCHANGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AS OF MARCH 31, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
Revenue, net	<u>\$ 29,308,341</u>	<u>\$ 28,500,208</u>
Operating expenses:		
Salaries and related benefits	10,990,473	9,251,761
Outside services	13,888,183	11,705,364
Hardware and software costs	4,550,948	4,531,834
Depreciation and amortization	1,151,777	2,311,961
General and administrative	1,359,424	1,298,308
Facility costs	94,368	83,931
Total operating expenses	<u>32,035,173</u>	<u>29,183,159</u>
(Loss) from operations	(2,726,832)	(682,951)
Other expense:		
Financing expenses, net	<u>(106,560)</u>	<u>(73,243)</u>
(Loss) before benefit from income taxes	(2,833,392)	(756,194)
(Provision for) benefit from income taxes	<u>(31,149)</u>	<u>100,120</u>
Net loss	<u><u>\$ (2,864,541)</u></u>	<u><u>\$ (656,074)</u></u>

See notes to consolidated financial statements.

MFXCHANGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

	Preferred Stock Class A		Preferred Stock Class A		Redeemable Noncontrolling Interest	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount		Shares	Amount			
Balance as of April 1, 2024	1	\$ 7,123	1	\$ 2,690,101	\$ 3,551,412	1,211	\$ 2,544,492	\$ 37,019,210	\$ (40,345,295)	\$ 5,467,043
Net loss	-	-	-	-	-	-	-	-	(656,074)	(656,074)
Balance as of March 31, 2025	1	7,123	1	2,690,101	3,551,412	1,211	2,544,492	37,019,210	(41,001,369)	4,810,969
Net loss	-	-	-	-	-	-	-	-	(2,864,541)	(2,864,541)
Balance as of March 31, 2026	<u>1</u>	<u>\$ 7,123</u>	<u>1</u>	<u>\$ 2,690,101</u>	<u>\$ 3,551,412</u>	<u>1,211</u>	<u>\$ 2,544,492</u>	<u>\$ 37,019,210</u>	<u>\$ (43,865,910)</u>	<u>\$ 1,946,428</u>

See notes to consolidated financial statements.

MFXCHANGE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,864,541)	\$ (656,074)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,151,777	2,311,961
Non-cash operating lease expense	-	16,446
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,129,745	(2,423)
Due from related party receivables	(1,748,611)	-
Contract assets	(1,064,043)	(132,808)
Prepaid expenses	(151,303)	36,444
Other assets	(16,971)	-
Increase (decrease) in:		
Accounts payable	(126,618)	1,431,257
Due to related party payables	(895,979)	-
Due to related party accrued expenses	1,470,525	
Accrued expenses	2,880,299	4,296
Contract liabilities	411,633	45,838
Other liabilities	-	(73,458)
NET CASH PROVIDED BY OPERATING ACTIVITIES	175,913	2,981,479
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from loans to related party	3,202,411	3,207
Purchase of software	-	(2,096,110)
Purchase of property and equipment	(30,330)	(346,431)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	3,172,081	(2,439,334)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of term loan	(4,474,841)	(1,206,792)
Net proceeds from working capital loan	2,143,806	1,098,910
Principal payments on notes payable and capital lease obligations	(244,163)	(184,196)
NET CASH USED IN FINANCING ACTIVITIES	(2,575,198)	(292,078)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	772,796	250,067
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	736,619	486,552
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,509,415	\$ 736,619
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 63,732	\$ 126,148
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES:		
Finance right-of-use asset obtained in exchange for finance lease liabilities	\$ -	\$ 700,435

See notes to consolidated financial statements.

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

MFXchange Holdings, Inc., (the “Company”) a Canadian corporation, was incorporated on December 17, 2001. The Company, together with its subsidiary MFXchange US, Inc., provides customized datacenter and infrastructure services including private cloud offerings, across various industries. In addition, the Company provides end-to-end commercial technology applications and business process outsourcing solutions to the property and casualty insurance industry. On January 24, 2019, the Company acquired 81% of the equity interest in Brainhunter Companies LLC (“Brainhunter”), from a related party. Brainhunter was organized on December 19, 2012 in the United States, and provides primarily staffing and consulting services in the information technology and engineering sectors.

