Direct Communication Solutions, Inc.

Condensed Consolidated Interim Financial Statements
(Expressed in US Dollars)

As at and for the three months ended
March 31, 2024 and 2023

Direct Communication Solutions, Inc.

NOTICE TO READER

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

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

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

May 29, 2024

Direct Communication Solutions, Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in US dollars - Unaudited)
As at March 31, 2024 and December 31, 2023

	Notes	March 31, 2024 (Unaudited) $	December 31, 2023 (Audited) $
ASSETS			
Current			
Cash		**240,622**	30,723
Restricted cash	**4**	**35,240**	-
Accounts and other receivables	**17**	**669,204**	1,393,093
Inventory	**5**	**864,877**	955,939
Prepaid expenses		**91,241**	104,685
Current assets		**1,901,184**	2,484,440
Equipment	**6**	**12,347**	15,018
Security deposit		**50,056**	50,056
Right-of-use assets	**10**	**464,536**	509,491
Total assets		**2,428,123**	3,059,005
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Accounts payable	**7**	**7,243,903**	6,665,085
Accrued liabilities	**7**	**580,329**	887,938
Credit facility	**8**	**83,960**	244,015
Current debt	**9**	**1,649,529**	1,525,914
Deferred revenue	**9**	**69,199**	89,374
Derivative instrument	**9**	**99**	1,092
Lease liabilities	**10**	**187,760**	181,441
Current liabilities		**9,814,779**	9,594,859
Lease liabilities	**10**	**352,807**	402,528
Long term debt	**9**	**66,358**	44,161
Long term accounts payable	**7**	**310,903**	625,019
Total liabilities		**10,544,847**	10,666,567
Shareholders' deficiency			
Common stock	**11**	**61**	61
Reserves	**11**	**7,336,690**	7,344,901
Accumulated deficit		**(15,453,475)**	(14,952,524)
Total shareholders' deficiency		**(8,116,724)**	(7,607,562)
Total liabilities and shareholders' deficiency		**2,428,123**	3,059,005

Nature of operations and going concern (Note 1)
Commitments (Note 18)
Subsequent events (Note 19)

Approved on May 29, 2024 on behalf of the Board:

"Chris Bursey"
Chris Bursey – CEO & Director

"Bill Epsley"
Bill Epsley – Director

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

Direct Communication Solutions, Inc.

Condensed Consolidated Interim Statements of Operating Loss and Comprehensive Loss

(Expressed in US dollars - Unaudited)

For the three months ended March 31, 2024 and 2023

	Notes	2024	2023
		$	$
Revenues:			
Products		**1,174,261**	2,572,712
Solutions and other services		**708,430**	624,290
Total revenues	12	**1,882,691**	3,197,002
Cost of Revenues			
Products		**944,259**	2,049,127
Solutions and other services		**281,020**	196,240
Total cost of revenues		**1,225,279**	2,245,367
Gross profit		**657,412**	951,635
OPERATING EXPENSES			
Research and development		**82,567**	180,873
General and administrative			
Compensation and benefits		**689,220**	821,431
Depreciation and amortization	6, 10	**47,627**	107,565
Professional fees		**(23,887)**	699,045
Bank fees		**54,687**	55,974
Bad debt expense (recovery)	15	**(74,332)**	34,013
Facilities		**29,452**	21,089
Information technology		**48,140**	54,611
Advertising and marketing		**30,787**	45,427
Other	17	**118,827**	169,021
Total operating expenses		**1,003,088**	2,189,049
Net operating loss		**(345,676)**	(1,237,414)
OTHER INCOME (EXPENSES)			
Changes in fair value of derivative	9	**993**	106,694
Interest expense and accretion	8, 9, 10	**(156,269)**	(116,154)
Net loss for the year		**(500,952)**	(1,246,874)
Weighted average number of common stocks:			
Basic		**2,305,079**	2,305,079
Diluted		**2,305,079**	2,305,079
Loss per share – basic and diluted			
Basic		$ (0.22)	$ (0.54)
Diluted		$ (0.22)	$ (0.54)

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

Direct Communication Solutions, Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders Deficiency

