infinitii ai inc.

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2024

General

This Management's Discussion and Analysis ("**MD&A**") of infinitii ai inc. ("**infinitii ai**" or the "**Company**") is dated February 27, 2025, and provides a review of the Company's financial results, from the viewpoint of management, for the period ended December 31, 2024 ("**F2025-Q2**") as compared to the year ended June 30, 2024 ("**F2024**") and the six-month period ended December 31, 2023 ("**F2024-Q2**").

The following information should be read in conjunction with the Company's audited consolidated financial statements with accompanying notes as at and for the year ended June 30, 2024 and 2023, and the Company's condensed consolidated interim financial statements for the period ended December 31, 2024, which were prepared in accordance with International Financial Reporting Standards ("**IFRS**").

All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on the Company are available on the SEDAR website at www.sedarplus.ca.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate" and "believe" are intended to identify forward-looking statements. Such statements reflect the Company's "forecast", "estimate", "expectation" and similar expressions as they relate to the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions.

The forward-looking statements contained in this MD&A are made as of the date hereof and represent the Company's views as of the date of this document. While the Company believes that the expectations reflected in the forward-looking statements and information contained herein are reasonable, no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct. The Company acknowledges that subsequent events and developments may cause the views expressed herein to change, however, the Company has no intention and undertakes no obligation to update, revise or correct such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law. Therefore, there can be no assurance that forward-looking statements contained herein will prove to be accurate as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Description of Business

infinitii ai inc. was incorporated under the *Business Corporations Act* (British Columbia) on January 17, 2014. The Company provides environmental monitoring to many of the largest water infrastructure utilities in the U.S. and Canada and has evolved into a machine learning software leader and provider of Artificial Intelligence (AI) driven predictive analytics and related professional services for industrial and Smart City infrastructure applications that rely on time-series data. The Company changed its name from Carl Data Solutions Inc. to infinitii ai inc. effective October 7, 2022.

infinitii ai services its customers through direct sales and via a trusted partner network that includes engineering and IT companies like AECOM, Core & Main Inc., Kerr Wood Leidal Associates Ltd., SCG Flowmetrix Technical Services Inc. and TREKK Design Group, LLC ("**TREKK**").

infinitii ai software performs real-time analysis, checks flow monitoring status, sets alarms through a single interface, accepts all types of data from any source and offers predictive (what will happen) and prescriptive (what should happen) analytics. Whether it's real-time, historic, wireless, satellite, SCADA or public data sets including USGS, NOAA and weather forecasts – it doesn't matter where the data originates, infinitii ai transforms raw data into actionable information.

The Company is a public company that is listed on the Canadian Securities Exchange (under the symbol: iai), the Frankfurt Stock Exchange (under the symbol: 7C5) and the OTCQB (under the symbol: CDTAF). The head office and principal address of the Company is located at Suite 1540 – 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

The Company's consolidated financial statements include the financial statements of the following subsidiaries:

Company	Place of Incorporation	Effective Interest
Extend to Social Media Inc. ("**ETS**")	British Columbia	100%
infinitii ai corporation	Washington, USA	100%
Carl Data Solutions PL ("**Carl PL**")	Poland	100%
i4C Innovation Inc. ("**i4C**")	British Columbia	100%
Astra Smart Systems Corp. ("**Astra**")	British Columbia	100%

Going Concern

The Company has all the elements in place to successfully take on the AI-driven predictive analytics software space as required for a wide variety of municipal and industrial infrastructure customers.

With its proven Smart City wastewater flow monitoring products and AI-enabled Machine Learning ("**ML**") software applications offering real-time predictive analytics, the Company is in a good position for consistent revenue growth. Professional services engagements with new and existing customers create additional revenues while contributing to intellectual property that is part of a growing number of solution-specific software applications.

The Company's condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in the condensed consolidated interim financial statements. The Company's condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at December 31, 2024, the Company had not achieved profitable operations, had accumulated a deficit of $31,440,395 since inception and expects to incur further operating losses in the development of its business.

The Company's ability to continue as a going concern is dependent upon the ability to expand its business development initiatives, continue to build market awareness for its software products and professional services, secure more customers in its market segment, increase the value of ongoing recurring revenue contracts with existing customers and obtain the necessary financing to carry out this strategy while meeting its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Recent Events & Overall Performance

Completed Private Placements and Share Issuances

During the period ended December 31, 2024, share activity was as follows:

(i) On July 5, 2024, 277,000 common shares were issued to a former Director upon the exercise of Deferred Share Units.

