<u>KONTROL TECHNOLOGIES CORP.</u>

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

April 30, 2021

Notice to Reader

The Company has re-filed its AIF for the financial period ending December 31, 2020. The Company's previously filed AIF posted on SEDAR on May 5, 2021 was inadvertently dated prior to the auditor`s report date of April 30, 2020. The attached AIF is dated April 30, 2021. There have been no other amendments made to the AIF.

Table of Contents

NOTICE TO READER

In this annual information form (the "**AIF**"), unless otherwise noted or the context indicates otherwise, "**Kontrol**", the "**Company**", "**we**", "**us**" and "**our**" refer to Kontrol Technologies Corp. and its subsidiaries. All financial information in this AIF is prepared in Canadian dollars and using International Financial Reporting Standards ("**IFRS**"). Unless otherwise specified, in this AIF, all references to "dollars" or to "$" are to Canadian dollars. The information contained herein is dated as of April 30, 2021 unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This AIF contains certain statements that may constitute forward-looking information under applicable securities laws. All statements, other than those of historical fact, which address activities, events, outcomes, results, developments, performance or achievements that the Company anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations and future actions of the Company. 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 statements formed in the future tense or indicating that certain actions, events or results "may", "could", "would", "might" or "will" (or other variations of the forgoing) be taken, occur, be achieved, or come to pass. Forward-looking information is based on currently available competitive, financial and economic data and operating plans, strategies or beliefs as of the date of this AIF, but involve known and unknown risks, uncertainties, assumptions and other factors that 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 information. Such factors may be based on information currently available to the Company, including information obtained from third-party industry analysts and other third party sources, and are based on management's current expectations or beliefs regarding future growth, results of operations, future capital (including the amount, nature and sources of funding thereof) and expenditures. Any and all forward-looking information contained in this AIF is expressly qualified by this cautionary statement.

Forward-looking information contained in this AIF include statements about: the Company's ability to compete with other companies that are developing or selling products and services that are competitive with the Company's products and services; the Company's ability to grow its active customer base; the Company's ability to attract and retain key personnel; and anticipated and unanticipated costs and other factors referenced in this AIF, including, but not limited to, those set forth under the caption "Risk Factors".

Notice to Reader

The Company has re-filed its AIF for the financial period ending December 31, 2020. The Company's previously filed AIF posted on SEDAR on May 5, 2021 was inadvertently dated prior to the auditor`s report date of April 30, 2020. The attached AIF is dated April 30, 2021. There have been no other amendments made to the AIF.

A number of risks, uncertainties and other factors could cause actual results to differ materially from the results discussed in the forward-looking information, including the factors discussed in the section entitled "Risk Factors" in this AIF.

Forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions it believes to be not unreasonable in light of all of the circumstances. In some instances, material factors or assumptions are discussed in this AIF in connection with statements containing forward-looking information.

This AIF also contains statistical data, estimates and forecasts that are based on independent industry publications or other publicly available information, while other information is based on the Company's internal sources. Although the Company believes that these third-party sources referred to in this AIF are reliable, the Company has not independently verified the information provided by these third parties. While the Company is not aware of any misstatements regarding any third-party information presented in this AIF, their estimates, as they relate to projections, involve numerous assumptions, are subject to risks and uncertainties, and are subject to change based on various factors, including those discussed under "Risk Factors."

INDUSTRY AND OTHER STATISTICAL INFORMATION

This AIF includes market share, industry, and other statistical information that the Company has obtained from independent industry publications, government publications, market research reports and other published independent sources. Such publications and reports generally state that the information contained therein has been obtained from sources believed to be reliable. Although the Company believes these publications and reports to be reliable, it has not independently verified any of the data or other statistical information contained therein, nor has it ascertained or validated the underlying economic or other assumptions relied upon by these sources. The Company does not intend, and undertakes no obligation, to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as, and to the extent required by applicable securities laws.

TRADEMARK AND TRADE NAMES

This AIF includes, or may include, trademarks and trade names that are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, our trade-marks and trade names referred to in this AIF may appear without the ® symbol, or other applicable symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks, and trade names.

CORPORATE STRUCTURE

Name, Address and Incorporation

Kontrol Technologies Corp. ("**Kontrol**" or the "**Company**") is a corporation incorporated on November 16, 2006 pursuant to the *Business Corporations Act* (British Columbia) (the "**BCBCA**") under the name Kakanda Resources Ltd. The Company changed its name to Otish Energy Inc. on March 28, 2008, to Arrowhead Gold Corp. on August 4, 2011, to Kontrol Energy Corp. on July 7, 2016, and to Kontrol Technologies Corp. on February 1, 2021. On August 9, 2016, the Company completed a reverse take-over transaction (the "**RTO**") pursuant to which it acquired all of the issued and outstanding shares of Nuvo Energy Grid Inc. ("**Nuvo**").

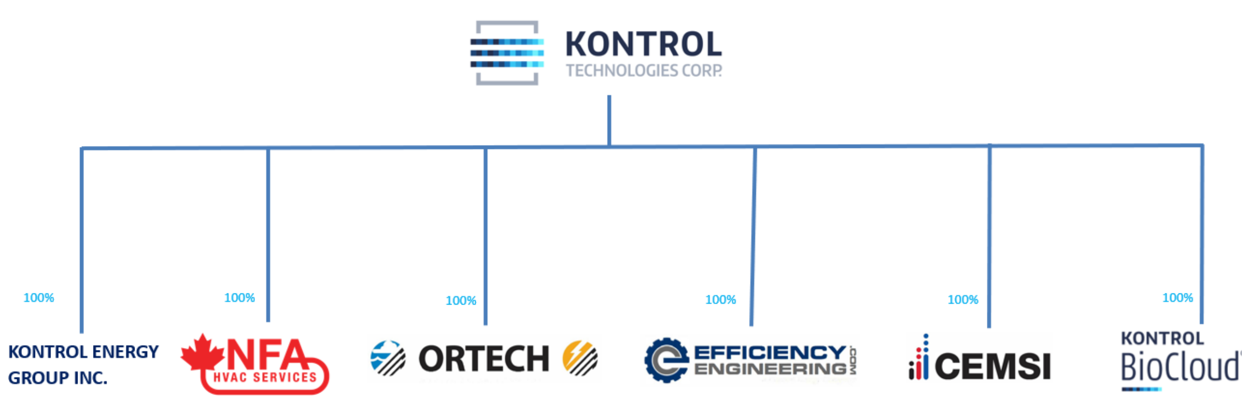
In connection with the RTO, on July 7, 2016 the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation common share for every six pre-consolidation common shares held, and changed its name from "Arrowhead Gold Corp" to "Kontrol Energy Corp.". On July 8, 2016, the Company acquired all the outstanding shares of Nuvo in exchange for 13,250,000 post-consolidation shares of the Company. As a result, Nuvo became a wholly owned subsidiary of the Company.

On February 1, 2021, the Company completed a continuance from the BCBCA to the *Business Corporations Act* (Ontario).

Kontrol is a reporting issuer in the provinces of British Columbia, Alberta and Ontario. Kontrol's common shares (the "**Common Shares**") are listed and posted for trading on the Canadian Securities Exchange ("**CSE**") under the symbol "KNR", listed and posted on the OTCQB Venture Market ("**OTCQB**") under the symbol "KNRLF", and listed and posted on the Frankfurt Stock Exchange ("**FWB**") under the symbol "1K8". The Company's registered and head office is located at 180 Jardin Drive, Unit #9, Vaughan, Ontario, Canada, L4K 1X8. The Company's telephone number is 1 (844) 566-8123.

Intercorporate Relationships

The Company has six wholly-owned subsidiaries as of the date of this AIF, as set out in the following chart.



The Company seeks to provide customers with solutions and services to enhance building intelligence and building automation in the areas of energy management, emission compliance and air quality.

The Company's operating businesses are carried on or owned by its wholly-owned subsidiaries, as follows:

- Energy management: Kontrol Energy Group Inc., Efficiency Engineering Inc. and New Found Air HVAC Services Inc. provide turn-key solutions to building owners and asset managers in the commercial, industrial and multi-residential sector. These include software to analyze the management of HVAC systems, design and engineering of improvements and/or retrofits and ongoing mission critical services.

- Emission compliance: ORTECH Consulting Inc. and CEM Specialities Inc. provide greenhouse gas verification, installation of critical emission management systems and stack testing for environmental emissions.

- Air quality: Kontrol BioCloud™, with the support and technical expertise of CEM Specialities Inc., has developed the BiodCloud Analyzer to provide real-time viral detection technology.

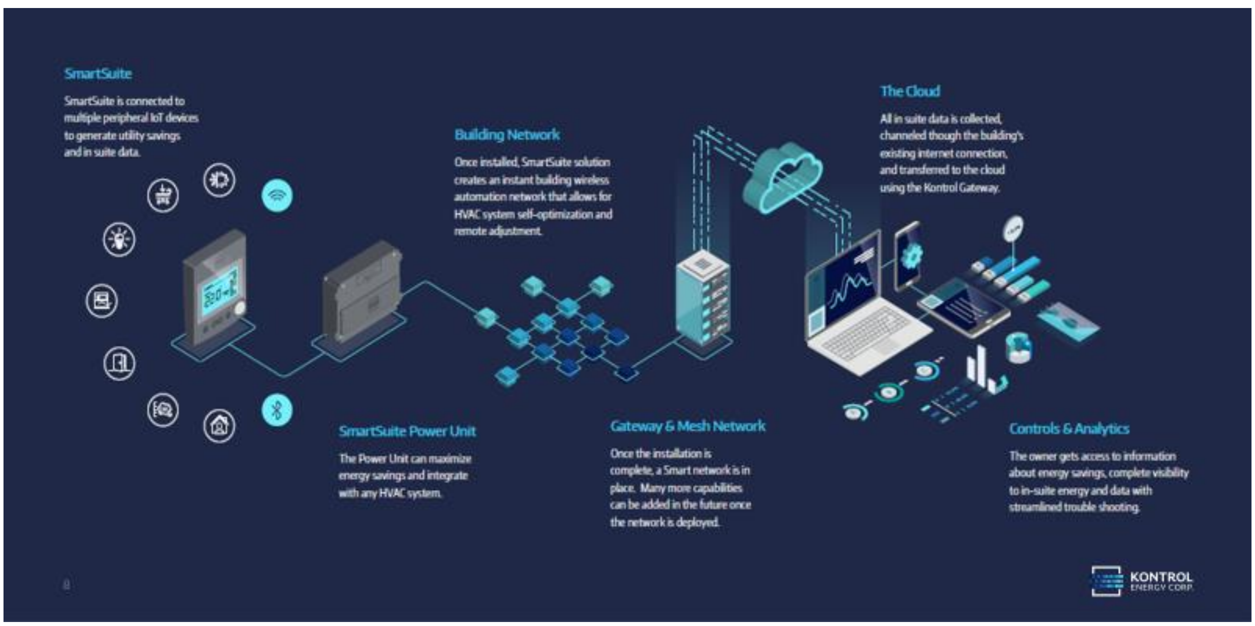
Each of these aspects of the Company's business are described in greater detail below.

I. Energy Management and Automation

Kontrol Energy Group Inc.

Kontrol Energy Group Inc. ("**KEG**") is an operating company that was incorporated under the federal laws of Canada and carries on its business and operations in Ontario, Canada. KEG's patented technology is designed to make buildings more intelligent in real-time through software and building automation. KEG's customers benefit from reduced energy costs, lower operating costs, and real-time data and analytics to continuously improve operations. Revenue generation is derived from the principal markets of smart buildings and facilities and building automation services.

KEG's solutions and services include the SmartMax Gateway, the SmartSite Cloud system and the SmartSuite controller and building automation retrofits.



Efficiency Engineering Inc.

Efficiency Engineering Inc. ("**EEI**") is an operating company that was incorporated under the laws of the province of Ontario and carries on its business and operations in Canada. EEI provides its customers with detailed energy efficiency analysis, energy audits, management of facility system solutions, electrical and mechanical design, and energy conservation studies. EEI has a 20-year successful operating history and an established client base. After the Company acquired EEI, EEI continued to operate under its brand and its existing operational leadership team remained in place.

New Found Air HVAC Services Inc.

New Found Air HVAC Services Inc. ("**NFA**") was incorporated under the laws of the province of Ontario. NFA leads a building energy and service platform that provides monitoring, operation and service of essential heating, cooling, ventilation, and utility systems. The operations of NFA are diversified across the commercial, industrial, and multi-residential building sector.

II. Emission Verification

ORTECH Consulting Inc.

ORTECH Consulting Inc. ("**ORTECH**") is an operating company that was incorporated under the federal laws of Canada and carries on its business and operations in Ontario, Canada. ORTECH provides monitoring services, specializing in GHG reporting, air quality testing, emission testing and renewable energy generation. ORTECH has a 20-year successful operating history and has a customer base which includes some of Canada's largest integrated oil and gas companies.

CEM Specialties Inc.

CEM Specialties Inc. ("**CEMSI**") was incorporated under the laws of the province of Ontario. It has over 25 years of operating history and provides the Canadian and US markets with value added solutions for continuous emissions and process monitoring installations and ongoing monitoring. CEMSI has developed complex air quality monitoring solutions for large, integrated conglomerates spanning the industrial sector. CEMSI was involved in the development and commercialization of the BioCloud™ technology.

III. Air Quality

Kontrol BioCloud™

Kontrol BioCloud™ ("**BioCloud**") was incorporated under the laws of the province of Ontario. BioCloud™ has been designed to operate as a safe space technology by sampling the air quality over time. With a proprietary detection chamber that can be replaced as needed, viruses are detected, and an alert system is created in the Cloud or over local intranet. The technology has been designed for spaces where individuals gather, including but not limited to classrooms, offices, retirement homes, hospitals and mass transportation.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Company became a public company on the CSE through a reverse takeover of Arrowhead Gold Corp. in July 2016. The following is a summary of the general development of the Company over the three most recently completed financial years.

Reverse Take-Over

On July 8, 2016, Kontrol Energy Corp. (formerly Arrowhead Gold Corp.) completed a reverse take-over transaction (“**RTO**”), pursuant to which it acquired all the issued and outstanding shares of Kontrol Energy Group Inc. (formerly Nuvo Energy Grid Inc.). Under the terms of the Share Exchange Agreement, Kontrol Energy Corp. acquired all the outstanding shares of Kontrol Energy Group Inc. in exchange for 13,250,000 post-consolidated shares. Kontrol Energy Group Inc. became a wholly owned subsidiary of Kontrol Energy Corp.

Prior to completing the RTO, on July 7, 2016, the Company consolidated its issued and outstanding Common Shares based on one post-consolidated Common Share for every six pre-consolidated Common Shares held, reducing the issued and outstanding Common Shares to 3,490,068 from 20,940,494. The Company also changed its name from "Arrowhead Gold Corp" to "Kontrol Energy Corp.".

Acquisition of MCW Dimax Ltd. (rebranded as SmartMax and SmartSite)

On April 30, 2018, Kontrol acquired 100% of the intellectual property assets and intellectual property rights, business, and operations of MCW Dimax Ltd. (“**MCW Dimax**”) an energy analytics company which specializes in the application of energy software tools to analyze the management of complex heating, ventilation and cooling systems for large residential, commercial, and mission critical real estate owners. The intellectual property and assets consist of the iDimax trade name, “Dimax Building Performance” website and URLs, software licenses, proprietary processes, existing customer base, and associated intangibles and goodwill.

The purchased assets are used to manage HVAC systems in real time through ongoing monitoring and analysis, with cloud-based solutions and detailed asset management analytics. Prior to the acquisition, MCW Dimax had more than 10 years of operating experience, with its software products and services being installed in over 120 buildings, spanning more than 20 million square feet of real estate. The purchase price for the assets and intellectual property rights was $1 million. The assets of MCW Dimax have been merged into Kontrol and re-branded as a Kontrol technology and solutions offering. The transaction was structured as an asset purchase.

On May 30, 2018, Kontrol announced that that MCW Dimax would be adding artificial intelligence across its energy software platform through the development of smart learning algorithms. This is an ongoing software development and improvement process that has been initiated and is continuing as at the date of this AIF.

Acquisition of CEM Specialties Inc.

On September 20, 2018, Kontrol acquired 100% of the common shares, business, intellectual property rights, equipment leases, contracts, licenses, working capital and operations of CEMSI, pursuant to a share purchase transaction.

CEMSI provides the Canadian and United States market with value added solutions for emissions and process monitoring applications. A significant portion of CEMSI’s annual revenue is from multi-year recurring contracts and equipment sales. CEMSI continued to operate under its brand,

and its existing operational leadership team remained in place after the transaction, and CEMSI is now an operating subsidiary of Kontrol, providing emission monitoring solutions and equipment.

