Direct Communication Solutions, Inc.

Management's Discussion and Analysis

For the Three and Nine months ended September 30, 2024

Amounts in United States dollars unless stated otherwise

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of Direct Communication Solutions, Inc. (the "Company", "DCS", "we" and "our" refer to Direct Communication Solutions, Inc.) provides an analysis of the Company's performance and financial condition for the three and nine months ended September 30, 2024. This management discussion and analysis should be read in conjunction with the Company's condensed consolidated interim financial statements and related notes thereto of the Company for the nine months ended September 30, 2024 and 2023, and the audited consolidated financial statements for the years ended December 31, 2023 and 2022 (the "**Financial Statements**"), which were prepared in accordance with International Financial Reporting Standards ("**IFRS**").

All amounts referred to in this management discussion and analysis are prepared in accordance with IFRS and presented in United States dollars ($ or US$), unless otherwise indicated. C$ refers to Canadian dollars.

The following information is prepared as of November 17, 2024.

Forward-looking Statements

This management discussion and analysis contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performances of the Company; revenues; the timing and amount of estimated future operating, capital and development expenditures and requirements for additional capital. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this management discussion and analysis based on the opinions and estimates of management, and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, potential investors should not place undue reliance on forward-looking statements.

Overview

Direct Communication Solutions, Inc. provides Internet of Things (IoT) products, services and solutions. We deliver enhanced one-stop solutions that connect assets to increase visibility, operational efficiency, and profitability. We provide our solutions and services to a variety of industries including, Supply Chain Logistics, Transportation, Health Care, and Food & Beverages. We are a chosen global partner of service providers, value-added collaborators, system integrators, and enterprises due to our commitment to quality and demonstrated experience. We intend to continue expanding our long-standing relationships and work strategically with our partners, to jointly build leading IoT solutions based on integrated hardware, cloud-based software, and other services.

The Company's current SaaS solutions include MiFleet™, which provides fleet and vehicle SaaS telematics, MiSensors™, which provides machine-to-machine device management and service enablement for wireless sensors and MiFailover™, which provides high-speed wireless internet failover to small and medium-sized businesses as a redundancy solution to continue to run their business in the event the internet is not available. In addition, we have recently deployed MiConnectivity to provide wireless data connectivity for global connectivity through our fully integrated SIM management platform and MiServices™ to provide managed services solution that includes all-inclusive device readiness program and engineering support. These services include software development, hardware integration and logistics support from SIM to Shipment, including device preparation, custom labeling, packaging, configuration confirmation, and system-side checks.

Our corporate headquarters is in San Diego, California.

Incorporated in 2006, the Company traditionally has been a distributor of IoT components and a system integrator that assisted clients in installing such components into their installed systems and applications. The Company has focused on providing hardware items and solutions that have aided in data collection, analysis and management.

The global costs and prices of IoT sensors and products continue to drop in price and margin. As a response to this, and an interest to develop more vertically-integrated, comprehensive solutions, we began to develop software applications and databases that can analyze and manage the data that its IoT hardware has traditionally just collected. This provides us the opportunity to increase its gross and net profit margins by providing more services and software – through the cloud and/or via a SaaS business model. Currently, the company has three primary business focuses on revenue stream and growth generation.

Smart Hardware Provider. The company utilizes smart hardware from an expanding group of suppliers to deploy through our strategic agreements with channel partners including AT&T, T-Mobile, U.S. Cellular, Verizon Wireless, TD Synnex and multiple Telematic Solution Providers as the basis to develop our own end-to-end SaaS based intelligent business solutions.

SaaS Software Solutions Provider. Our products and services then enable devices to communicate with each other and with server or cloud-based application infrastructures. These software applications address and solve real-world data collection and monitoring problems to best serve our customers and manage their evolving business requirements.

Industry Technology Innovation. DCS has sold to customers within various smart hardware related vertical markets that are tied to the broad IoT market. These areas have included markets such as fleet management, healthcare, retail point-of-sale, industrial, energy and utilities and safety and security. As the company applies its core competencies it can now address a broadening spectrum of software application markets.

