FORM 5A

ANNUAL LISTING SUMMARY

Listed Issuer Name: Direct Communications Solutions Inc. **Website: https://dcsbusiness.com/** **Listing Statement Date: January 6, 2020** **Description(s) of listed securities(symbol/type): DCSI**		
Brief Description of the Issuer's Business:		
Description of additional (unlisted) securities outstanding		
Jurisdiction of Incorporation: Florida, USA		
Fiscal Year End: **December 31**		
Date of Last Shareholders' Meeting and Date of Next Shareholders' Meeting (if scheduled): **September 19, 2025**		
Financial Information as at: Dec 31, 2025		
	Current	**Previous**
Cash	**142,167**	**603,344**
Current Assets	**1,209,352**	**2,346,618**
Non-current Assets	**201,173**	**386,319**
Current Liabilities	**10,687,831**	**7,585,554**
Non-current Liabilities	**193,005**	**4,321,581**
Shareholders' equity	**(9,470,311)**	**(9,174,198)**
Revenue	**8,732,229**	**6,408,150**
Net Income	**(1,911,924)**	**(1,764,791)**
Net Cash Flow from Operations	**(1,439,109)**	**(2,601,954)**

SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in the Schedules. If the required details are included in Schedule A or B, provide specific reference to the page or note.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

Please refer to Note 17 of the Financial Statements attached hereto as Schedule "A" for information on the Issuer's related party transactions.

2. Summary of securities issued and options granted during the period.

Provide the following information for the Listed Issuer's fiscal year:

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
April 24, 2025	**Common shares**	**RSU vested**	**142,144**	**$5.1**	**N/A**	**Services provided**	**Officers and directors of the company**	**$Nil**
January 21, 2025	**Common shares**	**Warrants exercised**	**40,000**	**$2.10**	**US$83,978**	**Cash**	**Promissory notes holders**	**$Nil**

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
N/A						

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of securities outstanding for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(b) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

The Issuer is authorized to issue an unlimited number of common shares with no par value. Refer to Note 11 of the Financial Statements.

4. List the names of the directors and officers and include the position(s) held and the date of appointment, as at the date this report is signed and filed.

NAME	POSITION	DATE OF APPOINTMENT
William Espley	**CEO & Director**	**Sep 24, 2025; Dec 20, 2019**
Ying Xu	**CFO**	**Aug 29, 2025**
Dave Scowby	**COO**	**Dec 20, 2019**
Eric Placzek	**CTO**	**Dec 20, 2019**
Mike Zhou	**Director**	**Sep 24, 2025**
Shujie Zhong	**Director**	**Jun 5, 2025**

5. Financial Resources

a) State the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period;

b) Describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event;

c) Disclose the total funds available to the Issuer and the following breakdown of those funds:

(i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Listing Statement, and

(ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b); and

(iii) describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.

Please refer to the attached MD&A

6. Status of Operations

During the fiscal year, did the Listed Issuer

(a) reduce or impair its principal operating assets; or

(b) cease or substantively reduce its business operations with respect to its stated business objectives in the most recent Listing Statement?

Provide details: **Not Applicable**

7. Business Activity

a) Activity for a mining or oil and gas Listed Issuer

(i) For the most recent fiscal year, did the Listed Issuer have positive cash flow, significant revenue from operations, or $50,000 in exploration or development expenditures?

Provide details. **Not Applicable**

(ii) If the response to (i) above is “no”, for the three most recent fiscal years did the Listed Issuer have an aggregate of $100,000 in exploration or development expenditures?

Provide details. **Not Applicable**

b) Activity for industry segments other than mining or oil & gas

(i) For the most recent fiscal year, did the Listed Issuer have positive cash flow, or $100,000 in revenue from operations or $100,000 in development expenditures?

Provide details. **Please refer to the attached Audited Financials**

(ii) If the response to (i) above is “no”, for the three most recent fiscal years, did the Listed Issuer have either $200,000 in operating revenues or $200,000 in expenditures directly related to the development of the business?

Provide details. **Please refer to the attached Audited Financials**

SCHEDULE A: AUDITED ANNUAL FINANCIAL STATEMENTS

SCHEDULE B: MANAGEMENT DISCUSSION AND ANALYSIS

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Annual Listing Summary.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated April 30, 2026.

William Espley
Name of Director or Senior Officer

//s// "William Espley"
Signature

Director & CEO
Official Capacity

Issuer Details Name of Issuer **Direct Communications Solutions Inc.**	For Year Ended Dec 31, 2025	Date of Report YY/MM/D 26/04/30
Issuer Address **11021 Via Frontera, Suite E**		
City/Province/Postal Code **San Diego, CA 92127**	Issuer Fax No. ( )	Issuer Telephone No. (858) 798-7100
Contact Name William Espley	Contact Position CEO	Contact Telephone No. (858) 798-7100
Contact Email Address bespley@dcsbusiness.com	Web Site Address www.dcsbusiness.com	

SCHEDULE A

Direct Communication Solutions, Inc.

Consolidated Financial Statements
(Expressed in US Dollars)

As at and for the years ended
December 31, 2025 and 2024

DAVIDSON

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Direct Communication Solutions, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Direct Communication Solutions, Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of operating loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that as at December 31, 2025, the Company has an accumulated deficit of $18,629,239 and a working capital deficiency of $9,478,479. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our auditor's report.

Revenue recognition

The Company sells several telematics devices bundled with a multi-year software licenses under the same contractual arrangement, giving rise to considerations on whether there are distinct performance obligations requiring separate recognition and whether the Company is acting as principal or agent in the contract. Key considerations in determining whether the performance obligations are distinct are whether the promise to deliver the hardware component of the contract is separately identifiable from other contractual promises as well as the level of interdependency between the components of the contract. The key consideration in the agent vs principal discussion is whether the Company obtains control of the goods before they are sold to the end customer.

The Company also recognizes revenues from software as a service ("SaaS") arrangements for its fleet management and vehicle finance applications. The Company recognizes revenues from SaaS arrangements pro-rata over the contract term.

The Company's revenue recognition policy is outlined in Note 3 of the consolidated financial statements.

The principal considerations for our determination that revenue recognition is a key audit matter is that there is significant judgment applied by management when assessing separate performance obligations, assessing whether the Company is acting as an agent or a principal, allocating the transaction price amongst performance obligations and determining the timing for recognition of revenues at a point in time or over a period of time depending on the nature of the arrangement. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- We reviewed the terms and conditions applicable to contracts with customers to determine the Company's performance obligations under each sale.
- We inquired and confirmed the Company has pricing discretion on its sales.
- We performed sample testing on revenue transactions to determine if there were instances of goods being delivered directly to the customer from the supplier.
- We inquired as to the purpose of the bundled software to determine whether customers can obtain the benefits of the telematics device without the additional software including an assessment of the interdependence of the related components.
- We reviewed the Company's contract with the supplier involved in the arrangement to determine whether the Company obtains title of the goods before they are sold to the end customer.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

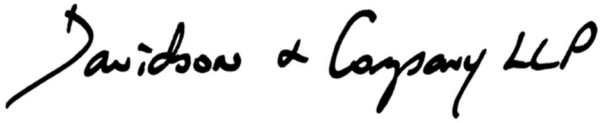
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Nathan.



Chartered Professional Accountants Vancouver, Canada

April 30, 2026

Direct Communication Solutions, Inc.
Consolidated Statements of Financial Position
(Expressed in US dollars)
As at December 31, 2025 and 2024

	Notes	December 31, 2025	December 31, 2024
		$	$
ASSETS			
Current			
Cash		**142,167**	603,344
Restricted cash	**4**	**700**	4,345
Accounts and other receivables	**16**	**511,416**	756,958
Inventory	**5**	**485,776**	356,930
Prepaid expenses		**69,293**	625,041
Current assets		**1,209,352**	2,346,618
Equipment	**6**	**1,267**	6,592
Security deposit		**50,056**	50,056
Right-of-use assets	**10**	**149,850**	329,671
Total assets		**1,410,525**	2,732,937
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Accounts payable	**7**	**836,187**	950,368
Accrued liabilities	**7**	**1,407,441**	502,526
Credit facility	**8**	**88,436**	206,084
Current debt	**9**	**7,506,772**	1,918,054
Deferred revenue	**9**	**434,136**	1,786,274
Derivative instrument	**9**	**220,054**	2,014,526
Lease liabilities	**10**	**194,805**	207,722
Current liabilities		**10,687,831**	7,585,554
Lease liabilities	**10**	**-**	194,805
Long term debt	**9**	**193,005**	4,126,776
Total liabilities		**10,880,836**	11,907,135
Shareholders' deficiency			
Common stock	**11**	**61**	61
Reserves	**11**	**9,158,867**	7,543,056
Accumulated deficit		**(18,629,239)**	(16,717,315)
Total shareholders' deficiency		**(9,470,311)**	(9,174,198)
Total liabilities and shareholders' deficiency		**1,410,525**	2,732,917

Nature of operations and going concern (Note 1)
Commitments (Note 19)

Approved on April 30, 2026 on behalf of the Board:

"Bill Epsley"
Bill Epsley – CEO & Director

"*Mike Zhou*"
Mike Zhou – Director

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

Direct Communication Solutions, Inc.
Consolidated Statements of Operating Loss and Comprehensive Loss
(Expressed in US dollars)
As at December 31, 2025 and 2024

	Notes	2025	2024
		$	$
Revenues:			
Products		**5,653,924**	3,492,622
Solutions and other services		**3,078,305**	2,915,528
Total revenues	12	**8,732,229**	6,408,150
Cost of Revenues			
Products		**4,393,852**	3,070,442
Solutions and other services		**1,227,496**	1,169,025
Total cost of revenues		**5,621,348**	4,239,467
Gross profit		**3,110,881**	2,168,683
OPERATING EXPENSES			
Research and development		**74,703**	258,561
General and administrative			
Compensation and benefits	17	**2,646,966**	2,463,850
Depreciation and amortization	6, 10	**185,145**	188,246
Professional fees	17	**942,361**	1,041,901
Bank fees		**129,606**	154,965
Bad debt expense (recovery)	16	**46,576**	(57,072)
Facilities		**81,110**	90,226
Information technology		**154,649**	153,725
Advertising and marketing		**(2,994)**	91,174
Other	18	**291,868**	385,061
Total operating expenses		**4,549,990**	4,770,637
Net operating loss		**(1,439,109)**	(2,601,954)
OTHER INCOME (EXPENSES)			
Changes in fair value of derivative	9	**1,698,351**	(1,405,321)
Rental income		**12,000**	12,000
Expense recovery		**-**	356,961
Gain on debt extinguishment	9	**173,505**	2,914,776
Interest expense and accretion	9, 10	**(2,356,671)**	(1,041,253)
Net income (loss) for the year		**(1,911,924)**	(1,764,791)
Weighted average number of common stock:			
Basic		**2,440,526**	2,305,079
Diluted		**2,440,526**	2,305,079
Loss per share – basic and diluted			
Basic		$ (0.78)	$ (0.77)
Diluted		$ (0.78)	$ (0.77)

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

Direct Communication Solutions, Inc.
Consolidated Statements of Changes in Shareholders Deficiency
(Expressed in US dollars)
As at December 31, 2025 and 2024

	Number of Common stocks	Common Stock Amount	Reserves	Accumulated Deficit	Total Shareholders' (Deficiency)
		$	$	$	$
Balance, December 31, 2023	**2,305,079**	**61**	**7,344,901**	**(14,952,524)**	**(7,607,562)**
Stock-based compensation expense	-	-	83,016	-	83,016
Equity component of Convertible Debenture	-	-	115,139	-	115,139
Net loss for the year	-	-	-	(1,764,791)	(1,764,791)
Balance, December 31, 2024	**2,305,079**	**61**	**7,543,056**	**(16,717,315)**	**(9,174,198)**
Balance, December 31, 2024	**2,305,079**	**61**	**7,543,056**	**(16,717,315)**	**(9,174,198)**
Stock-based compensation expense	-	-	1,378,168	-	1,378,168
Restricted share units vested	142,144	-	-	-	-
Exercise of warrants	40,000		237,643	-	237,643
Net loss for the year	-	-	-	(1,911,924)	(1,911,924)
Balance, December 31, 2025	**2,487,223**	**61**	**9,158,867**	**(18,629,239)**	**(9,470,311)**

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

Direct Communication Solutions, Inc.
Consolidated Statements of Cash Flows
(Expressed in US dollars)
As at December 31, 2025 and 2024

	2025	2024
	$	$
Cash provided by / (used for):		
Operating Activities:		
Net loss for the year	**(1,911,924)**	**(1,764,791)**
Items not affecting cash:		
Accretion and interest on convertible debentures and promissory note	**977,205**	546,756
Accrued interest for loans	**1,050,954**	196,394
Bad debt expense (recovery)	**46,576**	(57,072)
Depreciation and amortization	**185,146**	188,246
Changes in fair value of derivative	**(1,698,351)**	1,405,321
Finance costs for right-of-use assets	**28,980**	48,363
Stock-based compensation	**1,378,168**	83,016
Gain on debt extinguishment	**(173,507)**	(2,914,776)
Gain on foreign exchange	**(1,840)**	-
Provision for excess and obsolete inventory	**2,235**	196,572
Net change in non-cash working capital items:		
Accounts and other receivables	**198,966**	743,207
Inventory	**(131,081)**	402,437
Prepaid expenses	**555,748**	(520,356)
Accounts payable	**(114,180)**	(224,961)
Accrued liabilities	**369,183**	(385,556)
Deferred revenue	**(1,352,138)**	1,696,900
Net cash used in operating activities	**(589,860)**	(360,300)
Financing Activities:		
Lease payments	**(236,702)**	(229,805)
Net (repayments) borrowings on credit facility	**(117,648)**	(37,930)
Proceeds from promissory notes	**200,000**	1,025,000
Proceeds from loans	**694,000**	799,835
Proceeds from a related party	**1,042,788**	-
Payments on loans	**(1,541,378)**	(559,834)
Payments on convertible debentures	**-**	(60,000)
Exercise of warrants	**83,978**	-
Net cash provided by financing activities	**125,038**	937,266
Change in cash for the year	**(464,822)**	576,966
Cash and restricted cash, beginning of the year	**607,689**	30,723
Cash and restricted cash, end of the year	**142,867**	607,689

Supplemental disclosure of cash flow information:	**2025**	2024
Cash paid during the year for:		
Income taxes	**-**	-
Interest paid	**(513,215)**	(203,726)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Direct Communication Solutions, Inc. (the "Company" or "DCS") was incorporated in Florida on September 9, 2006 and reincorporated in Delaware in April 2017. The Company is a provider of solutions for the Internet of Things ("IoT"), including monitoring-as-a-service ("MaaS") solutions for the telematics market. The Company's range of products includes GPS devices, modems, embedded modules, routers and mobile tracking machine-to-machine ("M2M") devices, communications and applications software and cloud services.

