KONTROL
TECHNOLOGIES CORP.

(formerly Kontrol Energy Corp.)

Management Discussion and Analysis

For the Nine Months Ended September 30, 2021

November 15, 2021

Q3 2021 AND YEAR TO DATE HIGHLIGHTS

- Kontrol reported record Revenue, EBITDA, and net income in Q3 2021
- Revenues for the three months ended September 30, 2021, were $21.5 million, up 614% over the same quarter in the prior year
- Revenues for the nine months ended September 30, 2021, were $29 million, up 260% over the same period in the prior year
- Kontrol reported positive net income for the second consecutive quarter
- Net income for Q3 2021 was $2.1 million or 9.6% of revenue
- Adjusted EBITDA was $2.8 million in Q3 2021, an increase of 224% from the same quarter in the prior year
- Adjusted EBITDA for the nine months ended September 30, 2021, was $5 million, an increase of 234% from the same period in the prior year
- Cash flows from operating activities for the nine months ended September 30, 2021, were $4.8 million
- Completed largest acquisition in Kontrol's history by closing Global HVAC & Automation Inc.
- Steelcase teamed up with Kontrol to offer its customers in the U.S. and Canada access to Kontrol BioCloud viral detection technology
- Debt reduction totalled $4 million for the nine months ended September 30, 2021
- Subsequent to Q3 2021, Kontrol was selected by a leading Canadian Real Estate Company to provide its SmartSuite energy management technology

Caution Regarding Forward Looking Statements

Certain information included in this Management Discussion and Analysis, including information relating to future financial or operating performance and other statements that express the expectations of management or estimates of future performance constitute “forward-looking statements”. All statements contained herein that are not clearly historical in nature may constitute forward-looking information. In some cases, forward-looking information can be identified by words or phrases such as “may”, “will”, “expect”, “likely”, “should”, “would”, “plan”, “anticipate”, “intend”, “potential”, “proposed”, “estimate”, “believe” or the negative of these terms, or other similar words, expressions and grammatical variations thereof, or statements that certain events or conditions “may” or “will” happen, or by discussions of strategy. Such forward-looking statements include, without limitation, statements regarding possible future acquisitions and/or investments in operating businesses and/or technologies, accelerated organic growth, expansion of smart energy technologies into US markets, strategic partnerships to expand into North American Markets, acceleration of recurring SaaS revenues, the provision of solutions to customers and Greenhouse Gas emissions reductions, proposed financial savings and sustainable energy benefits and energy monitoring.

Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief are based on assumptions made in good faith and believed to have a reasonable basis. Such assumptions include, without limitation, that suitable businesses and technologies for acquisition and/or investment will be available, that such acquisitions and or investment transactions will be concluded, that sufficient capital will be available to the Company, that technology will be as effective as anticipated, that organic growth will occur, and others.

However, forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by such forward-looking statements. Such risks include, but are not limited to, lack of acquisition and investment opportunities or that such opportunities may not be concluded on reasonable terms, or at all, that sufficient capital and financing cannot be obtained on reasonable terms, or at all, that technologies will not prove as effective as expected that customers and potential customers will not be as accepting of the Company’s product and service offering as expected, and government and regulatory factors impacting the energy conservation industry. In particular, successful development and commercialization of the Kontrol BioCloud Analyzer are subject to the risk that the Kontrol BioCloud Analyzer may not prove to be successful in detecting the virus that causes COVID-19 effectively or at all, uncertainty of timing or availability of any regulatory approvals and Kontrol’s lack of track record in developing products for medical applications.

Accordingly, undue reliance should not be placed on forward-looking statements and the forward-looking statements contained in this Management Discussion and Analysis are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as at the date hereof and the Company does not undertake any obligation to update publicly or revise any such forward-looking statements or any forward-looking statements contained in any other documents whether as a result of new information, future events or otherwise, except as required under applicable securities law. In this Management Discussion and Analysis (“MD&A”), "Kontrol", “Kontrol Technologies”, the "Company", "we", "us" and "our" refer to Kontrol Technologies Corp. and its subsidiaries. All financial information is prepared in Canadian dollars and using International Financial Reporting Standards

("IFRS"). Unless otherwise specified, in this MD&A, all references to "dollars" or to "$" are to Canadian dollars.

