Direct Communication Solutions, Inc.

Condensed Consolidated Interim Financial Statements
(Expressed in US Dollars)

As at and for the three months ended
March 31, 2026 and 2025

Direct Communication Solutions, Inc.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

June 1, 2026

Direct Communication Solutions, Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in US dollars - Unaudited)
As at March 31, 2026 and December 31, 2025

	Notes	March 31, 2026 (Unaudited) $	December 31, 2025 (Audited) $
ASSETS			
Current			
Cash		**-**	142,167
Restricted cash	**4**	**700**	700
Accounts and other receivables	**15**	**551,623**	511,416
Inventory	**5**	**80,588**	485,776
Prepaid expenses		**70,284**	69,293
Current assets		**703,165**	1,209,352
Equipment	**6**	**567**	1,267
Security deposit		**50,056**	50,056
Right-of-use assets	**10**	**476,495**	149,850
Total assets		**1,230,283**	1,410,525
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Bank overdrafts		**21,886**	-
Accounts payable	**7**	**717,637**	836,187
Accrued liabilities	**7**	**1,492,419**	1,407,441
Credit facility	**8**	**22,202**	88,436
Current debt	**9**	**7,688,511**	7,506,772
Deferred revenue	**9**	**198,211**	434,136
Derivative instrument	**9**	**5,822**	220,054
Lease liabilities	**10**	**66,902**	194,805
Current liabilities		**10,213,590**	10,687,831
Lease liabilities	**10**	**411,418**	-
Long term debt	**9**	**156,991**	193,005
Total liabilities		**10,781,999**	10,880,836
Shareholders' deficiency			
Common stock	**11**	**61**	61
Reserves	**11**	**9,159,740**	9,158,867
Accumulated deficit		**(18,711,517)**	(18,629,239)
Total shareholders' deficiency		**(9,551,716)**	(9,470,311)
Total liabilities and shareholders' deficiency		**1,230,283**	1,410,525

Nature of operations and going concern (Note 1)

Approved on June 1,2026 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 condensed consolidated interim financial statements.

Direct Communication Solutions, Inc.

Condensed Consolidated Interim Statements of Operating Loss and Comprehensive Loss

(Expressed in US dollars - Unaudited)

For the three months ended March 31, 2026 and 2025

	Notes	**2026**	2025
		$	$
Revenues:			
Products		**1,113,066**	2,848,226
Solutions and other services		**785,248**	767,870
Total revenues	12	**1,898,314**	3,616,096
Cost of Revenues			
Products		**925,479**	2,155,870
Solutions and other services		**300,147**	297,949
Total cost of revenues		**1,225,626**	2,453,819
Gross profit		**672,688**	1,162,277
OPERATING EXPENSES			
Research and development		**3,440**	75,162
General and administrative			
Compensation and benefits		**401,097**	1,613,150
Depreciation and amortization	6, 10	**37,782**	46,427
Professional fees		**205,774**	201,496
Bank fees		**26,623**	40,309
Bad debt expense (recovery)	15	**26,687**	(1,771)
Facilities		**15,788**	20,289
Information technology		**29,825**	44,671
Other	17	**6,206**	(47,799)
Total operating expenses		**753,222**	1,991,934
Net operating loss		**80,534**	(829,657)
OTHER INCOME (EXPENSES)			
Changes in fair value of derivative	9	**217,643**	1,532,159
Rental income		**-**	3,000
Interest expense and accretion	8, 9, 10	**(425,587)**	(501,367)
Other income		**200,000**	-
Net Income (loss) for the year		**(82,281)**	204,135
Weighted average number of common stocks:			
Basic		**2,487,223**	2,335,746
Diluted		**2,487,223**	3,276,225
Loss per share – basic and diluted			
Basic		**$ (0.03)**	$ 0.09
Diluted		**$ (0.03)**	$ 0.06

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

Direct Communication Solutions, Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders Deficiency

(Expressed in US dollars - Unaudited)