The Company's M2M products and solutions enable devices to communicate with each other and with server or cloud-based application infrastructures and include M2M embedded modules, integrated M2M communications devices and SaaS delivery platforms, including MiFleet, which provides fleet and vehicle SaaS telematics, MiSensors, which provides easy M2M device management and service enablement for wireless sensors and MiFailover which provides high-speed wireless internet failover to small and medium sized businesses as a redundancy solution to continue to run their business in the event the internet isn't available.

The Company's shares trade on the Canadian security exchange ("CSE") under the symbol DCSI. The Company's shares also trade on the OTCQ markets, a U.S. trading platform, under the symbol DCSX, and on the Frankfurt Stock Exchange market under the symbol 7QU0.

Going Concern

The accompanying consolidated financial states have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of business.

The Company has historically incurred losses and has an accumulated deficit of $18,629,239. As at December 31, 2025, the Company has a working capital deficit of $9,478,479 which is not considered sufficient to fund operations at their current levels for the next twelve months. Therefore, the Company will be required to generate additional funding through operations or external financing, which cannot be assured. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company have been prepared on the historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards ("IFRS") and as issued by the International Accounting Standards Board ("IASB").

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

Name of Subsidiary	Place of Incorporation	Ownership
Direct Communication Solutions, Canada ("DCS Canada")	British Columbia, Canada	100%
Enlighten Commerce Inc.	New York, USA	100%

DCS Canada has been inactive since being acquired in October 2017.
Enlighten Commerce Inc. was acquired on July 1, 2025 for total consideration of $600. Refer to Note 17.

2. BASIS OF PREPARATION (cont'd)

Basis of consolidation (cont'd)

These consolidated financial statements of the Company are presented in United States dollars. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. The functional currency of both entities are United States dollars. All intercompany transactions and balances have been eliminated.

Foreign currency translation

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency") and has been determined for each entity within the Company. The functional currency of Direct Communication Solutions, Inc., is the U.S dollar. DCS Canada's functional currency is the U.S dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the entity's functional currency are translated at the exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect as at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Foreign currency differences arising on translation are recognized in the statement of operating loss.

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

i) Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but not limited to the following:

- Allowance for doubtful accounts receivable - The Company makes allowances for doubtful accounts based on its best estimate of the amount of probable credit losses in existing accounts receivable. These are determined based on analyzing known uncollectible accounts, aged receivables, economic conditions, historical losses, and changes in customer payment cycles and the customers' creditworthiness.

- Provision for excess and obsolete inventory - Inventory is valued at the lower of cost and net realizable value. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. All of these estimates involve uncertainty relating to future pricing, demand and market conditions. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.

2. BASIS OF PREPARATION (cont'd)

i) Critical accounting estimates (cont'd)

- Fair value of stock options, warrants and derivative liability - Determining the fair value of warrants, stock options and derivative liability requires judgements related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' deficiency.

- Fair value of the liability component of hybrid financial instrument at initial recognition – Determining the fair value of the liability component requires judgement related to market rate of interest. The market rate of interest used is based on judgement including the Company's own credit risk, economic environment terms, and interest rate charged to comparable companies. Changes in assumptions can materially affect the fair value estimate of the financial instrument.

- Income taxes - Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and future periods. Deferred tax assets, if any, are recognized to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

- Estimated product returns - Revenue from product sales is recognized net of estimated sales discounts, credits, returns, rebates and allowances. The return allowance is determined based on an analysis of the historical rate of returns, industry return data, and current market conditions, which is applied directly against sales. The Company recognizes product returns when incurred due to the infrequent occurrence of returns.

ii) Critical accounting judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

- Deferred income taxes – judgements are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

- Going concern – As disclosed in Note 1 to the consolidated financial statements.

- Revenue recognition - The Company sells several telematics devices bundled with a multi-year software license under the same contractual arrangement, giving rise to considerations on whether there are distinct performance obligations requiring separate recognition and whether the Company is acting as principal or agent in the contract. Key considerations in determining whether the performance obligations are distinct are whether the promise to deliver the hardware component of the contract is separately identifiable from other contractual promises as well as the level of interdependency between the components of the contract. The Company has concluded the bundled contract represents one performance obligation and that the Company is acting as principal in the arrangement, resulting in the Company recognizing revenue and cost of sales on a gross basis on delivery of the telematics device. Significant judgement is involved in the assessments made by management.

2. BASIS OF PREPARATION (cont'd)

ii) Critical accounting judgements (cont'd)

- Debt modification - a judgment is exercised by management in determining whether a modification to the terms of an existing financial liability is substantial or non-substantial. A modification is considered substantial if the discounted present value of the cash flows under the new terms, including any fees paid or received, differs by at least 10% from the discounted present value of the remaining cash flows of the original financial liability, with both present values calculated using the original effective interest rate. If a modification is determined to be substantial, the original financial liability is derecognized, and a new financial liability is recognized at its fair value. The fair value measurement of a new financial liability often involves the use of valuation techniques that incorporate observable market data where available, and unobservable inputs where market data is not available. Key unobservable inputs may include credit risk adjustments, liquidity premiums, and assumptions about future market conditions. Significant judgment is required in selecting appropriate valuation models and inputs, and different assumptions could lead to materially different fair values and consequently, different gains or losses recognized in profit or loss. Management's judgments and estimates are based on historical experience and current expectations of future events, which are considered reasonable under the prevailing circumstances. However, actual outcomes may diverge from these estimates.

3. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Inventories and Provision for Excess and Obsolete Inventory

Inventories are stated at the lower of cost, (based on the weighted average cost method) or net realizable value. The Company reviews the components of its inventory and its inventory purchase commitments on a regular basis for excess and obsolete inventory based on estimated future usage and sales. Write-downs in inventory value or losses on inventory purchase commitments depend on various items, including factors related to customer demand, economic and competitive conditions, technological advances or new product introductions by the Company or its customers that vary from its current expectations. A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (ie the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value.

The Company believes that, when made, the estimates used in calculating the inventory provision are reasonable and properly reflect the risk of excess and obsolete inventory. If customer demand for the Company's inventory is substantially less than its estimates, inventory write-downs may be required, which could have a material adverse effect on its consolidated financial statements.

(b) Equipment

Equipment are initially stated at cost and depreciated using the straight-line method. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, which ranges from three to five years. Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

Class of equipment	**Rate**
Computer equipment	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Tooling	5 years

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(c) Impairment of Long Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell.

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) Financial Instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive.

5. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(d) Financial Instruments (cont'd)

Financial assets (cont'd)

- The classification determines the method by which the financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded. The Company has classified its cash (including restricted cash) and trade receivables at amortized cost.
- Changes to financial assets measured at fair value are recognized in profit and loss as they arise.
- Changes in financial assets recorded at amortized cost are recognized in profit and loss when the asset is derecognized or reclassified.

Financial liabilities

All financial liabilities (including liabilities designated at FVTPL) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The subsequent measurement of financial liabilities is determined based on their classification as follows:

(i) FVTPL – Derivative financial instruments entered into by the Company are classified as FVTPL.
(ii) Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method.

The Company has classified its accounts payable, accrued liabilities, lease liability, credit facility and long-term debt as other financial liabilities and carried on the statement of financial position at amortized cost. The Company has classified derivative instrument as FVTPL.

Impairment of financial assets

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(e) Research and Development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

(f) Income Taxes

The Company's income tax filings are subject to audit by various taxing authorities. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances. Accordingly, as of December 31, 2025 the Company has no uncertain tax positions that qualify for recognition or disclosure in the accompanying consolidated financial statements.

In October 2017, the Company revoked its S Corporation tax status and became a C Corporation.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(g) Revenue and Cost of Revenue

The Company generates a portion of its revenues from the sale of wireless modems, routers and modules to wireless operators, Original Equipment Manufacturer ("OEM") customers and value added resellers and distributors. In addition, the Company generates revenue from the sale of asset-management solutions utilizing wireless technology and M2M communication devices predominantly to transportation and industrial companies, medical device manufacturers and security system providers. Revenue from product sales is generally recognized upon the transfer of title of the product to the customer. Revenues from Software as a Service ("SaaS") are recognized pro-rata over the contract term. The Company records deferred revenue for cash payments received from customers in advance of when revenue recognition criteria are met.

The Company considers IFRS 5-step revenue recognition framework when assessing appropriate revenue recognition as follows:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company provides SaaS subscriptions for its fleet management and vehicle finance applications in which customers are provided with the ability to wirelessly communicate with monitoring devices installed in vehicles and other mobile assets via software applications hosted by either the Company or partner vendor. When the customer purchases the monitoring device, the Company recognizes the revenue at the time of purchase. The Company recognizes revenues from SaaS over the term of the contract. In certain customer arrangements, the Company provides integrated SaaS-based solutions. The transaction for the integrated solutions includes the price of the devices and application subscriptions in a monthly payment. We recognize revenue for the sales of the devices upon transfer of control to the customer and recognize revenue for the related subscription services over the service period. The allocation of the transaction price is based on relative estimated stand-alone selling prices for the devices and applications subscriptions. Timing of revenue recognition may differ from the timing of our invoicing to customers. Contract assets are comprised of performance under the contract in advance of billings to our customers. The Company's outstanding performance obligations in relation to customer contracts as at December 31, 2024 will be completed upon transfer of ownership (or deemed transfer) of goods and as services are rendered. The Company's payment terms require payment to be made within 30 days after the customer accepts transfer of ownership or a notice of completion. The outstanding performance obligations at year end require the Company to provide (i) access to the MiFleet platform and, if purchased, (ii) wireless data.

The Company's cost of revenue for products is composed of the cost of hardware purchased and labor for any services performed on the hardware before it is shipped. Cost of revenue for solutions and other services includes labor for services, license fees for fleet management platform and wireless data.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(h) Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock-based payment awards based on the estimated fair values of the awards as of the grant date. Stock option awards are accounted for based on the grant-date fair value estimated using the Black-Scholes option pricing model. The fair value is measured at grant date at each tranche is recognized over the period during which the options vest.

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the option is reclassified from share-based payment reserve to share capital.

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment, otherwise, share-based payments are measured at the fair value of the services received.

The fair value is measured at grant date at each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

(i) Basic and Diluted Net Loss per Shares of Common stocks

Basic net loss per share is computed by dividing the net loss by the weighted average number of shares that were outstanding during the period. Diluted net loss per share reflects the potential dilution that could occur if securities or other contracts to acquire common stock were exercised or converted into common stock. Potentially dilutive securities are excluded from the diluted net loss per share computation in loss periods as their effect would be anti-dilutive.

(j) Intangible Assets

Intangible assets consist of development costs for products to be sold and are carried at cost at the time of initial recognition. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the intention to complete the intangible asset and use or sell it;
(c) the ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(j) Intangible Assets (cont'd)

The amount initially recognized for intangible assets is the sum of the expenses incurred from the date when the intangible assets first meet the recognition criteria listed above. If no future economic benefit is expected before the end of the life of assets, the residual book value is expensed. Subsequent to initial recognition, intangible assets are reported at cost less amortization. The amortization period begins when the asset is available for use, specifically when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. As of December 31, 2024, the Company's intangible assets are available for use and are being amortized over three years on a straight-line basis.

(k) Impairment of intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered impairment losses. If any such indication exists, the recoverable amount of the cash-generating unit to which the asset belongs is estimated in order to determine the extent of the impairment losses (if any).

Where a reasonable and consistent basis of allocation can be identified, assets are allocated into individual cash generating units ("CGU"), or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

Where impairment losses subsequently reverse, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognized for the asset (or CGU) in prior years. A reversal of impairment losses is recognized immediately in profit or loss. During the year ended December 31, 2023, the Company has determined that impairment existed and the remaining balance has been written off to impairment of intangible asset in the Company's consolidated statements of operating loss and comprehensive loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(l) Right-of-use assets and lease liabilities

At inception of a contract, the Company assesses whether a contract conveys the right to control the use of an identified asset for a period in exchange for consideration, in which case it is classified as a lease. The Company recognizes a right-of-use asset (lease asset) and a lease liability at the lease commencement date. The asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The lease asset is subsequently depreciated using the straight-line method from the commencement date to the end of the useful life of the right-of-use asset, considered to be indicated by the lease term. The lease asset is periodically adjusted for certain remeasurements of the lease liability and impairment losses (if any). The lease liability is initially measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset with any excess over the carrying amount of the asset being recognized in profit or loss. The Company has elected not to recognize lease assets and lease liabilities for short-term leases (leases with a term of 12months or less) and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(m) Recently issued accounting pronouncements

At the date of authorization of these consolidated financial statements, the group has not applied the following new IFRS Accounting Standard that have been issued but is not yet effective:

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

IFRS 18 introduces new requirements to:

- Present specified categories and defined subtotals in the statement of profit or loss
- Provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- Improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The management of the Company anticipate that the application of these amendments may have an impact on the Company's consolidated financial statements in future periods.

The other accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. RESTRICTED CASH

As of December 31, 2025, the Company has a restricted cash of $700 (December 31, 2024 - $4,345), which will be subsequently used to offset the TAB Bank credit facility (Note 8).

5. INVENTORY

Inventory consists of the following:

	December 31,	
	2025	2024
Components and raw materials	$ 958,936	$ 831,308
Allowance for components and raw materials	(475,738)	(474,684)
Assemblies	34,293	30,840
Allowance for assemblies	(31,715)	(30,534)
	$ 485,776	$ 356,930

Inventory has been reduced by $507,453 (2024 - $505,218) as a provision for excess and obsolete inventory at December 31, 2025. Additionally, a total of $4,393,852 (2024 - $3,070,442) inventory was expensed as cost of sales during the year.

As discussed in Note 8, TAB has a lien on all the Company's assets which includes inventory. As at December 31, 2025, the Company had pledged $130,576 (December 31, 2024 - $344,844) of inventory as collateral for three (2024 – four) loans (Note 9).

6. EQUIPMENT

Equipment consists of the following:

	December 31,	
	2025	2024
Computer equipment and purchased software	$ 152,938	$ 152,938
Furniture and fixtures	51,427	51,427
Tooling	59,300	59,300
	263,665	263,665
Less—accumulated depreciation	(262,398)	(257,073)
	$ 1,267	$ 6,592

Depreciation expenses were $5,325 and $8,426 for the years ended December 31, 2025, and 2024, respectively.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 31, 2025	December 31, 2024
Payroll related expenses	$ 173,779	$ 175,132
Interest accrued (Note 9)	732,126	196,394
Other	501,536	131,000
	$ 1,407,441	$ 502,526

Accounts payable consist of the following:

	December 31 2025	December 31 2024
Vendor payable due within 12 months	$ 836,187	$ 950,368
Vendor payable not due within 12 months	$ -	$ -

8. CREDIT FACILITY

In January 2020, the Company entered into a two-year agreement with TAB Bank ("TAB") for a $2,500,000 credit facility. Under the TAB Bank credit facility, the Company is obligated to assign all its accounts receivables, and the Company may request advances up to 90% of domestic accounts less than 90 days from the invoice date and not subject to offset up to $2,000,000. Interest is payable monthly at a rate the greater of (a) 90-Day SOFR rate plus 4.50% and (b) 6.41%. In addition, there is an administration fee equal to 0.008% per diem of the outstanding daily obligations.