Additional information relating to the Kontrol Technologies Corp., including our most recent Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com. This MD&A should be read in conjunction with the Company's fiscal 2020 consolidated financial statements, fiscal 2020 MD&A, and unaudited condensed interim consolidated financial statements as at September 30, 2021.

Non-IFRS Measures

This Management Discussion and Analysis includes certain measures which have not been prepared in accordance with IFRS such as EBITDA and Adjusted EBITA. Management believes these measures are widely accepted and useful financial indicators in evaluating the historical operating performance of the Company. These financial measures are not recognized under IFRS. The Company defines EBITDA as net income or loss before interest, income taxes, amortization, and depreciation. The Company defines Adjusted EBITDA as EBITDA before share-based compensation, acquisition related expenses and listing expense.

ABOUT

The Company is a provider of green technology, energy management, continuous air quality and emission solutions to commercial and industrial consumers. Management considers its products and services to comprise one operating segment - energy management, emission compliance and air quality technology and services. The Company delivers building intelligence through the Internet of Things (IoT), Software and Cloud technology. Kontrol works to provide products and services that are intended to benefit customers from reduced energy costs, lower emissions, improved operating performance real-time data and analytics, smart-learning, and increased sustainability.

Products and Services

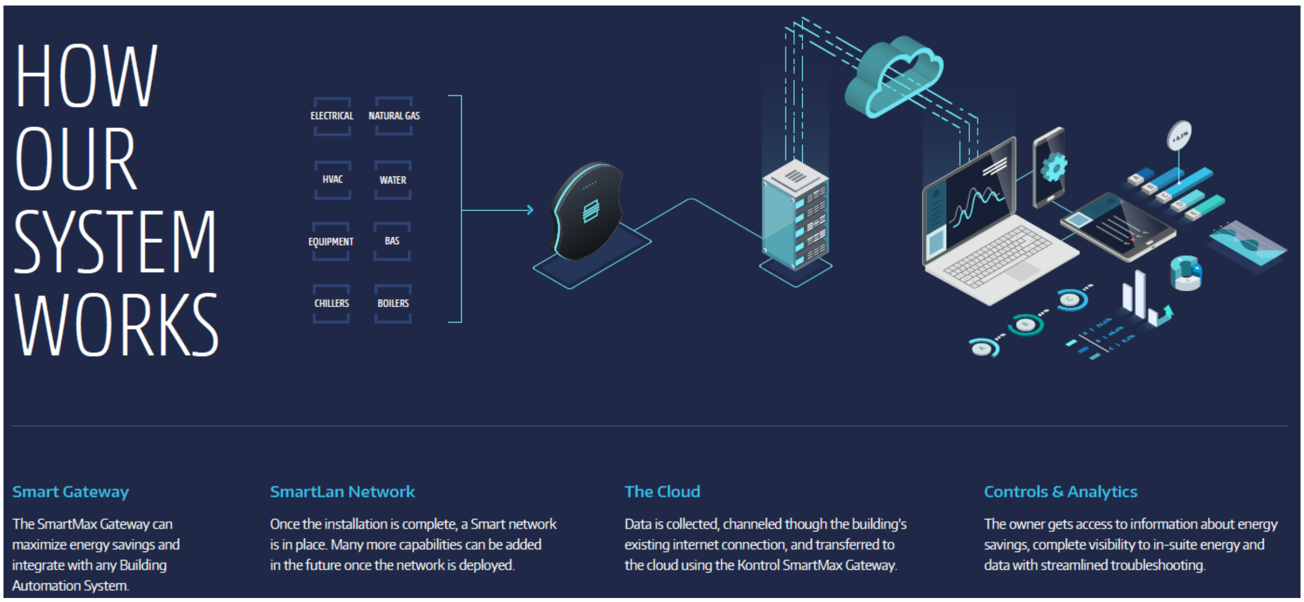
1) Smart Buildings and Facilities

The Company offers its Smart Technology to customers on a multi-year subscription contract basis as a Software-as-a Service ("SaaS") commercial offering. 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 global pandemic has changed the way in which commercial, multi-residential and industrial buildings are managed and maintained. More than ever, there is an emphasis on how to deploy technology to reduce operating costs, optimize energy savings and increase automation to reduce labor costs while advancing sustainability.