DCS is continuing to evolve from our smart hardware distribution base of mobile broadband hardware to providing End-to-End solutions for mobile internet, M2M, and vertical markets. We serve our clients by simplifying IoT technologies, making them less costly, easier to deploy and overall, more efficient. We intend to continue to leverage our long-standing relationships with strategic partners and jointly build unique IoT solutions based on integrated third-party equipment along with our application software. This mixed hardware and software implementation allows us to build new, move robust, solutions that address multiple customer problems operating on a single company platform.

Significant Highlights

The following highlights and developments for the nine months ended September 30, 2024 and to the date of this management discussion and analysis:

- Named finalists for the three global IoT projects of the year awards
- Received 2,295 new recurring revenue orders that will generate high margin recurring revenues to our growing subscriber base.
- Enabled our SaaS Solutions channel of dealers and resellers with promotions across multiple markets to position our SaaS Solutions and increase future sales.
- Restructured the company focus and operations to focus on our long-term strategy of recurring revenue through SaaS Solutions. The restructure stream-lines company resources and reduced overall expenses significantly.
- Received approval of the MiFleet VisionOne Pro dash camera on various cellular network operators to strengthen our unique position in the video telematics market.
- Company restructured approximately $6.1M in debt owed to its largest supplier.

Outlook

DCS is an emerging provider that offers Internet of Things ("IoT") and connectivity-related business-critical solutions and services. Our customers include technology distributors, cellular operators fleet service providers and any business that needs to monitor or draw data from their machine-based assets. We serve our clients by simplifying IoT Technologies, making them less costly, easier to deploy and overall, more efficient. Since 2018 we started to transition from a hardware reseller to a SaaS based, recurring revenue, customized solutions provider, offering turnkey IoT solutions for new and existing customers. SaaS and other services revenue accounted for approximately 44% (2023 – 17%) of total corporate revenue for the nine months ended September 30, 2024.

We continue to expand the industries we serve which now include fleet management, transportation/logistics, cold chain management, asset tracking/management, public safety/municipalities, property management, restaurants, healthcare, retail, offices, and construction.

Non-IFRS Financial Measures – Adjusted EBITDA

This MD&A references adjusted EBITDA, which is a non-IFRS financial measure. Adjusted EBITDA is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to adjusted EBITDA presented by other companies. Rather, it is provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, adjusted EBITDA should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We use non-IFRS financial measures to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that securities analysts, investors, and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. There are certain limitations related to the use of non-IFRS financial measures versus their nearest IFRS equivalents. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on any non-IFRS financial measure and view it in conjunction with the most comparable IFRS financial measures. In evaluating non-IFRS financial measures, you should be aware that in the future we will continue to incur expenses similar to those adjusted in non-IFRS financial measures.

Adjusted EBITDA is a non-IFRS financial measure that we calculate as net income (loss) before tax excluding depreciation and amortization expense, share based expense, unrealized gain on inventory, finance expense, other asset impairments, unrealized loss on fair value of deposits and convertible note, and listing expenses. Adjusted EBITDA is used by management to understand and evaluate the performance and trends of the Company's operations. The following table shows a reconciliation of adjusted EBITDA to net income (loss) before tax, the most comparable

IFRS financial measure, for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30, 2024	Three months ended September 30, 2023	**Nine months ended September 30, 2024**	Nine months ended September 30, 2023
	$	$	**$**	$
Loss before tax	**2,012,983**	(1,125,048)	**886,127**	(3,474,219)
Accretion	**115,225**	60,348	**185,916**	167,625
Net changes in fair value	**48,428**	(4,877)	**47,435**	(349,311)
Depreciation and amortization	**94,192**	106,252	**141,819**	320,567
Finance cost for right of use assets	**24,216**	15,844	**37,979**	50,432
Gain on debt extinguishment	**(2,914,776)**	-	**(2,914,776)**	-
Interest expense	**338,254**	46,896	**410,069**	140,631
One time cost recovery - Tetlit	**-**	(75,000)	**-**	(75,000)
Provision for excess and obsolete inventory	**(4,491)**	71,485	**55,315**	(86,904)
Stock based compensation	**(5,563)**	3,847	**(13,774)**	39,421
Tax fees	**12,335**	(1,334)	**12,335**	2,689
One-time costs related to up-listing to senior exchange				
One-time professional fees	**-**	357,245	**(234,461)**	1,268,351
D&O	**-**	19,500	**-**	52,500
Marketing expense	**-**	7,250	**-**	145,836
Adjusted EBITDA	**(279,197)**	(517,592)	**(1,386,016)**	(1,797,382)