For the three months ended March 31, 2026 and 2025

	Number of Common stocks	Common Stock Amount	Reserves	Accumulated Deficit	Total Shareholders' (Deficiency)
		$	$	$	$
Balance, January 1, 2025	**2,305,079**	**61**	**7,543,056**	**(16,717,315)**	**(9,174,198)**
Stock-based compensation expense	-	-	1,378,168	-	1,378,168
Exercise of warrants	40,000	-	237,643	-	237,643
Net profit for the period	-	-	-	204,135	204,135
Balance, March 31, 2025	**2,345,079**	**61**	**8,861,197**	**(16,513,180)**	**(7,645,992)**
Stock-based compensation expense	-	-	291,670		**291,670**
Restricted share units vested	142,144	-	-	-	-
Net loss for the period	-	-		(2,116,059)	(2,116,059)
Balance, January 1, 2026	**2,487,223**	**61**	**9,158,867**	**(18,629,239)**	**(9,470,311)**
Stock-based compensation expense			873		873
Net loss for the period				(82,281)	(82,281)
Balance, March 31, 2026	**2,487,223**	**61**	**9,159,740**	**(18,711,517)**	**(9,551,716)**

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

Direct Communication Solutions, Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in US dollars - Unaudited)
For the three months ended March 31, 2026 and 2025

	2026	2025
	$	$
Cash provided by / (used for):		
Operating Activities:		
Net profit (loss) for the period	**(82,281)**	204,135
Items not affecting cash:		-
Accretion and interest on convertible debentures and promissory note	**213,080**	198,940
Accrued interest for loan	**205,461**	83,252
Bad debt expense	**26,687**	(1,771)
Depreciation and amortization	**37,782**	46,426
Changes in fair value of derivative	**(217,643)**	(1,532,159)
Gain on early termination of lease	**(37,247)**	-
Finance costs for right-of-use assets	**5,132**	9,160
Stock-based compensation	**873**	1,086,498
Gain on debt extinguishment	**(6,869)**	(1,840)
Provision for excess and obsolete inventory	**101,300**	17,544
Net change in non-cash working capital items:		
Accounts and other receivables	**(66,894)**	66,169
Inventory	**303,918**	(6,761)
Prepaid expenses	**-**	619,733
Accounts payable	**(118,545)**	(28,051)
Accrued liabilities	**(21,887)**	219,922
Deferred offering costs	**(2,500)**	-
Deferred revenue	**(235,925)**	(1,615,661)
Net cash provided (used in) by operating activities	**104,442**	(634,464)
Investing Activities:		
Net cash used in investing activities	**-**	-
Financing Activities:		
Lease payments	**(48,098)**	(58,881)
Net repayments on credit facility	**(66,234)**	(94,858)
Proceeds from promissory notes	**-**	50,000
Proceeds from loan	**-**	774,500
Payments on loan	**(154,163)**	(562,572)
Exercise of warrants	**-**	83,980
Net cash provided (used in) financing activities	**(268,495)**	192,169
Change in cash for the period	**(164,057)**	(442,295)
Cash, beginning of the period	**142,867**	607,689
Cash and restricted cash (bank overdrafts), end of the period	**(21,186)**	165,394

	2026	2025
Supplemental disclosure of cash flow information:	**$**	$
Cash paid during the period for:		
Interest expense:	**56,900**	104,391
Income taxes	**-**	-

The accompanying notes are an integral part of these condensed consolidated interim 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 OTCQX market, a U.S. trading platform, under the symbol DCSX, and on the Frankfurt Stock Exchange market under the symbol 7QU0.

Going Concern

The accompanying condensed consolidated interim 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.

As at March 31, 2026,the Company had an accumulated deficit of $18,711,517 and working capital deficit of $9,510,425 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 condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards ("IFRS") and as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The condensed consolidated interim financial statements have been prepared in conformity with IAS 34 Interim Financial Reporting and do not include all the information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financials for the year ended December 31, 2025 and 2024.

2. BASIS OF PREPARATION (cont'd)

Basis of consolidation

The condensed consolidated interim 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.

These condensed consolidated interim 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 condensed consolidated interim 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., and its wholly owned subsidiary, Enlighted Commerce Inc., are 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 condensed consolidated interim 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.