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements are as follows:

Basis of Presentation

The consolidated financial statements include the Company and its wholly-owned subsidiaries, and reflect all adjustments (all of which are normal and recurring in nature) that, in the opinion of management, are necessary for a fair presentation of the periods presented. All inter-company balances and transactions have been eliminated in consolidation.

Liquidity and Management’s Plans

As shown in the accompanying consolidated financial statements, the Company had a net operating loss, a working capital deficit and significant accumulated deficits for the year ended March 31, 2025 and 2026. The parent company plans to provide continuous financial support to ensure the Company can fulfill their obligations for at least 12 months from the date of which the consolidated financials are available for issuance.

Investment in Unconsolidated Subsidiary

On April 1, 2019, the Company acquired an 81% interest in Brainhunter Systems Ltd. from Quess Corp (USA), a related party, for one share of Class B redeemable preferred stock. On the date of acquisition, the investment was valued at \$2,690,101. As of March 31, 2026 and 2025, the carrying value of this investment was \$2,690,101.

Accounting principles generally accepted in the United States (“U.S. GAAP”) require that majority-owned subsidiaries should be consolidated in the financial statements. The Company has not consolidated Brainhunter Systems Ltd. and its subsidiaries. The investment in Brainhunter Systems Ltd. is accounted for on a cost basis. Had Brainhunter Systems Ltd. been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events that affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Significant items subject to such estimates include revenue recognition, the useful lives of property and equipment, contract assets (unbilled revenue), allowance for credit losses, valuation allowance for deferred tax assets, capitalized software, investments, long-lived assets, contract liabilities (deferred revenue), fair value of right-of-use assets, and commitments and contingencies. These estimates and assumptions are based on management's best estimates and judgment. Management regularly evaluates its estimates and assumptions using historical experience and other factors; however, actual results could differ significantly from these estimates.

Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue Recognition* ("Topic 606"). A five-step analysis must be met as outlined in Topic 606 before revenue can be recognized: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue when (or as) performance obligations are satisfied. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

The Company derives a significant amount of its revenues from recurring revenue streams, consisting primarily of (1) co-location, which includes the licensing of cabinet space and power; (2) interconnection offerings; (3) managed infrastructure services and (4) application management services. The remainder of the Company's revenues are from non-recurring revenue streams which primarily consist of professional services.

The Company's customers generally execute contracts with terms of one year or longer, which are referred to as recurring revenue contracts or long-term contracts. These contracts generally commit the customer to a minimum monthly level of usage with additional charges applicable for actual usage above the monthly minimum commitment. The Company defines usage as customer data sent or received using its content delivery service, or content that is hosted or cached by the Company at the request or direction of its customer. The Company recognizes the monthly minimum as revenue each month provided that an enforceable contract has been signed by both parties, the service has been delivered to the customer, the fee for the service is fixed or determinable, and collection is reasonably assured. Should a customer's usage of the Company's services exceed the monthly minimum commitment, the Company recognizes revenue for such excess in the period of the usage. For annual or other non-monthly period revenue commitments, the Company recognizes revenue monthly based upon the customer's actual usage each month of the commitment period and only recognizes any remaining committed amount for the applicable period in the last month thereof.

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from bandwidth and equipment sales is recognized on a gross basis in accordance with the accounting standard related to reporting revenue gross as a principal versus net as an agent, primarily because the Company acts as the principal in the transaction, takes title to products and services and bears inventory and credit risk. To the extent the Company does not meet the criteria for recognizing bandwidth and equipment services as gross revenue, the Company records the revenue on a net basis.

The Company occasionally guarantees certain service levels, such as uptime, as outlined in individual customer contracts. To the extent that these service levels are not achieved, the Company reduces revenue for any credits given to the customer as a result. The Company generally has the ability to determine such service level credits prior to the associated revenue being recognized, and historically, these credits have generally not been significant. There were no significant service level credits issued during the years ended March 31, 2026 and 2025.