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 50 billion data points spanning more than 200 buildings, Kontrol can quickly identify inefficiencies, savings, and mission critical risk for its customers.



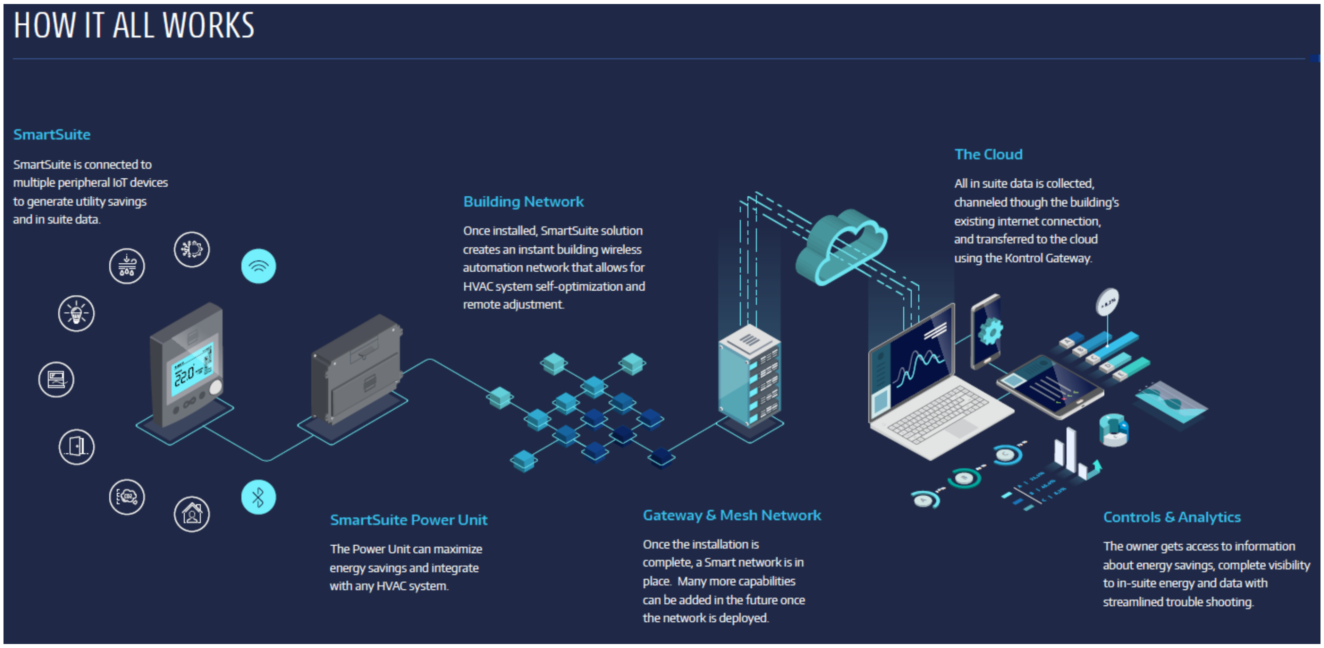
SmartSite capabilities:

- Fast installation
- 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:

- 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

2) Emission verification, air monitoring, and compliance

Through two operating subsidiaries, ORTECH Consulting Inc. ("ORTECH") and CEM Specialties Inc. ("CEMSI"), the Company a provides emission verification, air monitoring, 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 one of Canada's leading 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 blue-chip 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 revenue from continuous emission systems, integration design, manufacturing, service, repairs, and on-site performance certification testing. Together CEMSI and ORTECH have expanded the Company's emission monitoring and solutions business by capturing a growing footprint across Canada and the United States.

Kontrol BioCloud™

The Company has invested significantly in the development and commercialization of BioCloud with approximately 50% of investment funding provided by Government sources.

Progress highlights:

- Industrial Research Assistance Program Funding (IRAP) Funding from the National Research Council of Canada of approximately $500,000
- Ontario Government Investment of $2 million
- Moved from prototype to commercialization and production
- 4 patents filed (3 USA and 1 Canada)
- Several domestic and international distribution partners signed
- Units are being deployed for application in various settings

Can we monitor for viruses like we do for air quality?