Revenues decreased by 56% (Gross Profit decreased by 49%) on a year-over-year basis from the corresponding third quarter of 2023, and revenue decreased by 55% (Gross profit decreased by 46%) on a quarterly basis from the corresponding period in 2023. The decrease in EBITDA for the three months and nine months ended September 30, 2024 compared to the same period in 2023 was primarily attributable to decreased hardware sales as the Company restructured to continue executing on its strategy of focusing on SaaS Solutions. The Company will continue to diligently work to improve operational efficiencies. For the period ended September 30, 2024, the Company received 2,295 new MiFleet Fleet Management SaaS Solutions sales that will contribute to new recurring revenue subscribers. Video Telematics remains a strong contributor of our overall strategy of focusing on SaaS recurring revenues, at high gross margins. Overall SaaS recurring revenue growth continues to grow with a significant pipeline of opportunities based on our strategy of focusing on growing the recurring revenue for the future.

Key Business Metrics

The following table shows a summary of our key business metrics as of the periods presented:

	As at September 30, 2024
	$
Annual recurring revenue ("ARR")	2,933,964

ARR

We believe that ARR is a key indicator of the trajectory of our business performance, enables measurement of the progress of our business initiatives, and serves as an indicator of future growth. We define ARR as the annualized value of subscription contracts that have commenced revenue recognition as of the measurement date. ARR highlights trends that may be less visible from the face of our financial statements due to ratable revenue recognition. ARR does not have a standardized meaning and is not necessarily comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and is not intended to be combined with or to replace it. ARR is not a forecast and the active contracts at the date used in calculating ARR may or may not be extended or renewed.

Results of Operations for the Three Months ended September 30, 2024

Revenues for the three months ended September 30, 2024 were $1,554,752 compared $3,424,362 for the same period last year. Product revenue of $819,015 was down 71% over the same period as the Company continues to transition from a distribution model to a recurring revenue model focusing on our unique SaaS Solutions. The Company implemented cost-cutting measures resulting in significant savings as we continue to execute on our strategy of providing SaaS Solutions to our growing sales ecosystem.

Solutions and other services revenue of $735,737 was up 21% from the same period as last year.

Cost of revenues for the three months ended September 30, 2024 were $1,001,050 compared to $2,400,267 for the same period in 2023. The following tables summarize gross profit and gross margin:

	Gross Profit		Gross Margin	
	Q3 2024	Q3 2023	Q3 2024	Q3 2023
	$	$	%	%
Products	97,084	636,628	11.9%	22.6%
Solutions and other services	456,618	387,467	62.1%	63.6%
Total	553,702	1,024,095	35.6%	29.9%

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

General and administrative expenses for the three months ended September 30, 2024 were $1,042,125 compared to $1,960,124 for the same period in 2023. Professional services decreased compared to the same period last year, due to the Company's decision to cease its IPO process during Q4 of 2023. Advertising and marketing expenses decreased in 2024 as the Company ceased its marketing programs for investor awareness in connection to not proceeding with the IPO process. Depreciation and amortization decreased compared to the same period last year as there was no amortization on intangible in the current period. Compensation and benefits decreased in 2024 as a result of the Company's restructuring process and the decision to preserve working capital for operations. Decrease in other expense compared to the same period last years is primarily due to decreased in liability insurance expense due to a significant drop in product sales and decreased in travel expense. The Company is currently making huge efforts in cutting costs and preserving working capital for operations.

The Company recognized $47,605 of bad debt recovery compared to a bad debt expense of $31,828 during the same quarter last year. The decrease was due to managements' estimated balance of allowance for doubtful accounts decreased as there was less accounts receivable balance during the current quarter. The Company is making efforts to achieve a higher accounts receivable turnover ratio. Bad debt expense and estimated balance of allowance for doubtful accounts are determined by the aging of accounts receivable balance at each quarter end and would move in correlation with the balance of accounts receivable at the point in time.