The aggregate purchase price for CEMSI was $3,614,056, of which the Company paid $2,476,556 in cash on closing. There was a vendor take back in the amount of $502,500, representing 15% of the purchase price. The vendor take back accrued interest at a rate of six percent (6%) per annum. An additional $582,500 of the purchase price was subject to a 15-month holdback to accommodate post-closing purchase price adjustment and indemnity obligations of the vendor. In connection with the acquisition, the Company issued to the vendor 250,000 Common Share purchase warrants. Each warrant is exercisable for one Common Share at an exercise price of $0.75 per Common Share for three years following the date of issuance, subject to accelerated expiry in certain circumstances.

In conjunction with the CEMSI acquisition, the Company closed on a $2 million secured loan with Pinnacle Diversified Private Income Limited Partnership, by its general partner Pinnacle Diversified Private Income GP Inc., and FirePower Capital. The loan had a term of 12 months. The lenders received 750,000 Common Share purchase warrants, with each warrant being exercisable for one Common Share at a price of $0.75 per Common Share for a period of four years following the date of issuance, subject to accelerated expiry in certain circumstances.

As described below under "*Completion of Secured Loan Financing with FirePower Capital*", this loan was refinanced on October 30, 2019, with the funding capacity being increased to a revised loan amount as at December 31, 2019 was $3 million, with a revised maturity date of October 31, 2022.

Private Placements

On November 5, 2018, the Company completed a non-brokered private placement of 214,300 units of the Company at a price of $0.70 per unit, for gross proceeds of $150,010. Each unit was comprised of one Common Share and one Common Share purchase warrant, with each warrant exercisable until November 5, 2023 at a price of $1.00 per Common Share. The net proceeds from the offering were used for general working capital and future acquisition purposes.

On November 6, 2018, the Company completed a non-brokered private placement of 126,070 units of the Company at a price of $0.70 per unit, for gross proceeds of $88,249. Each unit was comprised of one Common Share and one Common Share purchase warrant, with each warrant being exercisable to purchase one Common Share at an exercise price of $1.00 for a period of three years. The net proceeds from the offering were used for general working capital and future acquisition purposes.

On November 9, 2018, the Company completed a non-brokered private placement of 220,000 units of the Company at a price of $0.70 per unit, for gross proceeds of $154,000. Each Unit was comprised of Common Share and one Common Share purchase warrant, with each warrant being exercisable until November 9, 2021 at a price of $1.00 per Common Share. The net proceeds from the offering were used for general working capital and future acquisition purposes.

Launch of SmartSuite®

On January 8, 2019, Kontrol announced that it had launched a new IOT energy management hardware and software solution for the global commercial, multi-residential, and hospitality real estate market named SmartSuite®. On December 1, 2016, Kontrol had acquired the intellectual property of LOG-1 EMS, an energy management thermostat with more than 20,000 units deployed across Canada. Subsequent to the acquisition of SmartSuite®, the LOG-1 EMS was replaced and rebranded as the Kontrol SmartSuite® thermostat. This technology is intended to provide in-suite energy management with rich analytics and user interfaces, in order to deliver energy savings, comfort and measurable GHG reductions.

Acquisition of Dimax Controls Canada Inc. IP and Patents

On January 16, 2019, following the successful acquisition of the operating assets of MCW Dimax on April 30, 2018, Kontrol acquired the intellectual property and patents of Dimax Controls Canada Inc. ("**Dimax**"), which includes two U.S. patents and one Canadian patent. Between April 30, 2018 and the completion of the acquisition on January 16, 2019, the Company was licensing the technology that was ultimately acquired. The patents are for a system, computer product, and method for monitoring and disseminating data form a plurality of electronic devices via the Internet. More specifically, the patented technology has been used to move data related to the operation of buildings (temperature, humidity, ventilation, heating, cooling, etc.) and further used to monitor and disseminate data for other purposes, including the movement of people through buildings, energy output of solar panels, tracking utility consumption in buildings, among other such applications.

The transaction was structured as an asset purchase, whereby Kontrol purchased the intellectual property and patent assets in exchange for 600,000 Common Shares at deemed price of $0.70 per Common Share and $400,000 in cash to be paid over the course of 18 months, for a combined value of $820,000. The Common Shares issuable to Dimax are subject to a three year proportional escrow. A portion of the $400,000 cash payment was structured as a vendor take back mortgage with a term of 18 months and interest of 5% per annum.

Following the completion of the Dimax asset purchase described above, Dimax was rebranded as Kontrol SmartSite®.

Launch of SmartMax®

On January 30, 2019, the Company announced its reach into the global marketplace with the launch of its IoT technology for commercial, multi-residential and hospitality real estate markets worldwide. Kontrol's new SmartMax® Energy Gateway is an intelligent energy technology that connects with and speaks to building automation systems and HVAC equipment, and immediately exports data to Kontrol's cloud-based energy management software platform. The new technology is an expansion of Kontrol’s core innovation, which integrates smart energy devices, software, and retrofits to help organizations reduce energy costs, increase net operating income, and increase property valuation.

OTCQB Listing

On February 13, 2019 Kontrol announced that its Common Shares were listed on the OTCQB, a US trading platform that is operated by the OTC Markets Group in New York. The Company now trades on the OTCQB under the symbol "KNRLF".

2021 7% Debenture Private Placement

On February 22, 2019, the Company completed a non-brokered private placement of 1,229 units of the Company for gross proceeds of $1,229,000 (the “**2021 Debenture Units**”). Each 2021 Debenture Unit consists of a $750 principal amount debenture, 384 Common Shares and 150 Common Share purchase warrants. In connection with the offering, the Company issued $921,750 principal amount in unsecured debentures, 472,692 Common Shares, and 184,350 Common Share purchase warrants. Each Common Share purchase warrant is exercisable to purchase one Common Share at an exercise price of $1.10 per Common Share for a period of 30 months from the date of issuance.

The 2021 Debenture Units bear interest at a rate of 7% per annum, payable monthly in arrears, and will mature on April 25, 2021.

The Company paid selling commission or broker’s fee in connection with this offering in an amount equal to 8% of the gross proceeds of the offering and/or the issuance of share purchase warrants of the Corporation in the amount of 10% of the gross proceeds in the offering. Each broker warrant is exercisable to purchase one additional common shares of the Corporation at a price of $1.10 per share for a period 30 months from the date of issuance.

The Company used the net proceeds for future acquisitions of operating businesses, repayment of outstanding loans and accumulated interest associated with the previous completed acquisitions of operating business, intellectual property and patent technology in the energy efficiency sector, organic growth, and general corporate purposes.

Toyota Tsusho Canada Inc. Arrangement

On March 25, 2019, Kontrol and Toyota Tsusho Canada Inc. (“**TTCI**”) announced that they had signed an agreement to implement smart factory technology solutions combining Kontrol's IoT hardware and software solutions with TTCI's existing production, operating improvement platforms, and power generation / HVAC products for North American automobile and parts original equipment manufacturers (“**OEMs**”).

Initially, Kontrol and TTCI intended to establish a joint venture arrangement to provide technology solutions and services to OEMs in the automotive sector to optimize production and manage energy in real-time. More specifically, it was anticipated that Kontrol would design and provide monitoring software, quality assurance and technical support to TTCI and its customers, and design and install building automation systems and heating and ventilation equipment, while TTCI would procure customers, conduct engineering and installation and after-sales services with customers. Subsequently, Kontrol and TTCI determined not to enter into a joint venture arrangement but have continued an ongoing arrangement whereby Kontrol sells its services to TTCI which in turn sells them to Toyota plants.

Changes to the Board

On May 31, 2019, the Company announced the resignation of Steve Smith as an independent director of the Company.

On September 2, 2019, the Company announced the resignation of Geoff Lafleur as an independent director of the Company.

Completion of Secured Loan Financing with FirePower Capital

On October 30, 2019, the Company completed a $3 million secured loan financing (the "**Loan**") with FirePower Capital (the "**Lender**").

The Loan refinanced existing debt, providing incremental increased funding capacity and converted approximately $3,000,000 of Kontrol's then existing short-term debt into a long-term obligation. The Loan has a three-year term, Bankers' Acceptance rate plus 8% interest, a facility fee, and interest only over the first 18 months, with monthly principal repayment beginning thereafter. In connection with the Loan, the Company issued to the Lender 590,293 Common Share purchase warrants with an exercise price of $0.72 and a term of five years.

The Company also reduced the warrant exercise price of 750,000 previously issued Common Share purchase warrants issued in conjunction with a secured loan on September 20, 2018 from $0.75 to $0.70, and the price at which the expiry of the warrants could be accelerated was increased from $1.50 to $2.00 per Common Share. All other warrant terms remained unchanged.

Maturity of 2019 8% Debenture Offering

On October 31, 2019, the Company made arrangements to repay all principal and accrued but unpaid interest on the 2019 Debenture Units, totalling $1,534,000. All accrued and unpaid interest thereon was paid in cash.

Change to the Board

On October 31, 2019, the Company announced the appointment of Ernest William Belyea as a director of the Company to fill a vacancy on the Board.

Zedan Group Partnership

On November 15, 2019, Kontrol, through its wholly-owned subsidiary, CEMSI, and its new regional partner in Saudi Arabia, the Zedan Group ("**Zedan**"), entered into a letter of understanding ("**LOU**") in connection with Zedan's proposed distribution of Kontrol's emission compliance and energy IOT and cloud technology. Further to the LOU, Kontrol and Zedan are negotiating preferred distribution rights driven by sales volumes. Under the terms of the LOU, it is anticipated that Zedan will provide Kontrol with opportunities from its established customer base and Kontrol is expected to support Zedan as a distributor and solution provider. Kontrol and Zedan have started the process of exploring specific customer opportunities while ensuring Kontrol's solutions and technologies meet all the certification requirements of Saudi Arabia, however, implementation would require travel to the region, which has been restricted due to the global COVID-19 pandemic. It is anticipated that these activities will resume once travel restrictions and other restrictions relating to accessing the potential customers have been lifted. However, there is no certainty as to when this will be.

Completed CEMSI Analyzer Pilot with Beyond Meat

On November 26, 2019, Kontrol, through its wholly owned subsidiary, CEMSI, began a pilot project in the facility of a global leading plant-based meat substitute company ("**Beyond Meat**"). Under the terms of the pilot, CEMSI installed process analyzer equipment (the "**analyzer**") and associated real-time monitoring services to assist in the rapid evaluation, measurement, and validation of organic inputs. The value of the installed analyzer and services was approximately $150,000 USD. This arrangement also contemplated the installation of two additional analyzer units. This has not yet taken place due to restrictions related to the global COVID-19 pandemic and restrictions on accessing the relevant sites. It is anticipated that the additional installations will be initiated once such restrictions have been lifted. However, there is no certainty as to when this will be.

Plan of Arrangement for Spin-Off of Engineering Unit

On January 22, 2020, the Company announced its intention to spin-off its wholly owned subsidiary, EEI, by way of a plan of arrangement under the provisions of the *Business Corporations Act* (British Columbia), which would see shareholders of Kontrol receive an aggregate of 20,000,000 shares of EEI pro rata to their holdings of Kontrol as at the record date, and Kontrol would retain 4,000,000 shares of EEI post-transaction. However, due to market conditions and market risks relating to the COVID-19 pandemic, the plan of arrangement did not proceed.

2020 Debenture Private Placement

On February 7, 2020, the Company completed a non-brokered private placement of 5,711 units of the Company ("**2020 Debenture Units**") for gross proceeds of $5,711,000. Each 2020 Debenture Unit was comprised of one $1,000 principal amount debenture and 50 Common Shares. The Company issued an aggregate of $2,000,000 in principal of the 2020 Debenture Units for cash consideration and an additional $3,711,000 in principal of the 2020 Debenture Units in exchange for the tendering of 2019 Debenture Units for cancellation for a total of $5,711,000 in principal of the 2020 Debenture Units.

The 2020 Debenture Units bear interest at a rate of 8% per annum, payable monthly in arrears and will mature on October 31, 2020.

The Company paid a selling commission or broker fee to in connection with this offering in an amount equal to 5% of the gross proceeds and/or the issuance of common share purchase warrants of the Corporation in an amount equal to 3% of the gross proceeds. Each broker warrant is exercisable to purchase one Common Share at a price of $0.70 for a period 30 months from the date of issuance.

The Company used the net proceeds for future acquisitions of operating businesses, intellectual property, and patent technology in the energy efficiency sector, organic growth, and general corporate purposes. Additionally, Kontrol used a portion of the proceeds of the offering to repay outstanding loans and accumulated interest associated with the previous completed acquisitions of operating businesses, intellectual property, and patent technology, and for general working capital purposes.

Change to the Board

On February 20, 2020, the Company announced the appointment of Joanna Osawe as a director of the Company to fill the vacancy on the Board.

Completion of SmartSuite Pilots

On February 24, 2020, the Company announced that it had successfully completed its initial commercial pilots and was planning to begin production of its new energy technology solution for the commercial, multi-residential, hospitality and industrial building markets in Q2 of 2020. Combining energy management in real-time with rich cloud analytics and smart learning algorithms, the SmartSuite technology provides a broader range of services than a traditional smart thermostat. In addition, SmartSuite can be deployed rapidly and at a much lower cost than traditional building automation systems.

With approximately 15,000 units of the previous version of the SmartSuite installed and operating across Canada, Kontrol has an established customer base that will be presented an upgrade opportunity to next generation of the technology. Kontrol intended to initiate upgrade opportunities for each of its customers in Q2 2020. However, this was delayed due to the global COVID-19 pandemic and related restrictions on site access into customers' buildings, as well as manufacturing delays. As of Q4 2020 the Company began to install its SmartSuite technology.

Expansion into the US market and Middle East market is part of the Company's plan however with COVID travel restrictions these expansion plans remain on hold.

Convertible Debenture Private Placement

On March 3, 2020, the Company completed the final tranche of a convertible debenture financing, issuing a total of 1,289 convertible debentures for total gross proceeds of $1,289,000 (the "**2024 Debentures**:"). The 2024 Debentures bear interest at a rate of 8% per annum, calculated and paid biannually on the last day of June and December of each year, and mature on August 31, 2024.

The principal amount of the 2024 Debentures is convertible into units of the Company, with each unit exercisable for one Common Share at an exercise price of $0.80. At any time after the date that is eighteen months following the closing date, the Company may force the conversion of the principal amount of the then outstanding 2024 Debentures at a conversion price of $0.80 on not less than 30 days' notice if the volume weighted average trading price of the Common Shares on the CSE for any 20 consecutive trading day period is greater than $1.25.

The Company paid a selling commission or broker fee in connection with 2024 Debenture offering in the amount of 7% of the gross proceeds and/or the issuance of common share purchase warrants equal to the quotient obtained by dividing 6% of the gross proceeds attributable to such brokers by $0.80**.** Each broker warrant is exercisable to purchase one Common Share at a price of $0.80 for a period of 24 months from the date of issuance.

The Company used the proceeds of the financing for ongoing software development and ongoing development of SmartSuite.

Enhancement of Existing Software Platform to Improve Air Quality for Buildings

On April 2, 2020, the Company announced that based on customer demand, in relation to ongoing COVID-19 concerns, it is providing enhanced real-time air quality monitoring and improvement for multi-residential buildings.

Using its existing SmartSite® software platform, Kontrol can integrate with existing legacy building automation systems to optimize overall air quality, ventilation rates and corresponding energy consumption.

Launch of Enterprise Energy Management Software Solution for Original Equipment Manufacturers

On April 27, 2020, the Company announced that it had developed a new enterprise solution for its energy management software platform. in this regard, Kontrol will provide original equipment manufacturers (OEMs) a white label solution which can be packaged with OEM energy efficiency products at the point of sale.

By integrating with Kontrol, OEM partners can gain access to Kontrol's open protocol energy software architecture, thereby adding new software sales to their existing equipment sales. For Kontrol, the new market opportunity expands the Company's potential to deliver integrated building energy software solutions globally.

On May 13, 2020, the Company announced that it would launch multiple enterprise energy management software pilots with a European OEM in the heating, cooling and ventilation (HVAC) market. Subsequently, on May 19, 2020, Kontrol and the OEM entered into an MOU intended to set out the parties' agreement on intellectual property rights, software development and equipment data ownership. Under the terms of the MOU, the OEM is responsible for selecting pilot sites and providing access to local site equipment and applicable data. The OEM has the option to select two additional pilot sites to bring the total number of pilot sites to four. Kontrol will provide its software and data analytics and control platform for 90 days and also allow for data access for up to one year. Kontrol will retain the rights to its intellectual property and software development. The OEM will retain the rights to any equipment data and equipment analytics supplied by Kontrol.

The parties to the MOU agreed that the initial pilots would form the basis on an ongoing discussion around building a larger platform to be deployed by the OEM as a white label solution operating across the OEM's portfolio. Currently the OEM has its equipment installed in approximately 20,000 building locations. Subject to ongoing discussion and potential future agreements the parties agreed that they would consider exclusivity for the OEM across the heating, cooling, and ventilation (HVAC) sector.