Contract liabilities (deferred revenue) consist of payments received in advance of revenue recognition and are recognized as the revenue recognition criteria are met. Amounts are recorded as contract liabilities, and accounts receivable when the Company has a legal right to enforce the contract.

Cost of Revenue

Cost of revenues consists primarily of outside services and hardware costs related to fees paid to network providers for bandwidth and backbone, costs incurred for non-settlement free peering and connection to internet service provider networks and fees paid to data center operators for housing network equipment in third-party network data centers, also known as co-location costs. Cost of revenues also includes leased warehouse space and utilities, depreciation of network equipment used to deliver the Company's content delivery services, payroll and related costs, and share-based compensation for its network operations, and professional services personnel.

The Company enters into contracts for bandwidth with third-party network providers. These contracts generally commit the Company to pay minimum monthly fees plus additional fees for bandwidth usage above contracted minimums. A portion of the global computing platform traffic delivery is completed through direct connection to internet service provider networks, called peering.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents, and accounts receivable. The Company maintains its cash and cash equivalents with high quality financial institutions. The Company is exposed to credit risk for cash held in financial institutions in the event of a default to the extent that such amounts are in excess of amounts that are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company had \$1,304,868 and \$573,244 of uninsured cash as of March 31, 2026 and 2025, respectively.

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Credit Losses

The Company performs ongoing credit evaluations of its customers. Accounts receivable are recorded at invoiced amounts, net of the Company's estimated allowances for credit losses. The allowance for estimated credit losses is estimated based on an assessment of the Company's ability to collect on customer accounts receivable. The Company regularly reviews the allowance by considering certain factors such as historical experience, industry data, credit quality, age of accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. In cases where the Company is aware of circumstances that may impair a specific purchaser's ability to meet their financial obligations, the Company records a specific allowance against amounts due from the customer and thereby reduces the net recognized receivable to the amount the Company reasonably believes will be collected. There is judgment involved with estimating the Company's allowance for estimated credit losses and if the financial condition of its customers were to deteriorate, resulting in their inability to make the required payments, the Company may be required to record additional allowances or charges against revenues. The Company writes off accounts receivable against the allowance when it determined a balance is uncollectible and no longer actively pursues collection of the receivable. The Company's accounts receivables are not collateralized by any security. Based upon review of the outstanding accounts receivable, the Company has recorded an reserve for allowance for credit losses of \$130,977 and \$55,516 as of March 31, 2026 and 2025, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Maintenance and repairs that do not extend the life or improve an asset are expensed in the period incurred. The estimated useful lives of property and equipment are as follows:

Computer hardware	3 - 7 years
Furniture and fixtures	5 - 7 years
Leasehold improvements	Shorter of lease term or estimated useful life

Fair Value of Financial Instruments

The Company's short-term financial instruments, including cash, accounts receivable, contract assets, prepaid expenses, other assets, accounts payable, accrued expenses, and contract liabilities, consist primarily of instruments without extended maturities, the fair value of which, based on management's estimates, reasonably approximate their book value. The fair value of the Company's capital leases and other debt obligations are based on management estimates and reasonably approximates their book value.

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Software Costs

In accordance with ASC 985-20, *Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed*, the Company capitalizes certain costs related to the development of new software products or the enhancement of existing software products for use in our product offerings. These costs are capitalized from the point in time that technological feasibility has been established, as evidenced by a working model or detailed working program design to the point in time that the product is available for general release to customers. Capitalized development and software purchased costs are amortized on a straight-line basis over the estimated economic lives of the products, beginning when the product is placed into service. The estimated useful life of software is three years. The Company periodically evaluates whether events or circumstances have occurred that indicate that the remaining useful lives of the capitalized software development costs should be revised or that the remaining balance of such assets may not be recoverable.

Investments

The Company holds an investment in a privately held company which has no readily determinable fair value. Since the Company does not have significant influence, the investment is accounted for using the cost method. The Company assesses its long-term investments for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, operating performance of the companies, including current earnings trends and undiscounted cash flows, and other company-specific information. The fair value determination, particularly for investments in privately-held companies, requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments and determination of whether any identified impairment is other-than-temporary. As of March 31, 2026 and 2025, the carrying value of this investment was \$250,000 respectively, and included in other investments in the accompanying consolidated balance sheet. There were no impairments recorded during the years ended March 31, 2026 and 2025.