There were no other significant changes in general and administrative expenses.

Research and development costs for the three months ended September 30, 2024 were $77,852 compared to $70,808 for the same period in 2023. The increase was a result of testing for new project.

Interest expense and accretion for the three months ended September 30, 2024 were $299,291 compared to $123,088 for the same period in 2023. The increase was primarily due to the interest expense of the new additional loans, promissory note, and convertible debentures that were obtained for financing in the current period.

Net income for the three months ended September 30, 2024 was $2,012,983 compared to $1,125,048 net loss for the same period in 2023. The difference was primarily the result of the gain on debt extinguishment in 2024.

Results of Operations for the Nine Months ended September 30, 2024

Revenues for the nine months ended September 30, 2024 were $4,890,399 compared $11,206,072 for the same period last year. Product revenue of $2,719,152 was down 71% over the same period as the Company is in the process of restructuring its sales strategy to improve its operations flow.

Solutions and other services revenue of $2,171,247 was up 15% from the same period as last year.

Cost of revenues for the nine months ended September 30, 2024 were $3,064,248 compared to $7,615,590 for the same period in 2023. The following tables summarize gross profit and gross margin:

	Gross Profit		Gross Margin	
	Q3 2024	Q3 2023	Q3 2024	Q3 2023
	$	$	%	%
Products	505,371	2,322,808	18.6%	24.9%
Solutions and other services	1,320,780	1,267,674	60.8%	66.9%
Total	1,826,151	3,590,482	37.3%	32.0%

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

General and administrative expenses for the six months ended June 30, 2024 were $2,967,644 compared to $6,619,228 for the same period in 2023. Professional services decreased significantly compared to the same period last year, due to the Company's ceased its IPO process during Q4 of 2023.Advertising and marketing expenses decreased in 2024 as the Company ceased its marketing programs for investor awareness. Depreciation and amortization decreased compared to the same period last year as there was no amortization on intangible in the current period. Compensation and benefits decreased in 2024 as a result of the Company's restructuring process and the Company's decision to preserve working capital for operations. Decrease in other expense compared to the same period last years is primarily due to decreased in liability insurance expense due to a significant drop in product sales and decreased in travel expense. The Company is currently making huge efforts in cutting costs and preserving working capital for operations. Increase in facilities during the nine months ended September 30, 2024 was primarily due to price increase from inflation adjustment from the vendor.

The Company recognized $139,189 of bad debt recovery compared to a bad debt expense of $131,051 during the same quarter last year. The decrease was due to managements' estimated balance of allowance for doubtful accounts decreased as there was less accounts receivable balance during the current quarter. The Company is making efforts to achieve a higher accounts receivable turnover ratio. Bad debt expense and estimated balance of allowance for doubtful accounts are determined by the aging of accounts receivable balance at each quarter end and would move in correlation with the balance of accounts receivable at the point in time.

There were no other significant changes in general and administrative expenses.

Research and development costs for the nine months ended September 30, 2024 were $214,757 compared to $436,096 for the same period in 2023. The decrease was a result of reduction in testing for new hardware devices and less resources allocated to R&D.

Interest expense and accretion for the nine months ended September 30, 2024 were $633,964 compared to $358,688 for the same period in 2023. The increase was primarily due to the interest expense of the new additional loans, promissory notes, and convertible debenture that were obtained for financing in the current period.

Net income for the nine months ended September 30, 2024 was $886,127 compared to $3,474,219 for the same period in 2023. The difference was primarily the result of the gain on debt extinguishment in 2024.

Summary of Quarterly Results

The following table is based on the Company's financial statements prepared in accordance with IFRS. Amounts are in US$ except share numbers.