The agreement is further extended automatically for a successive one-year term. As of December 31, 2025, the expiry date is January 23, 2026. The agreement was automatically renewed on January 23, 2026.

The Company may also borrow an amount limited to the lesser of: (a) 50% of the cost of eligible inventory, (b) 50% of funds employed and, (c) $500,000 (the "Inventory Advance"). Under the Inventory Advance, interest is payable monthly at a rate the greater of (a) 90-Day SOFR rate plus 4.50% and (b) 6.41%. In addition, there is an administration fee equal to 0.01% per diem of the outstanding daily obligations.

The Company does not retain any legal or equitable interest in any accounts receivable account sold under this credit facility. The Company assumes full risk of non-payment and guarantees full payment of all accounts. The Company granted a security interest in all its assets as collateral for its obligations under the facility.

The credit facility consists of the following balances as at December 31, 2025, and 2024:

	December 31, 2025	December 31, 2024
Carrying amount of available credit limit in connection to the credit facility	$ 106,703	$ 239,426
Outstanding balance	88,436	206,084

9. DEBT

Convertible Promissory Debentures

September 2024 Replacement Debentures

During 2022, the Company issued two convertible debentures: $100,000 on April 7, 2022, and an additional $1,500,000 in September 2022. Both convertible debentures bore interest at 10% per annum. For the April convertible debenture, interest is payable semi-annually and for the September convertible debenture, the interest is accrued annually, and payable at maturity. Both debentures matured on the second anniversary of their respective closing dates, which are April 2024 and September 2024.

For the April convertible debenture, holders may convert all or part of the outstanding principal into units at the higher of $8.33 or the next financing price (before the second anniversary of closing), less a 30% discount. Each unit comprises one share and one-half of one warrant (one whole warrant exercisable at $2.80 per share for two years). For the September convertible debenture, holders may convert at $8.33 or at a 25% premium to the next financing price. Upon issuance of the September tranche, the Company also issued 107,143 share purchase warrants (each exercisable at $6.02 per share for 24 months).

The April convertible debenture was fully repaid during the year ended December 31, 2024. For the September convertible debenture, the Company settled its indebtedness by either issuing additional convertible promissory debentures or paying off the existing ones in September 2024.

On September 13, 2024, the Company issued replacement convertible promissory debentures totaling $1,741,589, bearing interest at 15% per annum (accruing annually and payable at maturity), and maturing on September 13, 2025, or a period of 12-months to settle indebtedness related to the convertible debentures issued in 2022. The Debentures are convertible, at the option of the holder, to common stocks of DCS at a price of $6. Upon issuance of the debentures, the Company agreed to issue 196,582 share purchase warrants as additional compensation subject to CSE approval. Each warrant entitles the holder to purchase one common stock at a price of CAD $3.20 per share for a period of 24 months from the date of issuance of the warrant. The warrants had been issued during the year ended December 31, 2024.

The Company records the fair value of the conversion features as an equity embedded derivative and warrants as a liability embedded derivative separate from the host contract. The fair value of the derivative liabilities is revalued on each Statement of Financial Position date with corresponding gains and losses recorded in profit or loss. The fair value of the derivative equity is recognized in consolidated statements of changes in shareholder deficiency and is not subsequently remeasured. The Company uses a derivative valuation technique to fair value the components of the hybrid contract on initial recognition, including the debt component, the conversion features, and the warrants. The following significant inputs and assumptions were used in the model:

	December 31, 2025	December 31, 2024
Expected term (years)	0.77	0.70-1.70
Stock Price	$2.28	CAD$8.00
Risk-free interest rate	3.54%	2.96-3.07%%
Expected volatility	69%	115%-150%
Dividend yield	0.00%	0.00%
Estimated forfeitures	0.00%	0.00%

The following table presents the Company's embedded warrants of its convertible debt measured at fair value on a recurring basis as of December 31, 2025 and 2024, determined based on "Level 3" inputs.

9. DEBT (Cont'd)

	Derivative
	$
Balance at December 31, 2023	**1,092**
Initial recognition	283,978
Net changes in fair value included in net loss	875,851
Balance at December 31, 2024	**1,160,921**
Net changes in fair value included in net loss	(1,053,741)
Balance at December 31, 2025	**107,180**

The debt component of the convertible debenture is subsequently measured at amortized cost. The following table presents the debt component of the convertible debt measured at its fair value on initial recognition of $1,035,556 and subsequently carried at amortized cost using the interest rate of 32.06% per annum over 24 months period. On September 14, 2024, the Company issued replacement convertible promissory debentures, and derecognized the convertible debt issued in the prior period. The debt component of the replacement convertible promissory debentures measured at its fair value on initial recognition of $1,335,517 and subsequently carried at amortized cost using the interest rate of 41% per annum over the 12 months period. As of the maturity date September 14, 2025, total accrued interest of $274,408 (December 31, 2024 - $77,298) was recorded in accrued liabilities.

Date	Beg. Balance	Additions	Accretion	End. Balance
	$	$	$	$
December 31, 2023	1,093,773	-	232,939	1,326,712
September 14, 2024	1,326,712	(1,500,000)	173,288	-
September 14, 2024	-	1,335,517	-	1,335,517
December 31, 2024	1,335,517	-	92,908	1,428,425
September 14, 2025	1,428,425	-	313,164	1,741,589

September 2025 Default and Modification

The Company was in default on the convertible debt that matured on September 14, 2025. On October 9, 2025, the Company entered into an agreement with the lenders to extend the maturity date to October 10, 2026, which cured the existing default. All other material terms, including the 15% per annum interest rate and the conversion price of US$6.00 per share, and the associated share purchase warrants remained unchanged.

Management assessed the modification in accordance with IFRS 9 *Financial Instruments*. Using the original effective interest rate of 41%, the present value of the cash flows under the modified debenture differed from those under the original debenture by more than 10%. Consequently, the modification was deemed a substantial change. The original debt was derecognized, a new debt instrument was recognized, and a gain on extinguishment of $173,505 was recognized in the consolidated statements of operation loss and comprehensive loss.

In accordance with IFRS, management recognized the new convertible debenture at its fair value of $2,023,453 on initial recognition. This fair value was bifurcated into a liability component and an equity component (the conversion feature). The liability component was initially measured at its fair value of $1,849,948 and is subsequently carried at amortized cost over the new 12-month term to October 10, 2026, using an effective interest rate of 23% per annum. The remaining value of $173,505 was assigned to the equity component using the residual method and is credited directly to equity, with no subsequent remeasurement.

The associated share purchase warrants were not modified. The warrants continue to be classified as derivative liabilities and are measured at fair value at each reporting date, with changes in fair value recognized in the consolidated statements of operation loss and comprehensive loss.

As of December 31, 2025, accrued interest on the new convertible debenture amounted to $59,405.

9. DEBT (Cont'd)

Promissory Notes

The Company has entered into multiple promissory notes as listed below. The promissory notes have principal amounts ranging from $50,000 to $250,000, interest rates of 15%–19% per annum, and maturities of 24 months. All promissory notes include detachable warrants, exercisable at CAD $2.00–$3.14 per share for 24 months.

	Amount	Issuance Date	Maturity Date	Interest	# of warrants attached	Exercise price
	$					
1	100,000	April 15, 2024	April 15, 2026	19%	10,000	CAD 2.00/share
2	100,000	May 24, 2024	May 24, 2026	19%	10,000	CAD 2.00/share
3	100,000	June 28, 2024	June 28, 2026	15%	20,000	CAD 2.00/share
4	50,000	July 8, 2024	July 8, 2026	15%	10,000	CAD 2.00/share
5	250,000	August 24, 2024	August 24, 2026	19%	50,000	CAD 3.09/share
6	75,000	August 31, 2024	August 31, 2026	15%	15,000	CAD 3.14/share
7	100,000	November 22, 2024	November 22, 2026	19%	10,000	CAD 2.95/share
8	50,000	November 27, 2024	November 27, 2026	15%	10,000	CAD 2.95/share
9	200,000	December 10, 2024	December 10, 2026	15%	40,000	CAD 2.95/share
10	50,000	December 26, 2024	December 26, 2026	19%	5,000	CAD 2.95/share
11	50,000	January 10, 2025	January 10, 2027	15%	10,000	CAD 2.95/share
12	100,000	June 16, 2025	June16, 2027	19%	20,000	CAD 3.12/share
13	50,000	June 16, 2025	June 16, 2027	19%	10,000	CAD 3.12/share

The Company records the fair value of the warrants exercisable with a variable amount of cash receivable due to foreign exchange as an embedded derivative separate from the host contract. The fair value of the derivative liabilities is revalued on each Statement of Financial Position date with corresponding gains and losses recorded in profit or loss. The Company uses a derivative valuation technique to fair value the components of the hybrid contract on initial recognition, including the debt component and the warrants. The following significant inputs and assumptions were used in the model:

	December 31, 2025	December 31, 2024
Expected term (years)	0.70-1.46	1.70-2.00
Stock price	$2.28	$0.66-$5.40
Risk-free interest rate	3.51%	4.21%-4.25%
Expected volatility	68%-92%	119.54%-186.17%
Dividend yield	0.00%	0.00%
Estimated forfeitures	0.00%	0.00%

The following table presents the Company's embedded warrants of its promissory notes measured at fair value on a recurring basis as of December 31, 2025 and 2024, determined based on "Level 3" inputs.

9. DEBT (cont'd)

Promissory Notes (cont'd)

	Derivative $
Balance at December 31, 2023	**-**
Initial recognition during the year	324,135
Net changes in fair value included in net loss	529,470
Balance at December 31, 2024	**853,605**
Initial recognition during the year	62,794
Warrants exercised	(153,665)
Net changes in fair value included in net loss	(649,860)
Balance at December 31, 2025	**112,874**

The debt component of the loans subsequently measured at amortized costs. The following table presents the debt component of the loans measured at its fair value on initial recognition and subsequently carried at amortized cost using the effective interest rate ("EIR") per annum over the loan period.. Accrued interest is recorded in current or long-term debt based on payment terms. A detailed amortization table for various loans is presented below:

As of December 31, 2024:

Loan ID	Date	EIR	Beg. Balance	Additions & Payments	Interest & Accretion	End. Balance	Total Interest accrued
		%	$	$	$	$	$
1	December 31, 2024	21	95,130	(9,500)	15,117	100,747	4,034
2	December 31, 2024	21	95,816	(9,500)	12,628	98,944	2,004
3	December 31, 2024	23	81,644	-	10,273	91,917	7,644
4	December 31, 2024	25	39,568	-	5,031	44,599	3,616
5	December 31, 2024	37	47,109	-	6,089	53,199	3,760
6	December 31, 2024	42	166,724	-	26,458	193,182	16,788
7	December 31, 2024	35	87,502	-	2,448	89,950	2,030
8	December 31, 2024	34	33,281	-	1,055	34,336	699
9	December 31, 2024	40	25,888	-	196	26,084	130
10	December 31, 2024	62	78,204	-	2,770	80,974	1,726

9. DEBT (cont'd)

Promissory Notes (cont'd)

As of December 31, 2025:

Loan ID	Date	EIR	Beg. Balance	Additions & Payments	Interest & Accretion	End. Balance	Total Interest accrued
		%	$	$	$	$	$
1	December 31, 2025	21	100,747	-	23,168	123,915	23,034
2	December 31, 2025	21	98,944	-	22,444	121,388	21,004
3	December 31, 2025	23	91,917	-	24,068	115,985	22,644
4	December 31, 2025	25	44,599	-	12,561	57,160	11,116
5	December 31, 2025	37	53,199	-	23,334	76,533	15,010
6	December 31, 2025	42	193,182	(23,750)	85,646	255,078	40,538
7	December 31, 2025	35	89,950	(9,500)	25,380	105,830	11,530
8	December 31, 2025	34	34,336	-	13,648	47,984	8,199
9	December 31, 2025	40	26,084	(4,750)	17,480	38,814	4,880
10	December 31, 2025	62	80,974	-	66,629	147,603	31,726
11	December 31, 2025	38	-	30,892	13,464	44,356	7,295
12	December 31, 2025	34	-	70,876	14,130	85,006	10,307
13	December 31, 2025	34	-	35,438	7,065	42,503	5,153

Restructured loan from vendor payable

Pursuant to a vendor changing its terms with the Company from billing devices and device management subscriptions from a payment term of 36 months down to 30 days reducing the frequency of occurrence for long term payables, the Company entered into an agreement to restructure the payables into a long-term loan with a principal of $3,200,000, bearing interest at 10%. The interest will be due quarterly, and the principal will be due in 5 years. The balance of $2,914,776 of the payables was forgiven and recognized in the Company's consolidated statement of operating loss and comprehensive loss during the year ended December 31, 2024. As at December 31, 2025, the Company recorded $732,126 (December 31, 2024 - $196,394) accrued interest and finance fee and a carrying balance of $3,932,126 (December 31, 2024 - $3,396,394) of the loan was outstanding. During the year ended December 31, 2025, the Company paid $65,000 interest expenses. The Company has fallen behind on interest payments. Although the lender has not yet issued a formal demand letter, the loan is in default. As of the reporting date, this breach of the loan agreement entitles the lender to demand immediate repayment of the full loan balance. Therefore, the entire loan balance has been reclassified from long-term to short-term as at December 31, 2025.

Loans with collateral

In May 2024, the Company entered into a loan agreement with a third party for proceeds of $250,000. The loan is repayable in 24 monthly payments starting May 2024, bearing interest at 22.2%, and is secured by a general security agreement on the Company's assets. As of December 31, 2025, the carrying value of the loan is $53,317 and the Company was not in compliance with a covenant of the loan agreement that prohibits entering into additional financing arrangements without the lender's consent.

In August 2024, the Company entered into two loan agreements with third parties for proceeds of $174,221 and $200,000. The loans are repayable in 65 and 35 weekly payments, respectively, starting August 2024, bearing interest at 23.5% and 37.24% respectively, and are secured by a general security agreement on the Company's assets. These loans were replaced in March 2025.

9. DEBT (cont'd)

Loans with collateral (cont'd)

In March 2025, the Company entered into a loan agreement with a third party for proceeds of $284,500. The loan is repayable in 35 weekly payments, starting April 2025, bearing Estimated Annual Percentage Rate at 84.26%, and is secured by a general security agreement on the Company's assets. The loan is also personally guaranteed by the Company's former CEO. The estimated weekly payment is based on 1.97% of the Company's estimated weekly projected revenue. The Company incurred the total cost of the financing of $90,500 relating to this loan. As of December 31, 2025, the carrying value of the loan was $13,371 and the Company was not in compliance with a covenant of the loan agreement that prohibits entering into additional financing arrangements without the lender's consent and has also fallen behind on interest payments. While the lender has not yet taken formal action, the non-compliance could allow the lender to demand immediate repayment of the full loan balance, exercise its rights under the related security agreement and personal guarantee, and seek with contractual damages and collection costs. The Company fully repaid the loan in January 2026.