(Expressed in US dollars - Unaudited)

For the three months ended March 31, 2024 and 2023

	Number of Common stocks (1)	Common Stock Amount	Reserves	Accumulated Deficit	Total Shareholders' (Deficiency)
		$	$	$	$
Balance, January 1, 2023	**2,305,091**	**61**	**7,301,027**	**(9,864,500)**	**(2,563,412)**
Stock-based compensation expense	-	-	16,841	-	16,841
Share consolidation ratio adjustment	(12)	-	-	-	-
Net loss for the period	-	-	-	(1,246,874)	(1,246,874)
Balance, March 31, 2023	**2,305,079**	**61**	**7,317,868**	**(11,111,374)**	**(3,793,445)**
Stock-based compensation expense	-	-	27,033	-	27,033
Net loss for the period	-	-	-	(3,841,149)	(3,841,149)
Balance, January 1, 2024	**2,305,079**	**61**	**7,344,901**	**(14,952,523)**	**(7,607,561)**
Stock-based compensation expense	-	-	(8,211)	-	(8,211)
Net loss for the year	-	-	-	(500,952)	(500,952)
Balance, March 31, 2024	**2,305,079**	**61**	**7,336,690**	**(15,453,475)**	**(8,116,724)**

(1) As of February 9, 2023, the Company proceeded with a Share Consolidation of the Company's shares at a consolidation ratio of 7-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation for numbers of shares and warrants. See Note 11 – Share Capital for more information.

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

Direct Communication Solutions, Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in US dollars - Unaudited)
For the three months ended March 31, 2024 and 2023

	2024	2023
	$	$
Cash provided by / (used for):		
Operating Activities:		
Net loss for the year	**(500,952)**	(1,246,874)
Items not affecting cash:	**-**	
Accretion and interest on convertible debentures	**108,191**	98,359
Accrued interest for loan	**2,493**	-
Bad debt expense	**(74,332)**	14,275
Depreciation	**47,626**	107,565
Derivative adjustment to fair market value	**(993)**	(106,694)
Accretion of lease liability	**13,764**	17,770
Stock-based compensation	**(8,211)**	16,841
Provision for excess and obsolete inventory	**59,806**	(27,887)
Net change in non-cash working capital items:		
Accounts and other receivables	**798,221**	1,518,969
Inventory	**31,256**	(333,054)
Prepaid expenses	**13,444**	(215,489)
Accounts payable	**264,702**	(1,503,509)
Accrued liabilities	**(347,602)**	(106,126)
Deferred revenue	**(20,175)**	90,818
Net cash provided (used in) by operating activities	**387,238**	(1,675,036)
Investing Activities:		
Purchase of property and equipment	**-**	(5,214)
Net cash used in investing activities	**-**	(5,214)
Financing Activities:		
Lease payments	**(57,165)**	(55,500)
Net (repayments) borrowings on credit facility	**(160,055)**	-
Proceeds from loan	**169,743**	-
Payments on loan	**(94,622)**	-
Net cash used in financing activities	**(142,099)**	(55,500)
Change in cash for the year	**245,139**	(1,735,750)
Cash, beginning of the year	**30,723**	3,567,274
Cash and restricted cash, end of the year	**275,862**	1,831,524

	2024	2023
Supplemental disclosure of cash flow information:	**$**	$
Cash paid during the year for:		
Interest expense:	**31,823**	-
Income taxes	**-**	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

Going Concern

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

The Company has historically incurred losses and has an accumulated deficit of $15,453,475. As at March 31, 2024, the Company has working capital deficit of $7,913,595 which is not considered sufficient to fund operations at their current levels for the next twelve months. Therefore, the Company will be required to generate additional funding through operations or external financing, which cannot be assured. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION

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

Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The condensed consolidated interim financial statements have been prepared in conformity with IAS 34 Interim Financial Reporting and do not include all the information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financials for the year ended December 31, 2023.

Basis of consolidation

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

Name of Subsidiary	Place of Incorporation	Ownership
Direct Communication Solutions, Canada ("DCS Canada")	British Columbia, Canada	100%

DCS Canada has been inactive since being acquired in October 2017.