	Q3 2024	Q2 2024	Q1 2024	Q4 2023
	$	$	$	$
Revenue				
Products	819,015	725,876	1,174,261	1,190,465
Solutions & other services	735,737	727,080	708,430	631,138
	1,554,752	1,452,956	1,882,691	1,821,603
Operating Expenses	1,119,977	1,059,336	1,003,088	2,117,435
Net income (loss)	2,012,983	(625,904)	(500,952)	(1,613,805)
Basic income (loss) per share	0.87	(0.27)	(0.22)	(0.70)
Fully-diluted income (loss) per share	0.75	(0.27)	(0.22)	(0.70)
Weighted average number shares outstanding - basic	2,305,079	2,305,079	2,305,079	2,305,079
Weighted average number shares outstanding – diluted	2,305,079	2,305,079	2,305,079	2,305,079
Total fully diluted shares	2,696,438	2,305,079	2,305,079	2,305,079

	Q3 2023	Q2 2023	Q1 2023	Q4 2022
	$	$	$	$
Revenue				
Products	2,815,266	3,922,122	2,572,712	3,776,934
Solutions & other services	609,096	662,586	624,290	521,121
	3,424,362	4,584,708	3,197,002	4,298,055
Operating Expenses	2,030,932	2,835,343	2,189,049	3,097,790
Net income (loss)	(1,125,048)	(1,102,297)	(1,246,874)	(2,080,232)
Basic income (loss) per share	(0.49)	(0.48)	(0.54)	(0.81)
Fully-diluted income (loss) per share	(0.49)	(0.48)	(0.54)	(0.81)
Weighted average number shares outstanding - basic	2,305,079	2,305,079	2,305,079	2,305,091
Weighted average number shares outstanding – diluted	2,305,079	2,305,079	2,305,079	2,305,091
Total fully diluted shares	2,305,079	2,305,079	2,305,079	2,305,091

The Company's business typically undergoes seasonal variation in the fiscal quarter ended June 30 due to disruptions in the manufacturing of hardware components in Asia driven primarily by the observance of the lunar new year holidays during that period and in the fiscal quarter ended September 30 due to summer vacations of the industrial buyers representing business or government customers.

Liquidity and Capital Resources

The Company defines capital as consisting of issued share capital, reserves and accumulated deficit. We expect to fund the operating costs of the Company over the next twelve months from expanding sales of our current products and solutions that support the growth of the Company and raising additional capital as necessary. The Company's continuing operations and its financial viability is dependent upon the extent to which it can successfully raise the capital to implement its future plans and ultimately on generating sufficient revenue to attain profitable operations. These factors indicate the existence of an uncertainty that may cast doubt about the Company's ability to continue as a going concern. At September 30, 2024, the Company is not subject to any externally imposed capital requirements or debt covenants.

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 September 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 nine months ended September 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. In September 2024, the issued 107,143 share purchase warrants expired.

On September 14, 2024, the Company issued additional convertible promissory debentures totaling $1,741,589, bearing interest at 15% per annum (accruing annually and payable at maturity), and maturing on September 9, 2025, or a period of 12-months to settle indebtedness related to the convertible debentures issued in 2022. The Debentures are convertible, at the option of the holder, to common stocks of DCS at a price of $6. Upon issuance of the debentures, the Company agreed to issue 196,582 share purchase warrants as additional compensation subject to CSE approval. Each warrant entitles the holder to purchase one common stock at a price of $2.36 per share for a period of 24 months from the date of issuance of the warrants. The warrants had been issued subsequent to September 30, 2024.

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 on September 11, 2024. 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 on September 11, 2024. 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 June 2024, the Company entered into a promissory note of $100,000, bearing interest at 15% per annum (accruing annually and payable at maturity date), and maturing on June 28, 2026, or a period of 24-months. As additional consideration, the Company issued 20,000 purchase warrants on September 11, 2024. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.00 per share for a period of 24 months from the date of issuance.

In July 2024, the Company entered into a promissory note of $50,000, bearing interest at 15% per annum (accruing annually and payable at maturity date), and maturing on July 8, 2026, or a period of 24-months. As additional consideration, the Company issued 10,000 purchase warrants on September 11, 2024. Each warrant entitles the holder to purchase one common stock at a price of CAD $2.00 per share for a period of 24 months from the date of issuance.