In March 2025, the Company entered into a loan agreement with a third party for proceeds of $175,000. The loan is repayable in 65 weekly payments, starting April 2025, bearing Annual Percentage Rate at 47.22%, and is secured by a general security agreement on the Company's assets. The Company incurred the total cost of the financing of $50,575 relating to this loan. As of December 31, 2025, the carrying value of the loan was $80,774 and Company was not in compliance with a covenant of the loan agreement that prohibits entering into additional financing arrangements. While the lender has not yet taken formal action, this non-compliance could allow the lender to demand immediate repayment of the full loan balance, exercise its rights under the related security agreement and personal guarantee, and seek with contractual damages and collection costs.

In April 2025, the Company entered into a loan agreement with third party for proceeds of $235,000. The loan is payable in 26 weekly payments, starting April 2025, bearing Estimated Annual Percentage Rate at 165%, and is secured by a general security agreement on the Company's assets. The loan is also personally guaranteed by the Company's former CEO. The estimated weekly payment is based on the 18% share of the Company's projected revenue. The Company incurred the total cost of the financing of $100,000 relating to this loan. As of December 31, 2025, the loan was fully repaid.

Loans with Inventory as Collateral

During the year ended December 31, 2023, the Company entered into two loan agreements under which the lenders agreed to finance the Company's inventory, with $110,532 of inventory pledged as collateral. The Company entered into two additional loan agreements during the year ended December 31, 2024 and pledged an additional $234,312 of inventory as collateral. During the year ended December 31, 2025, one loan matured and was repaid. Upon the maturity and repayment of this loan, the Company incurred a penalty of $242,568 for breaching the terms of the loan agreement. As of December 31, 2025, this penalty has been fully repaid.

The outstanding loans have the following terms as of December 31, 2025.

	Loan 1	Loan 2	Loan 3
Expected term (months)	60	36	24
Interest rate	6.77%	19.02%	16%
Payable within 12 months	$11,703	$9,921	$25,646
Payable not due in 12 months	$21,140	-	-

During the year ended December 31, 2025, the Company recorded $37,728 (2024-$122,044) of interest expense in the consolidated statement of operating loss and comprehensive loss in connection to the three loan agreements. As of December 31, 2025, a carrying balance of $68,409 (December 31, 2024 - $160,233) relating to the loans were outstanding. The Company is exposed to potential contingent liabilities related to outstanding loans. Refer to Note 19 for details.

9. DEBT (cont'd)

Related party loans

During the year ended December 31, 2025, a company controlled by a family member of Mr. Mike Zhou, a principal shareholder of the Company, advanced $136,100 to the Company to support its operations (note 17). The funds were used to pay off outstanding consulting fees. The advance is non-interest-bearing and repayable on demand. On July 14, 2025, the Company entered into a promissory note for $1,386,000 with the same related party, which replaced the above mentioned advance on demand. This promissory note, structured as a bridge loan, features an Original Issue Discount (OID) of $126,000. It is to be funded in up to six monthly tranches of up to $210,000 each. Each tranche matures 12 months from its respective advance date. The loan bears interest at a rate of 10% per annum and is personally guaranteed by the Company's former CEO. As of December 31, 2025, the Company has received six tranches of loan totaling $941,588. The loan bears effect interest rate of 18.37%. The carrying amount of the loan was $958,133, which included accrued interest of $18,861.

Separately, in July 2025, the Company entered into a supply chain loan agreement with the same related party for up to $500,000. The loan carries fixed interest amount of $30,000, payable annually in advance. The loan is personally guaranteed by the Chairman of the Board of Directors. As of December 31, 2025, the Company has drawn $101,200 under this agreement and has recorded interest expenses of $3,036.

Deferred Revenue

The Company records a contract liability when we receive consideration in advance of transferring goods or services to a customer. As at December 31, 2025, our contract liability balance was $434,136 (December 31, 2024 - $1,786,274). During the year ended December 31, 2025, the Company recognized $1,786,274 (2024 - $89,374) of revenue that was included in the contract liability balance at December 31, 2024.

10. RIGHT-OF-USE ASSETS & LEASE LIABILITIES

On May 27, 2021, the Company entered into a lease agreement whereby the Company will lease premises in San Diego, California effective November 1, 2021. The lease ("Lease") has an initial 60-month term. Not less than nine months prior to the expiration of the Lease, the Company has an option to extend the Lease term for an additional five years at market rates prevailing at that time. The right of use leased asset was measured at the amount of the lease liability of $899,102 using the Company's current incremental borrowing rate of 10% at the time of initial recognition.

On March 1, 2026, the Company terminated the existing lease, which was originally set to mature on October 31, 2026, and downsized its space by entering into a new lease agreement at the same location but with a different suite number. The new lease has an initial term of 60 months and will mature on October 31, 2031.

The following table presents the right-of-use-assets as at December 31, 2025 and 2024:

Balance at December 31, 2023	$	509,491
Depreciation		(179,820)
Balance at December 31, 2024	$	329,671
Depreciation		(179,821)
Balance at December 31, 2025	$	149,850

10. RIGHT-OF-USE ASSETS & LEASE LIABILITIES (cont'd)

Lease liabilities

Balance at December 31, 2023	$	583,969
Cash flows:		
Lease payments		(229,805)
Non-cash changes:		
Interest expenses		48,363
Balance at December 31, 2024	$	402,527
Cash flows:		
Lease payments		(236,702)
Non-cash changes:		
Interest expenses		28,980
Balance at December 31, 2025	$	194,805
Less Lease liabilities - current		(194,805)
Lease liabilities – non-current	$	-

The Company lease consists of office space in San Diego, California under non-cancelable operating lease that expires October 2026. Future minimum lease payments under the lease agreement as of December 31, 2025 are as follows:

Years ending December 31:	
2026	202,160
	$ 202,160

The Company does not have any short-term or low value leases.

11. SHARE CAPITAL

(a) Authorized and escrowed shares

5,714,286 common stocks authorized with a par value of $0.00001.

(b) Common stocks transactions

Transactions for the year ended December 31, 2025

During the year ended December 31, 2025, 40,000 common shares were issued pursuant to 40,000 share purchase warrants exercised at $2.95 CAD per share for gross proceeds of $83,978. An amount of $153,665 previously recognized as a warrant derivative liability has been reallocated to share capital.

During the year ended December 31, 2025, 142,144 common shares were issued pursuant to the vesting of 142,144 RSUs.

11. SHARE CAPITAL (cont'd)

(b) Common stocks transactions (cont'd)

Transactions for the year ended December 31, 2024

There were no transactions affecting share capital during the year ended December 31, 2024.

(c) Stock options

In October 2017, the Company's board of directors and stockholders approved the 2017 Stock Plan under which 500,000 shares of common stock are reserved for the granting of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock and performance awards to employees, directors, and consultants. Recipients of stock option awards are eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The maximum term of awards granted under the 2017 Plan is ten years and vesting is determined by the board of directors. Stock awards are generally not exercisable prior to the applicable vesting date, unless otherwise accelerated under the terms of the applicable stock plan agreement. Unvested shares of the Company's common stock issued in connection with an early exercise allowed by the Company may be repurchased by the Company upon termination of the optionee's service with the Company. The vesting terms of each option grant are at the discretion of the Board of Directors.

In December 2023, the Board of Directors and a majority of the stockholders approved to replace the 2017 Stock Plan with the 2023 Omnibus Plan. Any previously granted stock options shall continue to exist under the 2023 Omnibus plan, and the number of authorized shares for combined issuance of awards, including stock options, as of December 31, 2025 is 1,000,000.

The following table summarizes stock option transactions under the 2023 Omnibus Plan:

	Number of Options	Weighted average exercise price
Outstanding, December 31, 2023	**540,857**	**$ 4.03**
Granted	177,500	$ 5.00
Forfeited	(269,428)	$ 3.66
Outstanding, December 31, 2025 and 2024	**448,929**	**$ 4.64**

At December 31, 2025, the Company had outstanding and exercisable stock options as follows:

Date of Expiry	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Weighted Average Remaining Life (years)
October 5, 2027	178,571	178,571	$3.29	1.76
February 4, 2032	6,429	6,238	$2.87	6.10
February 24, 2032	10,715	10,715	$2.87	6.15
March 14, 2032	8,571	8,238	$4.13	6.21
May 9, 2027	52,857	52,857	$8.40	1.35
May 9, 2027	14,286	14,286	$5.53	1.35
December 23, 2029	177,500	177,500	CAD$7.20	3.98

11. SHARE CAPITAL (cont'd)

(c) Stock options (cont'd)

The Company uses a Black-Scholes option valuation model to determine the fair value of stock-based compensation. The expected volatility is based on the historical volatility of a peer group of publicly traded companies. The risk-free interest rate is based on the yield on the measurement date of a zero-coupon U.S. Treasury bond whose maturity period approximately equals the option's expected term. The expected life represents the time the options granted are expected to be outstanding.

During the year ended December 31, 2024, the Company granted 177,500 options with an exercise price of CAD$7.20 and vesting term of 4 months, and an expiry date of 5 years to certain employees and officers of the Company. No options were granted during the year ended December 31, 2025.

The total stock-based compensation recognized in consolidated statements of profit or loss from the vesting portion of options during the year ended December 31, 2025 was $700,770 (2024 – $35,480). During the year ended December 31, 2025, no options were forfeited. During the year ended December 31, 2024, 269,428 options with an exercise price between $2.87 to $6.79 were forfeited.

The following are the assumptions used in the Black-Scholes option valuation model for option granted during the year ended December 31, 2025 and 2024 and forfeitures are adjusted in the year when forfeitures occur:

	December 31, 2025	December 31, 2024
Fair value of common stock	-	$5.00
Expected term (years)	-	5
Risk-free interest rate	-	4.4%
Expected volatility	-	120.7%
Dividend yield	-	-
Estimated forfeitures	-	-

(d) Warrants

In September 2022, the Company issued convertible promissory debentures (Note 9) and upon issuance of the debentures, the company also issued 107,143 share purchase warrants. Each warrant entitles the holder to purchase one common stock at a price of $6.02 per share for a period of 24 months from the date of issuance of the debentures. In September 2024, 107,143 share purchase warrants expired.

In September 2024, the Company issued convertible promissory debentures (Note 9) and upon issuance of the debentures, the company agreed to issue 196,582 share purchase warrants. Each warrant entitles the holder to purchase one common stock at a price of $2.36 per share for a period of 24 months from the date of issuance of the warrant. The warrants were issued on October 10, 2024.

From April to December 2024, the Company entered into promissory note agreements (Note 9) and subsequently issued 180,000 purchase warrants. Each warrant entitles the holder to purchase one common stock at various price of CAD $2.00 to CAD $3.14 per share for a period of 24 months from the date of issuance depending on the promissory notes term. The Company determined the warrants represent an embedded derivative and has accounted for the warrants in derivative liability.

11. SHARE CAPITAL (cont'd)

(d) Warrants (cont'd)

During January 2025, the Company entered into a promissory note agreement (Note 9) and issued 10,000 purchase warrants in connection to the promissory note. Each warrant entitles the holder to purchase one common stock at the price of CAD $2.95 per share for a period of 24 months from the date of issuance.

During June 2025, the Company entered into two promissory note agreements (Note 9) and issue 30,000 purchase warrants in connection to the promissory notes. Each warrant entitles the holder to purchase one common stock at the price of CAD $3.12 per share for a period of 24 months from the date of issuance.

The Company determined the warrants represent an embedded derivative and has accounted for the warrants in derivative liability.

The following table summarizes the warrant activity for the year ended December 31, 2025 and 2024:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2023	107,143	$ 6.02
Granted	311,582	2.08
Expired	(107,143)	6.02
Outstanding, December 31, 2024	311,582	$ 2.08
Granted	105,000	2.15
Exercised	(40,000)	2.05
Outstanding, December 31, 2025	376,582	$2.18

The following table summarizes the warrants outstanding as at December 31, 2025:

Date of Expiry	Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Life (years)
September 11, 2026	50,000	CAD $2.00	0.70
October 9, 2026	15,000	CAD $3.14	0.77
October 10, 2026	196,582	CAD $3.20	0.78
October 16, 2026	50,000	CAD $3.09	0.79
January 10, 2027	35,000	CAD $2.95	1.03
June 16, 2027	30,000	CAD $3.12	1.46

11. SHARE CAPITAL (cont'd)

(e) Restricted Shares Unit ("RSU")

Pursuant to the approval of 2023 Omnibus Plan, the maximum number of common shares that may be issued for all awards, including RSU, is 1,000,000 shares. The following table summarizes RSU transactions under the 2023 Omnibus Plan:

	Number of RSU	Weighted average Fair value
Outstanding, December 31, 2023	-	-
Granted	142,144	$ 5.10
Outstanding, December 31, 2024	142,144	$ 5.10
Vested	(142,144)	$ (5.10)
Outstanding, December 31, 2025	-	$ -

During the year ended December 31, 2025, no RSUs were granted compared to 142,144 RSUs granted to certain officers and directors of the Company during the year ended December 31, 2024. The Company recorded share-based compensation expenses of $677,398 (2024 – $47,536) relating to the vesting portion of RSUs.

12. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise (business activity from which it earns revenue and incurs expenses) for which discrete financial information is available and regularly reviewed by the chief decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker (CODM) is its Chief Executive Officer. The Company views its operations and manages its business as a single operating and reporting segment.

Although all operations are based in the U.S., the Company generated a portion of its revenue from customers outside of the U.S. Information about the Company's revenue from different geographic regions for the year ended December 31, 2025 and 2024 is as follows:

	Year ended December 31			
	2025		2024	
	$	%	$	%
United States	7,243,992	83.0%	5,905,980	92.2%
Canada	181,293	2.1%	399,640	6.2%
Others combined	1,306,944	14.9%	102,530	1.6%
Total Revenue	8,732,229	100.0%	6,408,150	100.0%

Revenue Type (in '000)	2025		2024	
	$	%	$	%
Product	5,653.9	64.7%	3,680.6	57.4%
Software as a Service (SaaS)	2,526.5	28.9%	2,256.8	35.2%
Engineering/Support Service	210.2	2.4%	81.4	1.3%
Wireless Data	333.3	3.8%	366.1	5.7%
Commission Income	8.3	0.1%	23.3	0.4%
Total Revenue	8,732.2	100.0%	6,408.2	100.0%

All of the Company's significant identifiable assets were located in the United States as of December 31, 2025 and 2024.