2. BASIS OF PREPARATION (cont'd)

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 condensed consolidated interim 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.

- 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' deficiency.

- 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 $nil (2025 - $127,603l) employee retention tax credit during the period end March 31, 2026.

ii) Critical accounting judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim 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.

(Expressed in US dollars - Unaudited)

2. BASIS OF PREPARATION (cont'd)

ii) Critical accounting judgements (cont'd)

- Going concern – As disclosed in Note 1 to the condensed consolidated interim 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 judgment is involved in the assessments made by management.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's most recent audited consolidated financial statements for the years ended December 31, 2025 and 2024.

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 financial statements.

4. RESTRICTED CASH

As of March 31, 2026, the Company has a restricted cash of $700 (December 31, 2025 - $700), which will be subsequently used to offset the TAB Bank credit facility (Note 8).

5. INVENTORY

Inventory consists of the following:

	March 31, 2026	December 31, 2025
Components and raw materials	$ 655,018	$ 958,936
Allowance for components and raw materials	(577,038)	(475,738)
Assemblies	34,293	34,293
Allowance for assemblies	(31,715)	(30,534)
	$ 80,558	$ 485,776

During the three months ended March 31, 2026, a total of $925,479 inventory was expensed as cost of sales (2025 - $2,155,870). Inventory has been reduced by $608,753 (2025 - $507,453) as a provision for excess and obsolete inventory at March 31, 2026

As discussed in Note 8, TAB has a lien on all the Company's assets which includes inventory. As at March 31, 2026, the Company had pledged $130,576 (December 31, 2025 - $130,576) of inventory as collateral for three (December 31, 2025 – three) loans (Note 9).

(Expressed in US dollars - Unaudited)

6. EQUIPMENT

Equipment consists of the following:

	March 31, 2026	December 31, 2025
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	(263,098)	(262,398)
	$ 567	$ 1,267

Depreciation expenses were $700 and $1,471 for the three months ended March 31, 2026 and 2025, respectively.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	March 31, 2026	December 31, 2025
Accrued sales tax	$ 184,049	$ 170,069
Payroll related expenses	137,915	173,779
Interest accrued (Note 9)	838,991	732,126
Other	331,464	331,467
	$ 1,492,419	$ 1,407,441

Accounts payable consist of the following:

	March 31, 2026	December 31, 2025
Vendor payable due within 12 months	$ 717,637	$ 836,187

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 successive one year term. As of March 31, 2026, the expiry date is January 23, 2027.

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.

(Expressed in US dollars - Unaudited)

8. CREDIT FACILITY (cont'd)

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 March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
Carrying amount of available credit limit in connection to the credit facility	$ 19,739	$ 106,703
Outstanding balance	22,202	88,436

9. DEBT

I. Convertible Promissory 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:

(Expressed in US dollars - Unaudited)

9. DEBT (cont'd)

I. ***Convertible Promissory Debentures (cont'd)***

	March 31, 2026	December 31, 2025
Expected term (years)	0.53	0.77
Stock price	$0.70	$2.28
Risk-free interest rate	3.72%	3.54%
Expected volatility	72%	69%
Dividend yield	0.00%	0.00%
Estimated forfeitures	0.00%	0.00%

The following table presents the Company's embedded conversion features of its convertible debt measured at fair value on a recurring basis as of March 31, 2026 and December 31, 2025, determined based on "Level 3" inputs.

	Derivative
	$
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**
Net changes in fair value included in net loss	(106,609)
Balance at March 31, 2026	**571**

The debt component of the convertible debenture is subsequently measured at amortized costs. 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 the 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 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

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 for the year ended December 31, 2025.

(Expressed in US dollars - Unaudited)

9. DEBT (cont'd)

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 March 31,2026, accrued interest on the new convertible debenture amounted to $123,820 (December 31, 2025: $59,405).