Convertible Notes

During the period ended December 31, 2024, convertible note activity was as follows:

(i) During the period ended December 31, 2024, the Company settled an aggregate of $579,997 in existing convertible debentures, inclusive of interest, by payment of cash.

(ii) On July 9, 2024, the Company issued multiple convertible notes with an aggregate value of $1,024,997, an expiration date of July 9, 2027, an interest rate of 10% compounded semi-annually, a conversion price of $0.05 per unit and all are payable upon maturity. Each unit is comprised of one common share of the Company plus one warrant entitling the holder to purchase one common share of the Company for $0.10 for 36 months from issue.

Share-based payments

During the period ended December 31, 2024, the Company did not issue any stock options or deferred share units. Subsequent to December 31, 2024, the Company granted 2,232,178 DSUs to various Directors, Employees and an Officer. The DSUs vested immediately and were valued at $0.0575 per DSU.

Organization Structure Changes

During and subsequent to the period ended December 31, 2024, the Company did not complete any changes to its organizational structure.

Summary of Quarterly Results

Key financial information for the quarters spanning the two most recent twelve-month periods is summarized as follows, reported in Canadian dollars:

	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
Revenue	$ 666,212	$ 718,680	$ 623,410	$ 675,484
Operating expenses	877,608	814,612	847,302	864,412
Loss for the period	(211,396)	(95,932)	(223,892)	(188,928)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Assets	901,221	1,090,916	952,661	1,000,899
Liabilities	2,058,466	2,072,725	2,228,335	2,052,745
Shareholders' Deficiency	(1,157,245)	(981,809)	(1,275,674)	(1,051,846)

	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Revenue	$ 573,404	$ 534,144	$ 511,130	$ 591,873
Operating expenses	927,435	785,839	929,235	1,926,900
Loss for the period	(349,031)	(251,695)	(418,105)	(1,335,027)
Basic and Diluted Loss per share	(0.00)	(0.00)	(0.00)	(0.01)
Assets	907,853	729,640	1,071,422	1,369,040
Liabilities	1,781,400	1,569,848	1,669,607	1,608,402
Shareholders' Deficiency	(873,547)	(840,208)	(598,185)	(239.362)

Discussion of Operations

Overview

For the six-month period ended December 31, 2024, the Company generated total revenues of $1,384,892 compared to $1,107,548 during the same period in 2023, representing a 25% increase. Total comprehensive loss for the six-month period decreased by $315,484 from $596,839 in the period ended December 31, 2023, to $281,355 in the period ended December 31, 2024, representing a 53% decrease. Expenses of $1,692,220 for the six-month period ended December 31, 2024, were lower than the comparable period's operating expenditures of $1,713,274, representing a 1% decrease.

Revenue

For the six-month period ended December 31, 2024, the Company generated $1,384,892 in revenues (2023 - $1,107,548) of which $1,301,142 (2023 - $1,054,448) related to revenue generated by infinitii ai corporation, $30,000 (2023 - $53,100) related to revenue generated by ETS, $30,000 (2023 - $nil) related to revenue generated by infinitii ai inc, and $23,750 (2023 - $nil) was generated by Astra. Revenue from infinitii ai corporation is comprised of service fees from its web-based application used for data analysis in addition to set-up fees and custom programming service contracts.

Total Comprehensive Loss

Total comprehensive loss for the period decreased by 53% from $596,839 in the period ended December 31, 2023, to $281,355 in the period ended December 31, 2024.

Expenses

Expenses for the period ended December 31, 2024, of $1,692,220 were lower than the comparable period's operating expenditures of $1,713,274. Other expenses were quite similar from period to period with small decreases in consulting, foreign exchange, investor relations, marketing, office and miscellaneous and travel expenses with offsetting increases in accretion, computer hosting, filing and transfer agent, professional fees and salaries and wages. Taken together, salaries and wages and consulting of $953,661 in the period ended December 31, 2024, were lower than the $1,001,487 in the period ended December 31, 2023, as the reliance on outside consultants for industry business development consulting decreased and some staff costs increased slightly.