13. CONCENTRATION RISK

The Company derived revenue from one customer totaling 36.5% and one customers totaling 22.5% of the Company's total revenue for the year ended December 31, 2025 and 2024, respectively. As at December 31, 2025 and 2024, one customer accounted for a total of 16.8% and 18% of accounts receivable, respectively.

To manage the concentration of customer risk, the Company continuously looks for opportunities to diverse revenue streams and expand client base via marketing. All contracts with customers are signed for a term, and the Company ensures the customer needs are being met by building exceptional customer service relationships.

The Company has concentrations in the purchases with its suppliers. For the year ended December 31, 2025 and 2024, the two largest suppliers accounted for a total of 83% and 83% of total purchases, respectively.

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2025	2024
Net loss before tax	$ (1,911,924)	$ (1,764,791)
Expected income tax (recovery)	(661,392)	(359,915)
Change in statutory, foreign tax, foreign exchange rates and other	79,648	159,002
Permanent differences	(67,238)	313,002
Adjustment to prior year provision versus statutory tax returns	38,890	(87,674)
Changes in unrecognized deductible temporary differences	610,092	(24,415)
Total income tax expense (recovery)	-	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2025	2024
Deferred Tax Assets (Liabilities)		
Allowance for bad debts	$ 23,345	$ 16,583
Inventory reserves	102,470	105,100
Lease liabilities	10,945	18,290
Accrued vacation	20,206	22,708
Sec. 263A Unicap	-	7,193
State income taxes -California mandatory lag method	-	226
Capitalized R&D	275,468	266,779
Federal R&D credit	113,797	113,797
Non-qualified stock options	133,602	137,763
Non-capital losses available for future period	3,198,841	2,580,362
	3,878,893	3,268,800
Unrecognized deferred tax assets	(3,878,893)	(3,268,800)
Net Deferred Tax Assets (Liabilities)	$ -	$ -

14. INCOME TAXES (cont'd)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2025	Expiry Date Range	2024	Expiry Date Range
Temporary Differences				
Allowance for bad debts	$ 95,887	No expiry date	$ 66,055	No expiry date
Inventory reserves	420,883	No expiry date	418,648	No expiry date
Lease liabilities	44,955	No expiry date	72,856	No expiry date
Accrued vacation	82,995	No expiry date	90,452	No expiry date
Sec. 263A Unicap	-	No expiry date	28,651	No expiry date
State income taxes -California mandatory lag method	900	No expiry date	900	No expiry date
Capitalized R&D	1,311,754	No expiry date	1,270,377	No expiry date
Non-qualified stock options	548,755	No expiry date	548,755	No expiry date
Non-capital losses available for future period	12,129,664	No expiry date	9,906,093	No expiry date

15. CAPITAL MANAGEMENT

The CEO has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company defines capital as consisting of loans, credit facility and shareholder's deficiency. The Company's objectives when managing capital are to support the creation of shareholder value, as well as to ensure that the Company is able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility by making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital but rather relies on the expertise of the Company's management to sustain the future development of the business.

At December 31, 2025 and 2024, the Company is not subject to any externally imposed capital requirements or debt covenants. There were no changes to the Company's approach to capital management for the year ended December 31, 2025.

The Company has in place a credit facility whereby the Company assigns all its accounts receivable and can request advances up to 90% of eligible accounts up to $2,000,000 and inventory advances up to $500,000 (Note 8).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

16. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

Financial instruments measured at fair value are classified into three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

16. FINANCIAL INSTRUMENTS (cont'd)

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's cash, restricted cash, trade receivables, accounts payable, accrued liabilities, current debt, lease liabilities, and credit facility and long-term debt approximate carrying value, which is the amount recorded on the consolidated statement of financial position.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy. As at December 31, 2025 and 2024:

	Level 1	Level 2	Level 3
December 31, 2025:			
Derivative instruments	$ -	$ -	$ 220,054
December 31, 2024:			
Derivative instruments	$ -	$ -	$ 2,014,526

The Company is exposed to varying degrees to a variety of financial instrument-related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company places its cash with institutions of high credit worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Company has established a credit policy under which each major new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits and terms are established for each customer and reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's wholesale and retail customers.

Trade and other receivables consist of:

	December 31, 2025	December 31, 2024
Accounts receivable	$ 536,494	$ 678,636
Other receivables	70,809	144,377
Allowance for doubtful accounts	(95,887)	(66,055)
Total	$ 511,416	$ 756,958

16. FINANCIAL INSTRUMENTS (cont'd)

During the year ended December 31, 2025, $46,576 (2024 – recovery of $57,072) of bad debt expenses had been recognized in the consolidated statement of operating loss and comprehensive loss.

Aged trade receivable listing:

Days outstanding	December 31, 2025	December 31, 2024
Current	$ 337,726	$ 2,282,645
1 – 30	38,594	(1,870,748)
31 – 60	31,083	114,022
61 - 90	14,327	157,872
> 90	114,764	(5,154)
Total	$ 536,494	$ 678,637

The Company's maximum exposure to credit risk is the combined carrying amount of its financial assets as at December 31, 2025 is $654,283 (December 31, 2024 - $1,364,647).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressful conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company examines current forecasts of its liquidity requirements so as to make certain that there is sufficient cash for its operating needs. These forecasts take into consideration matters such as the Company's plan to use debt for financing its activity, compliance with any required financial covenants and liquidity ratios, and compliance with external requirements such as laws or regulations.

The Company has a factoring agreement with external funding (Note 8). The Company's accounts payable and accrued liabilities have contractual terms of 30 to 90 days.

Market risk

a) *Currency Risk*

The Company is located in the United States and virtually all transactions including the company's sales and debt are denominated in US dollars.

b) *Interest Rate Risk*

The Company's debt has fixed interest rates and are not exposed to interest rate risk until maturity. The Company's credit facility is variable based on the 90 day SOFR rate. A 1% increase in the 90 day SOFR rate would not have a significant impact on profit and loss.

16. FINANCIAL INSTRUMENTS (cont'd)

Market risk (cont'd)

c) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk or currency risk. The Company is not exposed to significant price risk.

17. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those people who have authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Years ended December 31,	
	2025	**2024**
	$	$
Salary	775,707	790,040
Consulting fees	225,000	480,000
Marketing Service	-	6,000
Share-based compensation	78,806	6,711
Restricted stock units	677,398	47,537
Total	1,756,911	1,330,288

Transaction with related parties

Chris Bursey, former President and CEO of the Company, incurred $140,755 in operating expenses on behalf of the Company in 2025 (2024 – $112,014). As of December 31, 2025, the Company owed $Nil (2024 – receivable of $2,259) to Mr. Bursey. Mr. Bursey resigned as the director and the CEO of the Company in September 2025.

John Hubler, former director of the Company, is a partner of BH IoT Group. The Company recorded $Nil in professional fees in 2025 (2024 – $140,000). Mr. Hubler was considered a related party from April 2023 to August 2024.

Mike Zhou, director of the Company, is the owner of MYZ Corporate Relations, Ltd. No professional fees were recorded in 2025 or 2024. A company controlled by a family member of Mr. Zhou lent $941,588 (promissory loan) and $101,200 (supply chain loan) to the Company during the year ended December 31, 2025. The amounts were recorded as current debt (Note 9).

17. RELATED PARTY TRANSACTIONS (cont'd)

On July 1, 2025, the Company acquired Enlighten Commerce Inc. ("EC") from a family member of Mr. Zhou for a total consideration of $600. . The purpose of acquisition was to keep transactions completed under the terms and conditions of the Supply Chain Agreement separate and apart from the Company's day-to-day operational transactions. Subsequently, the former owner of EC decided to exercise the repurchase option under Section 6(a) of the Repurchase Clause to repurchase 100,000 common shares of EC for $3,000. This transaction is currently in process.

During the year ended December 31, 2025, the owner of EC incurred $35,162 operating expenses on behalf of the Company. As of December 31, 2025, the Company owed $24,727 to the owner of EC, and the outstanding balance was included in accounts payable.

Mr. Lichtenwald, former director and CFO of the Company, is a principal at Zeus Capital Ltd. and Zeus Accounting Solutions Corp. The Company recorded $75,000 (2024 – $180,000) in fees to Zeus Capital Ltd. and $62,500 (2024 – $150,000) to Zeus Accounting Solutions Corp. As of December 31, 2025, the Company owed $30,000 to Zeus Capital Ltd. and $25,000 to Zeus Accounting Solutions Corp. Mr. Lichtenwald resigned as CFO of the Company in May 2025.

Julie Hajduk, former director of the Company, is a principal at Purple Crown Communications Corp. No related party fees were recorded in 2025 (2024 – $16,000 total). Ms. Hajduk resigned as a director in June 2025.

On May 31, 2025, the Company entered into an agreement with Ying Xu to provide interim CFO service fees of $12,500 monthly. The Company recorded $87,000 of professional fees on the consolidated statement of operations for the year ended December 31, 2025 (2024 - $nil). As of December 31, 2025, the Company owed $25,000 (December 31, 2024 - $nil) to Ms.Xu.

18. OTHER EXPENSES

During the year ended December 31, 2025 and 2024, the Company had the following expenses in other expenses:

	Year ended December 31,	
	2025	2024
	$	$
Insurance	106,832	132,798
Licenses and fees	31,101	50,364
Office expenses	15,553	42,561
Automobile expense	237	1,376
Meals and entertainment	33,465	47,632
Travel expense	23,532	42,160
Utilities	58,124	52,116
Tax filing fees	(10)	5,063
Software expense	24,874	10,990
Foreign exchange gain	(1,840)	-
Total	**291,868**	**385,000**

19. COMMITMENTS AND CONTINGENT LIABILITIES

1) Effective October 1, 2021, the Company has agreed to an annual purchase commitment for a period of three years with a significant vendor. The Company's obligation to the vendor shall be satisfied by the submission of non-cancellable orders for each contract year with an aggregate value equal to or in excess of $8 million. Effective October 2023, the Company revised the agreement with the significant vendor by eliminating the minimum spend to "Forecast" and waiving the penalty fees.

2) The Company entered into loan agreements with three lenders under which the lenders agreed to finance the Company's inventory, with the inventory pledged as collateral. According to the terms of these agreements, the Company may either return the pledged inventory upon expiry or early termination of the agreements, or exercise the Fair Market Value purchase option by providing written notice at least 180 days before the expiration date. However, as the Company is highly likely to retain the pledged inventory without following the prescribed return or notice procedures, the Company may consequently incur penalties or additional charges from the lenders. Refer to Note 10 for details on the penalty charged upon the termination of one of the loans.

   Management has evaluated this matter in accordance with IAS 37. While an outflow of economic resources is considered probable, the amount of the potential liability cannot be reliably estimated, as any penalty would be based on the lenders' determination of the inventory's fair market value at the time of default, and no objective valuation method is currently available. Therefore, no provision has been recognized in the financial statements. The Company will continue to assess the matter as more information becomes available.

SCHEDULE B



Direct Communication Solutions, Inc.

Management's Discussion and Analysis

For the years ended December 31, 2025 and 2024

Amounts in United States dollars unless stated otherwise

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of Direct Communication Solutions, Inc. (the "Company", "DCS", "we" and "our" refer to Direct Communication Solutions, Inc.) provides an analysis of the Company's performance and financial condition for the Nine months ended September 30, 2025. This management discussion and analysis should be read in conjunction with the Company's condensed consolidated interim financial statements and related notes thereto of the Company for the three and nine months ended September 30, 2025 and 2024, and audited consolidated financial statements for the years ended December 31, 2025 and 2024 (the "**Financial Statements**"), which were prepared in accordance with IFRS Accounting Standards ("**IFRS**").

All amounts referred to in this management discussion and analysis are prepared in accordance with IFRS and presented in United States dollars ($ or US$), unless otherwise indicated. C$ refers to Canadian dollars.

The following information is prepared as of April 30, 2026.

Forward-looking Statements

This management discussion and analysis contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performances of the Company; revenues; the timing and amount of estimated future operating, capital and development expenditures and requirements for additional capital. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this management discussion and analysis based on the opinions and estimates of management, and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, potential investors should not place undue reliance on forward-looking statements.

Overview

Direct Communication Solutions, Inc. provides Internet of Things (IoT) products, services and solutions. We deliver enhanced one-stop solutions that connect assets to increase visibility, operational efficiency, and profitability. We provide our solutions and services to a variety of industries including, Supply Chain Logistics, Transportation, Health Care, and Food & Beverages. We are a chosen global partner of service providers, value-added collaborators, system integrators, and enterprises due to our commitment to quality and demonstrated experience. We intend to continue expanding our long-standing relationships and work strategically with our partners, to jointly build leading IoT solutions based on integrated hardware, cloud-based software, and other services.

The Company's current SaaS solutions include MiFleet™, which provides fleet and vehicle SaaS telematics, MiSensors™, which provides machine-to-machine device management and service enablement for wireless sensors and MiFailover™, which provides high-speed wireless internet failover to small and medium-sized businesses as a redundancy solution to continue to run their business in the event the internet is not available. In addition, we have recently deployed MiConnectivity to provide wireless data connectivity for global connectivity through our fully integrated SIM management platform and MiServices™ to provide managed services solution that includes all-inclusive device readiness program and engineering support. These services include software development, hardware integration and logistics support from SIM to Shipment, including device preparation, custom labeling, packaging, configuration confirmation, and system-side checks.

Our corporate headquarters is in San Diego, California.

Incorporated in 2006, the Company traditionally has been a distributor of IoT components and a system integrator that assisted clients in installing such components into their installed systems and applications. The Company has focused on providing hardware items and solutions that have aided in data collection, analysis and management.

The global costs and prices of IoT sensors and products continue to drop in price and margin. As a response to this, and an interest to develop more vertically-integrated, comprehensive solutions, we began to develop software applications and databases that can analyze and manage the data that its IoT hardware has traditionally just collected. This provides us the opportunity to increase its gross and net profit margins by providing more services and software – through the cloud and/or via a SaaS business model. Currently, the company has three primary business focuses on revenue stream and growth generation.

Smart Hardware Provider. The company utilizes smart hardware from an expanding group of suppliers to deploy through our strategic agreements with channel partners including AT&T, T-Mobile, U.S. Cellular, Verizon Wireless, TD Synnex and multiple Telematic Solution Providers as the basis to develop our own end-to-end SaaS based intelligent business solutions.

SaaS Software Solutions Provider. Our products and services then enable devices to communicate with each other and with server or cloud-based application infrastructures. These software applications address and solve real-world data collection and monitoring problems to best serve our customers and manage their evolving business requirements.

Industry Technology Innovation. DCS has sold to customers within various smart hardware related vertical markets that are tied to the broad IoT market. These areas have included markets such as fleet management, healthcare, retail point-of-sale, industrial, energy and utilities and safety and security. As the company applies its core competencies it can now address a broadening spectrum of software application markets.

