



# DCS

## **Direct Communication Solutions, Inc.**

Condensed Consolidated Interim Financial Statements  
(Expressed in US Dollars)

As at and for the three and six months ended  
June 30, 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.

August 29, 2024

**Direct Communication Solutions, Inc.**

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in US dollars - Unaudited)

As at June 30, 2024 and December 31, 2023

	Notes	June 30, 2024 (Unaudited) \$	December 31, 2023 (Audited) \$
<b>ASSETS</b>			
<b>Current</b>			
Cash		108,626	30,723
Restricted cash	4	563	-
Accounts and other receivables	15	654,205	1,393,093
Inventory	5	605,152	955,939
Prepaid expenses		99,531	104,685
<b>Current assets</b>		<b>1,468,077</b>	<b>2,484,440</b>
Equipment	6	9,958	15,018
Security deposit		50,056	50,056
Right-of-use assets	10	419,581	509,491
<b>Total assets</b>		<b>1,947,672</b>	<b>3,059,005</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>Current</b>			
Accounts payable	7	7,349,462	6,665,085
Accrued liabilities	7	409,838	887,938
Credit facility	8	55,850	244,015
Current debt	9	1,705,085	1,525,914
Deferred revenue	9	127,134	89,374
Derivative instrument	9	17,960	1,092
Lease liabilities	10	194,238	181,441
<b>Current liabilities</b>		<b>9,859,567</b>	<b>9,594,859</b>
Lease liabilities	10	301,833	402,528
Long term debt	9	367,454	44,161
Long term accounts payable	7	163,258	625,019
<b>Total liabilities</b>		<b>10,692,112</b>	<b>10,666,567</b>
<b>Shareholders' deficiency</b>			
Common stock	11	61	61
Reserves	11	7,334,878	7,344,901
Accumulated deficit		(16,079,379)	(14,952,524)
<b>Total shareholders' deficiency</b>		<b>(8,744,440)</b>	<b>(7,607,562)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>1,947,672</b>	<b>3,059,005</b>

Nature of operations and going concern (Note 1)

Commitments (Note 18)

Subsequent events (Note 19)

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

"Chris Burse"

Chris Burse – CEO &amp; 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)

Three Month and Six month Periods Ended June 30, 2024 and 2023

	Note	For the three months ended June 30,		For the six months ended June 30,	
		2024	2023	2024	2023
		\$	\$	\$	\$
<b>Revenues:</b>					
Products		725,876	3,922,122	1,900,137	6,494,834
Solutions and other services		727,080	662,586	1,435,510	1,286,876
Total Revenues	12	1,452,956	4,584,708	3,335,647	7,781,710
<b>Cost of Revenues</b>					
Products		547,591	2,759,527	1,491,850	4,808,654
Solutions and other services		290,328	210,429	571,348	406,669
Total cost of revenues		837,919	2,969,956	2,063,198	5,215,323
<b>Gross Profit</b>		615,037	1,614,752	1,272,449	2,566,387
<b>OPERATING EXPENSES</b>					
Research and development		54,338	184,415	136,905	365,288
General and administrative					
Compensation and benefits		557,011	1,033,582	1,246,231	1,855,013
Depreciation and amortization	6, 10	47,343	106,749	94,970	214,314
Professional fees		152,627	941,328	128,740	1,640,373
Bank fees		38,119	52,731	92,806	108,705
Bad debt expense (recovery)	15	(17,252)	65,210	(91,584)	99,223
Facilities		19,519	19,753	48,970	40,842
Information technology		47,464	46,036	95,605	100,647
Advertising and marketing		39,320	103,403	70,107	148,830
Other	17	120,847	282,136	239,674	451,157
Total Operating Expenses		1,059,336	2,835,343	2,062,424	5,024,392
<b>Net Operating Income (loss)</b>		(444,299)	(1,220,591)	(789,975)	(2,458,005)
<b>OTHER INCOME (EXPENSES)</b>					
Changes in fair value of derivative	9	(9,201)	237,740	(8,208)	344,434
Rental Income		6,000	-	6,000	-
Interest expense and accretion	8, 9, 10	(178,404)	(119,446)	(334,673)	(235,600)
<b>Net income (loss) for the period</b>		(625,904)	(1,102,297)	(1,126,856)	(2,349,171)
Weighted Average number of common shares:					
Basic		2,305,079	2,305,079	2,305,079	2,305,079
Diluted		2,305,079	2,305,079	2,305,079	2,305,079
Income (loss) per share – basic and diluted					
Basic		\$(0.27)	\$(0.48)	\$(0.49)	\$(1.02)
Diluted		\$(0.27)	\$(0.48)	\$(0.49)	\$(1.02)