Management continues to monitor expenses closely to ensure that the Company can capitalize on updating current software products and develop new solution-specific real-time Machine Learning predictive analytics applications.

Operating Expenses and Other Items

Operating expenses and other items with significant variances and balances include:

Computer Hosting Costs

Computer hosting costs for the period ended December 31, 2024, were $160,982 (2023 - $151,426). Computer hosting costs are primarily needed for the provision of services provided by infinitii ai corporation and remained consistent with a slight increase from period to period as a result of increased sales.

Consulting Fees

Consulting fees for the period ended December 31, 2024, were $362,871 (2023 - $414,943). Consulting fees are primarily used for management and external sales and business development consultants. This expense was essentially identical to the previous period.

Depreciation

Depreciation for the period ended December 31, 2024, was $246 (2023 - $352) and related to a small amount of computer equipment that was acquired in 2017.

Interest

Interest for the period ended December 31, 2024, was $22,941 (2023 - $22,012). Interest is charged on convertible notes and loans payable and increased as a result of convertible notes reaching maturity and becoming interest bearing.

Investor Relations

Investor relations expenses for the period ended December 31, 2024, were $5,325 (2023 - $8,948). Investor relations fees have been comparatively low in preparation of future marketing and public relations expenditure targeted at upcoming sales based on anticipated new projects.

Office and Miscellaneous

Office and miscellaneous costs for the period ended December 31, 2024, were $96,522 (2023 - $112,593). The costs decreased mostly due to a deferral of office rent for Q1 and Q2 of the current fiscal year.

Professional Fees

Professional fees for the period ended December 31, 2024, were $188,161 (2023 - $156,480). Professional fees have been comparative to the prior period and are based on paying for the annual audit and keeping the Company in good standing.

Share-based Payments

Share-based payments for the period ended December 31, 2023, were $nil (2023 - $18,807) and related in the comparative period to stock options granted during the period.

Salaries and Wages

Salaries and wages for the period ended December 31, 2024, were $590,790 (2023 - $586,544). The higher level of salaries and wages is primarily a result of small increases in some staffing costs. Most recently, related salaries and wages are essentially flat as the Company streamlines to control expenses in development support roles.

Travel

Travel expenses for the period ended December 31, 2024, were $117,994 (2024 - $125,903). Travel decreased slightly from the previous period but is essentially unchanged. The activity of executives visiting the Company's head office in Vancouver from their residences across Canada and for in-person sales meetings and tradeshows within North America has been comparable to the previous period.

Operating Activities and Plans

Company Structure

The Company has complementary operations based in Vancouver (Canada), Seattle (USA) and Gdansk (Poland).

1) Software application development, hardware research and development and the management team are led out of offices at the Company's Vancouver, British Columbia headquarters at 1075 West Georgia Street.
2) The Company also maintains an address in Seattle, Washington in support of its U.S. sales team.
3) Data science developers with the data science expertise required by the Company are located in Gdansk, Poland.

Liquidity and Capital Resources

Cash on hand decreased by $53,590 from $326,692 at June 30, 2024 to $273,102 on December 31, 2024. During the period ended December 31, 2024, the Company's operating activities required cash of $436,253 (2023 - $625,111), a decrease of $188,858 from the period ended December 31, 2023. The Company had a working capital deficiency of $51,380 as at December 31, 2024 (June 30, 2024 –$896,676).

Financing Activities

During the period ended December 31, 2024, the Company had cash inflows of $369,530 from financing activities (2023 – $474,530) related to proceeds of $974,997 (2023 – $400,000) from convertible notes issued and $nil (2023 – $100,000) in proceeds from private placements, less $579,997 (2023 - $nil) in convertible note repayments and $25,470 (2023 - $25,470) in payments towards loans.

Loans payable and convertible notes together increased by $165,255 from a total of $1,385,357 on June 30, 2024 to $1,550,612 on December 31, 2024 due to additions to convertible notes of $1,024,997 less the equity component of $399,784 and accretion and interest on the convertible notes and loans of $145,509 less payments of $25,470 towards loans payable and $579,997 in settlements of convertible notes.

Investing Activities

The Company did not have any investing activities for the period ended December 31, 2024, or 2023.