DCS is continuing to evolve from our smart hardware distribution base of mobile broadband hardware to providing End-to-End solutions for mobile internet, M2M, and vertical markets. We serve our clients by simplifying IoT technologies, making them less costly, easier to deploy and overall, more efficient. We intend to continue to leverage our long-standing relationships with strategic partners and jointly build unique IoT solutions based on

integrated third-party equipment along with our application software. This mixed hardware and software implementation allows us to build new, move robust, solutions that address multiple customer problems operating on a single company platform.

Significant Highlights

The following highlights and developments for the year ended December 31, 2025 and to the date of this management discussion and analysis:

- Ended the year ended December 31, 2025 with a customer purchase backlog of over $500,000.
- Received over 1,800 gross new recurring revenue orders for telematics solutions that will generate long term, high margin recurring revenues to our growing subscriber base.
- One existing customer ordered 5,000 GPS tracking devices with 2,000 delivered in December 2025. One customer began receiving its customized GPS Tracking Device that supports Dead Reckoning Services.
- Enabled and expanded our SaaS solutions channel of dealers and resellers with promotions across multiple markets to position our SaaS solutions and increase future sales.
- Continued to restructure the company focus and operations to implement our long term, high margin strategy of recurring revenue through SaaS Solutions.

Outlook

DCS is an emerging provider that offers Internet of Things ("IoT") and connectivity-related business-critical solutions and services. Our customers include technology distributors, cellular operators fleet service providers and any business that needs to monitor or draw data from their machine-based assets. We serve our clients by simplifying IoT Technologies, making them less costly, easier to deploy and overall, more efficient. Since 2018 we started to transition from a hardware reseller to a SaaS based, recurring revenue, customized solutions provider, offering turnkey IoT solutions for new and existing customers. SaaS and other services revenue accounted for approximately 35% (2024 – 43%) of total corporate revenue for the year ended December 31, 2025.

We continue to expand the industries we serve which now include fleet management, transportation/logistics, cold chain management, asset tracking/management, public safety/municipalities, property management, restaurants, healthcare, retail, offices, and construction.

Non-IFRS Financial Measures – Adjusted EBITDA

This MD&A references adjusted EBITDA, which is a non-IFRS financial measure. Adjusted EBITDA is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to adjusted EBITDA presented by other companies. Rather, it is provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, adjusted EBITDA should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We use non-IFRS financial measures to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that securities analysts, investors, and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. There are certain limitations related to the use of non-IFRS financial measures versus their nearest IFRS equivalents. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on any non-IFRS financial measure and view it in conjunction with the most comparable IFRS financial measures. In evaluating non-IFRS financial measures, you should be aware that in the future we will continue to incur expenses similar to those adjusted in non-IFRS financial measures.

Adjusted EBITDA is a non-IFRS financial measure that we calculate as net income (loss) before tax excluding depreciation and amortization expense, share based expense, unrealized gain on inventory, finance expense, other asset impairments, unrealized loss on fair value of deposits and convertible note, and listing expenses. Adjusted EBITDA is used by management to understand and evaluate the performance and trends of the Company's operations. The following table shows a reconciliation of adjusted EBITDA to net income (loss) before tax, the most comparable.

IFRS financial measure, for the years ended December 31, 2023 and 2024:

	Three months ended December 31, 2025	Three months ended December 31, 2024	**Year ended December 31, 2025**	Year ended December 31, 2024
	$	$	**$**	$
Gain (Loss) before tax	**(887,036)**	(2,650,918)	**(1,911,924)**	(1,764,791)
Accretion	**140,035**	137,801	**502,188**	323,717
Net changes in fair value	**(142,506)**	1,357,886	**(1,698,351)**	1,405,321
Depreciation and amortization	**45,865**	46,427	**185,146**	188,246
Finance cost for right of use assets	**5,290**	10,384	**28,979**	48,363
Gain on debt extinguishment	**(173,507)**	-	**(173,507)**	(2,914,776)
Interest expense	**465,643**	259,105	**1,825,504**	669,173
One time Tax credit	**-**	-	**(685,992)**	-
Miscellaneous expense	**-**	-	**(1,840)**	-
Provision for excess and obsolete inventory	**(30,821)**	141,257	**2,235**	196,572
Provision for bad debts	**46,576**	-	**46,576**	-
Stock based compensation	**991**	96,790	**1,378,168**	83,016
Tax fees	**68**	(7,272)	**(10)**	5,063
One-time costs related to up-listing to senior exchange	**-**	-	**-**	(356,961)
Adjusted EBITDA	**(529,402)**	(608,540)	**(502,828)**	(2,117,058)

Revenues increased by 36% (Gross Profit increased by 43%) on a year-over-year basis from the corresponding fourth quarter of 2024, and revenue increased by 1% (Gross profit increased by 49%) on a quarterly basis from the corresponding period in 2024. The increase in EBITDA for the years ended December 31, 2025 compared to the same period in 2024 was primarily driven by higher products sales as customers' has cleared their overstocked inventory from 2024. The Company will continue to diligently work to improve operational efficiencies. For the year ended December 31, 2025, the Company received over 1,800 new MiFleet Fleet Management SaaS Solutions sales that will contribute to new recurring revenue subscribers. Video Telematics remains a strong contributor of our overall strategy of focusing on SaaS recurring revenues, at high gross margins. Overall SaaS recurring revenue growth continues to grow with a significant pipeline of opportunities based on our strategy of focusing on growing the recurring revenue for the future.

Key Business Metrics

The following table shows a summary of our key business metrics as of the periods presented:

	As of December 31, 2025
	$
Annual recurring revenue ("ARR")	3,040,773

ARR

We believe that ARR is a key indicator of the trajectory of our business performance, enables measurement of the progress of our business initiatives, and serves as an indicator of future growth. We define ARR as the annualized value of subscription contracts that have commenced revenue recognition as of the measurement date. ARR highlights trends that may be less visible from the face of our financial statements due to ratable revenue recognition. ARR does not have a standardized meaning and is not necessarily comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and is not intended to be combined with or to replace it. ARR is not a forecast and the active contracts at the date used in calculating ARR may or may not be extended or renewed.

Results of Operations for the Three Months ended December 31, 2025

Revenues for the three months ended December 31, 2025 were $1,528,195 compared to $1,517,751 for the same period last year. Product revenue of $778,072 was consistent with $773,470 in the same period last year.

Solutions and other services revenue of $750,123 was also consistent with $744,281 in the same period last year.

Cost of revenues for the three months ended December 31, 2025 was $1,019,025 compared to $1,175,219 for the same period in 2024. The following tables summarize gross profit and gross margin:

	Gross Profit		Gross Margin	
	Q4 2025	Q4 2024	Q4 2025	Q4 2024
	$	$	%	%
Products	65,951	(83,191)	8.5%	(10.8)%
Solutions and other services	443,219	425,723	59.1%	57.2%
Total	509,170	342,532	33.3%	22.6%

The Company went through and aggressively reworked the pricing models and expanded its product portfolio to achieve healthier margins for product sales. Meanwhile, the margin for solutions and other services remains consistent with the same period last year.

General and administrative expenses for the three months ended December 31, 2025 were $1,104,249 compared to $1,544,432 for the same period in 2024. This reduction is consistent with the Company's ongoing efforts to cut costs and preserve working capital. Professional services expenses decreased compared to the same period last year primarily due to reduced consulting fees following the resignation of the CFO and a director in May 2025. Compensation and benefits decrease in 2025 resulting from the termination of employment agreements with several employees and general reduction in headcount.

The Company recognized $3,287 of bad debt recovery compared to $82,117 bad debt expenses during the same quarter last year. The decrease was primarily due to decrease in the accounts receivable balance and a change in the aging mix of those receivables, which resulting a lower allowance for doubtful accounts. The allowance is calculated each quarter based on the specific aging of the receivable portfolio.

There were no other significant changes in general and administrative expenses.

Research and development costs for the three months ended December 31, 2025 were $2,317 compared to $43,804 for the same period in 2024. The decrease was due to no R&D activities planned during the period.

Interest expense and accretion for the three months ended December 31, 2025 were $610,968 compared to $407,289 for the same period in 2024. The increase was primarily due to the interest expense of the new additional loans, promissory note, and convertible debentures that were obtained for financing during the end of last year as well as the new additional loans and promissory notes that were obtained in the current period.

Gain on debt extinguishment for the three months ended December 31, 2025 was $173,505 compared to $Nil for the same period in 2024. During the three months ended December 31, 2025, the Company entered into an agreement with the lenders to extend the maturity date of the convertible debenture from its original maturity of September 14, 2025 to October 10, 2026. The modification was deemed a substantial change. Consequently, the original debt was derecognized, a new debt instrument was recognized, and a gain on extinguishment of $173,506 was recorded.

Net changes in the fair value of derivatives for the three months ended December 31, 2025 was a gain of $142,506 compared to a loss of $1,357,886 for the same period in 2024. This favorable change was primarily driven by a decline in the Company's stock price, which reduced the fair value of derivative liabilities.

Net loss for the three months ended December 31, 2025 was $887,036, compared to net loss of $2,650,918 for the same period in 2024. The difference was primarily the result of a gain from the net changes in fair value of derivatives and an improvement in operating performance as the loss from operations narrowed to $595,079 in the three months ended December 31, 2025 from $1,245,704 for the same period in 2024.

Results of Operations for the Year ended December 31, 2025

Revenues for the year ended December 31, 2025 were $8,732,229 compared $6,408,150 for the same period last year. Product revenue of $5,653,924 has increased by 62% over the same period, driven by higher demand for as customers cleared their overstocked inventories. The Company implemented cost-cutting measures resulting in significant savings as we continue to execute on our strategy of providing SaaS Solutions to our growing sales ecosystem.

Solutions and other services revenue of $3,078,305 was up 6% from the same period as last year.

Cost of revenues for the year ended December 31, 2025 were $5,621,348 compared to $4,239,467 for the same period last year. The following tables summarize gross profit and gross margin:

	Gross Profit		Gross Margin	
	2025	2024	2025	2024
	$	$	%	%
Products	1,260,072	422,180	22.3%	12.1%
Solutions and other services	1,850,809	1,746,503	60.1%	59.9%
Total	3,110,881	2,168,683	35.6%	33.8%

The Company went through and aggressively reworked the pricing models and expanded its product portfolio to achieve healthier margins for product sales. Meanwhile, the margin for solutions and other services remains consistent with the same period last year.

General and administrative expenses for the year ended December 31, 2025 were $4,549,990 compared to $4,770,637 for the same period last year. This reduction is consistent with the Company's ongoing efforts to cut costs and preserve working capital. Professional services expenses decreased compared to last year primarily due to reduced consulting fees following the resignation of the CFO and a director in May 2025. Advertising and marketing expenses decreased in 2025 as the Company did not engage in any advertising or marketing campaigns. Compensation and benefits increase in 2025 as a result of the vesting portion of the Company's stock options granted in the prior year.

The Company recognized $46,576 of bad debt compared to $57,072 bad debt recovery during the same period last year The increase was primarily due to growth in the accounts receivable balance and a change in the aging mix of those receivables, which resulting a higher allowance for doubtful accounts. The allowance is calculated each quarter based on the specific aging of the receivable portfolio.

There were no other significant changes in general and administrative expenses.

Research and development costs for the year ended December 31, 2025 were $74,703 compared to $258,561 for the same period last year. The decrease was due to less R&D activities planned during the period.

Interest expense and accretion for the year ended December 31, 2025 were $2,356,671 compared to $1,041,253 for the same period in 2024. The increase was primarily due to the interest expense of the additional loans, promissory note, and convertible debentures that were obtained for financing during the end of last year as well as the new additional loans and promissory notes that were obtained in the current period.

Gain on debt extinguishment for the year ended December 31, 2025 was $173,505 compared to $2,914,776 for the same period in 2024. The Company entered into an agreement with a vendor in September 2024 to restructure the payables into a long-term loan with a principal of $3,200,000, bearing interest at 10%. As a result, the balance of $2,914,776 of the payables owed to this vendor was forgiven. In October 2025, the Company entered into an agreement with the lenders to extend the maturity date of the convertible debenture from its original maturity of September 14, 2025 to October 10, 2026. The modification was deemed a substantial change. Consequently, the original debt was derecognized, a new debt instrument was recognized, and a gain on extinguishment of $173,506 was recorded.

Net changes in the fair value of derivatives for the year ended December 31, 2025 was a gain of $1,698,351 compared to a loss of $1,405,321 for the same period in 2024. This favorable change was primarily driven by a decline in the Company's stock price, which reduced the fair value of derivative liabilities.

Net loss for the year ended December 31, 2025 was $1,911,924, compared to the net loss of $1,764,791 for the same period in 2024. The change in net loss was primarily due to a gain from the net changes in fair value of derivatives and an improvement in operating performance as the loss from operations narrowed from $2,601,954 to $1,439,109, offset by an increase in interest expenses and a significant gain on debt extinguishment recorded in 2024

Summary of Quarterly Results

The following table is based on the Company's financial statements prepared in accordance with IFRS. Amounts are in US$ except share numbers.

	Q4 2025	Q3 2025	Q2 2025	Q1 2025
	$	$	$	$
Revenue				
Products	778,072	1,231,172	796,454	2,848,226
Solutions & other services	750,123	797,569	762,743	767,870
	1,528,195	2,028,741	1,559,197	3,616,096
Operating Expenses	1,104,249	787,981	671,658	1,991,934
Net income (loss)	(887,036)	(575,377)	(653,646)	204,135
Basic income (loss) per share	(0.36)	(0.23)	(0.27)	0.09
Fully-diluted income (loss) per share	(0.36)	(0.23)	(0.27)	0.06
Weighted average number shares outstanding - basic	2,487,223	2,487,223	2,449,734	2,335,746
Weighted average number shares outstanding – diluted	2,487,223	2,487,223	2,449,734	3,276,225
Total fully diluted shares	2,487,223	2,487,223	2,449,734	3,283,447

	Q4 2024	Q3 2024	Q2 2024	Q1 2024
	$	$	$	$
Revenue				
Products	773,470	819,015	725,876	1,174,261
Solutions & other services	744,281	735,737	727,080	708,430
	1,517,751	1,554,752	1,452,956	1,882,691
Operating Expenses	1,588,236,	1,119,977	1,059,336	1,003,088
Net income (loss)	(2,650,918)	2,012,983	(625,904)	(500,952)
Basic income (loss) per share	(1.15)	0.87	(0.27)	(0.22)
Fully-diluted income (loss) per share	(1.15)	0.75	(0.27)	(0.22)
Weighted average number shares outstanding - basic	2,305,079	2,305,079	2,305,079	2,305,079
Weighted average number shares outstanding – diluted	2,305,079	2,818,123	2,305,079	2,305,079
Total fully diluted shares	2,305,079	2,696,438	2,305,079	2,305,079

The Company's business typically undergoes seasonal variation in the fiscal quarter ended September 30 due to disruptions in the manufacturing of hardware components in Asia driven primarily by the observance of the lunar new year holidays during that period and in the fiscal quarter ended September 30 due to summer vacations of the industrial buyers representing business or government customers.