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)

As at June 30, 2024 and 2023

	Number of Common stocks (1)	Common Stock Amount	Reserves	Accumulated Deficit	Total Shareholders' (Deficiency)
		\$	\$	\$	\$
<b>Balance, January 1, 2023</b>	<b>2,305,091</b>	<b>61</b>	<b>7,301,027</b>	<b>(9,864,500)</b>	<b>(2,563,412)</b>
Stock-based compensation expense	-	-	35,574	-	35,574
Share consolidation ratio adjustment	(12)	-	-	-	-
Net loss for the period	-	-	-	(2,349,171)	(2,349,171)
<b>Balance, June 30, 2023</b>	<b>2,305,079</b>	<b>61</b>	<b>7,336,601</b>	<b>(12,213,671)</b>	<b>(4,877,009)</b>
Stock-based compensation expense	-	-	8,300	-	8,300
Net loss for the period	-	-	-	(2,738,852)	(2,738,852)
<b>Balance, January 1, 2024</b>	<b>2,305,079</b>	<b>61</b>	<b>7,344,901</b>	<b>(14,952,523)</b>	<b>(7,607,561)</b>
Stock-based compensation expense	-	-	(10,023)	-	(10,023)
Net loss for the period	-	-	-	(1,126,856)	(1,126,856)
<b>Balance, June 30, 2024</b>	<b>2,305,079</b>	<b>61</b>	<b>7,334,878</b>	<b>(16,079,379)</b>	<b>(8,744,440)</b>

(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)

Six Month Periods Ended June 30, 2024 and 2023

	2024	2023
	\$	\$
Cash provided by / (used for):		
Operating Activities:		
<b>Net loss for the period</b>	<b>(1,126,856)</b>	<b>(2,349,171)</b>
Items not affecting cash:		
Accretion and interest on liabilities	228,175	200,985
Bad debt expense	(91,584)	(39,995)
Depreciation	94,970	214,314
Derivative adjustment to fair market value	8,208	(344,434)
Accretion of lease liability	26,433	34,589
Stock-based compensation	(10,023)	35,574
Provision for excess and obsolete inventory	63,123	(158,389)
Net change in non-cash working capital items:		
Accounts and other receivables	830,472	165,004
Inventory	287,664	(578,926)
Prepaid expenses	5,154	357,360
Accounts payable	222,616	(713,931)
Accrued liabilities	(553,100)	(25,715)
Deferred revenue	37,760	(78,722)
<b>Net cash provided (used in) by operating activities</b>	<b>23,012</b>	<b>(3,281,457)</b>
<b>Investing Activities:</b>		
Purchase of property and equipment	-	(5,214)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(5,214)</b>
<b>Financing Activities:</b>		
Lease payments	(114,330)	(111,000)
Net (repayments) borrowings on credit facility	(188,165)	1,499,180
Proceeds from promissory notes	200,000	-
Proceeds from loan	419,743	-
Payments on loan	(261,794)	-
<b>Net cash provided by financing activities</b>	<b>55,454</b>	<b>1,388,180</b>
Change in cash for the period	78,466	(1,898,491)
Cash, beginning of the period	30,723	3,567,274
<b>Cash and restricted cash, end of the period</b>	<b>109,189</b>	<b>1,668,783</b>
	<b>2024</b>	<b>2023</b>
<b>Supplemental disclosure of cash flow information:</b>	<b>\$</b>	<b>\$</b>
Cash paid during the period for:		
Interest expense:	72,949	-
Income taxes	-	-

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

## **Direct Communication Solutions, Inc.**

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

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#### **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 \$16,079,379. As at June 30, 2024, the Company has working capital deficit of \$8,391,490 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, 2024.

## Direct Communication Solutions, Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

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## 2. BASIS OF PREPARATION (cont'd)

### Basis of consolidation

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

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

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.

#### 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.



## **Direct Communication Solutions, Inc.**

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

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## **2. BASIS OF PREPARATION (cont'd)**

### **i) Critical accounting estimates (cont'd)**

- 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.
- 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.

## Direct Communication Solutions, Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

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### 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 June 30, 2024, the Company has a restricted cash of \$563 (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:

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Components and raw materials	\$ 936,499	\$ 1,224,163
Allowance for components and raw materials	(340,053)	(291,774)
Assemblies	40,422	40,422
Allowance for assemblies	(31,716)	(16,872)
	<u>\$ 605,152</u>	<u>\$ 955,939</u>

During the six months ended June 30, 2024, a total of \$1,491,850 inventory was expensed as cost of sales (2023 - \$4,808,654).