Capital Structure

As of the date of this MD&A, the Company has 129,701,783 common shares, 3,000,000 warrants, 17,920,000 stock options and 4,443,000 deferred share units outstanding. The Company also has convertible debentures outstanding which are convertible in full into 62,514,290 common shares.

Overall, shareholder deficiency decreased by $118,429 from $1,275,674 at June 30, 2024 to $1,157,245 at December 31, 2024.

Financial Instruments and Risk Management

Fair value of financial instruments

The Company measures the fair value of its financial instruments according to a fair value hierarchy based on the significance of observable inputs used to value the instrument as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

The Company's financial instruments consisting of accounts and other receivables, accounts payable and accrued liabilities, loans payable, and convertible notes are classified at amortized cost. The carrying values of accounts and other receivables and accounts payable and accrued liabilities approximate their fair values because of their relatively short maturity dates or durations. The carrying values of loans payable and convertible notes also approximates their fair values since they are discounted using market rates.

Cash is classified as being at FVTPL. The fair value of cash as recorded in the condensed consolidated interim statements of financial position is measured in accordance with Level 1 of the fair value hierarchy.

Financial and capital risk management

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk, foreign currency risk, interest rate risk, credit risk, and liquidity risk. These risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Discussions of risks associated with financial assets and liabilities are detailed below:

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. Market risk is comprised of foreign currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2024 and 2023, the Company was not subject to material other price risk.

Foreign currency risk

As at December 31, 2024 and 2023, the Canadian dollar equivalent carrying values of the balances of financial assets and liabilities denominated in foreign currencies are as follows:

	US Dollars		**Polish Zloty**	
December 31,	**2024**	**2023**	**2024**	**2023**
Financial Assets				
Cash	$ 177,948	$ 30,154	$ 53,493	$ 55,716
Accounts receivable	454,031	424,745	-	-
Financial Liabilities				
Accounts payable and accrued liabilities	$ 25,337	$ 21,134	$ 48,323	$ 54,310

The Company is exposed to currency risk on its cash, accounts receivable and accounts payable and accrued liabilities that are denominated in US dollars and Polish Zloty. A 10% change in the foreign exchange rate would result in a change in profit or loss of $60,700 (2023 - $43,400) and $500 (2023 - $100), respectively. The Company's subsidiary, infinitii ai corporation, operates in the United States which, from the perspective of the Company, creates currency risk associated with those operations. For the period ended December 31, 2024, infinitii ai corporation has revenue of $1,309,617 (2023 - $1,054,448) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a $131,000 (2023 - $105,000) (Canadian dollar equivalent) change in profit or loss. The Company's approach to management of foreign currency risk has not changed materially from that of the year ended June 30, 2024.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk mainly arises from changes in the interest rates on cash, loans payable and convertible notes. Cash generates interest based on market interest rates. As at December 31, 2024 and 2023, the Company was subject to interest rate risk with respect to its loans payable, some of which bear interest at a fixed rate, some at a variable rate and others are non-interest bearing. The Company's convertible notes bear interest at a fixed rate. The Company's approach to management of interest rate risk has not changed materially from that of the year ended June 30, 2024.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and accounts and other receivables. The Company mitigates this risk by holding cash at a major Canadian chartered bank in chequing accounts, at a Washington State, USA bank and at a Polish bank.

The Company is exposed to credit risk on its trade accounts receivable. As at December 31, 2024, the Company's credit risk for accounts receivable is concentrated as 22% of its trade accounts receivable is owing from two customers (June 30, 2024 – 28% from two customers), with more than 10% owing from one customer (June 30, 2024 – one).

The aging of the receivables is as follows:

	December 31, 2024	June 30, 2024
0 – 30 days	$ 321,168	$ 328,418
31 – 90 days	106,496	130,468
Over 90 days	175,531	150,840
Total receivables before allowance for credit losses	603,195	609,726
Less allowance for credit losses	(19,438)	(24,212)
Receivables	$ 583,757	$ 585,514

The Company applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables are assessed primarily based on days past due and adjusted for current credit information. The Company has assessed expected credit losses based on 20% of its trade accounts receivable aged past 90 days and has estimated expected credit losses as at December 31, 2024 of $19,438 (June 30, 2024 - $24,212).