Two pilots were originally selected with the OEM and while the pilot planning and preparation phase was initiated, delays have been experienced due to the global COVID-19 pandemic and related restrictions on travel and access to building sites. These delays are anticipated to continue until Q3 2021 and there is no assurance the pilots will be completed.

Company to Seek CE Certification for its Building Automation Technology

On May 26, 2020, the Company announced that following the successful completion of UL standards certification for its building automation technology, SmartSuite®, it has now commenced the process for obtaining CE certification for the European and global markets.

Achieving the UL product safety certification allows Kontrol to sell its SmartSuite technology in North America. North America is the primary market for SmartSuite®. In order to sell the SmartSuite® technology in Europe and South America, CE certification is required in order to comply with the EU's Conformité Européenne standards. While the Company is currently reviewing pilot projects in Europe, it is not conducting sales in that region at this time. Further, there is no assurance that the Company will receive CE certification or any definitive time by which certification will be received. The Company can choose not to pursue CE certification if there are no European sales at the Company's discretion.

2023 8% Convertible Debenture Private Placement

On July 21, 2020, the Company completed the final tranche of a private placement of convertible debenture units comprised of one $1,000 8% unsecured debenture of the Company, convertible into Common Shares at the Debenture Conversion Price (as defined below), and 1,000 warrants, with each warrant exercisable to purchase one Common Share on or before June 30, 2023 (subject to acceleration, as outlined below), at a price (subject to adjustment from time to time) of $0.60 on or prior to June 30, 2022 and at a price of $0.70 after June 30, 2022 until or on June 30, 2023 (the "**2023 Debenture Units**"), by issuing a total of 1,999 2023 Debenture Units for total gross proceeds of $1,999,000. The net proceeds received by the Company were used, in part, to fund the acquisition of NFA, including transaction costs, and applicable working capital.

The debentures bear interest at a rate of 8.0% per annum from and including their date of issue until the earlier of their date of conversion and June 30, 2023, payable semi-annually in arrears in cash on December 31 and June 30 of each year. The first interest payment will be on December 31, 2020 for the period from the date of issue up to and including December 31, 2020.

Holders converting their debentures will receive a cash payment equal to accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion.

At any time after August 31, 2021, the Company may force the conversion of the principal amount of the then outstanding debentures at the then applicable conversion price on not less than 30 days' notice if the volume weighted average trading price of the Common Shares on the CSE for any 20 consecutive trading day period is greater than $0.70. Similarly, at any time after August 31, 2021, the Company may accelerate expiry date of the then outstanding warrants on not less than 30 days' notice if the volume weighted average trading price of the Common Shares on the CSE for any 20 consecutive trading day period is greater than $0.85.

The Company paid a selling commission or broker fee in connection with this offering in an amount equal to 7% of the gross proceeds and/or the issuance of common share purchase warrants of the Corporation equal to the quotient obtained by dividing 7% of the gross proceeds attributable to such brokers by $0.60**.** Each broker warrant is exercisable to purchase one Common Share at a price of $0.60 on or prior to June 30, 2022, and at a price of $0.70 after June 30, 2022 until or on June 30, 2023.

Acquisition of New Found Air HVAC Services Inc.

On July 31, 2020 the Company completed the acquisition of all of the issued and outstanding shares of NFA pursuant to a share purchase agreement, for a purchase price $2.7 million. The purchase price is comprised of $1.55 million in cash, $750,000 in the form of an unsecured vendor take-back loan with a 3.5% annual compounding interest rate and the issuance of 727,272 Common Shares at a deemed price of $0.55 per Common Share. The Common Shares comprising part of the purchase price are held in escrow and will be proportionately released from escrow in the amount of 12 equal issuances every three months following July 31, 2020.

NFA leads a building energy and service platform that helps to ensure the effective monitoring, operation and service of essential heating, cooling, ventilation and utility systems. The operations of NFA consist of providing HVAC services for commercial, industrial and multi-residential units, including installation, monitoring and related services. The assets of NFA are comprised of intellectual property (primarily), equipment and working capital.

NFA currently provides its solutions to approximately 100 buildings, which in the aggregate span more than 25 million square feet of real estate. NFA is currently revenue-generating, and approximately 40% of its historical revenues over the past three years have been from recurring contracts.

In some cases, Kontrol and NFA have been providing separate services and solutions to the same customer. Together, Kontrol and the NFA will focus on efficiently scaling recurring revenues in software, Internet of Things and services across their larger combined customer base and building footprint.

Government Grant Relating to COVID-19 Testing Technology

On August 5, 2020, CEMSI, a wholly owned operating subsidiary of Kontrol, announced the receipt of advisory services and up to $50,000 in research and development funding from National Research Council of Canada Industrial Research Assistance Program to accelerate its new Covid-19 testing technology, the Kontrol BioCloud™ analyzer ("**BioCloud analyzer**" or "**BioCloud**").

Shareholder Approval of Continuance to Ontario and Name Change

On August 28, 2020, the Company held an Annual General Meeting of shareholders at which the shareholders of the Company approved the continuance of the Company from the BCBCA to the *Business Corporations Act* (Ontario) and related amendments to the Company's articles and by-laws, as well as the name change of the Company to "Kontrol Technologies Corp". On February 1, 2021, the Company announced the completion of the name change and the continuance.

Maturity Date of 2020 8% Unsecured Debentures extended to December 15, 2020

On November 2, 2020 Kontrol announced that it had received approval from debenture holders representing 67.06% of the outstanding principal amount of the 2020 Debenture Units to extend the maturity date of the 2020 Debenture Units to December 15, 2020.

This extension was completed in connection with the exchange of 2020 Debenture Units for 2022 Debenture Units and non-brokered private placement of 2022 Debenture Units for gross proceeds of $5,800,000.

CSA Standards Approval for BioCloud™ technology

On November 5, 2020, Kontrol announced that it received ESAFE compliance to CSA standards approval for its BioCloud™ technology. CSA is a Canadian standard for safety and is also accepted in jurisdictions outside Canada.

CSA regulations require manufacturers of products sold in Canada to receive CSA Standards approval for electrical safety. The field evaluation process follows the CSA's SPE-1000 standard, which has three mandatory and non-destructive tests. Upon successful inspection, ESAFE validates the equipment meets CSA's SPE-1000 standards and labels it approved. ESAFE's labels are recognized across Canada under the Standards Council of Canada accreditation program.

UL Standards Approval for BioCloud™ Technology

On November 12, 2020 the Company announced that it had received ESAFE compliance Underwriters' Liability ("**UL**") standards approval for its BioCloud™ technology. With ESAFE compliance of CSA and UL the Company now has standards approval that covers Canada, the United States and various other global regions. The Company continues to work towards CE standards certification which is primarily for the European market.

BioCloud™ Distribution Agreements

On November 18, 2020, the Company announced that it intended to sell BioCloud™ directly to various potential customers, while pursuing both exclusive and non-exclusive distribution channels for BioCloud™ sales. At that time, the Company had entered into two non-exclusive BioCloud™ distribution agreements that cover Ontario and Saskatchewan.

On December 1, 2020, the Company announced that it had entered into an exclusive distribution agreement with United Safety and Survivability Corporation ("**United Safety**"), a company specializing in the design and engineering of safety, survivability and technology solutions across a variety of industries and categories. Under the terms of the agreement, the exclusivity applies to the industries defined as buses, rail and locomotive, subways, ambulances, fire trucks, first responder and military vehicles, with applicable associated facilities in the geography of North America, Australia, and New Zealand. The exclusivity period is 12 months with a six month mutual renewal option and is based on 5,000 units of BioCloud™ per annum, on a best efforts basis, to retain exclusivity.

On December 15, 2020, the Company announced that it has entered into a non-exclusive distribution agreement with Grande West, a Canadian manufacturer of transit vehicles, for sale in Canada and the United States, to offer BioCloud™ technology to the Vicinity line of buses. Grande West designs and engineers mid-size multi-purpose transit vehicles for public and commercial enterprises. Under the terms of the agreement, Grande West will offer the BioCloud™ solution as an option in its Vicinity Lightning™, Vicinity LT and Vicinity heavy duty bus specifications. Grande West's existing customers will be notified of the option to retrofit the BioCloud™ devices into existing fleets across Canada. United States customers will be serviced by working with United Safety.

As an initial step, Grande West ordered two BioCloud™ units for its offices and operations headquarters in Aldergrove to improve the safety considerations of its employees.

Currently, the Company has three non-exclusive agency agreements, 14 non-exclusive distributors and one exclusive distributor. The Company has also entered into discussions with various parties for potential industry exclusive distribution agreements which would require minimum unit quantity orders. There is no certainty that any further exclusive arrangements will be completed.

Filing of Patent Applications with the U.S. Patent and Trademark Office and the Canadian Intellectual Property Office for BioCloud™ Technology

On November 30, 2020, the Company announced the filing of four patent applications that address key attributes of its BioCloud™ technology.

This includes three applications filed with the U.S. Patent and Trademark Office and one with the Canadian Intellectual Property Office, as follows:

- UNITED STATES: Application No. 17/105,793
  SYSTEM AND METHOD FOR DETECTING AIRBORNE PATHOGENS
- UNITED STATES: Application No. 17/105,813
  SYSTEM AND METHOD FOR OPTICAL DETECTION OF PATHOGENS
- UNITED STATES: Application No. 17/105,804
  COLLECTION CHAMBER FOR AN AIR SAMPLING SYSTEM
- CANADA: *SYSTEM AND METHOD FOR DETECTING AIRBORNE PATHOGENS*

Announcement of Federal Funding and Production for BioCloud™ Technology

On December 3, 2020 the Company announced that it was in receipt of advisory services and up to $500,000 in research and development funding from the National Research Council of Canada Industrial Research Assistance Program to complete final commercialization and mass production requirements for BioCloud™.

The Company also announced the commencement of initial production of BioCloud™ units for delivery in the first quarter of 2021. Initial deliveries include the sale of units to distributors and Kontrol customers. Further, the Company intends to deliver demonstration units to pilot customers in the Middle East.

Completion of 2022 Debenture Exchange Private Placement

On December 16, 2020 Kontrol announced that it had completed its previously announced debenture exchange by private placement. The holders of 2020 Debenture Units exchanged a total of $3,650,000 for 2022 Debenture Units and new proceeds of $911,000 were raised (includes new proceeds of $251,000 from the December 30, 2020 closing). Each 2022 Debenture Unit is comprised of one $1,000 8% unsecured non-convertible debenture of the Company maturing on October 31, 2022 and 10 Common Shares.

The remaining balance of $2,061,000, and any accrued interest, was redeemed in cash to the holders of the 2020 Debenture Units on December 15, 2020.

Intention to Begin Process of Uplisting to NEO and NASDAQ

On December 16, 2020, the Company's board of directors authorized management to review the process to graduate the Company from the CSE to the TSX. Subsequently, management determined to pursue a listing on NEO Exchange ("NEO") rather than the TSX.

Completion of any further is subject to meeting certain conditions, as well as the approval of NEO. There is no assurance that NEO will approve the listing application or that Kontrol will complete the listing as contemplated. If the Company is successful in listing on NEO, it intends to, as soon as practical, begin the process of filing a Form F-1 Registration Statement with the Securities and Exchange Commission of the United States (the "**SEC**"), which will enable Kontrol to apply to be listed on the NASDAQ There is no assurance that either the SEC or NASDAQ will approve the Company's respective applications or that Kontrol will complete the listing to the NASDAQ as proposed.

Change to the Board

On January 6, 2021, the Company announced the resignation of Mr. Kristian Lavereau and appointment of Zhengquan (Philip) Chen from the board of directors of the Company. Mr. Lavereau has continued in his role as Chief Operating Officer of Kontrol.

Ontario Government Invests $2 Million in Kontrol BioCloud™ COVID-19 Technology

On February 4, 2021, the Company announced that the Ontario government is providing $2 million to CEMSI, through the Ontario Together Fund, to help commercialize and accelerate production of BioCloud™.

With Ontario's support, CEMSI plans to increase production capacity to 20,000 units per month. The product will be manufactured in London with more than 85 per cent of its components produced in North Amercia. The Company anticipates accelerating the production of the BioCloud™ will create up to 250 direct jobs and up to 750 indirect jobs based on full production capacity

The investment funding agreement with the Ontario government requires Kontrol to achieve certain production milestones and the investment funding will be issued in two tranches of (i) $1.2 million immediately and (ii) $800,000 on completion of certain milestones by March 30, 2021.

Digital Offering engaged as Capital Markets Advisory

On February 10, 2021, the Company entered into an agreement with Digital Offering, LLC, a U.S. broker-dealer, to act as its financial and capital markets advisor to assist the Company with exploring the U.S. capital markets, increase investor awareness and potentially listing the Common Shares on a higher U.S. exchange.

In consideration of this engagement, the Company has paid Digital Offering, LLC an initial fee of US $25,000 and, upon completion of a successful U.S. listing, an additional payment of US $175,000 would become due. Additionally, Digital Offering, LLC was granted 400,000 consultant warrants exercisable for five years with a strike price of CAD $4.80, subject to exchange approval.

Establishment of Scientific Advisory Board for BioCloud™ technology

On February 22, 2021, Kontrol announced the establishment a scientific advisory board, to assist the Company to accelerate existing applications and to develop new BioCloud™ technology applications. The board is comprised of the following individuals:

Caroline Duchaine, Ph.D.

Dr. Duchaine is a full-time professor in the Department of biochemistry, microbiology and bioinformatics, Unversité Laval, researcher at the Research Center of the l'Institut universitaire de cardiologie et de pneumologie de Québec-Université Laval. In 2000, she founded the bioaerosol research group, world leader in aerovirology, air microbiota analyzes, in vitro bioaerosols, industrial hygiene and agricultural health. She works closely with doctors, engineers, agronomists and physicists in order to develop transdisciplinary research projects aimed at understanding the role of bioaerosols in several contexts: public health, veterinary, agriculture, industry and hospitals. She has supervised more than 115 students and participated in more than 110 research projects, funded by provincial, national and international agencies. She has published 156 peer-reviewed manuscripts, 30 reports, 320 abstracts, and 65 invited lectures in addition to book chapters and scientific reports. She is part of numerous national and international committees and has chaired many international conference sessions. In addition to her undergraduate and graduate teaching involvement and young professors mentoring, she is regularly solicited by mass audience media and is active in knowledge translation. Professor Duchaine holds the Tier-1 Canada Research Chair in Bioaerosols and has been a FRQS and CIHR Scholar.

David E. Heinrichs, Ph.D.

Dr. Heinrichs received his Ph.D. in Microbiology & Immunology from Queen's University at Kingston was a postdoctoral fellow at the University of Guelph. Dr. Heinrichs is currently a professor of Microbiology & Immunology at the University of Western Ontario. Dr. Heinrichs holds research grants to study the pathogenesis of the 'superbug' Staphylococcus aureus (MRSA) and is developing inhibitors as new therapeutic strategies against this pathogen. Recent work includes examining the effects of co-infection with MRSA and SARS-CoV-2.

Jimmy Dikeakos, Ph.D.

Dr. Dikeakos is an Associate Professor in the Department of Microbiology and Immunology at Western University and the current President of the Canadian Society for Virology. Dr. Dikeakos obtained his B.Sc from McGill University and his PhD from the Université de Montréal. He then subsequently completed a PostDoctoral fellowship with Dr. Gary Thomas at the Vollum Institute within the Oregon Health and Sciences University. Since 2012, Dr. Dikeakos has directed a research lab specializing in HIV research at Western University where he supervises M.Sc, PhD, PDFs and 4th year Honors Thesis students. He has also taught hundreds of students introductory virology in his role as course co-coordinator of 2500A/B.

Approval of Proposed Debenture Exchange of 2021 7% Unsecured Debentures

On April 22, 2021, the registered debentureholders, representing 92.43% of the outstanding principal amount of the 2021 7% Debentures, accepted and approved by an extraordinary resolution, the solicitation by the Company to exchange the principal amount outstanding of 2021 7% Debentures due April 25, 2021 into 2022 8% Debentures due October 31, 2022 ("**Debenture Exchange**").

Completion of Debenture Exchange

On April 29, 2021, Kontrol announced that it completed its Debenture Exchange and a non-brokered private placement of 2022 Debenture Units for gross proceeds of up to $5,800,000. The holders of the 2021 Debenture Units exchanged units in an aggregate amount of $860,500 for 2022 Debenture Units and new proceeds of $229,500 (subject to delivery against payment) were raised. Each 2022 Debenture Unit is comprised of one $1,000 8% unsecured non-convertible debenture of the Company maturing on October 31, 2022 and 10 Common Shares.