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

Foreign currency translation

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

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

Use of estimates and judgements

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

2. BASIS OF PREPARATION (cont'd)

i) Critical accounting estimates

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

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

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

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

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

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

ii) Critical accounting judgements

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

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

(Expressed in US dollars - Unaudited)

2. BASIS OF PREPARATION (cont'd)

ii) Critical accounting judgements (cont'd)

- Going concern – As disclosed in Note 1 to the condensed consolidated interim financial statements.
- Revenue Recognition - The Company sells several telematics devices bundled with a multi-year software licenses under the same contractual arrangement, giving rise to considerations on whether there are distinct performance obligations requiring separate recognition and whether the Company is acting as principal or agent in the contract. Key considerations in determining whether the performance obligations are distinct are whether the promise to deliver the hardware component of the contract is separately identifiable from other contractual promises as well as the level of interdependency between the components of the contract. The Company has concluded the bundled contract represents one performance obligation and that the Company is acting as principal in the arrangement, resulting in the Company recognizing revenue and cost of sales on a gross basis on delivery of the telematics device. Significant judgment is involved in the assessments made by management.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's most recent audited consolidated financial statements for the years ended December 31, 2023 and 2022.

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

4. RESTRICTED CASH

As of March 31, 2024, the Company has a restricted cash of $35,240 (December 31, 2023 - $Nil), which will be subsequently used to offset the TAB Bank credit facility (Note 8).

5. INVENTORY

Inventory consists of the following:

	March 31, 2023	December 31, 2023
Components and raw materials	$ 1,192,907	$ 1,224,163
Allowance for components and raw materials	(337,433)	(291,774)
Assemblies	40,422	40,422
Allowance for assemblies	(31,019)	(46,420)
	$ 864,877	$ 955,939

During the three months ended March 31, 2024, a total of $368,452 inventory was expensed as cost of sales (2023 - $308,646).

As discussed in Note 8, TAB has a lien on all the Company's assets which includes inventory. As at March 31, 2024, the Company had pledged $235,943 (December 31, 2023- $110,532) of inventory as collateral for three (December 31, 2023 – two) loans (Note 9).

(Expressed in US dollars - Unaudited)

6. EQUIPMENT

Equipment consists of the following:

	March 31, 2024	December 31, 2023
Computer equipment and purchased software	$ 152,938	$ 152,938
Furniture and fixtures	51,427	51,427
Tooling	59,300	59,300
	263,665	263,665
Less—accumulated depreciation	(251,318)	(248,647)
	$ 12,347	$ 15,018

Depreciation expenses were $2,671 and $10,097 for the three months ended March 31, 2024, and 2023, respectively.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	March 31, 2024	December 31, 2023
Payroll related expenses	$ 195,743	$ 186,385
Interest accrued (Note 9)	253,586	213,592
Other	131,000	487,961
	$ 580,329	$ 887,938

Accounts payable consist of the following:

	March 31, 2023	December 31, 2023
Vendor payable due within 12 months	$ 7,243,903	$ 6,665,085
Vendor payable not due within 12 months	$ 310,903	$ 625,019

During the year ended December 31, 2023, a vendor (Note 15) changed 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.

(Expressed in US dollars - Unaudited)

8. CREDIT FACILITY

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

The agreement is further extended automatically for successive one year term. As of March 31, 2024, the expiry date is January 23, 2025.

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

The Company does not retain any legal or equitable interest in any accounts receivable account sold under this credit facility. The Company assumes full risk of non-payment and guarantees full payment of all accounts. The Company granted a security interest in all its assets as collateral for its obligations under the facility. The credit facility consists of the following balances as at March 31, 2024 and December 31, 2023:

	March 31, 2023	December 31, 2023
Carrying amount of available credit limit in connection to the credit facility	$ 100,536	$ 406,808
Outstanding balance	83,960	244,015

9. DEBT

Convertible Promissory Debentures

On April 7, 2022, the Company received convertible debenture financing for the aggregate amount of $100,000. Subscribers may convert all or part of the principal amount outstanding under the debentures into units of the Company. The debentures are convertible into units at the higher of $8.33 or a price equal to the price of the shares or units of the next financing carried out before the second anniversary of the closing date less a 30% discount.