In August 2024, the Company entered into a promissory note of $75,000, bearing interest at 15% per annum (accruing annually and payable at maturity date), and maturing on August 31, 2026, or a period of 24-months. As additional consideration, the Company issued 15,000 purchase warrants subject to CSE approval. The warrants were issued subsequent to September 30, 2024. Each warrant entitles the holder to purchase one common stock at a price of CAD $3.14 per share for a period of 24 months from the date of issuance.

In August 2024, the Company entered into a promissory note of $250,000, bearing interest at 19% per annum (accruing annually and payable at maturity date), and maturing on August 24, 2026, or a period of 24-months. As additional consideration, the Company issued 50,000 purchase warrants subject to CSE approval. The warrants were issued subsequent to September 30, 2024. Each warrant entitles the holder to purchase one common stock at a price of CAD $3.09 per share for a period of 24 months from the date of issuance.

In 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.

At September 30, 2024 and December 31, 2023, the outstanding balance on the credit facility was $190,138 and $244,015, respectively.

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 two additional loan agreement during the nine months ended September 30, 2024 and pledged an additional $234,312 of inventory as collateral. The loans have the following terms as of September 30, 2024.

	Loan 1	**Loan 2**	**Loan 3**	**Loan 4**
Expected term (months)	12	60	36	24
Interest rate	35.28%	6.77%	19.02%	16%
Payable within 12 months	$28,452	$11.300	$20,142	$57,594
Payable not due in 12 months	-	$37,018	$14,956	$40,114

During the nine months ended September 30, 2024, the Company recorded $ (2023- $Nil) of interest expense and finance charges in the consolidated statement of loss and comprehensive loss in connection to the four loan agreements. As of September 30, 2024, a carrying balance of $209,577 of the loans were outstanding.

Cash flows used in operating activities during the nine months ended September 30, 2024 were $1,002,365 compared to used $4,179,607 during the same period last year.

Cash flows used in investing activities during the nine months ended September 30, 2024 were $Nil versus $5,214 during the same period last year. The difference is primarily the purchase of property and equipment in the comparative period.

Cash flows provided in financing activities during the nine months ended September 30, 2024 were $1,066,559 compared to $886,287 during the same period last year. Net repayments on credit facility were $53,877 during the current period compared to borrowing $1,052,787 in the comparative period. During the nine months ended September 30, 2024, the Company received $675,000 promissory notes and $799,835 from loans and repaid $122,904 of the loans and $6,000 of convertible debentures, and there were no such transactions last year.

At September 30, 2024, the Company had working capital deficiency of $2,928,208 (December 31, 2023 - $7,110,419).

Capital Resources

Share Capital

Effective February 9, 2023, the Company consolidated 7 common stocks for 1 common stock (the "Stock Consolidation"). The Stock Consolidation was effected 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.

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

There were no transactions affecting share capital during the nine months ended September 30, 2024 and year ended December 31, 2023.

At September 30, 2024, the Company had 2,305,079 shares issued and outstanding with a par value of $0.00001.

Warrants

In September 2022, the Company issued convertible promissory debentures and upon issuance of the debentures, the company also issued 107,143 share purchase warrants. Each warrant entitles the holder to purchase one common stock at a price of $6.02 per share for a period of 24 months from the date of issuance of the debentures. In September 2024, the issued 107,143 share purchase warrants already expired.

In September 2024, the Company issued convertible promissory debentures and upon issuance of the debentures, the company agreed to issue 196,582 share purchase warrants subsequent to September 30, 2024 subject to CSE approval. Each warrant entitles the holder to purchase one common stock at a price of $2.36 per share for a period of 24 months from the date of issuance of the warrants.

From April to July 2024, the Company entered into promissory note agreements and issued 50,000 purchase warrants. Each warrant entitles the holder to purchase one common stock at various price of $1.48 to CAD $3.14 per share for a period of 24 months from the date of issuance depending on the promissory notes term. The Company determined the warrants represent an embedded derivative and has accounted for the warrants in derivative liability.

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 2023 Plan as of the date of this report:

	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	(269,428)	3.65
Outstanding, September 30, 2024	271,429	$ 4.40

At September 30, 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	178,572	178,572	$3.29	3.01
February 4, 2032	6,427	5,714	$2.87	7.35
February 24, 2032	10,715	10,715	$2.87	7.41
March 14, 2032	8,572	6,295	$4.13	7.46
May 9, 2027	52,857	52,857	$8.40	2.61
May 9, 2027	14,286	14,286	$5.53	2.61

During the nine months ended September 30, 2024, 269,428 options with an exercise price between $2.87 to $6.79 were forfeited.