On April 25, 2021, the Company made arrangements to repay all principal and accrued but unpaid interest on the 2021 Debenture Units totalling $61,250. All accrued and unpaid interest thereon were paid in cash.

THE BUSINESS

Overview

The Company seeks to provide customers with solutions and services to enhance building intelligence and building automation in the areas of energy management, emission compliance and air quality.

Management reports its financial statements as one operating segment for reporting purposes. The Company's operating businesses are carried on or owned by its wholly-owned subsidiaries. With respect to energy management, KEG, EEI and NFA provide turn-key solutions to building owners and asset managers in the commercial, industrial and multi-residential sector. These include software to analyze the management of HVAC systems, design and engineering of improvements and/or retrofits and ongoing mission critical services.

In the emission compliance area, ORTECH and CEMSI provide greenhouse gas verification, installation of critical emission management systems and stack testing for environmental emissions.

With respect to air quality, Kontrol BioCloud™ has developed the BioCloud Analyzer to provide real-time viral detection technology. Each are described in greater detail below.

The Company's revenue generation is derived from the provision of its principal products and services, comprising technology software and hardware, building automation services and emission verification and compliance.

To date, Kontrol's patented technology has analyzed more than 40 billion data records related to building performance, is delivering more than \$200 million annually in energy savings and has delivered an equivalent reduction of 142 million kilograms of C02 emissions.

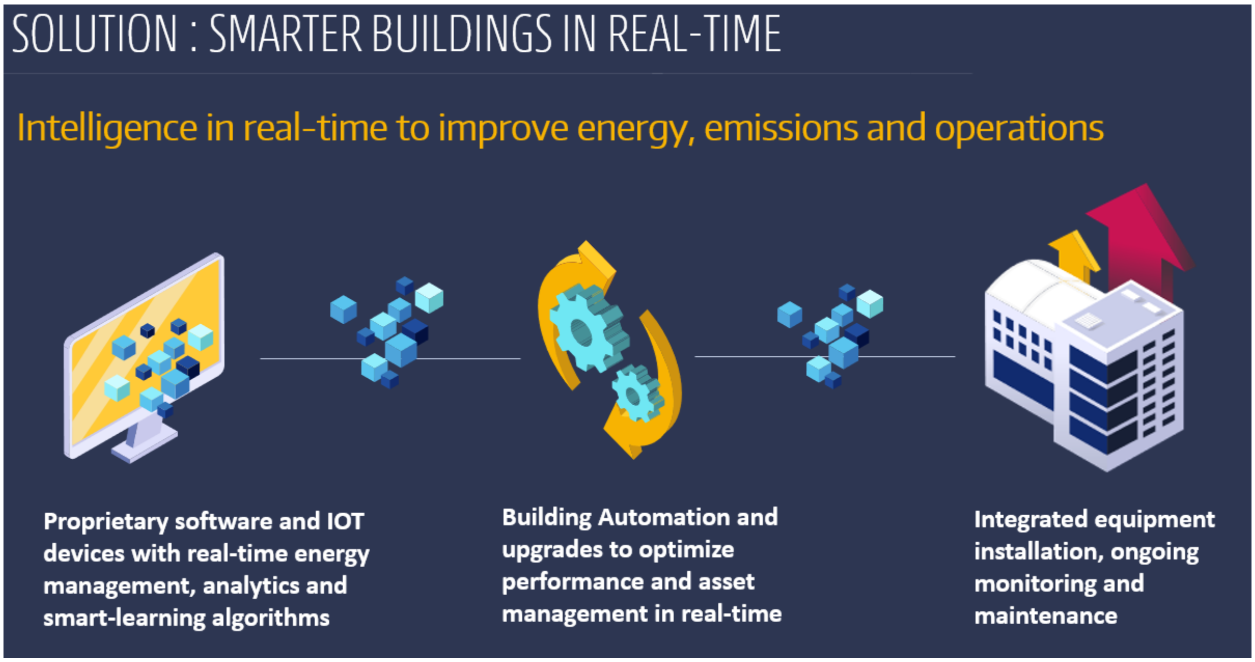
Through its smart technology platform, the Company seeks to help customers address and manage their energy problems, including:

- reducing energy waste in buildings and industrial facilities;
- improving energy and building asset performance through real-time data and analytics; and
- providing a corresponding reduction in GHG emissions.

The rise in the cost of electricity over the past several years has outpaced the rate of inflation. As a result, high electricity costs can have a detrimental impact on overall industry competitiveness, impact profitability and result in lower market valuations for the commercial real estate sector.

Further, with increased regulations surrounding GHG at the provincial, state, and national level, the energy efficiency sector, as one of the world's fastest growing fuel sources, the Company anticipates an ongoing need for the products and services it provides.

The world of energy consumption and demand, at the commercial level, is directly intersecting with the growth and advancement of IoT, the Cloud and SaaS technology. Kontrol will endeavour to take a leadership position in shaping the way our customers use, mange and strategically allocate energy resources. The intent is that customers can gain immediate energy savings, more control over their energy consumption and demand in real-time and experience a progression towards achieving sustainability objectives.



Products and Services

Through its operating subsidiaries, the Company operates as a single unified smart energy technology provider, which serves three principal markets (as described below), totaling a servable obtainable market of 90 billion square feet of multi-residential and commercial buildings in the U.S. and Canada. Management of the Company considers its products and services to fall within one operating segment, being the provision of energy compliance and consulting services.

The Company's principal method of production is software development associated with the evolution of the Kontrol Smart Technology platform, which was initially acquired as part of the Company's acquisition strategy and subsequently developed internally by the Company. Actual delivery and ongoing asset management is provided through the use of real-time analytics supports by an internal team of energy and asset management support staff. Certain aspects of the Smart Technology platform such as installation and maintenance may from time to time involve third party service provides.

As noted above, the Company's primary services and products include the following:

1) **Smart Buildings and Facilities** (SmartSuite, SmartSite, SmartMax aka Smart Technology)
2) **Emission Verification and Compliance**
    - Installation of continuous emissions and process equipment
    - Ongoing monitoring and service
3) **Air Quality**

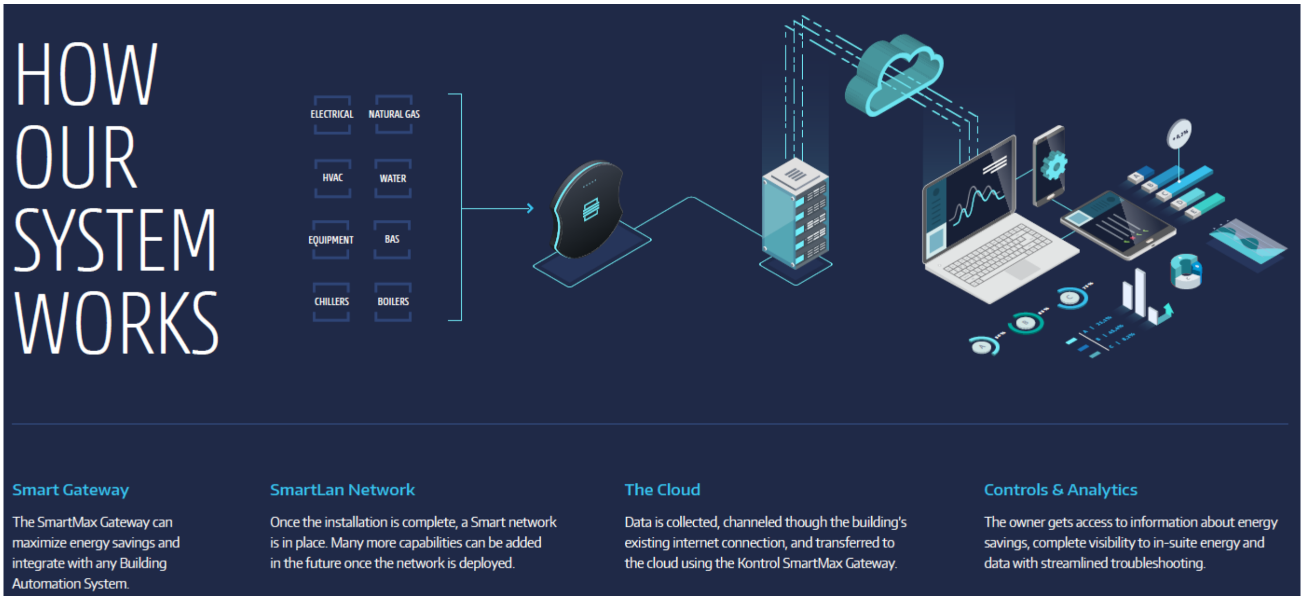
(1) Smart Buildings and Facilities

The Company offers its Smart Technology to customers through both a multi-year subscription contract basis (Software-as-a Service) and upfront purchase. Kontrol's Smart Technology is deployed to customers through a cloud-based interface accessible on desktops and mobile devices. The Company collects real-time and historical data through the use of IoT sensors and direct connection to industrial control systems, bringing various sources of asset performance data in the cloud where smart-learning software is applied to optimize performance.

The underlying technologies that make up Kontrol's Smart Technology are derived from the various acquisitions the Company has completed since 2016. Each acquisition provides a key piece of the end-to-end asset management capability that the Company provides to its customers. Kontrol continues to invest in the development of its Smart Technology to enhance software and IoT device integration. Continued development of the Kontrol Smart Technology platform extends the solution suite to the creation of increasing customer value.

SmartSite® Software

This SmartSite® software is a building energy software technology designed to assist in the operation and management of complex heating, ventilation, and cooling systems for factories, large multi-residential, commercial, and mission critical buildings. Kontrol's IoT technology can be rapidly deployed within any building and can send energy data into Kontrol's cloud architecture where the data is analyzed in real-time. Through comparison and analysis to over 30 billion data points spanning more than 200 buildings, Kontrol can quickly identify inefficiencies, savings, and mission critical risk for its customers.



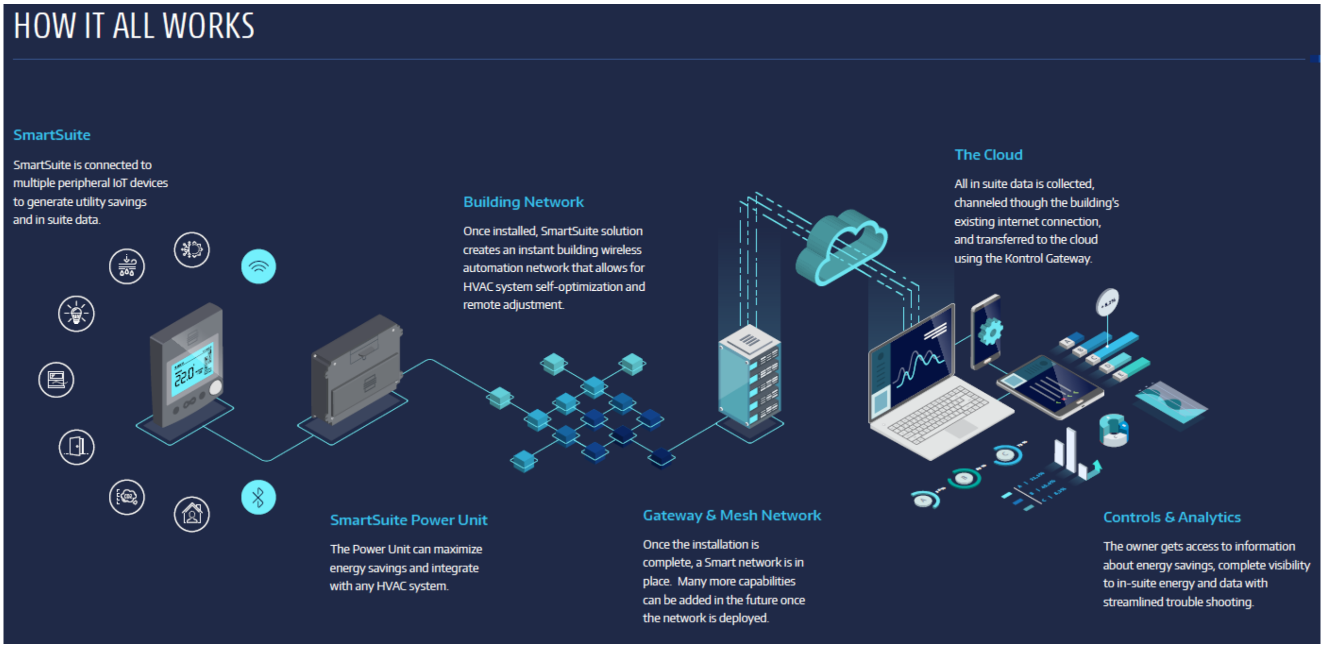
SmartSite® capabilities include the following:

- Fast installation (typically one hour or less)
- Immediate access to energy data
- Secure export to Kontrol's energy management system in the cloud
- Interoperability across building automation systems and HVAC equipment
- Immediate visibility into energy demand and consumption

SmartSuite®

Designed for commercial buildings, multi-residential buildings, factories, and the hospitality industry and driven by the move to smart buildings and smart cities, the SmartSuite® thermostat can connect into existing building automation systems and to also communicate with utilities.

The SmartSuite® thermostat provides in-suite energy management with rich analytics and user interfaces, which in turn is intended to deliver energy savings, comfort and measurable GHG reductions.



SmartSuite® capabilities include the following:

- Real-time energy management and conversation
- Rich data analytics
- Smart learning algorithms
- Multiple user interfaces
- Bluetooth connection
- Integrated with window and door sensors
- Ability to communicate with utilities

While the SmartSuite® system has been commercialized for sale, future upgrades continue to be required for this product to provide for ongoing firmware and hardware enhancements.

<u>Application of the Technology</u>

In addition to the installation of Smart Technology, the Company provides building automation and retrofits to improve the energy efficiency of buildings and facilities. These are typically one time projects with annual recurring service revenues generated to managed and maintain the energy and building assets following their installation.

Kontrol and its subsidiaries provide technical services to help building owners across North America improve their facilities, save money, and conserve valuable energy resources. These services are intended to uncover, design, and manage facility systems solutions, with an emphasis on economic feasibility and energy savings.

The Company's subsidiary, EEI, works with clients to provide thorough and cost-effective energy auditing, monitoring and verification, energy project assessment, mechanical, electrical, and renewable design, and LEED facilitation. In addition, NFA leads a building energy and service platform that provides monitoring, operation and service of essential heating, cooling, ventilation, and utility systems to customers in the commercial, industrial, and multi-residential building sector.

(2) Emission Verification and Compliance

Through two operating subsidiaries, ORTECH and CEMSI, the Company provides emission verification and compliance services. For industrial facilities, these services include the installation of continuous emission monitoring equipment and ongoing monitoring and management of industrial emissions which must be reported to local, state and provincial authorities.

ORTECH is an atmospheric science consulting firms, providing a range of environmental and engineering services including stack emission testing, continuous emission testing, power generation, due diligence, odour assessment and analytics, compliance, and other engineering services. ORTECH provides a stable industrial client base with high quality services in technical problem solving, and evaluation with an emphasis on air quality and renewable energy.

CEMSI is a leading integrator of turn-key emission monitoring equipment and generates revenues from monitoring solutions, services, and product sales. The acquisition of CEMSI was intended to be a strong strategic fit with ORTECH, which was Kontrol's existing emission business. Expanding the Company's emission monitoring and solutions across Canada and gaining a growing footprint in the United States is part of the Company's overall strategic growth initiatives.

(3) Air Quality

BioCloud™ is a real-time analyzer designed to detect airborne pathogens. It has been designed to operate as a safe space technology by promoting air circulation, monitoring the air quality and sampling continuously for pathogens like viruses, bacteria and fungi.

The BioCloud™ analyzer combines a proprietary SARS-CoV-2 detection chamber with an advanced air sampling process. The air sampling system draws air in and optimizes the air for analysis. The sample flows through the detection chamber which uses both a viral collider and a chemical process to trap virus particles and identifies the SARS-CoV-2 (or COVID) virus with a laser sensor. When a virus of concern is detected an alert system is created in the Cloud or over local intranet.

BioCloud™ has been designed for spaces where individuals gather including classrooms, retirement homes, hospitals, mass transportation and others, which is intended to support the entire system of individual testing and contact tracing.

Specialized Skill and Knowledge

The Company requires specialized skills and knowledge within each of its lines of business. With respect to its Smart Technology platform, Kontrol possesses talent and experience in building energy management software, managing and servicing critical building infrastructure, monitoring for GHG emissions and improving air quality. Within the emissions component of its business operations, Kontrol has a team of experienced environmental scientists and field technologists.

From a core technology perspective, the team also retains specialized skills and expertise in specific areas of software development, namely the development of real-time energy and assets managed with smart-learning capabilities.

At this time, the Company believes that it has sufficient internal skills and expertise required in order to operate its business effectively.