Liquidity and Capital Resources

Convertible Promissory Debentures

In September 2022, the Company issued additional convertible promissory debentures totaling $1,500,000, bearing interest at 10% per annum (accruing annually and payable at maturity), and maturing on September 9, 2024, or a period of 24-months. The Debentures are convertible, at the option of the holder, to common stocks of DCS at a price of $8.33 or a price equal to the price of the shares of the next financing carried out before the second anniversary of the closing date at a 25% premium. Upon issuance of the debentures, the Company also issued 107,143 share purchase warrants. Each warrant entitles the holder to purchase one common stock at a price of $6.02 per share for a period of 24 months from the date of issuance of the debentures. In September 2024, the issued 107,143 share purchase warrants expired. During the year ended December 31, 2024, the Company settled this indebtedness by either issuing additional convertible promissory debentures or paying off the existing ones.

On September 13, 2024, the Company issued replacement convertible promissory debentures totaling $1,741,589, bearing interest at 15% per annum (accruing annually and payable at maturity), and maturing on September 14, 2025, or a period of 12-months to settle indebtedness related to the convertible debentures issued in 2022. The Debentures are convertible, at the option of the holder, to common stocks of DCS at a price of $6. Upon issuance of the debentures, the Company agreed to issue 196,582 share purchase warrants as additional compensation subject to CSE approval. Each warrant entitles the holder to purchase one common stock at a price of CAD$3.20 per share for a period of 24 months from the date of issuance of the warrants. The warrants had been issued during the year ended December 31, 2024. The Company was in default on the convertible debt that matured on September 14, 2025. On October 9, 2025, the Company entered into an agreement with the lenders to extend the maturity date to October 10, 2026, which cured the existing default. All other material terms, including the 15% per annum interest rate and the conversion price of US$6.00 per share, and the associated share purchase warrants remained unchanged.

Promissory Notes

In April 2024, the Company entered into a promissory note agreement of $100,000, bearing interest at 19% per annum (accruing semi - annually and payable every Nine Months), and maturing on April 15, 2026, or a period of 24-months. As additional consideration, the Company issued 10,000 purchase warrants on September 11, 2024. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.00 per share for a period of 24 months from the date of issuance.

In May 2024, the Company entered into a promissory note of $100,000, bearing interest at 19% per annum (accruing annually and payable at maturity date), and maturing on May 24, 2026, or a period of 24-months. As additional consideration, the Company issued 10,000 purchase warrants on September 11, 2024. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.00 per share for a period of 24 months from the date of issuance.

In June 2024, the Company entered into a promissory note of $100,000, bearing interest at 15% per annum (accruing annually and payable at maturity date), and maturing on June 28, 2026, or a period of 24-months. As additional consideration, the Company issued 20,000 purchase warrants on September 11, 2024. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.00 per share for a period of 24 months from the date of issuance.

In July 2024, the Company entered into a promissory note of $50,000, bearing interest at 15% per annum (accruing annually and payable at maturity date), and maturing on July 8, 2026, or a period of 24-months. As additional consideration, the Company issued 10,000 purchase warrants on September 11, 2024. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.00 per share for a period of 24 months from the date of issuance.

In August 2024, the Company entered into a promissory note of $75,000, bearing interest at 15% per annum (accruing annually and payable at maturity date), and maturing on August 31, 2026, or a period of 24-months. As additional consideration, the Company issued 15,000 purchase warrants on October 9, 2024. Each warrant entitles the holder to purchase one common stock at a price of CAD $3.14 per share for a period of 24 months from the date of issuance.

In August 2024, the Company entered into another promissory note of $250,000, bearing interest at 19% per annum (accruing annually and payable at maturity date), and maturing on August 24, 2026, or a period of 24-months. As additional consideration, the Company issued 50,000 purchase warrants on October 16, 2024. Each warrant entitles the holder to purchase one common stock at a price of CAD $3.09 per share for a period of 24 months from the date of issuance.

In November 2024, the Company entered into another promissory note of $100,000, bearing interest at 19% per annum (accruing semi-annually and payable every 6 months), and maturing on November 22, 2026, or a period of 24-months. As additional consideration, the Company issued 10,000 purchase warrants on January 10, 2025. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.95 per share for a period of 24 months from the date of issuance.

In November 2024, the Company entered into another promissory note of $50,000, bearing interest at 15% per annum (accruing annually and payable at maturity date), and maturing on November 27, 2026, or a period of 24-months. As additional consideration, the Company issued 10,000 purchase warrants on January 10, 2025. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.95 per share for a period of 24 months from the date of issuance.

In December 2024, the Company entered into promissory notes with an aggregated total of $200,000, bearing

interest at 15% per annum (accruing annually and payable at maturity date), and maturing on December 10, 2026, or a period of 24-months. As additional consideration, the Company issued 40,000 purchase warrants on January 10, 2025. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.95 per share for a period of 24 months from the date of issuance.

In December 2024, the Company entered into another promissory note of $50,000, bearing interest at 19% per annum (accruing annually and payable annually), and maturing on December 26, 2026, or a period of 24-months. As additional consideration, the Company issued 5,000 purchase warrants on January 10, 2025. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.95 per share for a period of 24 months from the date of issuance.

In January 2025, the Company entered into another promissory note of $50,000, bearing interest at 15% per annum (accruing annually and payable at maturity date), and maturing on January 10, 2027, or a period of 24-months. As additional consideration, the Company issued 10,000 purchase warrants on January 10, 2025. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.95 per share for a period of 24 months from the date of issuance.

In June 2025, the Company entered into promissory notes with an aggregated total $150,000, bearing interest at 19% per annum (accruing annually and payable annually), and maturing on June 26, 2027, or a period of 24-months. As additional consideration, the Company will issue a purchase warrant concurrently, entitling the holder to purchase 30,000 shares of common stock at a price of CAD $3.12 per share for a period of 24 months from the date of issuance.

Restructured loan from vendor payable

Pursuant to a vendor changing its terms with the Company from billing devices and device management subscriptions from a payment term of 36 months down to 30 days reducing the frequency of occurrence for long term payables, the Company entered into an agreement to restructure the payables into a long-term loan with a principal of $3,200,000, bearing interest at 10%. The interest will be due quarterly, and the principal will be due in 5 years. The balance of $2,914,776 of the payables was forgiven and recognized in the Company's consolidated statement of operating loss and comprehensive loss during the year ended December 31, 2024. As at December 31, 2025, the Company recorded $732,126 (December 31, 2024 - $196,394) accrued interest and finance fee and a carrying balance of $3,932,126 (December 31, 2024 - $3,396,394) of the loan was outstanding. During the year ended December 31, 2025, the Company paid $65,000 interest expenses. The Company has fallen behind on interest payments. Although the lender has not yet issued a formal demand letter, the loan is in default. As of the reporting date, this breach of the loan agreement entitles the lender to demand immediate repayment of the full loan balance. Therefore, the entire loan balance has been reclassified from long-term to short-term as at December 31, 2025.

Loans with collateral

In May 2024, the Company entered into a loan agreement with a third party for proceeds of $250,000. The loan is repayable in 24 monthly payments starting May 2024, bearing interest at 22.2%, and is secured by a general security agreement on the Company's assets. As of December 31, 2025, the carrying value of the loan is $53,317 and the Company was not in compliance with a covenant of the loan agreement that prohibits entering into additional financing arrangements without the lender's consent.

In August 2024, the Company entered into two loan agreements with third parties for proceeds of $174,221 and $200,000. The loans are repayable in 65 and 35 weekly payments, respectively, starting August 2024, bearing interest at 23.5% and 37.24% respectively, and are secured by a general security agreement on the Company's assets. These loans were replaced in March 2025.

In March 2025, the Company entered into a loan agreement with a third party for proceeds of $284,500. The loan is repayable in 35 weekly payments, starting April 2025, bearing Estimated Annual Percentage Rate at 84.26%, and is secured by a general security agreement on the Company's assets. The loan is also personally guaranteed by the Company's former CEO. The estimated weekly payment is based on 1.97% of the Company's estimated weekly projected revenue. The Company incurred the total cost of the financing of $90,500 relating to this loan. As of December 31, 2025, the carrying value of the loan was $13,371 and the Company was not in compliance with a covenant of the loan agreement that prohibits entering into additional financing arrangements without the lender's consent and has also fallen behind on interest payments. While the lender has not yet taken formal action, the non-compliance could allow the lender to demand immediate repayment of the full loan balance, exercise its rights under the related security agreement and personal guarantee, and seek with contractual damages and collection costs. The Company fully repaid the loan in January 2026.

In March 2025, the Company entered into a loan agreement with a third party for proceeds of $175,000. The loan is repayable in 65 weekly payments, starting April 2025, bearing Annual Percentage Rate at 47.22%, and is secured by a general security agreement on the Company's assets. The Company incurred the total cost of the financing of $50,575 relating to this loan. As of December 31, 2025, the carrying value of the loan was $80,774 and Company was not in compliance with a covenant of the loan agreement that prohibits entering into additional financing arrangements. While the lender has not yet taken formal action, this non-compliance could allow the lender to demand immediate repayment of the full loan balance, exercise its rights under the related security agreement and personal guarantee, and seek with contractual damages and collection costs.

In April 2025, the Company entered into a loan agreement with third party for proceeds of $235,000. The loan is payable in 26 weekly payments, starting April 2025, bearing Estimated Annual Percentage Rate at 165%, and is secured by a general security agreement on the Company's assets. The loan is also personally guaranteed by the Company's former CEO. The estimated weekly payment is based on the 18% share of the Company's projected revenue. The Company incurred the total cost of the financing of $100,000 relating to this loan. As of December 31, 2025, the loan was fully repaid.

Loans with Inventory as Collateral

During the year ended December 31, 2023, the Company entered into two loan agreements under which the lenders agreed to finance the Company's inventory, with $110,532 of inventory pledged as collateral. The Company entered into two additional loan agreements during the year ended December 31, 2024 and pledged an additional $234,312 of inventory as collateral. During the year ended December 31, 2025, one loan matured and was repaid. Upon the maturity and repayment of this loan, the Company incurred a penalty of $242,568 for breaching the terms of the loan agreement. As of December 31, 2025, this penalty has been fully repaid.

	Loan 1	**Loan 2**	**Loan 3**
Expected term (months)	60	36	24
Interest rate	6.77%	19.02%	16%
Payable within 12 months	$11,703	$9,921	$25,646
Payable not due in 12 months	$21,140	-	-

During the year ended December 31, 2025, the Company recorded $37,728 (2024-$122,044) of interest expense in the consolidated statement of loss and comprehensive loss in connection to the three loan agreements. As of December 31, 2025, a carrying balance of $68,409 (December 31, 2024 - $160,233) relating to the loans were outstanding. The Company is exposed to potential contingent liabilities related to outstanding loans.

Related party loans

During the year ended December 31, 2025, a company controlled by a family member of Mr. Mike Zhou, a principal shareholder of the Company, advanced $136,100 to the Company to support its operations. The funds were used to pay off outstanding consulting fees. The advance is non-interest-bearing and repayable on demand. On July 14, 2025, the Company entered into a promissory note for $1,386,000 with the same related party, which replaced the above mentioned advance on demand. This promissory note, structured as a bridge loan, features an Original Issue Discount (OID) of $126,000. It is to be funded in up to six monthly tranches of up to $210,000 each. Each tranche matures 12 months from its respective advance date. The loan bears interest at a rate of 10% per annum and is personally guaranteed by the Company's former CEO. As of December 31, 2025, the Company has received six tranches of loan totaling $941,588. The loan bears effect interest rate of 18.37%. The carrying amount of the loan was $958,133, which included accrued interest of $18,861.

Separately, in July 2025, the Company entered into a supply chain loan agreement with the same related party for up to $500,000. The loan carries fixed interest amount of $30,000, payable annually in advance. The loan is personally guaranteed by the Chairman of the Board of Directors. As of December 31, 2025, the Company has drawn $101,200 under this agreement and has recorded interest expenses of $3,036.

Credit facility

In January 2020, the Company entered into a two-year agreement with TAB Bank ("TAB") for a $2,500,000 credit facility. Under the TAB Bank credit facility, the Company is obligated to assign all its accounts receivables, and the Company may request advances up to 90% of domestic accounts less than 90 days from the invoice date and not subject to offset up to $2,000,000. Interest is payable monthly at a rate the greater of (a) 90-Day SOFR rate plus 4.50% and (b) 6.41%. In addition, there is an administration fee equal to 0.008% per diem of the outstanding daily obligations.
The agreement is further extended automatically for a successive one-year term. As of December 31, 2025, the expiry date is January 23, 2026. The agreement was automatically renewed on January 23, 2026.

Cash Flows Activities

Cash flows used in operating activities during the year ended December 31, 2025 were $589,860 compared to cash flows used in operating activities of $360,300 during the same period last year.

There were no investing activities for cash flows during the year ended December 31, 2025 and 2024.

Cash flows provided in financing activities during the year ended December 31, 2025 were $125,038 compared to $937,266 during the same period last year. Net repayment on the credit facility were $117,648 during the year ended December 31, 2025 compared to net repayments of $37,930 in the same period last year. During the year ended December 31, 2025, the Company received $200,000 from promissory notes, $694,000 from third party loans, $1,042,788 from a related party loan and $83,978 from the exercise of warrants and repaid loans of $1,541,378 compared to promissory notes of $1,025,000 received, loans of $799,835 received from third parties and loan repayments of $559,834 and repayment on convertible debenture of $60,000 during the same period last year.

At December 31, 2025, the Company had working capital deficiency of $9,478,479 (December 31, 2024 - $5,238,936).

Capital Resources

Share Capital

The Company has authorized 5,714,286 shares with a par value of $0.00001 per share.

During the year ended December 31, 2025, 40,000 common shares were issued pursuant to 40,000 share purchase warrants exercised at $2.95 CAD per share for gross proceeds of $83,978. An amount of $153,665 previously recognized as a warrant derivative liability has been reallocated to share capital.

During the year ended December 31, 2025, 142,144 common shares were issued pursuant to the vesting of 142,144 RSUs.

There were no transactions affecting share capital during the year ended December 31, 2025.

Warrants

In September 2022, the Company issued convertible promissory debentures (Note 9) and upon issuance of the debentures, the company also issued 107,143 share purchase warrants. Each warrant entitles the holder to purchase one common stock at a price of $6.02 per share for a period of 24 months from the date of issuance of the debentures. In September 2024, 107,143 share purchase warrants expired.

In September 2024, the Company issued convertible promissory debentures (Note 9) and upon issuance of the debentures, the company agreed to issue 196,582 share purchase warrants. Each warrant entitles the holder to purchase one common stock at a price of $2.36 per share for a period of 24 months from the date of issuance of the warrant. The warrants were issued on October 10, 2024.