Foreign Currency Translation

The Company translates the foreign currency financial statements of its foreign subsidiaries in accordance with the requirements of FASB ASC 830-10, *Foreign Currency Translation*. Assets and liabilities are translated at current exchange rates, and related revenue and expenses are translated at average exchange rates in effect during the period. Resulting translation adjustments are recorded as a separate component in stockholders' deficit, where applicable. Foreign currency transaction gains and losses are included in the accompanying consolidated statements of operations and were not material for the years ended March 31, 2026 and 2025.

Other Assets

The Company maintained security deposits in the amount of \$16,971 and \$0 as of March 31, 2026 and 2025, respectively. The security deposits are included in other assets in the accompanying balance sheets.

Reclassification

Certain amounts in the 2025 consolidated financial statements have been reclassified to conform with the 2026 presentation, with no effect on previously reported net income.

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company follows FASB ASC Subtopic 740-10, *Income Taxes* (“ASC 740-10”) for recording a provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability during each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change. Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods.

As of March 31, 2026 and 2025, the Company does not believe that it has taken any positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year. The Company believes that its tax positions comply with applicable tax rates and that the Company has adequately provided for tax matters for the years ended March 31, 2026 and 2025.

The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for tax years prior to the year ended March 31, 2023.

NOTE 2 – SOFTWARE COSTS

Capitalized software costs primarily include third-party software. As of March 31, 2026 and 2025, the carrying value of software costs was \$1,499,775 and \$2,300,847, respectively. During the years ended March 31, 2026 and 2025, the Company recorded amortization expense related to software assets totaling \$801,071 and \$590,590, respectively.

NOTE 3- ACCOUNTS RECEIVABLE, CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract balances are included in the accompanying balance sheets under the following captions at:

	March 31, 2026	March 31, 2025	April 1, 2024
Accounts receivable	\$ 2,647,868	\$ 3,777,613	\$ 4,214,646
Contract assets	\$ 2,442,574	\$ 1,378,531	\$ 1,245,722
Contract liabilities	\$ 457,472	\$ 45,839	\$ -

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT

As of March 31, 2026 and 2025, property and equipment consisted of the following:

	2026	2025
Computer hardware	\$ 15,733,228	\$ 15,708,399
Leasehold improvements	2,752,340	2,752,340
Furniture and fixtures	378,220	378,220
Total cost	18,863,788	18,838,959
Less: accumulated depreciation	(18,372,990)	(18,022,284)
Property and equipment, net	\$ 490,798	\$ 816,675

Depreciation expense was \$350,704 and \$1,721,371 for the years ended March 31, 2026 and 2025, respectively.

NOTE 5 – RIGHT-OF-USE ASSETS AND LEASE LIABILITY

The Company leases certain of its properties under leases that expire on various dates through March 2026.

In adopting ASC Topic 842, *Leases* (“Topic 842”), the Company has elected the ‘package of practical expedients’, which permit it not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company did not elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter is not applicable to the Company. In addition, the Company elected not to apply Topic 842 to arrangements with lease terms of 12 months or less. In determining the length of the lease term to its long-term lease, the Company determined not to consider embedded renewal options of 5 years and two consecutive periods of 5 years each in the Ridgefield Park, New Jersey and Bridgewater, New Jersey leases primarily due to i) the renewal rate is at future market rate to be determined and ii) the Company does not have significant leasehold improvements that would restrict its ability to consider relocation.

At lease commencement dates, the Company estimated the lease liability and the right-of-use assets at present value using the Company’s estimated incremental borrowing rate to determine their initial present values at inception.

MFEXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – RIGHT-OF-USE ASSETS AND LEASE LIABILITY (continued)

	<u>2026</u>	<u>2025</u>
Office leases	\$ 166,801	\$ 166,801
Right-of-use assets	166,801	166,801
Less: accumulated amortization	(166,801)	(111,201)
Right-of-use assets, net- noncurrent assets	<u>\$ -</u>	<u>\$ 55,600</u>

	<u>2026</u>	<u>2025</u>
Operating lease obligation	\$ -	\$ 61,102
Less: current portion of operating lease-current liability	-	(61,102)
Long-term portion- noncurrent liability	<u>\$ -</u>	<u>\$ -</u>

Other supplemental information related to operating leases includes the following as of March 31:

	<u>2026</u>	<u>2025</u>
Weighted-Average Remaining Contractual Lease Term:		
Operating Leases	-	.4
Weighted-Average Discount Rate:		
Operating leases	4%	4%
Operating cash outflows from operating leases	\$ 5,501	\$ 46,408
Operating leases assets obtained in exchange for lease obligations	\$ -	\$ -

During the years ended March 31, 2026 and 2025, the Company recorded \$81,752 and \$78,323, respectively, as lease expense in facility costs on the accompanying consolidated statements of operations.

NOTE 6 – ACCRUED EXPENSES

Accrued expenses consisted of the following as of March 31:

	<u>2026</u>	<u>2025</u>
Salaries and benefits	\$ 927,070	\$ 583,257
Other accrued expenses	3,882,731	1,346,245
Total	<u>\$ 4,809,801</u>	<u>\$ 1,929,502</u>

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – TERM LOAN AND WORKING CAPITAL FACILITY

On November 22, 2019, the Company entered into a Term Loan ("Term Loan") and Working Capital Facility ("Facility") with ICICI Bank Canada. The Term Loan contains a maximum borrowing limit of 7,500,000 Canadian Dollars ("CND") and the Facility has a maximum borrowing limit of 12,500,000 CND, both maturing on November 30, 2024. Borrowings under the Term Loan are to be repaid quarterly starting at 2.5% to 6.25% over the term of the loan. Borrowings under the working capital facility are due on the maturity date. Interest is charged at a percentage per annum that is an aggregate of the Canadian Dollar Offered Rate ("CDOR") and CDOR plus 2.5%. As of March 31, 2026 and 2025, the balance outstanding under the Term Loan was \$0 (0 CND), respectively and the balance outstanding under the Working Capital facility was \$0 (0 CND) and \$4,546,274 (6,512,637 CND) respectively. The Company advanced the proceeds received to Brainhunter Systems Ltd, a related party. At March 31, 2026 and 2025, the Company had loans receivable related to these advances from Brainhunter Systems Ltd. \$58,629 (80,408 CND) and \$4,011,040 (5,745,902 CND), respectively. The Agreement contains certain customary events of default including a subjective acceleration clause if a "material adverse effect" occurs in the Company's business that could result in an event of default. The Company believes that the likelihood of the lender exercising this right is remote.

On August 29, 2025, the Company entered into a demand revolving credit facility with ICICI Bank Canada with a maximum borrowing capacity of \$3,500,000. The facility bears interest at the three month term SOFR plus an applicable margin per annum, subject to a SOFR floor of 0%. The loan is unsecured and matures during 2026. As of March 31, 2026, the balance outstanding is \$2,215,239. The future payments for the term loan and working capital facility of \$2,215,239 are due during the year ending March 31, 2027.

NOTE 8 – FINANCE LEASE OBLIGATIONS

The Company has entered into several agreements to lease certain computer hardware and software that are classified as finance leases. As of March 31, 2026 and 2025, finance leases

	2026	2025
Finance lease obligation	\$ 222,794	\$ 466,957
Less: current portion of finance lease-current liability	(92,831)	(233,480)
Long-term portion- noncurrent liability	<u>\$ 129,963</u>	<u>\$ 233,477</u>

Other supplemental information related to finance leases includes the following as of and for the years ended March 31:

	2026	2025
Weighted-Average Remaining Contractual Lease Term:		
Finance Leases	2.00	2.00
Weighted-Average Discount Rate:		
Finance leases	4.07%	4.07%

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – FINANCE LEASE OBLIGATIONS (continued)

The right-of-use asset related to finance leases of \$222,794 and \$466,957 for the years ended March 31, 2026 and 2025 are included in property and equipment, net on the accompanying consolidated financial statements.