II. __Deferred Revenue__

Deferred revenue consisted of payments made by certain clients at the end of the reporting period prepaying for Company's subscriptions, services, or products. The Company records a contract liability when we receive consideration in advance of transferring goods or services to a customer. As at March 31, 2026, our contract liability balance was $198,211 (December 31, 2025 - $434,136). During the period ended March 31, 2026 the Company recognized $426,147 of revenue that was included in the contract liability balance at December 31, 2025.

III. __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 / Share
	$					CAD
1	100,000	April 15, 2024	April 15, 2026	19%	10,000	2.00
2	100,000	May 24, 2024	May 24, 2026	19%	10,000	2.00
3	100,000	June 28, 2024	June 28, 2026	15%	20,000	2.00
4	50,000	July 8, 2024	July 8, 2026	15%	10,000	2.00
5	250,000	August 24, 2024	August 24, 2026	19%	50,000	3.09
6	75,000	August 31, 2024	August 31, 2026	15%	15,000	3.14
7	100,000	November 22, 2024	November 22, 2026	19%	10,000	2.95
8	50,000	November 27, 2024	November 27, 2026	15%	10,000	2.95
9	200,000	December 10, 2024	December 10, 2026	15%	40,000	2.95
10	50,000	December 26, 2024	December 26, 2026	19%	5,000	2.95
11	50,000	January 10, 2025	January 10, 2027	15%	10,000	2.95
12	100,000	June 16, 2025	June16, 2027	19%	20,000	3.12
13	50,000	June 16, 2025	June 16, 2027	19%	10,000	3.12
	1,275,000					

(Expressed in US dollars - Unaudited)

9. DEBT (cont'd)

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:

	March 31, 2026	December 31, 2025
Expected term (years)	0.45-1.21	0.70-1.46
Stock price	$0.70	$2.28
Risk-free interest rate	3.68%-3.74%	3.51%
Expected volatility	71%-115%	68%-92%
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.

	Derivative $
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 and March 31, 2026	**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:

	EIR per annum	December 31, 2025	Additions (Repayments)	Interest Accretion	March 31, 2026	Total Interest accrued
	%	$	$	$	$	$
1	21	123,915	-	6,490	130,405	27,718
2	21	121,388	-	6,276	127,664	25,688
3	23	115,985	-	6,847	122,832	26,343
4	25	57,160	-	3,607	60,767	12,965
5	37	76,533	-	7,182	83,715	17,784
6	42	255,078	-	23,693	278,771	52,250
7	35	105,830	-	6,949	112,779	16,215
8	34	47,984	-	4,128	52,112	10,048
9	40	38,814	(4,750)	5.099	39,163	2,472
10	62	147,603	-	23,560	171,163	39,123
11	38	44,356	-	4,260	48,616	9,144
12	34	85,006	-	7,320	92,326	14,992
13	34	42,503	-	3,660	46,163	7,496
		1,262,155	(4,750)	109,071	1,366,476	262,241

9. DEBT (cont'd)

IV. <u>Loans</u>

- ***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 March 31, 2026, the Company recorded $838,991 (December 31, 2025 - $732,126) accrued interest and finance fee and a carrying balance of $4,038,991 (December 31, 2024 - $3,932,126) of the loan was outstanding.

As at March 31, 2026, 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 classified as current liability.

- ***Loans with collateral***

a. 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 March 31, 2026, the carrying value of the loan is $22,847 (December 31, 2025 - $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.

b. 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 March 31, 2026, the Company has fully repaid the loan.

d. 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 March 31, 2026, the carrying value of the loan was $42,757 (December 31, 2025: $80,774).

   The 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.

(Expressed in US dollars - Unaudited)

9. DEBT (cont'd)

- ***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 March 31, 2026:

	Loan 1	**Loan 2**	**Loan 3**
Expected term (months)	60	36	24
Interest rate	6.77%	19.02%	16%
Payable within 12 months	$11,511	$4,885	$11,248
Payable not due in 12 months	$18,501	-	-

As of March 31, 2026, a carrying balance of $46,145 (December 31, 2025 - $68,409) relating to the loans were outstanding. The Company is exposed to potential contingent liabilities related to outstanding loans. Refer to Note 18 for details.

