Direct Communication Solutions, Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2026

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 three months ended March 31, 2026. 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 months ended March 31, 2026 and 2025, 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 June 1, 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 three months ended March 31, 2026 and to the date of this management discussion and analysis:

- Ended March 31, 2026 with a customer purchase backlog of over $400,000.
- 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 took delivery of over 8000 GPS Tracking Devices. A second client took delivery of over 1000 custom GPS Tracking Devices
- 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 41% (2025 – 21%) of total corporate revenue for the three months ended March 31, 2026.

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 three months ended March 31, 2026 and 2025:

	Three months ended March 31, 2026	Three months ended March 31, 2025
	$	$
Gain (Loss) before tax	**(82,281)**	204,135
Accretion	**115,342**	115,637
Net changes in fair value	**(217,643)**	(1,532,159)
Depreciation and amortization	**37,783**	46,426
Finance cost for right of use assets	**5,131**	9,159
Interest expense	**305,114**	376,571
One time Tax credit	**-**	(127,603)
Provision for excess and obsolete inventory	**101,300**	17,544
Stock based compensation	**873**	1,086,498
Gain on debt extinguishment	**(6,869)**	-
Tax fees	**284**	22
One-time income related to one customer paid contract termination fees	**(200,000)**	-
Adjusted EBITDA	**85,721**	196,230

Revenues for the three months ended March 31, 2026, decreased by 61% compared to the same period in 2025, with gross profit declining by 42%. The primary factor contributing to the decrease in EBITDA was lower product sales, as customers reduced their purchasing activity starting in the first quarter of 2026. The Company is actively working to improve operational efficiencies. For the three months ended March 31, 2026, the Company received 1,228 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 March 31, 2026
	$
Annual recurring revenue ("ARR")	3,130,560

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 March 31, 2026

Revenues for the three months ended March 31, 2026 were $1,898,314 compared $3,616,096 for the same period last year. Product revenue of $1,113,066 has decreased by 61% over the same period, as our customers reduced their purchasing activity starting in the first quarter of 2026.

Solutions and other services revenue of $785,248 was up 2% from the same period as last year.

Cost of revenues for the three months ended March 31, 2026 were $1,225,626 compared to $2,453,819 for the same period in 2025. The following tables summarize gross profit and gross margin:

	Gross Profit		Gross Margin	
	Q1 2026	Q1 2025	Q1 2026	Q1 2025
	$	$	%	%
Products	187,587	692,356	17%	24.3%
Solutions and other services	485,101	469,921	62%	61.2%
Total	672,688	1,162,277	35.4%	32.1%

The Company went through and aggressively reworked the pricing models to achieve healthier margins. The Company also expanded the portfolio of product offerings which permitted higher margin sales.

General and administrative expenses for the three months ended March 31, 2026 were $749,782 compared to $1,916,772 for the same period in 2025. This reduction was primarily driven by a $1,212,053 decrease in compensation and benefits, largely attributable to the full vesting of stock options granted in prior periods by the end of 2025. Additionally, no new stock options were granted during the three months ended March 31, 2026. The Company remains focused on disciplined cost-management initiatives and the preservation of working capital to support ongoing operations.

The Company recognized $26,687 of bad debt expenses compared to $1,771 of bad debt recovery during the same quarter last year. The increase was primarily due to increase 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 three months ended March 31, 2026 were $3,440 compared to $75,162 for the same period in 2025. The decrease was due to less R&D activities planned during the period.

Interest expense and accretion for the three months ended March 31, 2026 were $425,587 which is consistent with the $501,367 recorded during the same period in 2025.

Net changes in fair value of derivatives for the three months ended March 31, 2026 was an decrease in liability for $217,643 compared to $1,532,159 for the same period in 2025. 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 March 31, 2026 was $82,281 compared to $204,135 net income for the same period in 2025. The difference was primarily the result of less gain from the net changes in fair value of derivatives and an improvement in operating performance as the loss from operations narrowed to $80,534 for the current period.

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.

	Q1 2026	Q4 2025	Q3 2025	Q2 2025
	$	$	$	$
Revenue				
Products	1,113,066	778,072	1,231,172	796,454
Solutions & other services	785,248	750,123	797,569	762,743
	1,898,314	1,528,195	2,028,741	1,559,197
Operating Expenses	753,222	1,104,249	787,981	671,658
Net income (loss)	(83,281)	(887,036)	(575,377)	(653,646)
Basic income (loss) per share	(0.03)	(0.36)	(0.23)	(0.27)
Fully-diluted income (loss) per share	(0.03)	(0.36)	(0.23)	(0.27)
Weighted average number shares outstanding - basic	2,487,223	2,487,223	2,487,223	2,449,734
Weighted average number shares outstanding – diluted	2,487,223	2,487,223	2,487,223	2,449,734
Total fully diluted shares	2,487,223	2,487,223	2,487,223	2,449,734

	Q1 2025	Q4 2024	Q3 2024	Q2 2024
	$	$	$	$
Revenue				
Products	2,848,226	773,470	819,015	725,876
Solutions & other services	767,870	744,281	735,737	727,080
	3,616,096	1,517,751	1,554,752	1,452,956
Operating Expenses	1,991,934	1,588,236,	1,119,977	1,059,336
Net income (loss)	204,135	(2,650,918)	2,012,983	(625,904)
Basic income (loss) per share	0.09	(1.15)	0.87	(0.27)
Fully-diluted income (loss) per share	0.06	(1.15)	0.75	(0.27)
Weighted average number shares outstanding - basic	2,335,746	2,305,079	2,305,079	2,305,079
Weighted average number shares outstanding – diluted	3,276,225	3,024,350	2,305,079	2,305,079
Total fully diluted shares	3,283,447	3,218,447	2,696,438	2,305,079

The Company's business typically undergoes seasonal variation in the fiscal quarter ended June 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 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

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.

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.

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.

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	$11,511	$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.

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.

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 March 31, 2026, the expiry date is January 23, 2026. The agreement was automatically renewed on January 23, 2027.

Cash Flows Activities

Cash flows provided in operating activities during the three months ended March 31, 2026 were $104,438 compared to provided $634,464 during the same period last year.

There were no investing activities for Cash flows during the three months ended March 31, 2026 and 2025.

Cash flows used in financing activities during the three months ended March 31, 2026 were $268,495 compared to using $192,169 during the same period last year. Net repayments on credit facility were $66,234 during the current period compared to borrowing $94,858 in the comparative period. During the three months ended March 31, 2026, the Company received $nil promissory notes (2025 -$50,000), received $nil from exercise of warrants (2025 - $83,980), and $nil from loans (2025 - $774,500) and repaid $154,163 of the loans (2024 - $562,572).

At March 31, 2026, the Company had working capital deficiency of $9,510,425 (March 31, 2025 - $3,704,491).

Capital Resources

Share Capital

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

During the three months ended March 31, 2026, there were no share capital transactions.

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.

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 period ended March 31, 2025 and December 31, 2024:

	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

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	0.45
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

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, 2024 is 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**

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	1.52
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

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	-	$ -

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

	Number of shares	Exercise Price	Weighted Average Remaining Life
Common stock	2,487,223	NA	NA
Stock options	448,929	$2.87-$8.4	2.58
Warrants	376,582	$2.00 to CAD $3.20	0.60

Related Party Transactions

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

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

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.

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:

	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

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.

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.

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.