The Company's approach to management of credit risk has not changed materially from that of the year ended June 30, 2024.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. If necessary, the Company may raise funds through the issuance of debt, equity, or sale of non-core assets. The Company ensures that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows and matching the maturity profile of financial assets to development, capital, and operating needs. The Company's accounts payable are due within 30 to 60 days. The Company has limited working capital as at December 31, 2024 and will need to raise further financing to meet its financial obligations. The Company's approach to management of liquidity risk has not changed materially from that of the year ended June 30, 2024.

The timing of payments required for accounts payable and debt in the next five years, by fiscal year, is as follows:

Fiscal year ended June 30	2025	2026	2027	2028	2029
Accounts payable and accrued liabilities	$ 420,868	$ -	$ -	$ -	$ -
Loans	41,689	24,193	100,000	-	-
Convertible notes	354,397	-	321,313	709,020	-
	$ 816,954	$ 24,193	$ 421,313	$ 709,020	$ -

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Related parties include key management personnel, who are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors.

During the period ended December 31, 2024, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Jean Charles Phaneuf, CEO(1)	$ 90,000	$ -	$ 90,000
Cale Thomas, CFO	60,000	-	60,000
Greg Johnston, President(2)	80,000	-	80,000
Total	$ 230,000	$ -	$ 230,000

(1) comprised of fees paid to 9299-5257 Quebec Inc., a company wholly owned by Jean Charles Phaneuf.
(2) comprised of fees paid to BDirect Online Communications Inc., a company wholly owned by Greg Johnston.

During the period ended December 31, 2023, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Jean Charles Phaneuf, CEO	$ 90,000(1)	$ -	$ 90,000(1)
Cale Thomas, CFO	60,000	-	60,000
Greg Johnston, President	80,000(2)	-	80,000(2)
Non-executive Directors	-	-	-
Total	$ 230,000	$ -	$ 230,000

(1) comprised of fees paid to 9299-5257 Quebec Inc., a company wholly owned by Jean Charles Phaneuf.
(2) comprised of fees paid to BDirect Online Communications Inc., a company wholly owned by Greg Johnston.

Included in accounts payable and accrued liabilities as at December 31, 2024 is $17,979 (June 30, 2024 - $19,577) due to officers and directors and their related organizations.

On June 9, 2014, ETS signed a referral services agreement with RA Revenue Automation Inc. ("RA") whereby RA agreed to use ETS as its exclusive referral marketing application and include the concept in all relevant business development pitches to customers. A company controlled by the Company's President owns 10% of RA. Social referral software revenue of $30,000 (2023 - $53,100) recorded in profit or loss is from RA for the period ended December 31, 2024. As at December 31, 2024, $10,500 (June 30, 2024 - $15,750) was owed from RA.

*Kerr Wood Leidal Associates Ltd. ("**KWL**")*

KWL, a consulting engineering company, founded and created infinitii ai corporation and is related through a director of the Company. During the period ended December 31, 2024, the Company earned data services revenue from KWL of $79,694 (2023 – $66,125) and incurred expenses from KWL of $7,087 (2023 – $4,956), which are recorded in office and miscellaneous, and consulting expenses. Included in accounts receivable as at December 31, 2024 is a balance owing from KWL of $36,386 (June 30, 2024 - $71,454).

Proposed Transactions

There are no proposed transactions for the period ended December 31, 2024 outside of those identified in this document.

Critical Accounting Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Share-based payments

The Company measures the value of share-based payments with employees by reference to the fair value of the equity instruments at the date at which they are granted. Share-based payments with non-employees are recorded at the fair value of the service provided, where this is readily determinable. In other instances, they are recorded at the fair value of the equity instruments issued. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share-based award, volatility and dividend yield and making assumptions about them.

New accounting standards, amendments and interpretations issued

There were no new standards or interpretations adopted during the period ended December 31, 2024, which had a material impact on the Company's condensed consolidated interim financial statements.

New Standards not yet Adopted

IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18"), which will replace IAS 1, Presentation of Financial Statements aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statements of loss and comprehensive loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date. The Company has not yet determined the impact of this amendment on its condensed consolidated interim financial statements.

Risk Factors

The following are major risk factors management has identified which relate to the Company's business activities. Such risk factors could materially affect the Company's future financial results and could cause events to differ materially from those described in forward-looking statements relating to the Company. Though the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company's business and operations. Other specific risk factors are discussed elsewhere in this MD&A.