During the year ended December 31, 2023, 1,429 options with an exercise price of $2.87 were forfeited.

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

	Number of shares	Exercise Price	Weighted Average Remaining Life
Common stock	2,305,079	NA	NA
Stock options	257,143	$2.87-$8.4	3.24
Warrants	311,582	$1.48 to CAD $3.14	1.88

Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

John Hubler, a member of the Company's Board of Directors, is a partner of BH IoT Group. On July 28, 2022, John Hubler resigned as a director, rejoined the Company as a director in April 2023, and resigned on September 3, 2024. BH IoT Group to assist in building complete IoT bundled solutions on a month-to-month basis. The Company recorded $160,000 (2023 - $60,000) of related party professional fees on the consolidated statement of operations for the nine months ended September 30, 2024. John Hubler was not considered as a related party for prior to April 2023 for the comparative period.

Mike Zhou, a former member of the Company's Board of Directors, is the owner of MYZ Corporate Relations, Ltd. MYZ Corporate Relations, Ltd. Provides to the Company consulting services on strategic matters related to business development opportunities, product development and marketing strategies for a monthly fee of $4,000. The agreement is effective for one year and will automatically renew annually unless terminated by either party. The agreement was terminated effective January 1, 2024 and Mike Zhou resigned as a director of the Company effective on March 29, 2024. The Company recorded $Nil of professional fees on the consolidated statement of operations for the nine months ended September 30, 2024 (2023 - $58,800). As at September 30, 2024, the Company owed $32,000 (December 31, 2023 - $32,000) to MYZ Corporate Relations, Ltd.

Mr. Lichtenwald, a member of the Company's Board of Directors, is a principal at Zeus Capital Ltd. In April 2022, Mr. Lichtenwald was appointed as CFO of the Company, and on June 30, 2022, Mr. Lichtenwald resigned as a director. In November 2021, the Company entered into an agreement with Zeus Capital Ltd. to assist the company with corporate finance and strategic initiatives for a monthly fee of $15,000. The agreement is effective for one year and will automatically renew annually unless terminated by either party. The Company recorded $135,000 of professional fees on the consolidated statement of operations for the nine months ended September 30, 2024 (2023 – $135,500). As at September 30, 2024, the Company owed $2,550 (December 31, 2023 - $Nil) to Zeus Capital Ltd.

Also, Mr. Lichtenwald is a principal of Lichtenwald Professional Corp ("LPC"). The Company entered into an agreement with LPC to provide CFO service fees of $12,500 monthly, effective April 2022. The Company recorded $112,500 of professional fees on the consolidated statement of operations for the nine months ended September 30, 2024 (2023 - $112,500). As at September 30, 2024, the Company prepaid $1,650 (December 31, 2023 - $Nil) to LPC.

In July 2022, the Company appointed David Diamond as a director and Chair of the Audit Committee. Mr. Diamond provides services and was compensated via director fees of $2,500 monthly. Since April 2023, Mr. Diamond provided additional service to the Company in connection to its plans for NYSE up-listing. Mr. Diamond resigned effective December 22, 2023 and ceased to be a related party. The Company recorded $37,500 of related party professional fees on the consolidated statement of operations for the comparative nine months period ended September 30, 2023.

In July 2022, the Company appointed Julie Hajduk as a director. Ms. Hajduk provides services and is compensated via director fees of $2,500 monthly. Since May 2023, Ms. Hajduk provided additional service to the Company in connection to its plans for NYSE up-listing and fees reduced effective January 2024. The director fees and compensation ceased effective April 2024. The Company recorded $6,000 of related party marketing fees and $16,000 of related party professional fees on the consolidated statement of operations for the nine months ended September 30, 2024 (2023 - $4,500 of related party marketing fees and $5,000 of related party professional fees).