As discussed in Note 8, TAB has a lien on all the Company's assets which includes inventory. As at June 30, 2024, the Company had pledged \$235,944 (December 31, 2023- \$110,532) of inventory as collateral for three (December 31, 2023 – two) loans (Note 9).

### 6. EQUIPMENT

Equipment consists of the following:

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
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	(253,707)	(248,647)
	<u>\$ 9,958</u>	<u>\$ 15,018</u>

Depreciation expenses were \$5,060 and \$19,378 for the six months ended June 30, 2024, and 2023, respectively.

## Direct Communication Solutions, Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Payroll related expenses	\$ 132,588	\$ 186,385
Interest accrued (Note 9)	271,250	213,592
Other	6,000	487,961
	<u>\$ 409,838</u>	<u>\$ 887,938</u>

Accounts payable consist of the following:

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Vendor payable due within 12 months	<u>\$ 7,349,462</u>	<u>\$ 6,665,085</u>
Vendor payable not due within 12 months	<u>\$ 163,258</u>	<u>\$ 625,019</u>

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

## 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 June 30, 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 June 30, 2024 and December 31, 2023:

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Carrying amount of available credit limit in connection to the credit facility	\$ 83,869	\$ 406,808
Outstanding balance	55,850	244,015

## Direct Communication Solutions, Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

## 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 June 30, 2024, the Company recorded \$20,835 accrued interest associated with the convertible debentures (December 31, 2023 - \$17,343), which had been paid off during the six months ended June 30, 2024.

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 less a 25% discount. 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 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 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:

	June 30, 2024	December 31, 2023
Expected term (years)	0.19	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 June 30, 2024 and December 31, 2023, determined based on "Level 3" inputs.

	Derivative
	\$
<b>Balance at December 31, 2022</b>	<b>360,154</b>
Net changes in fair value included in net loss	(359,062)
<b>Balance at December 31, 2023</b>	<b>1,092</b>
Net changes in fair value included in net loss	(1,088)
<b>Balance at June 30, 2024</b>	<b>4</b>

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 June 30, 2024, the total accrued interest was \$271,250 (December 31, 2023 - \$196,250) recorded in accrued liabilities.

## Direct Communication Solutions, Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

## 9. DEBT (cont'd)

### Convertible Promissory Debentures (cont'd)

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
June 30, 2024	1,326,712	-	147,202	1,473,914

### Loans

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 six months), and maturing on April 15, 2026, or a period of 24-months. As additional consideration, the Company issued 10,000 purchase warrants. Each warrant entitles the holder to purchase one common stock at a price of \$1.48 (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. Each warrant entitles the holder to purchase one common stock at a price of \$1.48 (CAD \$2.00) per share for a period of 24 months from the date of issuance.

The Company records the fair value of the warrants exercisable with variable amount of cash receivable due to foreign exchange as an embedded derivative separate from the host contract. The fair value of the derivative liabilities is revalued on each

Statement of Financial Position date with corresponding gains and losses recorded in profit or loss. The Company uses a derivative valuation technique to fair value the components of the hybrid contract on initial recognition, including the debt component and the warrants. The following significant inputs and assumptions were used in the model:

	June 30, 2024	May 24, 2024	April 15, 2024
Expected term (years)	1.79-1.90	2	2
Risk-free interest rate	4.9%	4.93%	4.93%
Expected volatility	185.95%-189.68%	184.52%	185.45%
Dividend yield	0.00%	0.00%	0.00%
Estimated forfeitures	0.00%	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 June 30, 2024 and December 31, 2023, determined based on "Level 3" inputs.

	Derivative
	\$
<b>Balance at December 31, 2022 and 2023</b>	-
Initial recognition April 15, 2024	4,644
Initial recognition May 24, 2024	4,016
Net changes in fair value included in net loss	9,296
<b>Balance at June 30, 2024</b>	<b>17,956</b>

## Direct Communication Solutions, Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

## 9. DEBT (cont'd)

### Loans (cont'd)

The debt component of the loans subsequently measured at amortized costs. The following table presents the debt component of the loans measured at its fair value on initial recognition of \$95,356 and \$95,984 and subsequently carried at amortized cost using the interest rate of 21% and 18% per annum over the 24 months period. As of June 30, 2024, the total accrued interest was \$3,956 and \$1,926 (December 31, 2023 - \$Nil) recorded in current debt and long-term debt respectively.