Capitalization and Commercial Viability

The Company will require additional funds to continue operations. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all proposed activities. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking of additional capital on less favourable terms and/or other remedial measures.

History of Operating Losses

The Company has an accumulated deficit since its incorporation through December 31, 2024, of $31,440,395. The deficit may increase in the near term as the Company continues its product development and establishes additional sales channels for its new products.

General Economic Conditions

The Company currently operates in Canada, the United States and Poland and, like all global businesses, it has been subject to the impact of the current global credit and financial crisis on consumers in its areas of operations and the discretionary spending available to them. General economic conditions have resulted in reduced consumer and government spending and have impacted the Company’s profitability. Should these conditions continue to prevail, there will be further pressure on the Company’s profitability.

Key Employees

The success of the Company, like all marketing and software companies, is largely dependent on the performance of its key employees and directors. The failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Company's growth and profitability. Competition for highly skilled management, technical and other employees is intense. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure of any of the members of the Company's executive team or key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

New Market Risk

The Company is operating in a large market but is providing previously unavailable services. The Company faces uncertainty as to the degree of new and continuing market acceptance of its products. The performance of the Company also depends on the performance of engineering services firms, water infrastructure hardware vendors and other agencies that the Company partners with along with their end customers.

Customer Risks

The Company is dependent on proper pricing of products and services, the ability to provide insights to customers based on their collected data, reporting of successful results of referral campaigns and timely collection of customer accounts. The Company is also dependent on its ability to ensure that their customers operate within the terms of its service agreements.

Intellectual Property Risks

The Company has taken steps to protect its proprietary technology. The Company relies on a combination of trademark, trade secrets, laws and other intellectual property protection methods to protect its proprietary technology. These steps may not completely protect the Company’s proprietary technology, nor give it a competitive edge. Others may independently develop substantially equivalent technology or gain access to our trade secrets. If the Company is unable to protect its intellectual property, the business over time could be materially affected. The Company will pursue all avenues available to it, if necessary, to enforce its patents, and to protect its trademarks and other intellectual property rights owned by the Company.

Reliance on Information Systems and Technology

The Company’s business relies upon information technology systems to service customers at the point of sale. Its information technology systems may be vulnerable to unauthorized access, computer viruses, system failures, other malicious acts or acts of nature. Should a significant disruption to its information technology occur, the Company’s earnings could be adversely affected through loss of revenue and the costs to rectify the disruption. The Company is in an industry with many competitors that lay claim to intellectual property. The Company may receive notice from a third party asserting the Company has infringed on their intellectual property rights. As a result of such claims the Company’s earnings could be adversely affected by costly litigation, product injunctions or consumption of management attention. The Company may also be required to expend significant capital and resources to protect against the threat of security, encryption and authentication technology breaches or to alleviate problems caused by such breaches.

Reliance on Third Party Licenses

The Company relies on certain software that it licenses from third parties, including a software program that is integrated with internally developed software and used in the Company’s products to perform key functions. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses, could result in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed and integrated, which could materially adversely affect the Company's business, results of operations and financial condition.

Risk Associated with International Operations

Management of the Company believes that its continued growth and profitability will require expansion of its sales further in the United States and into other foreign markets. This expansion will require significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish additional foreign operations, incur substantial infrastructure costs, hire additional personnel and recruit international resellers. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel and international partners, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's applications and services. The risk associated with currency fluctuations are comprised mainly of the Company's United States denominated sales, component purchases and other expenses. In the future, it is expected that a portion of revenues may be realized in other foreign currencies as a result of international sales. Fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the United States dollar, may have a material adverse effect on the Company's results of operations, financial condition and any business prospects. The Company may use hedges to mitigate the risk of foreign currency exposure.

Expansion

The success of the Company's continued expansion will depend upon many factors, including the ability of the Company to maintain acceptable attrition rates and control of operating costs. There can be no assurance that the Company will be able to grow or achieve its continued expansion. Such risks, if they materialize, could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Available Workforce

The Company's continued success will depend on the performance and continued service of the Company's employees. The Company relies on the ability to attract new software engineers and developers, research and development staff, production personnel and key sales and marketing employees. The Company will continue to develop its employees and search for key new hires, however there is no assurance that the Company will be able to retain existing personnel or attract, hire and retain additional qualified personnel.