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 March 31, 2026, the Company has received six tranches of loan totaling $979,843 (December 31, 2025- $941,588). The loan bears effect interest rate of 18.37%. The carrying amount of the loan was $1,021,922 (December 31, 2025- $958,133), which included accrued interest of $42,078 (December 31, 2025- $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 March 31, 2026, the Company has drawn $101,200 (December 31, 2025- $101,200) under this agreement and has recorded interest expenses of $1,518.

(Expressed in US dollars - Unaudited)

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%.

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 right of use leased asset was measured at the amount of the lease liability of $483,607 using the Company's current incremental borrowing rate of 6%.

Right-of-use-assets

Balance at December 31, 2024	$	329,671
Depreciation		(179,820)
Balance at December 31, 2025	$	149,850
Lease termination		(119,881)
Addition		483,607
Depreciation		(37,082)
Balance at March 31, 2026	$	476,495

Lease liabilities

Balance at December 31, 2024	$	402,528
Cash flows:		
Lease payments		(236,702)
Non-cash changes:		
Interest expenses		28,980
Balance at December 31, 2025		194,806
Lease termination		(157,127)
Addition		483,607
Cash flows:		
Lease payments		(48,098)
Non-cash changes:		
Interest expenses		5,132
Balance at March 31, 2026	$	478,320
Less: Lease liabilities - current	$	(66,902)
Lease liabilities – non-current	$	411,418

The Company lease consists of office space in San Diego, California under non-cancelable operating lease that expires October 2031. Future minimum lease payments under the lease agreement as of March 31, 2026 are as follows:

Years ending December 31:	
2026	$ 69,534
2027	$ 95,772
2028	$ 99,124
2029	$ 102,593
2030	$ 106,184
2031	$ 91,053

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

(Expressed in US dollars - Unaudited)

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

There were no transactions for the three months ended March 31, 2026.

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.

(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 March 31, 2026 was 1,000,000 (December 31, 2025- 1,000,000).

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

	Number of Options	Weighted average exercise price
Outstanding, March 31, 2026 and December 31, 2025	**448,929**	**$ 4.64**

(Expressed in US dollars - Unaudited)

11. SHARE CAPITAL (cont'd)

(c) Stock options (cont'd)

As at March 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	1.52
February 4, 2032	6,429	6,238	$2.87	5.85
February 24, 2032	10,715	10,715	$2.87	5.91
March 14, 2032	8,571	8,238	$4.13	5.96
May 9, 2027	52,857	52,857	$8.40	1.11
May 9, 2027	14,286	14,286	$5.53	1.11
December 23, 2029	177,500	177,500	CAD$7.20	3.73

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.

The total stock-based compensation recognized in consolidated statements of profit or loss from the vesting portion of options during the three-month period ended March 31, 2026 was $873 $ (2025 – $551,770).

(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.

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.

(Expressed in US dollars - Unaudited)

11. SHARE CAPITAL (cont'd)

(d) Warrants (cont'd)

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:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2024	311,582	$ 2.08
Granted	105,000	2.15
Exercised	(40,000)	2.05
Outstanding, March 31, 2026 and December 31, 2025	376,582	$2.18

The following table summarizes the warrants outstanding as at March 31, 2026:

Date of Expiry	Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Life (years)
September 11, 2026	50,000	CAD $2.00	0.45
October 9, 2026	15,000	CAD $3.14	0.53
October 10, 2026	196,582	CAD $3.20	0.53
October 16, 2026	50,000	CAD $3.09	0.55
January 10, 2027	35,000	CAD $2.95	0.78
June 16, 2027	30,000	CAD $3.12	1.21

(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, 2024	142,144	$ 5.10
Vested	(142,144)	
Outstanding, March 31, 2026 and December 31, 2025	-	$ -

During the three months ended March 31, 2026, the Company recorded share-based compensation expense of $nil (2025 - $537,788) relating to the vesting portion of RSUs.