Remuneration attributed to key management personnel can be summarized as follows:

	Nine months ended September 30,	
	2024	**2023**
	$	$
Salary	584,903	792,405
Consulting fees	417,500	497,300
Marketing Service	6,000	-
Share-based compensation	960	8,093
Total	1,009,363	1,297,798

As at September 30, 2024, $14,550 (December 31, 2023 – $32,000) was included in accounts payable and accrued liabilities for fees owed to related parties, and $62,000 (December 31, 2023 - $Nil) was included in accounts payable and accrued liabilities for fees owed to former directors.

Consulting fees and salary decreased compared to the same period in 2023 primarily due to the Company's restructuring process to improve operations. Share-based compensation decreased in the current year compared to same period in the prior year as more options are fully vested and there are some forfeitures estimate due to departure of personnel.

Critical Accounting Estimates

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

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

- 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' equity (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.

Critical Accounting Judgements

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

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

- Going concern – As disclosed in Note 1 to the condensed consolidated financial statements.

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

Financial Instruments

The Company's financial assets include cash and amounts receivable. The carrying value of cash and amounts receivable approximates their fair value due to their short term to maturity.

The Company's financial liabilities include accounts payables, loans, derivative liability, credit facility, and customer deposits. The carrying value of these items approximates their fair value, which is the amount recorded on the consolidated statement of financial position.

Financial Risk Factors

Credit risk

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

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Approximately 27% of the Company's revenue (December 31, 2023 - 38%) is attributable to one customer.

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:

	September 30, 2024	December 31, 2023
Accounts receivable	$ 780,180	$ 1,484,380
Other receivables	77,586	83,996
Allowance for doubtful accounts	(10,918)	(175,283)
Total	$ 846,848	$ 1,393,093

During the nine months ended September 30, 2024, $139,189 (2023 – expense of $131,051) of bad debt recovery had been recognized in the consolidated statement of operating loss and comprehensive loss.

Aged trade receivable listing:

Days outstanding	September 30, 2024	December 31, 2023
Current	$ 695,520	$ 885,831
1 – 30	83,753	304,421
31 – 60	14,327	61,931
61 - 90	20,971	42,478
> 90	(34,390)	189,719
Total	$ 780,180	$ 1,484,380

The company's maximum exposure to credit risk is the combined carrying amount of its financial assets as at September 30, 2024 is $941,765 (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. The Company's accounts payable and accrued liabilities have contractual terms of 30 to 90 days, with the exception of one vendor where payment terms of 36 months have been granted. During the year ended December 31, 2023, a vendor changed its terms with the Company from billing devices and device management subscriptions with a payment term of 36 months for six years to a payment term of 30 days for six years. The Company is exposed to liquidity risk.

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 negotiated in US dollars.

b) Interest Rate Risk

The Company's debt has fixed interest rates and are not exposed to interest rate risk until maturity. The Company's credit facility is variable based on the 90 day SOFR rate. A 1% increase in the 90 day SOFR rate would not have a significant impact on profit and loss.

c) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk or currency risk. The Company is not exposed to significant price risk.

Concentration risk

The Company derived revenue from one customer totaling 27% and 39% of the Company's total revenue for nine months ended September 30, 2024 and 2023, respectively. At September 30, 2024 and December 31, 2023, one customer accounted for a total of 26% and 19% 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 nine months ended September 30, 2024 and 2023, the two largest suppliers accounted for a total of 86% and 87% of total purchases, respectively.

To mitigate the concentration of vendor risk, the Company continuously looks for opportunities to build a supply chain in different geographic locations (Eastern Europe and Asia), and all vendors are selected after extensive due diligence and testing by the Company's QA team.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Subsequent Events

Subsequent to September 30, 2024, the Company:

• Issued 196,582 warrants pursuant to issuance of convertible debenture. Each warrant entitles the holder to purchase one common stock at a price of $2.36 per share for a period of 24 months from the date of issuance of the warrant;

• Issued 65,000 warrants pursuant to promissory note consideration. Each warrant entitles the holder to purchase one common stock at a price of CAD $3.09 to CAD $3.14 per share for a period of 24 months from the date of issuance of the warrant; and

•14,285 options with an exercise price of $5.53 were forfeited.