Date	Beg. Balance	Additions	Interest & Accretion	End. Balance
	\$	\$	\$	\$
April 15, 2024	-	95,356	-	95,356
June 30, 2024	95,356	-	4,189	99,545

Date	Beg. Balance	Additions	Interest & Accretion	End. Balance
	\$	\$	\$	\$
May 24, 2024	-	95,984	-	95,984
June 30, 2024	95,984	-	1,785	97,769

In May 2024, the Company entered into a loan agreement with a third party for proceeds of \$250,000. The proceeds will be used for operating purposes. 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.

### 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 June 30, 2024, the Company held deferred revenue of \$127,134. (December 31, 2023 - \$89,374).

### 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 six months ended June 30, 2024 and pledged an additional \$125,411 of inventory as collateral. The loans have the following terms as of June 30, 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	\$73,893	\$11,300	\$20,142
Payable not due in 12 months	-	\$39,848	\$19,992

During the six months ended June 30, 2024 the Company recorded \$57,368 (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 June 30, 2024, a carrying balance of \$165,176 of the loans were outstanding.

## Direct Communication Solutions, Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

## 10. RIGHT-OF-USE ASSETS & LEASE LIABILITIES

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

The following table present the right-of-use-assets as at June 30, 2024 and December 31, 2023:

Balance at December 31, 2022	\$	689,311
Depreciation		(179,820)
Balance at December 31, 2023	\$	509,491
Depreciation		(89,910)
Balance at June 30, 2024	\$	419,581

### *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		(114,330)
Non-cash changes:		
Interest expenses		26,432
Balance at June 30, 2024	\$	496,071
Less Lease liabilities - current		(194,238)
Lease liabilities – non-current	\$	301,833

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 June 30, 2024 are as follows:

Years ending December 31:	
2024	\$ 115,474
2025	236,702
2026	<u>202,160</u>
	<u>\$ 554,336</u>

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.

## Direct Communication Solutions, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

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### 11. SHARE CAPITAL (cont'd)

#### (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 six months ended June 30, 2024*

There were no transactions affecting share capital during the six months ended June 30, 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 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 issuance as of June 30, 2024 is 1,000,000.

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

	Number of Options	Weighted average exercise price
<b>Outstanding, December 31, 2022</b>	542,286	\$ 4.03
Forfeited	(1,429)	2.87
<b>Outstanding, December 31, 2023</b>	540,857	\$ 4.03
Forfeited	(258,715)	3.65
<b>Outstanding, June 30, 2024</b>	282,142	\$ 4.38



## Direct Communication Solutions, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

### 11. SHARE CAPITAL (cont'd)

#### (c) Stock options (cont'd)

At June 30, 2024, the Company had outstanding and exercisable stock options as follows:

<b>Date of Expiry</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Exercise Price</b>	<b>Weighted Average Remaining Life (years)</b>
October 5, 2027	178,571	178,571	\$3.29	3.27
February 4, 2032	10,000	8,092	\$2.87	7.60
February 24, 2032	10,714	10,714	\$2.87	7.66
March 14, 2032	15,715	10,804	\$4.13	7.71
May 9, 2027	52,857	52,857	\$8.40	2.86
May 9, 2027	14,285	14,285	\$5.53	2.86

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 six months ended June 30, 2024 was an adjustment of \$10,023 (2023 – vested options expense \$35,574).

Forfeitures are adjusted in the period when forfeitures occur.

#### (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.

In April and May 2024, the Company entered into promissory note agreements (Note 9) and issued 20,000 purchase warrants. Each warrant entitles the holder to purchase one common stock at a price of \$1.48 (CAD \$2.00) 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 June 30, 2024 and December 31, 2023:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
<b>Outstanding, December 31, 2022 and 2023</b>	107,143	\$ 6.02
Granted	20,000	1.48
<b>Outstanding, June 2024</b>	127,143	\$ 5.30

## Direct Communication Solutions, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

### 11. SHARE CAPITAL (cont'd)

#### (d) Warrants (cont'd)

Date of Expiry	Number of Warrants Outstanding	Exercise Price	Weighted Average Remaining Life (years)
September 9, 2024	107,143	\$6.02	0.19
April 15, 2026	10,000	\$1.48	1.79
May 24, 2026	10,000	\$1.48	1.90

### 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 six months ended June 30, 2024 and 2023 is as follows:

	Six months ended June 30			
	2024		2023	
	\$	%	\$	%
United States	\$3,104,800	93.1%	\$7,472,439	96.0%
Canada	\$175,990	5.3%	\$280,075	3.6%
Others combined	\$54,857	1.6%	\$29,196	0.4%
Total Revenue	\$3,335,647	100.0%	\$7,781,710	100.0%

Revenue Type (in '000)	2024		2023	
	\$	%	\$	%
Product	1,900.1	57.0%	6,494.7	83.4%
Software as a Service (SaaS)	1,074.9	32.2%	924.3	11.9%
Engineering/Support Service	158.2	4.7%	140.9	1.9%
Wireless Data	192.2	5.8%	212.6	2.7%
Commission Income	10.2	0.3%	9.1	0.1%
Other	-	0.0%	0.1	0.0%
Total Revenue	3,335.6	100.0%	7,781.7	100.0%

All of the Company's significant identifiable assets were located in the United States as of June 30, 2024 and December 31, 2023.

