

# Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

## Delphax Technologies, Inc

12301 Whitewater Drive, Suite 10  
Minnetonka, MN 55343

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952-829-5700  
rod.peterson@theplatinumgrp.com  
SIC Code: 5084

## Annual Report

For the period ending September 30, 2024 (the "Reporting Period")

### Outstanding Shares

The number of shares outstanding of our Common Stock was:

6,919,465 as of September 30, 2024

6,919,465 as of September 30, 2023

### Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

### Change in Control

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes:  No:

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<sup>1</sup> "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**1) Name and address(es) of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Delphax Technologies, Inc

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Minnesota - active

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

12301 Whitewater Drive, Suite 10  
Minnetonka, MN 55343

The address(es) of the issuer's principal place of business:

*Check if principal executive office and principal place of business are the same address:*

\_\_\_\_\_

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No:  Yes:  If Yes, provide additional details below:

\_\_\_\_\_

**2) Security Information**

**Transfer Agent**

Name: Equiniti Trust Company, LLC, d/b/a EQ Shareowner Services  
Phone: 651-450-4064  
Email: RMTeam@equiniti.com  
Address: 1110 Centre Point Curve, Suite 101, Mendota Heights, MN 55120

**Publicly Quoted or Traded Securities:**

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

Trading symbol:	<u>DLPX</u>
Exact title and class of securities outstanding:	<u>Common Storck</u>
CUSIP:	<u>24712X106</u>
Par or stated value:	<u>\$0.10 per share</u>
Total shares authorized:	<u>50,000,000</u> as of date: <u>October 12, 2024</u>
Total shares outstanding:	<u>6,919,465</u> as of date: <u>October 12, 2024</u>
Total number of shareholders of record:	<u>222</u> as of date: <u>October 12, 2024</u>

*All additional class(es) of publicly quoted or traded securities (if any):*

Trading symbol:	_____
Exact title and class of securities outstanding:	_____
CUSIP:	_____
Par or stated value:	_____
Total shares authorized:	_____ as of date: _____
Total shares outstanding:	_____ as of date: _____
Total number of shareholders of record:	_____ as of date: _____

Trading symbol:	_____
Exact title and class of securities outstanding:	_____
CUSIP:	_____
Par or stated value:	_____
Total shares authorized:	_____ as of date: _____
Total shares outstanding:	_____ as of date: _____
Total number of shareholders of record:	_____ as of date: _____

**Other classes of authorized or outstanding equity securities:**

*The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.*

Exact title and class of the security:	<u>Series B Preferred Stock</u>
CUSIP (if applicable):	<u>N/A</u>
Par or stated value:	<u>\$0.10 per share</u>
Total shares authorized:	<u>43,000</u> as of date: <u>October 12, 2024</u>
Total shares outstanding (if applicable):	<u>43,000</u> as of date: <u>October 12, 2024</u>
Total number of shareholders of record (if applicable):	<u>1</u> as of date: <u>October 12, 2024</u>

Exact title and class of the security:	_____
CUSIP (if applicable):	_____
Par or stated value:	_____
Total shares authorized:	_____ as of date: _____
Total shares outstanding (if applicable):	_____ as of date: _____
Total number of shareholders of record (if applicable):	_____ as of date: _____

### **Security Description:**

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

None

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

On October 2, 2015, for \$1,050,000, the Company issued 43,000 shares of Series B Preferred Stock as a Stock Purchase Warrant to sell an additional 95,600 shares of Series B Preferred Stock. The Series B Preferred Stock was a new series of preferred stock of Delphax. Each share of Series B Preferred Stock is convertible into 100 shares of Delphax common stock. Shares of Series B Preferred Stock may be converted at any time at the election of the holder thereof into shares of common stock of Delphax and all outstanding shares of Series B Preferred Stock are to be converted into shares of common stock of Delphax upon the written consent of the holders of a majority of the then-outstanding shares of Series B Preferred Stock or in connection with the consummation of a registered underwritten public offering of Delphax common stock that satisfies specified aggregate offering and price thresholds. Based on the number of shares of Delphax common stock currently outstanding, the Series B Preferred Stock, if fully converted, would represent approximately 38.3% of the shares of Delphax common stock. Based on the number of shares of Delphax common stock currently outstanding, the Series B Preferred Stock and the Warrants, if fully converted, would represent approximately 66.7% of the shares of Delphax common stock.