During the years ended March 31, 2026 and 2025, the Company recorded \$317,241 and \$583,045, respectively, in general and administrative expenses on the accompanying consolidated statements of operations for lease payments. The Company paid \$222,795 and \$233,478 in cash for finance leases included in the measurement of lease liabilities as of March 31, 2026 and 2025, respectively.

NOTE 9 – STOCKHOLDERS' DEFICIT

Common Stock

The Company has an unlimited number of authorized common shares. As of March 31, 2026, the Company has 1,211 shares of common stock issued and outstanding.

Class A Redeemable Preferred Stock

On January 24, 2019, the Company filed a Certificate of Amendment which authorizes the issuance of an unlimited number of shares of Class A redeemable preferred stock. The Class A preferred stock shall be entitled to receive non-cumulative annual dividends at the discretion of the directors and the shares do not have voting rights. The Company may redeem the Class A preferred stock upon giving ten (10) days written notice. The holder of the Class A preferred stock shall be entitled to require the Company to redeem at any time the whole or part of such holder's Class A preferred shares. Upon redemption, the Company shall pay to the holders of the Class A preferred stock to be redeemed, in respect of each share to be redeemed, an amount equal to the sum of (i) all dividends declared thereon and unpaid and (ii) the Class A preferred stock redemption amount defined as the amount equal to the aggregate net fair market value of the consideration received by the Company on the issuance of all Class A preferred shares, divided by the number of all such shares issued as consideration therefore, provided that if, after the date on which the Class A preferred stock was issued, the Company pays to the holder of the Class A preferred stock a return of capital (otherwise than on redemption of such shares), the Class A preferred stock redemption amount of each Class A preferred share shall thereafter be reduced by the amount resulting from dividing the amount so paid to the holder as a return of capital, by the number of Class A preferred shares issued and outstanding on the date of such return of capital.

On January 24, 2019, the Company issued 1 share of Class A redeemable preferred stock upon the acquisition of Brainhunter.

Class B Redeemable Preferred Stock

On March 20, 2019, the Company amended its Articles to authorize the issuance of an unlimited number of shares of Class B redeemable preferred stock. The Class B preferred stock shall be entitled to receive non-cumulative annual dividends at the discretion of the directors. The holders of the Class B preferred stock have voting rights. The Company may redeem the Class B preferred stock upon

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – STOCKHOLDERS’ DEFICIT (continued)

giving ten (10) days written notice. The holder of the Class B preferred stock shall be entitled to require the Company to redeem at any time the whole or part of such holder’s Class B preferred shares. Upon redemption, the Company shall pay to the holders of the Class B preferred stock to be redeemed, in respect of each share to be redeemed, an amount equal to the sum of (i) all dividends declared thereon and unpaid and (ii) the Class B preferred stock redemption amount defined as the amount equal to the aggregate net fair market value of the consideration received by the Company on the issuance of all Class B preferred shares, divided by the number of all such shares issued as consideration therefore, provided that if, after the date on which the Class B preferred stock was issued, the Company pays to the holder of the Class B preferred stock a return of capital (otherwise than on a redemption of such shares), the Class B preferred stock redemption amount of each Class B preferred share shall thereafter be reduced by the amount resulting from dividing the amount so paid to the holder as a return of capital, by the number of Class B preferred shares issued and outstanding on the date of such return of capital.

On April 1, 2019, the Company issued 1 share of Class B redeemable preferred stock upon the acquisition of Brainhunter Systems Ltd.