Competitive Conditions

In the principal markets that Kontrol operates in, being Canada and the United States the Company has numerous competitors, including Honeywell, Siemens, Schneider, Rockwell Automation and Johnson Controls which also operate commercial offerings that overlap or compete with Kontrol's Smart Technology platform. Kontrol believes that its competitive advantage lies in its combined use of IoT, Cloud and software to deliver a unified platform to the customer at a lower price point than the majority of its primary competitors. In addition, Kontrol is able to service customers to an underserviced mid-market customer which may be too small for larger incumbent competitors as conventional solutions have been too expensive or uneconomical. Kontrol's proprietary and patented technology delivers a more simplified installation process and has the ability to aggregate actionable data in real-time efficiently. The Company observes that in the principal markets it serves, most solutions place a heavy focus on acquiring data, storing it, then reporting it to make it available to end customers. Kontrol attempts to differentiate itself from its competitors by using real-time data and analytics to create actionable insight that help customers determine what actions and automation improvements are the best ones to take to get the most out of their assets.

Intangible Properties

Kontrol's success depends in part on its ability to create unique intellectual property that improves the Company's ability to create and deliver customer value in the principal markets where it does business. The Company relies on the use of intellectual property rights, including patents, copyrights, and trade secrets in Canada and the United States.

The Company retains a portfolio of three software patents in the areas of HVAC energy efficiency, smart learning algorithms, real time energy management and rich data analytics.

Patent	**Patent No. / App. Serial No.**	**Jurisdiction**	**Date Issued / Dated Filed**	**Status**	**Registered Owner**
A system, computer product and method for monitoring and disseminating data from a plurality of intelligent devices via the Internet	7,594,004	US Patent	August 9, 2002	Live	Kontrol Energy Corp.
A system, computer product and method for monitoring and disseminating data from a plurality of intelligent devices via the Internet	2,397,695	CDN Patent	August 12, 2002	Live	Kontrol Energy Corp.
A system, computer product and method for monitoring	7,596,613	US Patent	January 16, 2008	Live	Kontrol Energy Corp.

and disseminating data from a plurality of intelligent devices via the Internet					

As discussed above, the Company has also submitted applications for four additional patents.

The Company has applied for a portfolio of 4 trademarks in the usage of trademark “Safe Space Technology".

Patent	**Trademark No. / App. Serial No.**	**Jurisdiction**	**Date Issued / Dated Filed**	**Status**	**Registered Owner**
Trademark of “Safe Space Technology	2051156	CDN Trademark	September 11, 2020	Pending Review	Kontrol Technologies Corp.
Trademark of “Safe Space Technology”	90573516	US Trademark	September 11, 2020	Pending Review	Kontrol Technologies Corp.
Trademark of “Safe Space Technology”	018424034 (application number) M6-5762 (reference number)	EU Trademark	March 11, 2021	Pending Review	Kontrol Technologies Corp.

Trademark of "Safe Space Technology"	TI210116	CN Trademark	March 11, 2021	Pending Review	Kontrol Technologies Corp.

The Company also uses key domain names, including energysimple.ca, energysimple.co, energysimple.info, energysimplenow.com, kontrolcloud.com, kontrolportal.com, kontrolenergy.ca, kontrolbiocloud.com, kontrolenergy.com, kontrolcorp.com, kontrolsmartsuite.com, kontrolsmartbuildings.com, netzeroworld.ca and smartsuiteportal.com.

The Company further protects its proprietary source code and algorithms as trade secrets, limiting access to these to employees who have a need to know such information.

Cycles

The demand for the Company's products and services is fairly consistent throughout the calendar year. Accordingly, the business of the Company is not seasonal or cyclical to any significant extent.

Environmental Protection

The Company does not foresee any financial or operational effects from environmental protection requirements on capital expenditures, profit or loss, and competitive position in the current financial year. While the financial and operational effects of environmental protection requirements on the capital expenditures, profits or losses and competitive position of the Company in future financial years is difficult to determine at this time, in the future, the Company may see enhanced demand for SmartSite, SmartSuite and SmartMax in businesses who have a mandate to become more energy efficient.

Employees

During the year ended December 31, 2020, the Company and its subsidiaries had approximately 80 employees working out of six offices in Canada and the United States.

Foreign Operations

The Company operates in multiple provinces in Canada and states in the United States, with the majority of its business taking place in Canada. The Company intends to expand through its relationship with TTCI in the United States and also anticipates sales in Europe following its pilot projects and potentially in other global jurisdictions as a result of additional projects that are currently underway (as discussed elsewhere in this AIF). However, the timing of such expansion is uncertain and there can be no assurances that it will ultimately happen.

RISK FACTORS

AN INVESTMENT IN SECURITIES OF THE COMPANY IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

Prior to making an investment decision, investors should consider the risk factors set forth below and those described elsewhere in this AIF, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of Kontrol consider the risks set forth below to be the most significant, but do not consider them to be all of the risks associated with an investment in securities of Kontrol. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in connection with Kontrol's business actually occur, Kontrol's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of Kontrol's securities could decline and investors may lose all or part of their investment.

Going Concern Assumption

The Company's annual consolidated financial statements for the year ended December 31, 2020 have been prepared based on a going concern assumption, which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

Kontrol may be unable to identify and complete suitable platform acquisitions and acquisitions in its existing vertical markets.

Kontrol cannot be certain that it will be able to identify suitable new acquisition candidates that are available for purchase at reasonable prices. Even if Kontrol is able to identify such candidates, it may be unable to consummate an acquisition on suitable terms. When evaluating an acquisition opportunity, there is no assurance that the Company will correctly identify the risks and costs inherent in the business that it is acquiring. If Kontrol is to proceed with one or more significant future acquisitions in which the consideration consists of cash, a substantial portion of its available cash resources may be used or it may have to seek additional financing to complete such acquisitions.

Potential acquisitions could be difficult to consummate and integrate into Kontrol's operations, and these acquisitions and other investment transactions could disrupt Kontrol's business, dilute stockholder value or impair Kontrol's financial results.

As part of Kontrol's business strategy, it may continue from time to time to seek to grow its business through acquisitions of or investments in new or complementary businesses, technologies or products that it believes can improve its ability to compete in its existing customer markets or allow it to enter new markets. The potential risks associated with acquisitions and investment transactions include, but are not limited to:

- failure to realize anticipated returns on investment, cost savings and synergies;
- difficulty in assimilating the operations, policies, and personnel of the acquired company;
- unanticipated costs associated with acquisitions;
- challenges in combining product offerings and entering into new markets in which the Company's management team may not have experience;
- distraction of management's attention from normal business operations;
- potential loss of key employees of the acquired company;
- difficulty implementing effective internal controls over financial reporting and disclosure controls and procedures;
- impairment of relationships with customers or suppliers;
- possibility of incurring impairment losses related to goodwill and intangible assets; and
- other issues not discovered in due diligence, which may include product quality issues or legal or other contingencies.

Acquisitions and/or investments may also result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the expenditure of available cash, and amortization expenses or write-downs related to intangible assets such as goodwill, any of which could have a material adverse effect on Kontrol's operating results or financial condition. Investments in immature businesses with unproven track records and technologies have an especially high degree of risk, with the possibility that Kontrol may lose its entire investment or incur unexpected liabilities. Kontrol may experience risks relating to the challenges and costs of closing a business combination or investment transaction and the risk that an announced business combination or investment transaction may not close. There can be no assurance that Kontrol will be successful in completing additional acquisitions in the future or in integrating or executing on its business plan for existing or future acquisitions.

Kontrol may acquire contingent liabilities through acquisitions that could adversely affect Kontrol's operating results.

Kontrol may acquire contingent liabilities in connection with acquisitions it has completed, which may be material. Although management uses its best efforts to estimate the risks associated with these contingent liabilities and the likelihood that they will materialize, their estimates could differ materially from the liabilities actually incurred.

Acquisitions, investments, joint ventures, and other business initiatives may negatively affect Kontrol's operating results.

The growth of Kontrol through the successful acquisition and integration of complementary businesses is a critical component of its corporate strategy. Kontrol continually evaluates acquisition opportunities within its respective marketplace and may be in various stages of discussions with respect to such opportunities. Kontrol plans to continue to pursue acquisitions that complement its existing business, represent a strong strategic fit, and are consistent with its overall growth strategy and disciplined financial management. Kontrol may also target future acquisitions to expand or add functionality and capabilities to its existing portfolio of solutions, as well as add new solutions to its portfolio. Kontrol may also consider opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. These activities create risks such as: (i) the need to integrate and manage the businesses and products acquired with Kontrol's own business and products; (ii) additional demands on its resources, systems, procedures and controls; (iii) disruption of its ongoing business; and (iv) diversion of management's attention from other business concerns. Moreover, these transactions could involve: (a) substantial investment of funds or financings by issuance of debt or equity or equity-related securities; (b) substantial investment with respect to technology transfers and operational integration; and (c) the acquisition or disposition of product lines or businesses.

Also, such activities could result in charges and expenses and have the potential to either dilute the interests of existing shareholders or result in the issuance or assumption of debt. This could have a negative impact on the credit ratings of Kontrol's outstanding debt securities.

Such acquisitions, investments, joint ventures, or other business collaborations may involve significant commitments of financial and other resources of Kontrol. Any such activity may not be successful in generating revenues, income, or other returns to Kontrol, and the resources committed to such activities will not be available to it for other purposes. Moreover, if Kontrol is unable to access capital markets on acceptable terms or at all, it may not be able to consummate a specific acquisition, or a series of acquisitions. Alternatively, Kontrol may have to complete a transaction on the basis of a less than optimal capital structure. Kontrol's potential inability (i) to take advantage of growth opportunities for its business or for its products and services, or (ii) to address risks associated with acquisitions or investments in businesses, may negatively affect its operating results. Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges associated with any acquisition or investment activity, may materially impact Kontrol's results of operations which, in turn, may have an adverse material effect on the market price of Shares or credit ratings of its outstanding debt securities.

The loss of one or more of Kontrol's key personnel, or its failure to attract and retain other highly qualified personnel in the future, could harm its business.

Kontrol currently depends on the continued services and performance of its key personnel, including its executive officers. The loss of key personnel could disrupt Kontrol's operations and have an adverse effect on its business and financial results.

As Kontrol continues to grow, it cannot guarantee that it will continue to attract the personnel it needs to maintain its competitive position. As Kontrol scales, the total cash and equity compensation structure necessary to retain and attract key personnel may have to change to be in line with market rates for the verticals in which Kontrol competes. If Kontrol does not succeed in attracting, hiring, and integrating key personnel with industry-specific experience, or retaining and motivating existing personnel, it may be unable to grow effectively.

Kontrol cannot be certain that additional financing will be available on reasonable terms when required, or at all.

From time to time, Kontrol may need additional financing, including to fund potential acquisitions. Its ability to obtain additional financing, if and when required, will depend on investor demand, Kontrol's operating performance, the condition of the capital markets, and other factors. To the extent Kontrol draws on its credit facilities, if any, to fund certain obligations, it may need to raise additional funds, and Kontrol cannot provide assurance that additional financing will be available to it on favorable terms when required, or at all. If Kontrol raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of Kontrol's Shares, and existing shareholders may experience dilution.

Kontrol may not be able to protect its intellectual property rights, which could make it less competitive and cause it to lose market share.

Kontrol's software is proprietary. Kontrol's strategy is to rely on a combination of copyright, patent, trademark and trade secret laws in the United States, Canada and other jurisdictions, and to rely on license and confidentiality agreements and software security measures to further protect its proprietary technology and brand. Kontrol has obtained or applied for patent protection with respect to some of its intellectual property, but generally does not rely on patents as a principal means of protecting its intellectual property. Kontrol has registered or applied to register some of its trademarks in the Canada and in selected other countries. Kontrol generally enters into non-disclosure agreements with its employees and customers, and historically has restricted third-party access to its software and source code, which it regards as proprietary information.

The steps Kontrol has taken to protect its proprietary rights may not be adequate to avoid the misappropriation of its technology or independent development by others of technologies that may be considered a competitor. Kontrol's intellectual property rights may expire or be challenged, invalidated or infringed upon by third parties or it may be unable to maintain, renew or enter into new licenses on commercially reasonable terms. Any misappropriation of Kontrol's technology or development of competitive technologies could harm its business and could diminish or cause it to lose the competitive advantages associated with its proprietary technology, and could subject it to substantial costs in protecting and enforcing its intellectual property rights, and/or temporarily or permanently disrupt its sales and marketing of the affected products or services. The laws of some countries in which Kontrol's products are licensed do not protect its intellectual property rights to the same extent as the laws of Canada. Moreover, in some other jurisdictions, laws affecting intellectual property rights are uncertain in their application, which can affect the scope of enforceability of Kontrol's intellectual property rights.

Kontrol's software research and development initiatives and its customer relationships could be compromised if the security of its information technology is breached as a result of a cyberattack. This could have a material adverse effect on Kontrol's business, operating results, and financial condition, and could harm its competitive position.

Kontrol devotes resources to continually updating its software and from time to time may devote resources to developing new products (for instance, BioCloud™), and its financial performance is dependent in part upon its ability to bring updated versions of its current products and services as well as new products and services to market. Kontrol's customers use its software to monitor their assets and rely on Kontrol to provide updates and releases as part of its software maintenance and support services. The security of Kontrol's information technology environment is therefore important to any research and development initiatives, and an important consideration in its customers' purchasing decisions. If the security of Kontrol's systems is impaired, its development initiatives might be disrupted, and it might be unable to provide service. Kontrol's customer relationships might deteriorate, its reputation in the industry could be harmed, and it could be subject to liability claims. This could reduce Kontrol's revenues, and expose it to significant costs to detect, correct and avoid any breach of security and to defend any claims against it.

Kontrol's information assets and critical infrastructure may be subject to cyber security risks. Kontrol is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of Kontrol's information technology systems by third parties or insiders. Despite Kontrol's security measures and controls, which are designed to mitigate these risks, a breach of its security measures and/or a loss of information could occur and result in a loss of material and confidential information and reputation, breach of privacy laws and a disruption to Kontrol's business activities by limiting its capacity to effectively monitor and control Kontrol's operations and adjust to changing market conditions. Kontrol's failure to appropriately maintain the security of the data it holds, whether as a result of its own error or the malfeasance or errors of others, could harm Kontrol's reputation or give rise to legal liabilities leading to lower revenues, increased costs and other adverse effects on Kontrol's results of operations. Any future cyber security attacks that affect Kontrol's facilities, communications systems, Kontrol's customers or any of Kontrol's financial data could have a material adverse effect on Kontrol's business. In addition, cyber-attacks on Kontrol's customer and employee data may result in a financial loss and may negatively impact Kontrol's reputation. Third-party systems on which Kontrol relies could also suffer operational system failure. The significance of any such event is difficult to quantify, but may in certain circumstances be material to Kontrol and could have adverse effects on Kontrol's business, financial condition and results of operations.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In the future, Kontrol may expend additional resources to continue to enhance Kontrol's information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that Kontrol will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on Kontrol's systems, or that any such incident will be discovered in a timely manner. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change frequently; accordingly, Kontrol may be unable to anticipate these techniques or implement adequate preventative measures.

If Kontrol does not allocate and effectively manage the resources necessary to build and sustain reliable information technology infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or Kontrol's or its customers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, Kontrol's business could be disrupted and Kontrol could, among, other things, be subject to: the loss of or failure to attract new residents; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

The loss of Kontrol's rights to use technology currently licensed by third parties could increase operating expenses by forcing Kontrol to seek alternative technology and adversely affect Kontrol's ability to compete.

Kontrol occasionally licenses technology, including software and related intellectual property, from third parties for use in its products and may be required to license additional intellectual property. There are no assurances that Kontrol will be able to maintain its third-party licenses or obtain new licenses when required on commercially reasonable terms, or at all.

Information technology systems.

Kontrol's operations depend in part upon IT systems. Kontrol's IT systems are subject to disruption, damage, or failure from many sources, including computer viruses, security breaches, natural disasters, power loss, and defects in design. To date, Kontrol has not experienced any material losses relating to IT system disruptions, damage, or failure, but there are no assurances that it will not incur such losses in the future. Any of these and other events could result in IT systems failures, operational delays, production downtimes, destruction or corruption of data, security breaches, or other manipulation or improper use of Kontrol's systems and networks.

Kontrol's products are highly technical, and if they contain undetected errors Kontrol's business and financial results could be adversely affected.

Kontrol's products are highly technical and complex. Kontrol's products may now or in the future contain undetected errors, bugs, or vulnerabilities. Some errors in Kontrol's products may only be discovered after they have been released. Any errors, bugs, or vulnerabilities discovered in Kontrol's products after release could result in damage to Kontrol's reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect Kontrol's business and financial results.

If Kontrol's products are unable to work with devices, platforms, or interfaces to deliver targeted user experiences, this could adversely affect Kontrol's business and financial results.