The units comprise a share and one-half of one warrant, where a whole warrant shall be exercisable at $2.80 per common stock for a two-year term. The debentures have a maturity date of the second anniversary of the closing date and bear an interest rate of 10% per annum, payable semi-annually. At March 31, 2024, the Company recorded $19,836 accrued interest associated with the convertible debentures (December 31, 2023 - $17,343).

In September 2022, the Company issued additional convertible promissory debentures totalling $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 less a 25% discount. Upon issuance of the debentures, the Company also issued 107,142 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.

The Company records the fair value of the conversion features with variable exercise prices as an embedded derivative separate from the host contract. The fair value of the derivative liabilities is revalued on each Statement of Financial Position date with corresponding gains and losses recorded in profit or loss. The Company uses a derivative valuation technique to fair value the

(Expressed in US dollars - Unaudited)

9. DEBT (cont'd)

Convertible Promissory Debentures (cont'd)

components of the hybrid contract on initial recognition, including the debt component, the embedded derivative, and the warrants. The following significant inputs and assumptions were used in the model:

	December 31, 2023	December 31, 2023
Expected term (years)	0.44	0.69
Risk-free interest rate	5.50%	4.834%
Expected volatility	100%	100%
Dividend yield	0.00%	0.00%
Estimated forfeitures	0.00%	0.00%

The following table presents the Company's embedded conversion features of its convertible debt measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023, determined based on "Level 3" inputs.

	Derivative
	$
Balance at December 31, 2022	**360,154**
Net changes in fair value included in net loss	(359,062)
Balance at December 31, 2023	**1,092**
Net changes in fair value included in net loss	(993)
Balance at March 31, 2024	**99**

The debt component of the convertible debenture is subsequently measured at amortized costs. The following table presents the debt component of the convertible debt measured at its fair value on initial recognition of $1,035,556 and subsequently carried at amortized cost using the interest rate of 32.06% per annum over the 24 months period. As of March 31, 2024, the total accrued interest was $233,750 (December 31, 2023 - $196,250) recorded in accrued liabilities.

Date	Beg. Balance	Additions	Accretion	End. Balance
	$	$	$	$
Dec 31, 2022	1,035,556	-	58,217	1,093,773
Dec 31, 2023	1,093,773	-	232,939	1,326,712
Mar 31, 2024	1,326,712	-	70,692	1,397,404

Deferred Revenue

Deferred revenue consisted of payments made by certain clients at the end of the reporting period prepaying for Company's subscriptions, services, or products. As of March 31, 2024, the Company held deferred revenue of $69,199. (December 31, 2023 - $89,374).

(Expressed in US dollars - Unaudited)

9. DEBT (cont'd)

Loans with collateral

During the year ended December 31, 2023, the Company entered into two loan agreements and pledged $110,532 (2022- $Nil) of inventory as collateral. The Company entered into an additional loan agreement during the three months ended March 31, 2024 and pledged an additional $125,411 of inventory as collateral. The loans have the following terms as of March 31, 2024.

	Loan 1	**Loan 2**	**Loan 3**
Expected term (months)	12	60	36
Interest rate	35.28%	6.77%	19.02%
Payable within 12 months	$119,336	$12,647	$20,142
Payable not due in 12 months	-	$41,331	$25,027

During the three months ended March 31, 2024 the Company recorded $27,904 (2023- $Nil) of interest expense and finance charges in the consolidated statement of loss and comprehensive loss in connection to the three loan agreements. As of March 31, 2024, a carrying balance of $218,483 of the loans were outstanding.