From April to December 2024, the Company entered into promissory note agreements and subsequently issued 180,000 purchase warrants. Each warrant entitles the holder to purchase one common stock at various price of CAD $2.00 to CAD $3.14 per share for a period of 24 months from the date of issuance depending on the promissory notes term. The Company determined the warrants represent an embedded derivative and has accounted for the warrants in derivative liability.

During January 2025, the Company entered into a promissory note agreement and issued 10,000 purchase warrants in connection to the promissory note. Each warrant entitles the holder to purchase one common stock at the price of CAD $2.95 per share for a period of 24 months from the date of issuance.

During June 2025, the Company entered into two promissory note agreements and issue 30,000 purchase warrants in connection to the promissory notes. Each warrant entitles the holder to purchase one common stock at the price of CAD $3.12 per share for a period of 24 months from the date of issuance.

The Company determined the warrants represent an embedded derivative and has accounted for the warrants in derivative liability.

The following table summarizes the warrant activity for the year ended December 31, 2025 and 2024:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2023	107,143	$ 6.02
Granted	311,582	2.08
Expired	(107,143)	6.02
Outstanding, December 31, 2024	311,582	$ 2.08
Granted	105,000	2.15
Exercised	(40,000)	2.05
Outstanding, December 31, 2025	376,582	$2.18

At the date of this report, the Company had outstanding and warrants as follows:

Date of Expiry	Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Life (years)
September 11, 2026	50,000	CAD $2.00	0.70
October 9, 2026	15,000	CAD $3.14	0.77
October 10, 2026	196,582	CAD $3.20	0.78
October 16, 2026	50,000	CAD $3.09	0.79
January 10, 2027	35,000	CAD $2.95	1.03
June 16, 2027	30,000	CAD $3.12	1.46

Stock Options

In October 2017, the Company's board of directors and stockholders approved the 2017 Stock Plan under which 500,000 shares of common stock are reserved for the granting of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock and performance awards to employees, directors, and consultants. Recipients of stock option awards are eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The maximum term of awards granted under the 2017 Plan is ten years and vesting is determined by the board of directors. Stock awards are generally not exercisable prior to the applicable vesting date, unless otherwise accelerated under the terms of the applicable stock plan agreement. Unvested shares of the Company's common stock issued in connection with an early exercise allowed by the Company may be repurchased by the Company upon termination of the optionee's service with the Company. The vesting terms of each option grant are at the discretion of the Board of Directors.

In December 2023, the Board of Directors and a majority of the stockholders approved to replace the 2017 Stock Plan with the 2023 Omnibus Plan. Any previously granted stock options shall continue to exist under the 2023 Omnibus plan, and the number of authorized shares for combined issuance of awards, including stock options, as of December 31, 2025 is 1,000,000.

The following table summarizes stock option transactions under the 2023 Omnibus Plan:

	Number of Options	Weighted average exercise price
Outstanding, December 31, 2023	**540,857**	**$ 4.03**
Granted	177,500	$ 5.00
Forfeited	(269,428)	$ 3.66
Outstanding, December 31, 2025 and 2024	**448,929**	**$ 4.64**

At the date of this report, the Company had outstanding and exercisable stock options as follows:

Date of Expiry	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Weighted Average Remaining Life (years)
October 5, 2027	178,571	178,571	$3.29	1.76
February 4, 2032	6,429	6,238	$2.87	6.10
February 24, 2032	10,715	10,715	$2.87	6.15
March 14, 2032	8,571	8,238	$4.13	6.21
May 9, 2027	52,857	52,857	$8.40	1.35
May 9, 2027	14,286	14,286	$5.53	1.35
December 23, 2029	177,500	177,500	CAD$7.20	3.98

During the year ended December 31, 2025, no options were granted.

Restricted Shares Unit ("RSU")

Pursuant to the approval of 2023 Omnibus Plan, the maximum number of common shares that may be issued for all awards, including RSU, is 1,000,000 shares. The following table summarizes RSU transactions under the 2023 Omnibus Plan:

	Number of RSU	Weighted average Fair value
Outstanding, December 31, 2023	-	-
Granted	142,144	$ 5.10
Outstanding, December 31, 2024	142,144	$ 5.10
Vested	(142,144)	$ (5.10)
Outstanding, December 31, 2025	-	$ -

During the year ended December 31, 2025, all RSUs are vested and no RSUs were granted.

Summary of outstanding shares data as at the date of the report:

	Number of shares	Exercise Price	Weighted Average Remaining Life
Common stock	2,487,222	NA	NA
Stock options	448,929	$2.87-$8.4	2.83
Warrants	376,582	$2.00 to CAD $3.20	0.84

Related Party Transactions

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Years ended December 31,	
	2025	**2024**
	$	$
Salary	775,707	790,040
Consulting fees	225,000	480,000
Marketing Service	-	6,000
Share-based compensation	78,806	6,711
Restricted stock units	677,398	47,537
Total	1,756,911	1,330,288

Transaction with related parties

Chris Bursey, former President and CEO of the Company, incurred $140,755 in operating expenses on behalf of the Company in 2025 (2024 – $112,014). As of December 31, 2025, the Company owed $Nil (2024 – receivable of $2,259) to Mr. Bursey. Mr. Bursey resigned as the director and the CEO of the Company in September 2025.

John Hubler, former director of the Company, is a partner of BH IoT Group. The Company recorded $Nil in professional fees in 2025 (2024 – $140,000). Mr. Hubler was considered a related party from April 2023 to August 2024.

Mike Zhou, director of the Company, is the owner of MYZ Corporate Relations, Ltd. No professional fees were recorded in 2025 or 2024. A company controlled by a family member of Mr. Zhou lent $941,588 (promissory loan) and $101,200 (supply chain loan) to the Company during the year ended December 31, 2025. The amounts were recorded as current debt.

On July 1, 2025, the Company acquired Enlighten Commerce Inc. ("EC") from a family member of Mr. Zhou for a total consideration of $600. The purpose of acquisition was to keep transactions completed under the terms and conditions of the Supply Chain Agreement separate and apart from the Company's day-to-day operational transactions. Subsequently, the former owner of EC decided to exercise the repurchase option under Section 6(a) of the Repurchase Clause to repurchase 100,000 common shares of EC for $3,000. This transaction is currently in process.
During the year ended December 31, 2025, the owner of EC incurred $35,162 operating expenses on behalf of the Company. As of December 31, 2025, the Company owed $24,727 to the owner of EC, and the outstanding balance was included in accounts payable.

Mr. Lichtenwald, former director and CFO of the Company, is a principal at Zeus Capital Ltd. and Zeus Accounting Solutions Corp. The Company recorded $75,000 (2024 – $180,000) in fees to Zeus Capital Ltd. and $62,500 (2024 – $150,000) to Zeus Accounting Solutions Corp. As of December 31, 2025, the Company owed $30,000 to Zeus Capital Ltd. and $25,000 to Zeus Accounting Solutions Corp. Mr. Lichtenwald resigned as CFO of the Company in May 2025.

Julie Hajduk, former director of the Company, is a principal at Purple Crown Communications Corp. No related party fees were recorded in 2025 (2024 – $16,000 total). Ms. Hajduk resigned as a director in June 2025.

On May 31, 2025, the Company entered into an agreement with Ying Xu to provide interim CFO service fees of $12,500 monthly. The Company recorded $87,000 of professional fees on the consolidated statement of operations for the year ended December 31, 2025 (2024 - $nil). As of December 31, 2025, the Company owed $25,000 (December 31, 2024 - $nil) to Ms.Xu.

Critical Accounting Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but not limited to the following:

- Allowance for doubtful accounts receivable - The Company makes allowances for doubtful accounts based on its best estimate of the amount of probable credit losses in existing accounts receivable. These are determined based on analyzing known uncollectible accounts, aged receivables, economic conditions, historical losses, and changes in customer payment cycles and the customers' creditworthiness.

- Provision for excess and obsolete inventory - Inventory is valued at the lower of cost and net realizable value. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. All these estimates involve uncertainty relating to future pricing, demand and market conditions. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.

- Fair value of stock options and warrants, and derivative liability - Determining the fair value of warrants and stock options requires judgements related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity (deficiency).

- Fair value of the liability component of hybrid financial instrument at initial recognition – Determining the fair value of the liability component requires judgement related to market rate of interest. The market rate of interest used is based on judgement including the Company's own credit risk, economic environment terms, and interest rate charged to comparable companies. Changes in assumptions can materially affect the fair value estimate of the financial instrument.

- Income taxes - Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and future periods. Deferred tax assets, if any, are recognized to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

- Estimated product returns - Revenue from product sales is recognized net of estimated sales discounts, credits, returns, rebates and allowances. The return allowance is determined based on an analysis of the historical rate of returns, industry return data, and current market conditions, which is applied directly against sales. The Company recognizes product returns when incurred due to the infrequent occurrence of returns.

- Employee retention tax credits – Under the provisions of the CARES Act, the Company is eligible for refundable employee retention credits subject to certain criteria. In connection with the CARES Act, the Company adopted a policy to recognize the employee retention credit when received given the uncertainty of when the credit will be received. The Company recorded $685,992 (2024 - $Nil) employee retention tax credit during the year end December 31, 2025.

Critical Accounting Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

- Deferred income taxes – judgements are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

- Going concern – As disclosed in Note 1 to the condensed consolidated financial statements.

- Revenue Recognition - The Company sells several telematics devices bundled with a multi-year software licenses under the same contractual arrangement, giving rise to considerations on whether there are distinct performance obligations requiring separate recognition and whether the Company is acting as principal or agent in the contract. Key considerations in determining whether the performance obligations are distinct are whether the promise to deliver the hardware component of the contract is separately identifiable from other contractual promises as well as the level of interdependency between the components of the contract. The Company has concluded the bundled contract represents one performance obligation and that the Company is acting as principal in the arrangement, resulting in the Company recognizing revenue and cost of sales on a gross basis on delivery of the telematics device. Significant judgement is involved in the assessments made by management.

- Debt modification - a judgment is exercised by management in determining whether a modification to the terms of an existing financial liability is substantial or non-substantial. A modification is considered substantial if the discounted present value of the cash flows under the new terms, including any fees paid or received, differs by at least 10% from the discounted present value of the remaining cash flows of the original financial liability, with both present values calculated using the original effective interest rate. If a modification is determined to be substantial, the original financial liability is derecognized, and a new financial liability is recognized at its fair value. The fair value measurement of a new financial liability often involves the use of valuation techniques that incorporate observable market data where available, and unobservable inputs where market data is not available. Key unobservable inputs may include credit risk adjustments, liquidity premiums, and assumptions about future market conditions. Significant judgment is required in selecting appropriate valuation models and inputs, and different assumptions could lead to materially different fair values and consequently, different gains or losses recognized in profit or loss. Management's judgments and estimates are based on historical experience and current expectations of future events, which are considered reasonable under the prevailing circumstances. However, actual outcomes may diverge from these estimates.

Financial Instruments

The Company's financial assets include cash and amounts receivable. The carrying value of cash and amounts receivable approximates their fair value due to their short term to maturity.

The Company's financial liabilities include accounts payables, loans, derivative liability, credit facility, and customer deposits. The carrying value of these items approximates their fair value, which is the amount recorded on the consolidated statement of financial position.

Financial Risk Factors

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company places its cash with institutions of high credit worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Company has established a credit policy under which each major new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits and terms are established for each customer and reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's wholesale and retail customers.

Trade and other receivables consist of:

	December 31, 2025	December 31, 2024
Accounts receivable	$ 536,494	$ 678,636
Other receivables	70,809	144,377
Allowance for doubtful accounts	(95,887)	(66,055)
Total	$ 511,416	$ 756,958

During the year ended December 31, 2025, $46,576 (2024 – recovery of $57,072) of bad debt expenses had been recognized in the consolidated statement of operating loss and comprehensive loss.

Aged trade receivable listing:

Days outstanding	December 31, 2025	December 31, 2024
Current	$ 337,726	$ 2,282,645
1 – 30	38,594	(1,870,748)
31 – 60	31,083	114,022
61 - 90	14,327	157,872
> 90	114,764	(5,154)
Total	$ 536,494	$ 678,637

The company's maximum exposure to credit risk is the combined carrying amount of its financial assets as at December 31, 2025 is $654,283 (December 31, 2024 - $1,364,647).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company examines current forecasts of its liquidity requirements so as to make certain that there is sufficient cash for its operating needs. These forecasts take into consideration matters such as the Company's plan to use debt for financing its activity, compliance with any required financial covenants and liquidity ratios, and compliance with external requirements such as laws or regulation.

The Company has a factoring agreement with external funding (Note 8). The Company's accounts payable and accrued liabilities have contractual terms of 30 to 90 days.

Market risk

a) Currency Risk

The Company is located in the United States and virtually all transactions including the company's sales and debt are denominated in US dollars.

b) Interest Rate Risk

The Company's debt has fixed interest rates and are not exposed to interest rate risk until maturity. The Company's credit facility is variable based on the 90 day SOFR rate. A 1% increase in the 90 day SOFR rate would not have a significant impact on profit and loss.

c) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk or currency risk. The Company is not exposed to significant price risk.

Concentration risk

The Company derived revenue from one customer totaling 36.5% and one customers totaling 22.5% of the Company's total revenue for the year ended December 31, 2025 and 2024, respectively. As at December 31, 2025 and 2024, one customer accounted for a total of 16.8% and 18% of accounts receivable, respectively.

To manage the concentration of customer risk, the Company continuously looks for opportunities to diverse revenue streams and expand client base via marketing. All contracts with customers are signed for a term, and the Company ensures the customer needs are being met by building exceptional customer service relationships.

The Company has concentrations in the purchases with its suppliers. For the year ended December 31, 2025 and 2024, the two largest suppliers accounted for a total of 83% and 83% of total purchases, respectively.

Commitments and Contingent Liabilities

1) Effective October 1, 2021, the Company has agreed to an annual purchase commitment for a period of three years with a significant vendor. The Company's obligation to the vendor shall be satisfied by the submission of non-cancellable orders for each contract year with an aggregate value equal to or in excess of $8 million. Effective October 2023, the Company revised the agreement with the significant vendor by eliminating the minimum spend to "Forecast" and waiving the penalty fees.

2) The Company entered into loan agreements with three lenders under which the lenders agreed to finance the Company's inventory, with the inventory pledged as collateral. According to the terms of these agreements, the Company may either return the pledged inventory upon expiry or early termination of the agreements, or exercise the Fair Market Value purchase option by providing written notice at least 180 days before the expiration date. However, as the Company is highly likely to retain the pledged inventory without following the prescribed return or notice procedures, the Company may consequently incur penalties or additional charges from the lenders. Refer to Note 10 for details on the penalty charged upon the termination of one of the loans.

   Management has evaluated this matter in accordance with IAS 37. While an outflow of economic resources is considered probable, the amount of the potential liability cannot be reliably estimated, as any penalty would be based on the lenders' determination of the inventory's fair market value at the time of default, and no objective valuation method is currently available. Therefore, no provision has been recognized in the financial statements. The Company will continue to assess the matter as more information becomes available.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.