Kontrol is dependent on the interoperability of Smart Technology with popular cloud systems that it does not control, such as Google. Any changes in such systems that degrade the functionality of Kontrol's products or give preferential treatment to competitive products could adversely affect Kontrol's business and financial results.

Reliance on third party networks.

Kontrol is dependent on third party mobile networks such as those provided by major telecommunications companies to provide services. These third-party networks are controlled by third parties and are subject to compromise or failure. Extended disruptions of such networks could adversely affect Kontrol's business and financial results.

If Kontrol is not able to maintain and enhance the Smart Technology brands, or if events occur that damage the Smart Technology reputation and brand, Kontrol's ability to expand its base of users may be impaired, which could adversely affect Kontrol's business and financial results.

Kontrol believes that the Smart Technology brands will significantly contribute to the success of its business. Kontrol also believes that maintaining and enhancing its own brands, in particular the Smart Technology brands, is critical to expanding its base of users. Many of its new users are referred by existing users, and therefore Kontrol strives to ensure that users remain favorably inclined towards Smart Technology. Maintaining and enhancing the Smart Technology™ brand will depend largely on Kontrol's ability to continue to provide useful, reliable, trustworthy, and innovative products, which it may not do successfully. Kontrol may introduce new products or terms of service that users do not like, which could adversely affect Kontrol's business and financial results.

If Kontrol fails to increase market awareness of Smart Technology and expand sales and marketing operations, Kontrol's business and financial results could be adversely affected.

Kontrol believes that the Smart Technology brands will continue to significantly contribute to the success of its business. Kontrol intends to spend significant resources on increasing the market awareness of the Smart Technology brands and expanding its sales and marketing operations.

There is no guarantee that Kontrol will be successful in its efforts to increase market awareness. Failure to increase market awareness of the Smart Technology brands or the failure of customers to adopt the Smart Technology brands could adversely affect Kontrol's business and financial results.

If Kontrol does not continue to develop technologically advanced products that successfully integrate with the software products and enhancements used by its customers, its future revenues and operating results may be negatively affected.

Kontrol's success depends upon its ability to design, develop, test, market, license and support new software products, services, and enhancements of current products and services on a timely basis in response to both competitive threats and marketplace demands. The software industry is increasingly focused on cloud computing, mobility, social media, and SaaS, among other continually evolving shifts. In addition, Kontrol's software products, services, and enhancements must remain compatible with standard platforms and file formats. Often, Kontrol must integrate software licensed or acquired from third parties with its proprietary software to create or improve its products. If Kontrol is unable to achieve a successful integration with third party software, it may not be successful in developing and marketing its new software products, services, and enhancements. If Kontrol is unable to successfully integrate third party software to develop new software products, services, and enhancements to existing software products and services, or to complete the development of new software products and services which it licenses or acquires from third parties, its operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, Kontrol's operating results will materially suffer. Moreover, if new industry standards emerge that Kontrol does not anticipate or adapt to, or with rapid technological change occurring, if alternatives to its services and solutions are developed by its competitors, its software products and services could be rendered obsolete, causing it to lose market share and, as a result, harm its business and operating results and its ability to compete in the marketplace.

Kontrol's new products and changes to existing products could fail to attract or retain users or generate revenue.

Kontrol's ability to retain, increase, and engage its user base and to increase its revenue will depend heavily on Kontrol's ability to create or acquire successful new products, both independently and in conjunction with software and platform developers or other third parties.

Kontrol may introduce significant changes to its existing products or develop and introduce new and unproven products, including using technologies with which it has little or no prior development or operating experience. If new or enhanced products fail to engage users, Kontrol may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify certain investments, and the business may be adversely affected. In the future, Kontrol may invest in new products and initiatives to generate revenue. There is no guarantee these approaches will be successful. If Kontrol is not successful with new approaches to monetization, it may not be able to maintain or grow its revenue as anticipated or recover any associated development costs, which could adversely affect Kontrol’s business and financial results.

Kontrol may incur liability as a result of information retrieved from or transmitted over or through Kontrol products or network.

Kontrol may face claims relating to information that is retrieved from or transmitted over the Internet or through Kontrol and claims related to Kontrol’s products. In particular, the nature of Kontrol’s business exposes it to claims related to intellectual property rights, rights of privacy, and personal injury torts.

Risks related to COVID-19.

Since March 2020, the global pandemic outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgements and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Corporation is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management’s judgements and estimates. ***Worldwide efforts to contain capital spending, general uncertainty as to continued economic growth during the current post-recessionary global economy, the possibility of another recession and a continued weakened global economy could have a material adverse effect on Kontrol.***

One factor that significantly affects Kontrol’s financial results is the impact of economic conditions on the willingness of Kontrol’s current and potential customers to make capital investments. Given the general uncertainty as to continued economic growth during the current post-recessionary global economy, Kontrol believes that customers continue to be cautious about sustained economic growth and have tried to maintain or improve profitability through cost control and constrained capital spending, which places additional pressure on departments to demonstrate acceptable return on investment. Current uncertain worldwide economic and political environments make it increasingly difficult for Kontrol, its customers and suppliers to accurately predict future product demand, which could result in an inability to satisfy demand for Kontrol’s products and a loss of market share. Kontrol’s revenues may decline in such circumstances and profit margins could be eroded, or Kontrol could incur significant losses.

Moreover, economic conditions worldwide may contribute to slowdowns in the markets in which Kontrol operates, resulting in reduced demand for Kontrol’s solutions as a result of customers choosing to refrain from capital investments.

Continuing turmoil in the geopolitical environment in many parts of the world, including terrorist activities and military actions, as well as political and economic issues in many regions, continue to put pressure on global economic conditions. Kontrol’s business and financial results and its ability to expand into other international markets may also be affected by changing economic conditions particularly germane to that sector or to particular customer markets within that sector.

Kontrol's business is subject to complex and evolving laws and regulations. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to Kontrol's business practices, increased cost of operations, or declines in user growth or engagement, or otherwise harm Kontrol's business.

Kontrol is subject to a variety of laws and regulations in Canada and, potentially, in other jurisdictions that involve matters central to its business, including user privacy, data protection, intellectual property, distribution, contracts and other communications, competition, consumer protection, and taxation. These laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which Kontrol operates. Existing and proposed laws and regulations may be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase Kontrol's operating costs, require significant management time and attention, and subject Kontrol to claims or other remedies, including fines or demands that Kontrol modify or cease existing business practices.

Kontrol's business is highly competitive. Competition presents an ongoing threat to the success of its business. If Kontrol fails to compete successfully against industry peers, Kontrol's ability to increase revenues and achieve profitability will be impaired. As Kontrol introduces new products and as its existing products evolve, or as other companies introduce new products and services, Kontrol may become subject to additional competition.

In the principal markets that Kontrol operates in, it has numerous competitors, including Honeywell, Siemens, Schneider, Rockwell Automation and Johnson Controls which also operate commercial offerings that overlap or compete with Kontrol's Smart Technology platform.

Some of Kontrol's current and potential competitors have significantly greater resources and hold advantageous competitive positions in certain market segments than Kontrol currently holds. These factors may allow Kontrol's competitors to respond more effectively than Kontrol to new or emerging technologies and changes in market requirements. Kontrol's competitors may develop products that are similar to Kontrol's or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. Certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against Kontrol. As a result, Kontrol's competitors may acquire and engage users of Kontrol's current products at the expense of the growth or engagement of its user base, which could adversely affect Kontrol's business and financial results.

Kontrol believes that its ability to compete effectively depends upon many factors both within and beyond Kontrol's control, including:

- the usefulness, ease of use, performance, and reliability of Kontrol's products compared to its competitors;
- the size and composition of Kontrol's user base;
- the engagement of Kontrol's users with its products;
- the timing and market acceptance of Kontrol's products, including developments and enhancements, or similar improvements by its competitors;
- Kontrol's ability to monetize its products, including its ability to successfully monetize its technology platform, Smart Technology;
- customer service and support efforts;
- marketing and selling efforts;
- Kontrol's financial condition and results of operations;
- changes mandated by legislation, regulatory authorities, or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on Kontrol;
- acquisitions or consolidation within Kontrol's industry, which may result in more formidable competitors;
- Kontrol's ability to attract, retain, and motivate talented employees, particularly computer engineers;
- Kontrol's ability to cost-effectively manage and grow its operations; and
- the Kontrol reputation and brand strength relative to competitors.

If Kontrol is not able to effectively compete, its user base and level of user engagement may decrease, which could adversely affect Kontrol's business and financial results.

Existing executive officers, directors and holders of 10% or more of Kontrol's Common Shares collectively own approximately 33% of the Common Shares and will continue to have substantial control over Kontrol, which will limit an investor's ability to influence the outcome of important transactions, including a change in control.

Kontrol's Common Shares are concentrated in the hands of a few shareholders. A limited number of shareholders may have the ability to control or substantially influence aspects of Kontrol's business. This concentration of ownership may discourage, delay, or prevent a change in control of Kontrol, which could deprive Kontrol's shareholders of an opportunity to receive a premium for their shares as part of a sale of Kontrol. These actions may be taken even if they are opposed by Kontrol's other shareholders.

Kontrol's compensation structure may hinder its efforts to attract and retain vital employees.

A portion of Kontrol's total compensation program for its executive officers and key personnel includes the award of options or restricted stock units to buy Shares. If the market price of the Common Shares performs poorly, such performance may adversely affect Kontrol's ability to retain or attract critical personnel. In addition, any changes made to Kontrol's stock option plan, or to any other of its compensation practices, which are made necessary by governmental regulations or competitive pressures, could adversely affect its ability to retain and motivate existing personnel and recruit new personnel. For example, any limit to total compensation which may be prescribed by the government or applicable regulatory authorities or any significant increases in personal income tax levels levied in countries where Kontrol has a significant operational presence may hurt its ability to attract or retain its executive officers or other employees whose efforts are vital to its success. Additionally, payments under Kontrol's long-term incentive plan are dependent to a significant extent upon the future performance of Kontrol both in absolute terms and in comparison, to similarly situated companies. Any failure to achieve the targets set under Kontrol's long-term incentive plan could significantly reduce or eliminate payments made under this plan, which may, in turn, materially and adversely affect its ability to retain the key personnel who are subject to this plan.

The requirements of being a public company may strain Kontrol's resources, divert management's attention and affect its ability to attract and retain executive management and qualified board members.

As a reporting issuer, Kontrol is subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the continued listing requirements of the CSE and other applicable securities rules and regulations. Compliance with these rules and regulations require legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on Kontrol's systems and resources. Applicable securities laws require Kontrol to, among other things, file certain annual and quarterly reports with respect to its business and results of operations. In addition, applicable securities laws require Kontrol to, among other things, maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required from time to time to meet evolving requirements, improve its disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. Specifically, due to the increasing complexity of its transactions, it is anticipated that Kontrol will improve its disclosure controls and procedures and internal control over financial reporting primarily through the continued development and implementation of formal policies, improved processes and documentation procedures, as well as the continued sourcing of additional finance resources. As a result, management's attention may be diverted from other business concerns, which could harm Kontrol's business and results of operations. To comply with these requirements, Kontrol may need to hire more employees in the future or engage outside consultants, which will increase its costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Kontrol intends to continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If its efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against Kontrol, which could adversely affect Kontrol’s business and financial results.

As a public company subject to these rules and regulations, Kontrol may find it more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for Kontrol to attract and retain qualified members of its Board, particularly to serve on its Audit Committee and Compensation Committee, and qualified executive officers.

As a result of disclosure of information in filings required of a public company, Kontrol’s business and financial condition is subject a certain degree of visibility, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, Kontrol’s business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in its favor, these claims, and the time and resources necessary to resolve them, could divert the resources of Kontrol’s management and harm its business and results of operations.

The price of the securities of Kontrol may fluctuate significantly, which may make it difficult for holders of securities of Kontrol to sell its securities at a time or price they find attractive.

The market price of Common Shares may be subject to wide fluctuations in response to many factors, due to a variety of factors, many of which are beyond its control. Some of these factors include the following:

- actual or anticipated quarterly fluctuations in the financial results and financial condition of Kontrol and its subsidiaries;
- changes in financial estimates or publication of research reports and recommendations by financial analysts with respect to it or other financial institutions;

- reports in the press or investment community generally or relating to Kontrol's reputation or the industry in which it operates;
- changes in the business prospectus for Kontrol and its subsidiaries;
- strategic actions by Kontrol or its competitors, such as acquisitions, restructurings, dispositions, or financings;
- fluctuations in the stock price and financial results of Kontrol's competitors;
- future sales of Kontrol's equity or equity-related securities;
- proposed or adopted regulatory changes or developments;
- domestic and international economic factors unrelated to Kontrol's performance; and
- general market conditions and, in particular, developments related to market conditions for Kontrol's industry.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect Kontrol's stock price, notwithstanding Kontrol's financial results. Kontrol expects that the market price of the Common Shares will fluctuate and there can be no assurances about the levels of the market prices for such Common Shares.

Kontrol does not know whether an active, liquid and orderly trading market will be sustained for the securities of Kontrol or what the market price of the securities of Kontrol will be, and as a result it may be difficult for investors to sell its securities of Kontrol.

An active trading market for securities of Kontrol may not be sustained. The lack of an active market may impair an investor's ability to sell its securities of Kontrol at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair market value of an investor's securities of Kontrol. Further, an inactive market may also impair Kontrol's ability to raise capital by selling securities of Kontrol and may impair its ability to enter into collaborations or acquire companies or products by using securities of Kontrol as consideration. The market price of securities of Kontrol may be volatile, and an investor could lose all or part of their investment.

Kontrol does not intend to pay dividends on the Common Shares for the foreseeable future.

Kontrol currently does not plan to declare dividends on the Common Shares in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of the Board. Consequently, an investor's only opportunity to achieve a return on the investment in Kontrol will be if the market price of Common Shares appreciates and the investor sells shares at a profit.

There is no guarantee that the trading price of Kontrol's Common Shares in the market will ever exceed the price that an investor paid.

If research analysts do not publish research about Kontrol's business or if they issue unfavorable commentary or downgrade the Common Shares, Kontrol's stock price and trading volume could decline.

The trading market for the securities of Kontrol may depend in part on the research and reports that research analysts publish about Kontrol and its business. If Kontrol does not maintain adequate research coverage, or if one or more analysts who covers Kontrol downgrades its stock, or publishes inaccurate or unfavorable research about Kontrol's business, the price of Kontrol's Shares could decline. If one or more of the research analysts ceases to cover Kontrol or fails to publish reports on it regularly, demand for securities of Kontrol could decrease, which could cause Kontrol's stock price or trading volume to decline.

Kontrol may issue additional equity securities or engage in other transactions that could dilute its book value or affect the priority of the Common Shares, which may adversely affect the market price of the Common Shares.

The Board may determine from time to time that it needs to raise additional capital by issuing additional Common Shares or other securities. Except as otherwise described in this AIF, Kontrol will not be restricted from issuing additional Common Shares, including securities that are convertible into or exchangeable for, or that represent the right to receive, Common Shares. Because Kontrol's decision to issue securities in any future offering will depend on market conditions and other factors beyond Kontrol's control, it cannot predict or estimate the amount, timing, or nature of any future offerings, or the prices at which such offerings may be affected. Additional equity offerings may dilute the holdings of its existing shareholders or reduce the market price of its common stock, or both. Holders of Common Shares are not entitled to pre-emptive rights or other protections against dilution. New investors also may have rights, preferences and privileges that are senior to, and that adversely affect, Kontrol's then-current holders of Common Shares. Additionally, if Kontrol raises additional capital by making offerings of debt or preference shares, upon liquidation of Kontrol, holders of its debt securities and preference shares, and lenders with respect to other borrowings, may receive distributions of its available assets before the holders of Common Shares.

Kontrol is a holding company.

Kontrol is a holding company and may have no material non-financial assets other than its direct ownership of its subsidiaries. Kontrol has no independent means of generating revenue. To the extent that Kontrol needs funds beyond its own financial resources to pay liabilities or to fund operations, and its subsidiaries are restricted from making distributions to it under applicable laws or regulations or agreements, or do not have sufficient earnings to make these distributions, Kontrol may have to borrow or otherwise raise funds sufficient to meet these obligations and operate its business and, thus, its liquidity and financial condition could be materially adversely affected.

Kontrol may be subject to changes in tax laws.

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to the Company. These enactments and events could require the Company to pay additional tax amounts on a prospective or retroactive basis, thereby substantially increasing the amount of taxes the Company is liable to pay in Canada and in other jurisdictions in which it may operate in the future. Accordingly, these events could decrease the capital that the Company has available to operate its business.

Shareholders may be subject to tax consequences relating to the Common Shares.