3. Describe any other material rights of common or preferred stockholders.

None

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

None

### **3) Issuance History**

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

#### **A. Changes to the Number of Outstanding Shares**

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:  Yes:  (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date <u>9/30/2023</u> Common: <u>6,919,465</u> Preferred: <u>43,000</u>									
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to.  *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	
_____	_____	_____	_____	_____	_____	_____	_____	_____	
_____	_____	_____	_____	_____	_____	_____	_____	_____	
Shares Outstanding on Date of This Report: <u>Ending Balance</u>									
Date <u>9/30/2024</u> Common: <u>6,919,465</u> Preferred: <u>43,000</u>									

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

\_\_\_\_\_

## B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No:  Yes:  (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder.  *You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

\_\_\_\_\_

**4) Issuer’s Business, Products and Services**

The purpose of this section is to provide a clear description of the issuer’s current operations. (Please ensure that these descriptions are updated on the Company’s Profile on [www.otcmarkets.com](http://www.otcmarkets.com)).

- A. Summarize the issuer’s business operations (If the issuer does not have current operations, state “no operations”)
 

The Company is in the business of leasing its patents and trademarks to third party commercial printer manufacturers
- B. List any subsidiaries, parent company, or affiliated companies.
 

None
- C. Describe the issuers’ principal products or services.
 

The Issuer leases its intellectual property and patents to third party vendors and manufacturers.

**5) Issuer’s Facilities**

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Issuer leases space from a third-party vendor. The Issuer maintains a month-to-month lease at 2810 Argentia Road, Unit 6, Mississuga, Ontario, L5N 8L2, Canada where it stores Company records. The issuer has full access to the building and records.

**6) Officers, Directors, and Control Persons**

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more that 5% of any class of the issuers securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>Air-T</u>	<u>The entity owns Series B Preferred Stock</u>	<u>Minneapolis, MN</u>	<u>43,000</u>	<u>Series B Preferred Stock</u>	<u>100%</u>	<u>Nick Swenson</u>
<u>Nick Swenson</u>	<u>Board Member</u>	<u>Minneapolis, MN</u>	_____	_____	_____	_____
<u>Brian Ochocki</u>	<u>Chairman</u>	<u>Minneapolis, MN</u>	_____	_____	_____	_____
<u>Rodney Peterson</u>	<u>CEO</u>	<u>Minneapolis, MN</u>	_____	_____	_____	_____
<u>Patrick Brennan</u>	<u>Co-CEO</u>	<u>Minneapolis, MN</u>	_____	_____	_____	_____

On October 31, 2024, Delphax Technologies, Inc.'s Board of Directors voted to add Dan Philp as a Director and elected Dan Philp Chairman of the Board of Directors. Also on October 31, 2024, Brian Ochocki resigned from the Company's Board of Directors.

## 7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## 8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Matthew J. Borger  
Address 1: Noone & Borger, LLC  
Address 2: 32 South Church Street, West Chester, PA 19382  
Phone: 484-947-5383  
Email: matt@nooneborger.com

Accountant or Auditor

Name: None  
Firm: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

Investor Relations

Name: None  
Firm: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

*All other means of Investor Communication:*

Twitter: \_\_\_\_\_  
Discord: \_\_\_\_\_  
LinkedIn: \_\_\_\_\_  
Facebook: \_\_\_\_\_  
[Other ]: \_\_\_\_\_

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Nature of Services: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

## 9) Financial Statements

A. The following financial statements were prepared in accordance with:

- IFRS  
 U.S. GAAP

B. The following financial statements were prepared by (name of individual)<sup>2</sup>:

Name: Amanda Lee  
Title: Accountant  
Relationship to Issuer: Contractor

Describe the qualifications of the person or persons who prepared the financial statements: BBA degree in business finance from University of Wisconsin – Eau Claire, MBA from Carlson School of Management, and 20 years of professional experience in finance, accounting, human resources, and operations.

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

Important Notes:

- Financial statements must be “machine readable”. Do not publish images/scans of financial statements.
- All financial statements for a fiscal period must be published together with the disclosure statement in one Annual or Quarterly Report.

## 10) Issuer Certification

*Principal Executive Officer:*

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<sup>2</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Rodney Peterson certify that:

1. I have reviewed this Disclosure Statement for Delphax Technologies, Inc;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

12/18/2024 [Date]

/s/Rodney Peterson [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

*Principal Financial Officer:*

I, Rodney Peterson certify that:

1. I have reviewed this Disclosure Statement for Delphax Technologies, Inc;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

12/18/2024 [Date]

/s/Rodney Peterson [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

**Delphax Technologies, Inc.**  
**Profit and Loss Comparison**  
**For Fiscal Year 2024 as of September 30, 2024**

	<u>Twelve Months Ended 30-Sep-24</u>	<u>Twelve Months Ended 30-Sep-23</u>
Operating Revenues	12,000	12,000
Operating Expenses	78,555	103,676
<b>Operating Loss</b>	<b>(66,555)</b>	<b>(91,676)</b>
Other Non-operating Income (Expenses), net	0	(1,361)
<b>Income (Loss) Before Income Taxes</b>	<b>(66,555)</b>	<b>(93,037)</b>
Income Taxes	(3,245)	12,136
<b>Net Income (Loss)</b>	<b>(63,310)</b>	<b>(105,173)</b>