Class C Redeemable Preferred Stock

On March 20, 2019, the Company amended its Articles to authorize the issuance of an unlimited number of shares of Class C redeemable preferred stock. The Class C preferred stock shall be entitled to receive non-cumulative annual dividends at the discretion of the directors and the shares do not have voting rights. The Company may redeem the Class C preferred stock upon giving ten (10) days written notice. The holder of the Class C preferred stock shall be entitled to require the Company to redeem at any time the whole or part of such holder’s Class C preferred shares. Upon redemption, the Company shall pay to the holders of the Class C preferred stock to be redeemed, in respect of each share to be redeemed, an amount equal to the sum of (i) all dividends declared thereon and unpaid and (ii) the Class C preferred stock redemption amount defined as the amount equal to the aggregate net fair market value of the consideration received by the Company on the issuance of all Class C preferred shares, divided by the number of all such shares issued as consideration therefore, provided that if, after the date on which the Class C preferred stock was issued, the Company pays to the holder of the Class C preferred stock a return of capital (otherwise than on a redemption of such shares), the Class C preferred stock redemption amount of each Class C preferred share shall thereafter be reduced by the amount resulting from dividing the amount so paid to the holder as a return of capital, by the number of Class C preferred shares issued and outstanding on the date of such return of capital.

As of March 31, 2026 and 2025, there were no shares of Class C redeemable preferred stock issued and outstanding.

Liquidation Rights

If the Company is liquidated, dissolved or wound-up or its assets are otherwise distributed among the stockholders by way of repayment of capital, whether voluntary or involuntary (a) the holders of the Class A, Class B, and Class C preferred stock shall be entitled to receive all declared and unpaid dividends, and the redemption amount applicable to each Class of preferred stock prior to any distribution of assets of the Company among the common stockholders, (b) the holders of

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – STOCKHOLDERS’ DEFICIT (continued)

the Class A, Class B, and Class C preferred stock shall not be entitled to share any further in the distribution of the assets of the Company, (c) if there are insufficient assets to satisfy (a) then (i) the holders of the Class A preferred stock shall receive their entitlement prior to the holders of the Class B and Class C preferred stock, (ii) the holders of the Class B preferred stock shall receive their entitlement prior to the holders of the Class C preferred stock, and (iii) the holders of the Class C preferred stock receive their entitlement, and (d) hereafter the common stockholders shall be entitled to receive any remaining assets of the Company.

NOTE 10 – OTHER RELATED PARTY TRANSACTIONS

Accounts Payable

The Company uses a related party vendor, MFX Infotech Private Limited, to provide infrastructure and database technology services. As of March 31, 2026 and 2025, accounts payable and accrued expenses of \$1,755,000 and \$3,234,882 and \$1,771,000 and \$300,475, respectively, were the total outstanding amounts payable to MFX Infotech Private Limited.

Loan and Advance Receivable Related Party

The Company has a loan receivable of \$58,629, and \$4,011,040 and an advance receivable of \$750,000 and \$0 as of March 31, 2026 and 2025, respectively, from Brainhunter Systems, Ltd. for the advance of proceeds received from the Term Loan & Working Capital Facility (see Note 7).

As of March 31, 2026 and 2025, the Company also had related party balances as follows:

	2026	2025
Loan and advance to Brainhunter System Ltd.	\$ 808,629	\$ 4,011,040
Advance receivable from Digitide	933,139	-
Accounts receivable from Quess Qtek	4,635	26,529
Accounts receivable/(payable) from Brainhunter System	734,205	45,090
Advance receivable/(payable) to/from Allsec Technologies, Ltd.	475,282	231,251
Accounts payable to Alldigi	(113,155)	(522,774)
Accounts receivable/(payable) from Quess Corp (USA)	40,806	40,806
Accounts receivable/(payable) from Quess Corp Limited	(76,788)	(76,788)
Accounts payable from Brainhunter System Ltd.	(420,179)	
Accounts payable from Digitide	(669,122)	-
Due from related parties, net	<u>\$ 1,717,452</u>	<u>\$ 3,755,154</u>

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Redeemable Noncontrolling Interest

On March 27, 2020, MFXchange US, Inc. (“MFXUS”), a subsidiary of the Company, entered into a debt conversion agreement with Brainhunter Systems, Ltd. (“Holder”) to convert \$3,551,412 in

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – COMMITMENTS AND CONTINGENCIES

amounts owed into 100 shares of Series B Preferred Stock of MFXUS. The Series B Preferred Stock is redeemable by the MFXUS or the Holder for \$3,551,412 along with any dividends declared. The Series B is not entitled to any mandatory dividends and is not convertible into MFXUS common stock or any other security. The Company has 81% ownership in the Holder (see Note 1).