10. RIGHT-OF-USE ASSETS & LEASE LIABILITIES

Right of use asset

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

The following table present the right-of-use-assets as at March 31, 2024 and December 31, 2023:

Balance at December 31, 2022	$	689,311
Depreciation		(179,820)
Balance at December 31, 2023	$	509,491
Depreciation		(44,955)
Balance at March 31, 2024	$	464,536

(Expressed in US dollars - Unaudited)

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

Lease liabilities

Balance at December 31, 2022	$	741,815
Cash flows:		
Lease payments		(223,110)
Non-cash changes:		
Interest expenses		65,264
Balance at December 31, 2023	$	583,969
Cash flows:		
Lease payments		(57,165)
Non-cash changes:		
Interest expenses		13,763
Balance at March 31, 2024	$	540,567
Less Lease liabilities - current		(187,760)
Lease liabilities – non-current	$	352,807

The Company lease consists of office space in San Diego, California under non-cancelable operating lease that expires October 2026. Future minimum lease payments under the lease agreement as of March 31, 2024 are as follows:

Years ending December 31:		
2024	$	172,639
2025		236,702
2026		202,160
	$	611,501

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

11. SHARE CAPITAL

Effective February 9, 2023, the Company consolidated 7 common stocks for 1 common stock (the "Stock Consolidation"). The Stock Consolidation was affected in the form of cancelling 6 common stocks for each common stock owned by shareholders of record at the close of business on February 9, 2023. All share data and stock-based compensation plans presented herein have been retroactively adjusted to give effect to the Stock Consolidation.

(a) Authorized and escrowed shares

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

(b) Common stocks transactions

Transactions for the three months ended March 31, 2024

There were no transactions affecting share capital during the three months ended March 31, 2024.

Transactions for the year ended December 31, 2023

There were no transactions affecting share capital during the year ended December 31, 2023.

(c) Stock options

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

In June 2019, the Board of Directors and a majority of the stockholders approved the following amendments to the 2017 Stock Plan: (a) increase in the number of authorized shares for issuance to 585,714 and (b) add an annual evergreen provision that will adjust the number of authorized shares reserved for issuance to an amount equal to 29.99% of the Company's issued common stock. As a result of the evergreen provision, the number of authorized shares for issuance as of March 31, 2024 is 691,500.

(Expressed in US dollars - Unaudited)

11. SHARE CAPITAL (cont'd)

(c) Stock options (cont'd)

The following table summarizes stock option transactions under the 2017 Plan:

	Number of Options	Weighted average exercise price
Outstanding, December 31, 2022	542,286	$ 4.03
Forfeited	(1,429)	2.87
Outstanding, December 31, 2023	540,857	$ 4.03
Forfeited	(3,549)	3.78
Outstanding, March 31, 2024	537,307	$ 4.03

At March 31, 2024, 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	357,143	357,143	$ 3.29	3.51
June 1, 2031	13,714	13,714	$ 6.79	7.17
February 4, 2032	22,589	19,152	$ 2.87	7.85
February 24, 2032	14,286	14,286	$ 2.87	7.91
March 14, 2032	59,576	52,645	$ 4.13	7.96
May 9, 2027	14,286	14,286	$ 5.53	3.11
May 9, 2027	55,714	55,714	$ 8.40	3.11

The Company uses a Black-Scholes option valuation model to determine the fair value of stock-based compensation. The expected volatility is based on the historical volatility of a peer group of publicly-traded companies. The risk-free interest rate is based on the yield on the measurement date of a zero-coupon U.S. Treasury bond whose maturity period approximately equals the option's expected term. The expected life represents the time the options granted are expected to be outstanding. Forfeitures are estimated at the time of grant and adjusted, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The total stock-based compensation recognized in consolidated statements of profit or loss from the recovery of unvested options during the three months ended March 31, 2024 was an adjustment of $8,211 (2023 – vested options expense $16,841).

Forfeitures are adjusted in the period when forfeitures occur.