There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor. Shareholders and prospective investors should seek independent advice from their own tax and legal advisers.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

DIVIDENDS

As of the date of this AIF, the Company has not declared dividends since inception and has no current intention to declare dividends on the Common Shares in the foreseeable future. Any decision to pay dividends on the Common Shares in the future will be at the discretion of the Board and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The authorized capital of the Company consists of an unlimited number of Common Shares. As of the date of this AIF, there were 42,057,431 Common Shares outstanding. The holders of Common Shares are entitled to one vote per Common Share at all meetings of the shareholders of the Company either in person or by proxy. The holders of Common Shares are also entitled to dividends, if and when declared by the directors of the Company, and the distribution of the residual assets of the Company in the event of dissolution or winding up of the Company.

The Common Shares are not subject to any pre-emptive rights, any conversion, or any exchange rights. The Common Shares are not subject to any redemption, retraction, purchase for cancellation, surrender, sinking or purchase fund provisions. Additionally, the Common Shares are not subject to any provisions permitting or restricting the issuance of additional securities and any other material restrictions or any provisions requiring a securityholder to contribute additional capital to the Company.

Broker Warrants and Finder Warrants

As of the date of this AIF, the Company has an aggregate of 155,835 broker warrants and finder warrants issued as compensation in connection with various debt and equity financings completed by the Company. Each outstanding broker warrant and finder warrant is exercisable for one Common Share of the Company.

Warrants

The Company currently has warrants outstanding to purchase up to an aggregate of 1,016,415 Common Shares (1,172,250 Common Shares if inclusive of the Broker Warrants and Finders Warrants). Each warrant is exercisable for one Common Share.

Stock Option Plan

Pursuant to the Company's stock option plan, the Company currently has incentive stock options outstanding, which entitle the holders thereof to purchase 1,697,236 Common Shares.

Debentures

2024 Convertible Debenture Offering

Currently the Company has a balance of $50,000 of 2024 Debentures outstanding, which bear interest at a rate of 8.0% per annum from and including their date of issue until the earlier of their date of conversion and August 31, 2024, payable semi-annually in arrears in cash on December 31 and June 30 of each year.

The 2024 Debentures may be converted in full or in part, at the holders' option, into Common Shares, at any time prior to the Maturity Date, at a conversion price (subject to adjustment from time to time) of $0.80. Holders converting 2024 Debentures will receive a cash payment equal to accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion.

2023 Convertible Debenture Offering

As of the date of this AIF, the Company has $525,000 of 2023 Debenture Units outstanding, each comprised of one $1,000 8% unsecured debenture of the Company, convertible into Common Shares at the conversion price described below, and 1,000 warrants, with each warrant exercisable at the holders' option to purchase one Common Share until June 30, 2023 (subject to acceleration, as outlined below), at a price (subject to adjustment from time to time) of $0.60 on or prior to June 30, 2022 and at a price of $0.70 after June 30, 2022 until or on June 30, 2023.

The convertible debentures bear interest at a rate of 8.0% per annum from and including their date of issue until the earlier of their date of conversion and June 30, 2023, payable semi-annually in arrears in cash on December 31 and June 30 of each year.

The 2023 Debentures may be converted in full or in part, at the holders' option into Common Shares, at any time prior to the maturity date, at a conversion price (subject to adjustment from time to time) of $0.50 on or prior to June 30, 2022 and at a price of $0.60 after June 30, 2022 until or on June 30, 2023. Holders converting their 2023 Debentures will receive a cash payment equal to accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion.

At any time after August 31, 2021, the Company may force the conversion of the principal amount of the then outstanding 2023 Debentures at the then applicable conversion price (as outlined above) on not less than 30 days' notice if the volume weighted average trading price of the Common Shares on the CSE for any 20 consecutive trading day period is greater than $0.70.

At any time after August 31, 2021, the Company may accelerate the expiry date of the then outstanding warrants on not less than 30 days' notice if the volume weighted average trading price of the Common Shares on the CSE for any 20 consecutive trading day period is greater than $0.85.

2022 8% Unsecured Debenture Offering

As of the date of this AIF, the Company has $5,651,000 of 2022 Debenture Units outstanding. Each 2022 Debenture Unit is comprised of one $1,000 8% non-convertible unsecured debenture of the Company maturing on October 31, 2022 and 10 Common Shares.

The debentures comprising part of the 2022 Debenture Units bear interest at a rate of 8% per annum, payable monthly in arrears and will mature on October 31, 2022. The Company will make a bonus payment of 1% interest payable annually to the holders of the 2022 Debenture Units, in cash or in Common Shares, at the sole discretion of such holders. The debentures are non-convertible and non-redeemable and will rank *pari passu* with all other unsecured indebtedness of the Company, and are not listed on any stock exchange or market.

The Company paid a total selling commission or finder's fee of $358,820 to securities dealers or finders engaged by the Company representing 7% of the aggregate principal amount of the 2022 Debenture Units issued to subscribers identified by the finders and 119,256 of non-transferable common share purchase warrants equal to the quotient obtained by dividing 7% of the aggregate principal amount of the 2022 Debenture Units issued to subscribers identified by the finders by the 10 day volume weighted average trading price of the Common Shares on the CSE, as at the date of closing. Each warrant is exercisable to purchase one Common Share at a price equal to the 10 day volume weighted average trading price of the Common Shares on the CSE, calculated as at the date of closing (or at a price subject to the provisions of the Canadian Securities Exchange Policy 6 – *Distribution*), on or prior to the date that is 24 months from the closing date.

MARKET FOR SECURITIES

The Common Shares of the Company are listed and posted for trading on the CSE under the symbol "KNR". The following table summarizes the particulars of the trading of the Company's Shares on the CSE during the most recently completed financial year:

Month	High ($)	Low ($)	Volume
December 2020	4.10	2.83	7,778,352
November 2020	4.65	2.23	10,083,637
October 2020	5.05	3.25	6,494,958
September 2020	5.72	1.82	17,895,696
August 2020	1.95	0.64	9,931,337
July 2020	0.62	0.455	1,310,452
June 2020	0.47	0.40	712,255
May 2020	0.47	0.35	761,842
April 2020	0.35	0.25	794,153
March 2020	0.53	0.225	653,021
February 2020	0.61	0.50	473,529
January 2020	0.69	0.58	807,529

PRIOR SALES

Other than as set forth in the following table, the Company has not sold or issued any securities not listed on the CSE during the 12 month period ended December 31, 2020.

Security/Date Debenture Units	Number of Securities	Price Per Security	Reason for Issuance
January 20, 2020(1)	91	$1,000	2020 Debenture Unit Offering

February 7, 2020[1]	129	$1,000	2020 Debenture Unit Offering
March 3, 2020[2]	175	$1,000	2024 Convertible Debenture Unit Offering
June 23, 2020[3]	1,247	$1,000	2023 Convertible Debenture Unit Offering
July 6, 2020[3]	730	$1,000	2023 Convertible Debenture Unit Offering
July 21, 2020[3]	22	$1,000	2023 Convertible Debenture Unit Offering
December 15, 2020[4]	4,310	$1,000	2022 Debenture Unit Offering
December 30, 2020[4]	251	$1,000	2022 Debenture Unit Offering
Security/Date Finders Warrants/Broker Warrants	**Number of Securities**	**Exercise Price Per Security**	**Reason for Issuance**
January 20, 2020[1]	2,730	$0.70	2020 Debenture Unit Offering
February 7, 2020[1]	3,870	$0.70	2020 Debenture Unit Offering
March 3, 2020[2]	13,175	$0.80	2024 Convertible Debenture Unit Offering
June 23, 2020[3]	75,833	$0.60	2023 Convertible Debenture Unit Offering
July 6, 2020[3]	57,667	$0.60	2023 Convertible Debenture Unit Offering
July 21, 2020[3]	583	$0.60	2023 Convertible Debenture Unit Offering
November 23, 2020[4]	15,369	$2.71	2022 Debenture Unit Offering
December 15, 2020[4]	72,265	$3.43	2022 Debenture Unit Offering
December 30, 2020[4]	2,071	$3.21	2022 Debenture Unit Offering
Security/Date Warrants	**Number of Securities**	**Exercise Price Per Security**	**Reason for Issuance**
June 23, 2020[3]	1,247,000	$0.60	2023 Convertible Debenture Unit Offering
July 6, 2020[3]	730,000	$0.60	2023 Convertible Debenture Unit Offering

July 6, 2020[(5)]	450,000	$0.60	Capital Advisory and Consulting Services
July 21, 2020[(3)]	22,000	$0.60	2023 Convertible Debenture Unit Offering
July 15, 2020[(6)]	100,000	$0.60	Consulting Services
August 5, 2020[(7)]	100,000	$0.76	Consulting Services
August 14, 2020[(8)]	25,000	$1.15	Consulting Services
August 31, 2020[(9)]	275,000	$2.00	Consulting Services
Security/Date Incentive Stock Options	**Number of Securities**	**Exercise Price Per Security**	**Reason for Issuance**
January 27, 2020[(10)]	92,500	$0.70	Issued pursuant to Stock Option Plan
March 23, 2020[(11)]	25,000	$0.60	Issued pursuant to Stock Option Plan
August 31, 2020[(12)]	30,000	$1.95	Issued pursuant to Stock Option Plan
September 4, 2020[(13)]	60,000	$2.15	Issued pursuant to Stock Option Plan
December 16, 2020[(14)]	80,000	$3.74	Issued pursuant to Stock Option Plan

Notes:

1. On February 7, 2020, the Company completed a non-brokered private placement of 5,711 2020 Debenture Units for gross proceeds of $5,711,000. Each 2020 Debenture Unit was comprised of one $1,000 principal amount debenture and 50 Common Shares. The Company paid a selling commission or finder's fee to securities dealers or finders engaged by the Company not exceeding 5% of the aggregate principal amount of the Offering in cash and 3% of the aggregate principal amount of the offering in broker warrants from the sale of the 2020 Debenture Units. Each broker's warrant will be exercisable to purchase one Common Share at an exercise price of $0.70 per Common Share for a period of 30 months from the closing date. The figure above reflects the broker warrants issued pursuant to the tranche of this offering that closed on the above-noted date.

2. On March 3, 2020, the Company completed a non-brokered private placement of 1,289 2024 Debenture Units for total gross proceeds of $1,289,000. Each 2024 Debenture Unit comprised of one $1,000 8% unsecured debenture of the Company, convertible into Common Shares at conversion price of $0.80. The Company paid a selling commission or broker fee in connection with this offering in the amount of 7% of the gross proceeds and/or the issuance of common share purchase warrants of the Corporation equal to the

quotient obtained by dividing 6% of the gross proceeds attributable to such brokers by $0.80. Each broker warrant is exercisable to purchase one Common Share at a price of $0.80 for a period of 24 months from the date of issuance.

3. On July 21, 2020, the Company completed a non-brokered private placement of 1,999 2023 Debenture Units for total gross proceeds of $1,999,000. Each 2023 Debenture Unit comprised of one $1,000 8% unsecured debenture of the Company, convertible into Common Shares at a price of $0.50; and 1,000 warrants, with each warrant exercisable at the holders' option to purchase one Common Share until June 30, 2023 (subject to acceleration terms), at a price (subject to adjustment from time to time) of $0.60 cents on or prior to June 30, 2022 and $0.70 cents after June 30, 2022 until or on June 30, 2023. The Company paid a selling commission or broker fee in connection with this offering in an amount equal to 7% of the gross proceeds and/or the issuance of common share purchase warrants of the Corporation equal to the quotient obtained by dividing 7% of the gross proceeds attributable to such brokers by $0.60. Each broker warrant is exercisable to purchase one Common Share at a price of $0.60 on or prior to June 30, 2022, and at a price of $0.70 after June 30, 2022 until or on June 30, 2023.

4. On December 30, 2020, the Company completed a non-brokered private placement of 4,561 2022 Debenture Units for total gross proceeds of $4,561,000. Each unit is comprised of one $1,000 8% unsecured debenture (and non-convertible) of the Company maturing on October 31, 2022 and 10 Common Shares. The Company paid a selling commission or finder's fee to securities dealers or finders engaged by the Company a cash commission of 7% of the aggregate principal amount of the 2022 Debentures issued to subscribers identified by certain finders and a number of non-transferable common share purchase warrants equal to the quotient obtained by dividing 7% of the aggregate principal amount of the 2022 Debenture Units issued to subscribers identified by the finders by the 10 day volume weighted average trading price of the Common Shares on the CSE as at the date of closing, with such warrants being exercisable at the volume weighted average trading price for a period of 24 months from the date of issuance.

5. The advisory and consulting warrants are exercisable at a price of $0.60 on or prior to July 6, 2021 and at a price of $0.70 after July 6, 2021 until or on July 6, 2022.

6. The consulting warrants are exercisable at a price of $0.60 and have an expiry date of July 15, 2023.

7. The consulting warrants are exercisable at a price of $0.76 and have an expiry date of August 5, 2023.

8. The consulting warrants are exercisable at a price of $1.15 and have an expiry date of August 14, 2023.

9. The consulting warrants are exercisable at a price of $0.70 and have an expiry date of August 31, 2023.

10. The stock options have an exercise price of $0.70 per option and an expiry date of January 27, 2025.

11. The stock options have an exercise price of $0.60 per option and an expiry date of March 23, 2025.

12. The stock options have an exercise price of $1.95 per option and an expiry date of August 31, 2025.

13. The stock options have an exercise price of $2.15 per option and an expiry date of September 4, 2025.

14. The stock options have an exercise price of $3.74 per option and an expiry date of December 16, 2025

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following table sets out the number of securities of each class of the Company held, to the Company's knowledge, in escrow or that are subject to a contractual restriction on transfer and the percentage that number represents of the outstanding securities of that class for the Company's most recently completed financial year:

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Common Shares	250,000(1)	0.63%
Common Shares	666,666(2)	1.68%

Notes:

1. 600,000 Common Shares were issued in connection with the Company's acquisition of Dimax Controls Canada Ltd. and are subject to an escrow agreement between the Company, Dimax Controls Canada Ltd. and Computershare Trust Company of Canada. The escrow agreement provides that 50,000 of the Common Shares will be released from escrow every three months until January 21, 2022. This information in the table above reflects the Common Shares that remain subject to the escrow agreement as at December 31, 2020.

2. 727,272 Common Shares were issued in connection with the Company's acquisition of New Found Air and are subject to an escrow agreement between the Company, New Found Air. and Computershare Trust Company of Canada. The escrow agreement provides that 60,606 of the Common Shares will be released from escrow every three months until July 31, 2023. This information in the table above reflects the Common Shares that remain subject to the escrow agreement as at December 31, 2020.

DIRECTORS AND OFFICERS

The following table sets out the names of the directors and officers of the Company, their province and country of residence, their position and offices held with the Company and their principal occupations during the five preceding years. It also sets out the period or periods during which each director has served as a director and when his or her term of office will expire as well as the number and percentage of Common Shares beneficially owned, directly or indirectly, or controlled or directed, directly or indirectly, by each of the directors and officers as of the date of this AIF.

Name, Municipality of Residence and Position with Company (1)	Director/ Officer Since	Principal Occupation During Last 5 Years	Number of Shares Owned or Controlled (2)(3)	Independent Director
Paul Ghezzi (Ontario, Canada) *Chief Executive Officer, Director*	July 8, 2016	Chief Executive Officer and Director of the Company since July 2016. Director of Canadian NorthStar Equity Group, 2015 – 2018.	11,205,350(4)	No
Kristian Lavereau (Ontario, Canada) *Chief Operating Officer*	July 8, 2016 (Ceased to be a Director January 6, 2021)	Chief Operating Officer and Director of the Company since July 2016. President of Kontrol Technologies, 2005 – 2016.	1,303,719	N/A
Claudio Del Vasto(5) (Ontario, Canada) *Chief Financial Officer, Director*	July 8, 2016	Chief Financial Officer and Director of the Company since July 2016. Corporate Finance Executive with a large public industrial company from 1995 – 2014.	810,287	No
Andrew Bowerbank (Ontario, Canada) *Director*	July 8, 2016	Chair at The Transformation Initiative since January 2020. Infrastructure Advisory Group Member at Global Affairs Canada since December 2019. National Vice President, Sustainability & Energy at WSP in Canada, June 2018 – November 2019. Global Director, Sustainable Building Services at EllisDon, June 2015 – June 2018. Council Member- Green Municipal Fund at Federation of Canadian Municipalities, January 2012 – March 2018. Managing Director at BSI Associates/Innova Industries Ltd., January 2010 – August 2015.	Nil	Yes
Ernest Belyea(6) (Ontario Canada) *Director*	October 31, 2019	Director of the Company since October 2019. Chief Executive Officer and Director at IN SITU Renewables Inc. since	Nil	Yes

Name, Municipality of Residence and Position with Company (1)	Director/ Officer Since	Principal Occupation During Last 5 Years	Number of Shares Owned or Controlled (2)(3)	Independent Director
		January 2019. Chief Executive Officer and Director at Purus Power Corporation since January 2018. Director at Canadian Green Fund Inc. since January 2015. Managing Director at E.W. Belyea Professional Corporation, December 2014 – December 2019.		
Joanna Osawe(6) (Ontario, Canada) *Director*	February 20, 2020	Director of the Company since February 2020. Global Business Development Manager at DMC Power since 2018. Business Development Manager – Major Projects at DMC Power since May 2014.	Nil	Yes
Zhengquan Chen(6) (Ontario, Canada) *Director*	January 6, 2021	Managing Partner at Dynaco Capital Inc. since August 2007.	Nil	Yes

Notes:

1. The information as to country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and/or officers individually.

2. Common Shares beneficially owned or controlled as of the date of this AIF.

3. The information as to number of Common Shares beneficially owned or over which a director or officer exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective directors and/or officers individually and reviewed based upon public disclosure.