## **Direct Communication Solutions, Inc.**

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

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#### **13. CONCENTRATION RISK**

The Company derived revenue from one customer totaling 22% and 38% of the Company's total revenue for six months ended June 30, 2024 and 2023, respectively. At June 30, 2024 and December 31, 2023, one customer accounted for a total of 23% and 19% of accounts receivable, respectively.

To manage the concentration of customer risk, the Company continuously looks for opportunities to diversify 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 six months ended June 30, 2024 and 2023, the two largest suppliers accounted for a total of 85% and 87% 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 June 30, 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 six months ended June 30, 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.

#### **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, current debt, lease liabilities, and credit facility and long-term debt approximate carrying value, which is the amount recorded on the consolidated statement of financial position.

## Direct Communication Solutions, Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

#### 15. FINANCIAL INSTRUMENTS (cont'd)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy. As at June 30, 2024 and December 31, 2023:

	Level 1	Level 2	Level 3
June 30, 2024:			
Derivative instruments	\$ -	\$ -	\$ 17,960
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.

Trade and other receivables consist of:

	June 30, 2024	December 31, 2023
Accounts receivables	\$ 633,019	\$ 1,484,380
Other receivables	82,629	83,996
Allowance for doubtful accounts	(61,443)	(175,283)
Total	\$ 654,205	\$ 1,393,093

During the six months ended June 30, 2024, \$91,584 (2023 – expense of \$99,223) of bad debt recovery had been recognized in the consolidated statement of operating loss and comprehensive loss.

## Direct Communication Solutions, Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

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## 15. FINANCIAL INSTRUMENTS (cont'd)

### *Credit risk (cont'd)*

Aged trade receivable listing:

<b>Days outstanding</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Current	\$ 475,630	\$ 885,831
1 – 30	28,373	304,421
31 – 60	39,291	61,931
61 - 90	19,321	42,478
> 90	70,404	189,719
<b>Total</b>	<b>\$ 633,019</b>	<b>\$ 1,484,380</b>

The company's maximum exposure to credit risk is the combined carrying amount of its financial assets as at June 30, 2024 is \$763,394 (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, 2024, 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.

#### *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.

## Direct Communication Solutions, Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

For the Three and Six Month Periods Ended June 30, 2024 and 2023

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### 15. FINANCIAL INSTRUMENTS (cont'd)

*Market risk (cont'd)*

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:

	Six months ended June 30,	
	2024	2023
	\$	\$
Salary	404,580	642,160
Consulting fees	295,000	306,300
Marketing Service	6,000	-
Share-based compensation	960	1,754
Total	706,540	950,214

As at June 30, 2024, \$62,000 (December 31, 2023 – \$32,000) was included in accounts payable and accrued liabilities for fees owed to related parties, and \$32,000 (December 31, 2023 - \$Nil) was included in accounts payable and accrued liabilities for fees owed to former director.

## Direct Communication Solutions, Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US dollars - Unaudited)

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#### 17. OTHER EXPENSES

During the six months ended June 30, 2024 and 2023, the Company had the following expenses in other expenses:

	Six months ended June 30	
	2024	2023
	\$	\$
Insurance	91,539	168,867
Licenses and fees	35,113	37,305
Office expenses	32,374	48,876
Automobile expense	978	1,195
Meals and entertainment	24,953	54,259
Travel expense	20,473	84,647
Utilities	24,203	30,898
Tax filing fees	1,249	4,023
Software expense	8,792	7,793
Other	-	13,294
<b>Total</b>	<b>239,674</b>	<b>451,157</b>

#### 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 June 30, 2024, the Company initiated legal actions in Ontario against AirIQ for breach of contract and breach of confidence, and in California against former executive Michael Lawless for breach of fiduciary duty, breach of contract, and conversion. The Company determined no contingent asset or liability exists taking in account of all available evidence.

Subsequent to June 30, 2024 The Company has successfully restructured 6.1M in debt with one of its key supplier. The supplier has forgiven 2.9M in payables and 3.2M has been restructured to a five year term loan, principal to be repaid at the end of the five year term and 10% interest to be paid annually.