11. SHARE CAPITAL (cont'd)

(d) Warrants

In September 2022, the Company had 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. 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, 2024 and December 31, 2023:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2022 and 2023, and March 2024	107,143	$ 6.02

12. SEGMENT INFORMATION

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

Although all operations are based in the U.S., the Company generated a portion of its revenue from customers outside of the U.S. Information about the Company's revenue from different geographic regions for the three months ended March 31, 2024 and 2023 is as follows:

	Three months ended March 31			
	2024		**2023**	
	$	%	$	%
United States	1,707,558	90.7%	3,121,402	97.6%
Canada	135,897	7.2%	66,685	2.1%
Others combined	39,236	2.1%	8,915	0.3%
Total Revenue	1,882,691	100.0%	3,197,002	100.0%

Revenue Type (in '000)	**2023**		**2023**	
	$	%	$	%
Product	1,174.3	62.4%	2,572.7	80.5%
Software as a Service (SaaS)	514.8	27.3%	446.4	14.0%
Engineering/Support Service	88.0	4.7%	62.5	2.0%
Wireless Data	98.6	0.4%	105.5	3.3%
Commission Income	7.0	0.0%	9.8	0.3%
Total Revenue	1,882.7	100.0%	3,197.0	100.0%

All of the Company's significant identifiable assets were located in the United States as of March 31, 2024 and December 31, 2023.

13. CONCENTRATION RISK

The Company derived revenue from one customer totaling 21% and 22% of the Company's total revenue for three months ended March 31, 2024 and 2023, respectively. At March 31, 2024 and 2023, one customer accounted for a total of 11% and two customers for a total of 29% 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, 2024 and 2023, the two largest suppliers accounted for a total of 85% and 91% of total purchases, respectively.

14. CAPITAL MANAGEMENT

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

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

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

At March 31, 2024 and December 31, 2023, the Company is not subject to any externally imposed capital requirements or debt covenants. There were no changes to the Company's approach to capital management for the three months ended March 31, 2024.

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

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

(Expressed in US dollars - Unaudited)

15. FINANCIAL INSTRUMENTS

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

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

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy. As at March 31, 2024 and December 31, 2023:

	Level 1	Level 2	Level 3
March 31, 2024:			
Derivative instrument	$ -	$ -	$ 99
December 31, 2023:			
Derivative instrument	$ -	$ -	$ 1,092

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

Credit risk

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

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

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

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

15. FINANCIAL INSTRUMENTS (cont'd)

Trade and other receivables consist of:

		March 31, 2024		December 31, 2023
Accounts receivables	$	655,244	$	1,484,380
Other receivables		100,296		83,996
Allowance for doubtful accounts		(86,336)		(175,283)
Total	$	669,204	$	1,393,093

During the three months ended March 31, 2024, $74,332 (2023 - $34,013) 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, 2024		December 31, 2023
Current	$	428,808	$	885,831
1 – 30		74,656		304,421
31 – 60		37,357		61,931
61 - 90		13,663		42,478
> 90		100,760		189,719
Total	$	655,244	$	1,484,380

The company's maximum exposure to credit risk is the combined carrying amount of its financial assets as at March 31, 2024 is $945,066 (December 31, 2023 - $1,423,816).

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. During the year ended December 31, 2023, a vendor (Note 7) changed 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.

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.

(Expressed in US dollars - Unaudited)

15. FINANCIAL INSTRUMENTS (cont'd)

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.

16. RELATED PARTY TRANSACTIONS

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

Key management personnel:

Key management personnel include those 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,	
	2024	**2023**
	$	$
Salary	217,790	219,043
Consulting fees	150,000	114,000
Marketing Service	4,500	-
Share-based compensation	960	5,737
Total	373,250	338,780

As at March 31, 2024, $45,500 (December 31, 2023 – $32,000) was included in accounts payable and accrued liabilities for fees owed to related parties, and $32,000 was included in accounts payable and accrued liabilities for fees owed to former director.

(Expressed in US dollars - Unaudited)

17. OTHER EXPENSES

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

	Three months ended March 31	
	2024	2023
	$	$
Insurance	40,446	30,971
Licenses and fees	20,616	20,641
Office expenses	18,885	23,938
Automobile expense	480	762
Meals and entertainment	12,891	34,842
Travel expense	9,008	35,490
Utilities	13,204	15,657
Tax filing fees	-	2,323
Software expense	3,297	4,397
Total	**118,827**	**169,021**

18. COMMITMENTS

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-cancelable 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.

19. SUBSEQUENT EVENTS

Subsequent to March 31, 2024, 169,451 options with prices ranging from $2.87 to $8.40 per options were forfeited.