4. 5,450,000 Common Shares are held by The Ghezzi Family Trust in which Paul Ghezzi is one of three trustees and does not have control over the trust.

5. Claudio Del Vasto is the corporate secretary of the Company.

6. Current member of the Audit Committee.

As at the date of this AIF, the directors and executive officers of the Company as a group beneficially owned, or controlled or directed, directly or indirectly, a total of 13,319,356 Common Shares, representing approximately 32% of the total number of Common Shares outstanding.

Management

The following is a brief description of the directors and officers of the Company.

Paul Ghezzi*, Chief Executive Officer, Director*

Mr. Ghezzi is a leader in cleantech, proptech, renewable energy, and distributed power generation. He has global experience in power generation projects under Feed-in Tariff programs and Power Purchase Agreements programs for both commercial and utility-scale projects. With a passion towards building a sustainable future for all through energy efficiency, IOT, Cloud and SaaS technologies, he launched a Canadian public company in 2015 to consolidate energy efficiency companies and technologies under the Kontrol Energy brand. This group of companies currently delivers more than 200 million Kilowatt hours, annually, in energy savings with a corresponding reduction in greenhouse gas emissions. He has been a leader in the renewable energy sector since 2008. He created Canada's first Solar Energy Fund by securitizing cash flows from long term Power Purchase Agreements.

Mr. Ghezzi has more than 20 years of corporate finance and M&A experience with a special focus on renewable energy development, renewable energy financing, solar project financing and distributed generation. Mr. Ghezzi has been a Chartered Accountant (CPA) in good standing since 1993.

Kristian Lavereau*, Chief Operating Officer*

Kristian Lavereau is the former President of Kontrol Technologies. He has more than 25 years of experience in the IT solutions (analytics and mobile computing), energy optimization and efficiency (intelligent control systems, solar PV, lighting). His portfolio included solutions for clients such as Greenwin, Minto, Oxford, and the Toronto Catholic School Board. He has extensive experience with disruptive technology in the energy efficiency industry, especially when tenants and stakeholders are engaged in the process. Mr. Lavereau brings the vision and strategic direction to the company, with a direct focus on growth and operational profitability, building empowered teams to facilitate consistent growth. His primary role is managing the day to day operations of the company and overseeing operating subsidiaries as well as managing institutional client portfolios.

Claudio Del Vasto*, Chief Financial Officer, Director*

Mr. Del Vasto is a senior finance executive with an extensive background in Corporate Finance, Strategy and Business Development. He served in various Corporate Finance roles with a large industrial public company that included global experience in arranging innovative multibilliondollar capital markets deal closings in Structured Finance. Prior to his career in industry, he was a public accountant managing accounting, tax, and assurance services.

Mr. Del Vasto leads all Kontrol's financial management, reporting, treasury, risk, and financing functions. He also provides expertise in acquisitions and is involved in the analysis and evaluation of all corporate investments.

***Andrew Bowerbank**, Director*

Andrew Bowerbank is well known across the energy, infrastructure, and cleantech sectors in Canada and internationally. Through his experiences, he has developed the ability to identify new market opportunities and demonstrate the effectiveness of collaboration across industry sectors to achieve results. He is currently Chair & CEO at the Transformation Initiative, and a member of the Infrastructure Advisory Group at Global Affairs Canada. Prior to his current roles, he held a number of notable executive positions including National Vice President at WSP Canada, Global Director at EllisDon Corp, and Special Advisor to Magna International. Mr. Bowerbank is also the former Executive Director/CEO of the World Green Building Council (2007-10) representing over 60 member countries. During his tenure with the World Green Building Council, he acted as the representative at the United Nations Environmental Programme. He was named one of Canada's top 16 sustainability leaders at the *Clean50 Awards* and he is the recipient of the prestigious *Ontario Premier's Award*.

***Ernest Belyea**, Director*

Mr. Belyea is a lawyer with a long history of working in the Electricity and Power Generation sector, was formerly in-house counsel to the Ontario Power Authority (now IESO) and a partner at two of Canada's leading international law firms. Mr. Belyea is currently the CEO of Purus Power which has developed a patented proprietary platform technology that converts the variable flow of air, water or other mediums into electricity and mechanical power.

***Joanna Osawe**, Director*

Joanna Osawe is the Chair, President & CEO of Women in Renewable Energy (WiRE), a group which encourages and supports women to enter the renewable energy industry. WiRE is inclusive and educates on all renewable and emerging energy technologies with chapters in St. John's, Halifax, Montreal, Ottawa, Toronto, Mississauga, Windsor, Calgary, Edmonton, Saskatchewan and Vancouver and Kamloops. WiRE has expanded with its 1st International Launch in Istanbul, Turkey with the Canadian Embassy and as of 2019 WiRE has expanded to Tbilisi Georgia, Baku Azerbaijan, and Amman Jordan. WiRE is expanding in the MENA regions currently. WiRE regularly organizes educational field trips, monthly networking meetings, an awards recognition program, student mentoring and bursaries, communications, and engagement initiatives. Joanna also works at DMC Power as the Global Business Development Manager, Major Projects.

Zhengquan Chen, *Director*

Mr. Chen is an experienced financial professional, with a demonstrated history of working in the capital markets industry, with specific skills in investor relations, venture capital, equities, capital markets and initial public offerings. He is a strong business development professional with a MBA focused on Finance, General from the University of Hawaii.

Mr. Chen is currently the Managing Director of Dynaco Capital Inc. Dynaco Capital Inc. is an international merchant bank headquartered in Toronto, Canada that works with clients in the mining, energy and TMT sectors, and assists Chinese companies on their outbound transactions and international companies on their M&A, financing, restructuring and project development. As its Managing Director, Mr. Chen has worked on some notable projects and transactions over the past decades, including assisting a New York-listed utility company on its $120 million hydro project in Guangxi, China in 1997 when China just opened its electric power projects to foreign investors, and representing a Toronto-listed mining company to sell 100 percent of its lead zinc property in Mongolia for $125 million.

Term of Office

The term of office for each director of the Company expires immediately before the next annual meeting of the shareholders of the Company.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer the Company is, as at the date of the AIF, or was within 10 years before the date of the AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that:

a) was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

b) was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

No director, executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

a) is, as at the date of the AIF, or has been within the 10 years before the date of the AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

b) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Some of the directors and officers of the Company are also directors, officers and/or promoters of other reporting and non-reporting issuers. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Company, notwithstanding that they are bound by the provisions of the *Business Corporations Act* (Ontario), as amended, to act at all times in good faith in the interest of the Company and to disclose such conflicts to the Company if and when they arise. Other than as disclosed herein, to the best of their knowledge, the management of the Company is not aware of the existence of any conflicts of interest between the Company or a subsidiary of the Company and any director or officer of the Company or a subsidiary of the Company.

AUDIT COMMITTEE INFORMATION

The Audit Committee is governed by an Audit Committee Charter, a copy of which is attached hereto as Schedule "A".

Composition of the Audit Committee

Name	Independent	Financially Literate
Ernest Belyea	Yes	Yes
Zhengquan Chen	Yes	Yes

Joanna Osawe	Yes	Yes

Relevant Education and Experience

The Board believes that the composition of the Audit Committee reflects financial literacy and expertise. All members of the Audit Committee have been determined by the Board to be "independent" and all members of the Audit Committee have been determined by the Board to be "financially literate" as such terms are defined under National Instrument 52-110 *Audit Committees*. The Board has made these determinations based on the education as well as breadth and depth of experience of each member of the Audit Committee.

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, and an understanding of internal controls and procedures for financial reporting. The following is a brief summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as an Audit Committee member:

Ernest Belyea

Mr. Belyea is a lawyer with a long history of working in the Electricity and Power Generation sector, was formerly in-house counsel to the Ontario Power Authority (now IESO) and a partner at two of Canada's leading international law firms. Mr. Belyea is currently the CEO of Purus Power which has developed a patented proprietary platform technology that converts the variable flow of air, water or other mediums into electricity and mechanical power.

Mr. Belyea's work acting as a Chief Financial Officer of various enterprises has provided him with significant experience in analyzing and reading financing statements of the Company.

Joanna Osawe

Ms. Osawe has been a director of the Company since February 2020. She has been a Global Business Development Manager at DMC Power since 2018 and was a Business Development Manager – Major Projects at DMC Power since May 2014.

Ms. Osawe's experience at DMC Power as a Global Business Development Manager has provided her with significant experiences in analyzing and reading financing statements of the Company.

Zhengquan Chen

Mr. Chen has been a director of the Company since January 2021. Mr. Chen is an experienced financial professional, with a demonstrated history of working in the capital markets industry, with specific skills in investor relations, venture capital, equities, capital markets and initial public offerings. Since August 2007, Mr. Chen has been the Managing Director of Dynaco Capital Inc., an international merchant bank headquartered in Toronto, Canada that works with clients in the mining, energy and TMT sectors, and assists Chinese companies on their outbound transactions and international companies on their M&A, financing, restructuring and project development.

Mr. Chen's has experience with M&A, financing, restructuring and project development through his position at Dynaco Capital Inc. has provided him with significant experience in analyzing and reading financing statements of the Company.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-Audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. Part 8 of NI 52-110 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Pre-Approval Policies and Procedures

The Audit Committee of the Company has adopted specific policies and procedures for the engagement of non-audit services. The approval of the appointment of the auditor for any non-audit service to be provided to the Company must be obtained from the Audit Committee in advance; provided that it will not approve any service that is prohibited under the rules of the Canadian Public Accountability Board. Before the appointment of the auditor for any non-audit service, the Audit Committee will consider the compatibility of the service with the auditor's independence. The Audit Committee may pre-approve the appointment of the auditor for any non-audit services by adopting specific policies and procedures, from time to time, for the engagement of the auditor for non-audit services.

External Auditor Service Fees (By Category)

The following table summarizes the fees paid or an estimate of fees payable to the external auditors of the Company, in each of the most recently completed fiscal years.

Fiscal Year	Audit Fees	Audit-Related Fees	Tax Fees	All other Fees
2019	$80,250	NIL	$5,350	$7,850

2020	$90,950	NIL	$7,000	$10,000

Notes:

1. "**Audit Fees**" include the aggregate fees billed or an estimate of fees payable to the external auditor for audit services.

2. "**Audit-Related Fees**" include the aggregate fees billed or an estimate of fees payable for assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under "Audit Fees".
3. "**Tax Fees**" include the aggregate fees billed or an estimate of fees payable for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning.

4. "**All Other Fees**" include the aggregate fees billed or an estimate of fees payable for products and services provided by the external auditor, other than the services reported under "Audit Fees", "Audit-Related Fees" and "Tax Fees". This was comprised of fees relating to the annual Notice to Reader engagements in connection with the Issuer's wholly owned subsidiaries.

Exemption

The Company has relied upon the exemption provided by section 6.1 of NI 52-110, which exempts a venture issuer from the requirement to comply with the restrictions on the composition of its Audit Committee and the disclosure requirements of its Audit Committee in an annual information form as prescribed by NI 52-110.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not aware of: (a) any legal proceedings to which it is or was a party to or that any of its property is or was the subject of during the Company's financial year, and is not aware of any such proceedings being contemplated; (b) any penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's financial year, or any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (c) any settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's financial year.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, there are no material interests, direct or indirect of:

(i) a director or executive officer of the Company;
(ii) a person or company that beneficially owns, controls or directs, directly or indirectly more than 10% of any class or series of the Company's outstanding voting securities; or
(iii) an associate or affiliate of any of the persons or companies referred to in (i) or (ii),

in any transactions within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company is Computershare Trust Company of Canada, located at 100 University Avenue, 8th Floor, Toronto, ON M5J 2Y1.

MATERIAL CONTRACTS

During the course of the two years prior to the date of the AIF, the Company entered into the following material contracts outside the ordinary course of business which are still in effect as at the date of this AIF:

- On December 1, 2020, the Company entered into a Contribution Agreement with the National Research Council of Canada, Industrial Research Assistance Program, with respect to advisory services and $500,000 in research and development funding to complete final commercialization and mass production requirements of the Kontrol BioCloud™ device.

- On December 1, 2020 the Company entered into an Exclusive Distribution Agreement with United Safety and Survivability Corporation regarding the Kontrol BioCloud™ device. Under the terms of the agreement, the exclusivity applies to the industries defined as buses, rail and locomotive, subways, ambulances, fire trucks, first responder and military vehicles, with applicable associated facilities in the geography of North America, Australia, and New Zealand. The exclusivity period is 12 months with a six month mutual renewal option and is based on 5,000 units of BioCloud™ per annum, on a best efforts basis, to retain exclusivity.

- On February 4, 2021, the Company announced that the Ontario government is providing $2 million to CEMSI, a subsidiary of Kontrol, through the Ontario Together Fund to help commercialize and accelerate production of the Kontrol BioCloud™ device.

INTERESTS OF EXPERT

The financial statements of the Company for the fiscal year ended December 31, 2020 have been audited by the MNP LLP, the auditors of the Company, located at 1122 International Blvd., 6th Floor, Burlington, Ontario, Canada. MNP LLP is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional financial information concerning the Company can be found on the Company's profile on SEDAR at www.sedar.com. Additional Information, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, are contained in the Company's management information circular of the Company dated July 28, 2020. Additional financial information is provided in the Company's financial statements and MD&A for the financial year ended December 31, 2020.

SCHEDULE "A"
KONTROL TECHNOLOGIES CORP.
AUDIT COMMITTEE CHARTER

I. MANDATE

The Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Kontrol Technologies Corp. (the "**Company**") shall assist the Board in fulfilling its financial oversight responsibilities. The Committee's primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. The quality and integrity of the Company's financial statements and other financial information;

2. The compliance of such statements and information with legal and regulatory requirements;

3. The qualifications and independence of the Company's independent external auditor (the "**Auditor**"); and

4. The performance of the Company's internal accounting procedures and Auditor.

II. STRUCTURE AND OPERATIONS

A. Composition

The Committee shall be comprised of three or more members.

B. Qualifications

Each member of the Committee must be a member of the Board and all members shall be independent to serve on this committee.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement.

C. Appointment and Removal

In accordance with the Articles of the Company, the members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

D. Chair

Unless the Board shall select a Chair, the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

E. Meetings

The Committee shall meet or correspond in person or through email/video/audio format as frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

III. DUTIES

A. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Company's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

Independence of Auditor

1. Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Company.

2. Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.

3. Require the Auditor to report directly to the Committee.

4. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Company.

Performance and Completion by Auditor of its Work

1. Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, including resolution of disagreements between management and the Auditor regarding financial reporting.

2. Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Company's shareholders of the existing, Auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company.

3. Recommend to the Board the compensation of the Auditor.

4. Pre-approve all non-audit services, including the fees and terms thereof, to be performed for the Company by the Auditor.

Internal Financial Controls and Operations of the Company

1. Establish procedures for:

   (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Preparation of Financial Statements

1. Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.

2. Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

3. Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

4. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

5. Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:

   (a) The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the Auditor or management.

   (b) The management inquiry letter provided by the Auditor and the Company's response to that letter.

   (c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Public Disclosure by the Company

1. Review the Company's annual and interim financial statements, management's discussion and analysis (MD&A) and earnings press releases before the Board approves and the Company publicly discloses this information.

2. Review the Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure

of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.

3. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process of the Company's financial statements.

Manner of Carrying Out its Mandate

1. Consult, to the extent it deems necessary or appropriate, with the Auditor, but without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

2. Request any officer or employee of the Company or the Company's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

3. Meet, to the extent it deems necessary or appropriate, with management, and the Auditor in separate executive sessions.

4. Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors.

5. Make regular reports to the Board.

6. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

7. Annually review the Committee's own performance.

8. Provide an open avenue of communication among the Auditor, the Company's financial and senior management and the Board.

9. Not delegate these responsibilities.

C. <u>Limitation of Audit Committee's Role</u>

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with international financial reporting standards and applicable rules and regulations. These are the responsibilities of management and the Auditor.