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

**Delphax Technologies, Inc.**  
**Balance Sheet**  
**As of September 30, 2024**

	<u>30-Sep-24</u>	<u>30-Sep-23</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	2,469	1,690
Accounts Receivable, net	112,844	100,844
Total current assets	<u>115,312</u>	<u>102,534</u>
Total Assets	<u><u>115,312</u></u>	<u><u>102,534</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	97,096	83,507
Accrued Expenses	0	0
Total current liabilities	<u>97,096</u>	<u>83,507</u>
Total Liabilities	<u><u>97,096</u></u>	<u><u>83,507</u></u>
<b>STOCKHOLDERS EQUITY</b>		
Common Stock	691,947	691,947
Preferred Stock	4,300	4,300
Additional Paid in Capital	24,920,411	24,857,911
Accumulative Deficit	(25,598,440)	(25,535,130)
Other Comprehensive Income	0	0
Total stockholders equity	<u>18,217</u>	<u>19,027</u>
Total Liabilities and Stockholders equity	<u><u>115,312</u></u>	<u><u>102,534</u></u>

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

**Delphax Technologies, Inc.**  
**Statement of Cash Flows**  
**As of September 30, 2024**

	<b>Twelve Months Ended <u>30-Sep-24</u></b>	<b>Twelve Months Ended <u>30-Sep-23</u></b>
Net Income	(63,310)	(105,173)
Adjustments to Net Income		
(Increase) Decrease in Accounts Receivable	(12,000)	(12,000)
Increase (Decrease) in Accounts Payable	<u>13,589</u>	<u>15,211</u>
Net Cash Provided by Operating Activities	<u>(61,721)</u>	<u>(101,962)</u>
Cash Flow from Financing Activities		
Shareholder Contributions - APIC	<u>62,500</u>	<u>85,000</u>
Net Cash provided by Financing Activities	<u>62,500</u>	<u>85,000</u>
Increase (Decrease) in Cash Flow	<u><u>779</u></u>	<u><u>(16,962)</u></u>
Beginning Cash and cash equivalents	1,690	18,652
Ending Cash and cash equivalents	2,469	1,690

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

**Delphax Technologies, Inc.**  
**Consolidated Statement of Changes in Stockholders' Deficit**  
**Fiscal Year 2024 as of September 30, 2024**

	Common Stock	Preferred Stock	Additional Paid in Capital	Other Comprehensive Income (OCI)	Accumulated Deficit	Total
<b>September 30, 2022 Balance</b>	<b>691,947</b>	<b>4,300</b>	<b>24,772,911</b>	<b>0</b>	<b>(25,429,957)</b>	<b>39,200</b>
Net Income					(105,173)	(105,173)
Shareholder Capital			85,000			85,000
<b>September 30, 2023 Balance</b>	<b>691,947</b>	<b>4,300</b>	<b>24,857,911</b>	<b>0</b>	<b>(25,535,130)</b>	<b>19,027</b>
Net Income					(63,310)	(63,310)
Shareholder Capital			62,500			62,500
<b>September 30, 2024 Balance</b>	<b>691,947</b>	<b>4,300</b>	<b>24,920,411</b>	<b>0</b>	<b>(25,598,440)</b>	<b>18,217</b>

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

**DELPHAX TECHNOLOGIES, INC.**  
**Notes to the Unaudited Financial Statements**  
**For The Period Ended September 30, 2024**

**NOTE 1: THE COMPANY AND THE SIGNIFICANT ACCOUNTING POLICIES**

**The Company**

Delphax Technologies, Inc. holds a number of patents and intellectual property that it leases to third party vendors and manufacturers.

**Basis of Presentation**

The unaudited consolidated financial statements of the Company have been prepared in accordance with the U.S. Generally Accepted Account Principles ("U.S. GAAP").

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. There has been minimal change in our cash or cash equivalents. Cash is held in FDIC insured bank accounts.

**Accounts Receivable**

The accounts receivable balances are generated primarily from patent agreements with a third-party commercial printer manufacturer.

**Accounts Payable**

The accounts payable balances include third party fulfillment charges, storage charges, and related outside services.

**NOTE 3: OTHER INFORMATION**

The company maintains a September 30 fiscal year end. Included in the deferred tax balances are U.S. federal and state loss carryforwards of \$14.7 million and \$24.1 million, respectively. The net operating losses expire in varying amounts beginning in the tax year 2028.

The provisions of ASC 740 require an assessment of both positive and negative evidence when determining whether it is more-likely-than-not that deferred tax assets will be recovered. In accounting for the Company's tax attributes, the Company has established a full valuation allowance of \$3.08 million. The cumulative tax losses incurred by the Company in recent years was the primary basis for the Company's determination that a full valuation allowance should be established against the Company's net deferred tax assets.