Concentrations

The Company had four customers that accounted for approximately 42% of the Company's revenues for the year ended March 31, 2026 and 55% of the Company's total accounts receivable as of March 31, 2026. The Company had four customers that accounted for approximately 40% of the Company's revenues for the year ended March 31, 2025 and 55% of total accounts receivable for the year ended March 31, 2025.

The Company utilized three major suppliers for outside services totaling approximately 62% and 60% of the Company's total expenditures for outside services for the years ended March 31, 2026 and 2025, respectively. The Company's major suppliers noted above accounted for approximately 66% and 64% of total accounts payable and accrued expenses as of March 31, 2026 and 2025, respectively.

NOTE 12 – INCOME TAXES

As of March 31, 2026 and 2025, the tax effects of temporary differences and carryforwards that gave rise to significant portions of deferred tax assets were as follows:

	2026	2025
Net operating loss carry forwards	\$ 4,439,000	\$ 3,409,000
Accrual and reserves	3,390,000	3,314,000
Total assets	7,829,000	6,723,000
Less: valuation allowance	(7,387,000)	(6,281,000)
Net deferred tax assets	\$ 442,000	\$ 442,000

MFXchange US, Inc. had federal net operating loss carryforwards ("NOL's") of approximately \$21 million and \$16.2 million as of March 31, 2026 and 2025, respectively, that will be available to reduce future taxable income, if any. At March 31, 2026, MFXchange Holdings, Inc. had Canadian NOL's of \$0 and capital loss allowance deductions of approximately \$10.2 million available to reduce future taxable income, if any. The Company performs an analysis each year to determine whether the expected future income will more likely than not be sufficient to realize the deferred tax assets. The Company's recent operating results and projections of future income weighed heavily in the Company's overall assessment. A net tax benefit of \$442,000 has been reported in the consolidated balance sheets on the accompanying consolidated financial statements at March 31, 2026 and 2025.

Pursuant to the Internal Revenue Code Section 382 ("Section 382"), certain ownership changes may subject the net operating loss carryforwards ("carryforwards") to annual limitations which could reduce or defer the tax benefits recorded as of March 31, 2026 and 2025. Section 382 imposes

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – INCOME TAXES (continued)

limitations on a corporation's ability to utilize carryforwards if it experiences an ownership change. An ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event of an ownership change, utilization of the carryforwards would be subject to an annual limitation under Section 382 determined by multiplying the value of its stock at the time of the ownership change by the applicable long-term tax-exempt rate. Any unused annual limitation may be carried over to later years. The imposition of this limitation on its ability to use the carryforwards to offset future taxable income could cause the Company to pay U.S. federal income taxes earlier than if such limitation were not in effect and could cause such carryforwards to expire unused, reducing or eliminating the benefit of such carryforwards. The Company has not completed a Section 382 study on the net operating loss carryforwards of Brainhunter Ltd. as of January 24, 2019, the date of acquisition, and has not included the net operating losses in the calculation of deferred tax asset as they would be offset by a full valuation allowance.

The Company's income tax provision for the years ended March 31 consisted of the following:

	2026	2025
Current tax expense (benefit)	\$ 31,149	\$ (100,120)
Deferred income tax expense	-	-
	\$ 31,149	\$ (100,120)

The Company applies the standard relating to accounting for uncertainty in income taxes (ASC 740-10), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company is required to recognize in the consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. There were no significant unrecognized tax benefits recorded as of March 31, 2026 and 2025.

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities that are measured at fair value are reported using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

-Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets or liabilities.

-Level 2 – Quoted prices in markets that are not active, or inputs that are

MFXCHANGE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

observable, either directly or indirectly, for substantially the full term of the asset or liability; and

-Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity)

As of March 31, 2026 and 2025, the fair value of the Company's investments was determined based on the following:

Fair Value	Fair Value Measurements Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ -	\$ -	\$ 250,000

NOTE 14-SUBSEQUENT EVENTS

The Company has evaluated events and transactions for potential recognition or disclosure through May 12, 2026, which is the date the consolidated financial statements were available to be issued. No subsequent events were noted.