(Expressed in US dollars - Unaudited)

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 three months ended March 31, 2026 and 2025 is as follows:

	Three months ended March 31			
	2026		2025	
	$	%	$	%
United States	1,518,890	80.02%	3,474,843	96.1%
Canada	36,692	1.93%	74,596	2.1%
Others combined	342,732	18.05%	66,657	1.8%
Total Revenue	1,898,314	100%	3,616,096	100.0%

	Three months ended March 31			
	2026		2025	
	$	%	$	%
Product	1,159.6	61.09%	2,848.2	78.77%
Software as a Service (SaaS)	587.1	30.92%	532.9	14.74%
Engineering/Support Service	81.2	4.28%	58.3	1.61%
Wireless Data	70.1	3.69%	175.4	4.85%
Commission Income	0.3	0.02%	1.2	0.03%
Total Revenue	1,898.3	100.0%	3,616.0	100.0%

All of the Company's significant identifiable assets were located in the United States as of March 31, 2026 and December 31, 2025.

13. CONCENTRATION RISK

The Company derived revenue from one customer totaling 43% and 64% of the Company's total revenue for three months ended March 31, 2026 and 2025, respectively. At March 31, 2026 and December 31, 2025, one customer accounted for a total of 12% and 16.8% 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 three months ended March 31, 2026 and December 31, 2025, the two largest suppliers accounted for a total of 78% and 83% of total purchases, respectively.

(Expressed in US dollars - Unaudited)

14. 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 March 31, 2026, 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 three months period ended March 31, 2026.

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.

15. 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:

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, 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 March 31, 2026 and December 31, 2025:

	Level 1	Level 2	Level 3
March 31, 2026:			
Derivative instrument	$ -	$ -	$ 5,822
December 31, 2025:			
Derivative instrument	$ -	$ -	$ 220,054

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

(Expressed in US dollars - Unaudited)

15. FINANCIAL INSTRUMENTS (cont'd)

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:

	March 31, 2026	December 31, 2025
Accounts receivable	$ 612,300	$ 536,494
Other receivables	58,582	70,809
Allowance for doubtful accounts	(119,259)	(95,887)
Total	551,623	$ 511,416

During the three months ended March 31, 2026, $26,687 (2025 - $1,771) of bad debt recovery had been recognized in the consolidated statement of operating loss and comprehensive loss.

Aged trade receivable listing:

Days outstanding	March 31, 2026	December 31, 2025
Current	$ 321,080	$ 337,726
1 – 30	56,191	38,594
31 – 60	82,881	31,083
61 - 90	11,899	14,327
> 90	140,249	114,764
Total	612,300	$ 536,494

15. FINANCIAL INSTRUMENTS (cont'd)

The company's maximum exposure to credit risk is the combined carrying amount of its financial assets as at March 31, 2026 is $552,323 (December 31, 2025 - $654,283).

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.

(Expressed in US dollars - Unaudited)

16. RELATED PARTY TRANSACTIONS AND BALANCES

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 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:

	Three months ended March 31,	
	2026	**2025**
	$	$
Salary	124,267	186,990
Consulting fees	72,500	82,500
Share-based compensation	-	62,145
RSU	-	534,788
Total	196,767	866,423

Balances due from (to) related parties

As at March 31, 2026, $84,400 (December 31, 2025 – $78,150) was included in accounts payable and accrued liabilities for fees owed to related parties, and $3,469 (December 31, 2025 – $14,214) was included in accounts payable and accrued liabilities for wages and vacation accrual in connection to officers' service.

17. OTHER EXPENSES

During the three months ended March 31, 2024 and 2023, the Company had the following expenses in other expenses:

	Three months ended March 31	
	2026	2025
	$	$
Insurance	13,555	31,388
Licenses and fees	2,390	1,050
Office expenses	1,016	7,870
Automobile expense	-	172
Meals and entertainment	106	18,953
Travel expense	6,958	9,436
Utilities	17,040	12,753
Tax filing fees	284	22
Software expense	2,103	-
Employee retention tax credit	-	(127,603)
Gain from lease termination	(37,246)	-
Foreign exchange gain/ loss	-	(1,840)
Total	**6,206**	**(47,799)**

18. 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 9 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.