

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.