It is a normal practice to test air quality within a confined space to protect workers before they enter into that space. It may become the "new normal" to conduct the continuous air monitoring of viruses in an enclosed workplace to effectively protect frontline workers, school staff and students from potential virus and pathogen exposure.

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 and pathogens. The BioCloud analyzer combines a proprietary 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 virus with a laser sensor. When a virus of concern is detected, a communication is sent to the Cloud or over local intranet.

Each BioCloud is a self-contained analyzer that requires no additional laboratory tests or movement of samples. The proprietary detection chamber and cartridges can be replaced as needed, or after a detection event.

BioCloud™ is an air quality technology and not a medical device. The Company is not making any express or implied claims that its product has the ability to eliminate, cure or contain the COVID-19 (or SARS-2 Coronavirus).

3) Building Automation, Retrofit, Monitoring and Verification, and Design

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 revenue generated to manage 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 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.

Kontrol is excited to expand its presence in HVAC systems through the Q3 2021 acquisition of Global HVAC & Automation Inc. ("Global"). Global provides integrated installations of complex heating, cooling, ventilation and building automation systems to its customers. HVAC systems can account for up to 70% of overall energy consumption in commercial buildings. Efficient and smart HVAC systems make buildings more sustainable, profitable, and healthier.

Q3 2021 ACQUISITION OF GLOBAL HVAC & AUTOMATION INC.

On July 30, 2021, Kontrol Technologies Corp. completed the acquisition of Global HVAC & Automation Inc. Global provides integrated installations of complex heating, cooling, ventilation, plumbing and building automation systems to its customers. The acquisition was accounted for using the acquisition method for business combinations. The net assets are included at their fair value.

Net assets acquired*	
Cash	$1,212,345
Accounts receivable	27,745,106
Prepaid expenses	2,560
Property and equipment	115,362
Customer relationships and brand names	3,027,757
Accounts payable	(12,582,959)
Income taxes payable	(212,700)
Deferred revenue	(6,842,218)
Note payable	(1,800,000)
Term loan	(125,801)
	$10,539,452
Consideration*	
Cash	$6,500,000
Vendor take back**	2,777,827
Working capital adjustment payable	1,261,625
	$10,539,452

*Purchase price allocation is preliminary. Final working capital adjustments to be settled in Q4 2021 and the purchase price adjusted accordingly. Vendor performance payment equal to 45% of adjusted 3 years cumulative earnings after-tax in excess of $4.5 million was assigned a value of zero.

**Vendor take back fair value determined by taking face value amount of $3.5 million and discounting over 3-year term at market rate.

2020 ACQUISITION OF NEW FOUND AIR

On August 1, 2020, the Company acquired 100% of the issued and outstanding shares of New Found Air HVAC Services Inc. (“NFA”), a company incorporated in Ontario. NFA provides building energy services that ensures the effective operation and service of essential heating, cooling, ventilation, and utility systems. The acquisition was accounted for using the acquisition method for business combinations. The net assets are included at their fair value.

Net assets acquired	
Cash	$55,944
Accounts receivable	503,376
Prepaid expenses	1,789

Property and equipment	103,103
Right-of-use assets	132,606
Customer relationships	1,088,491
Brand names	162,400
Goodwill*	1,207,123
Accounts payable	(192,267)
Lease liabilities	(132,606)
Deferred income taxes	(328,482)
	$2,601,477
Consideration	
Cash	$1,679,680
Vendor take back**	485,434
Common shares	436,363
	$2,601,477

*The excess of consideration over the identifiable net assets is allocated to Goodwill.

**Vendor take back is subject to a performance claw back based on NFA achieving an average annual EBITDA of $850,000 per annum over a 3-year period.

PRIOR YEARS: BUSINESS ACQUISTIONS AND PURCHASE OF ASSETS

January 14, 2019 - PURCHASE OF ASSETS FROM DIMAX CONTROLS CANADA INC.
April 30, 2018 - ACQUISITION OF ASSETS FROM MCW DIMAX LTD.
September 20, 2018 - ACQUISITION OF CEM SPECIALITIES INC.
June 30, 2016 - ACQUISITION OF KONTROL TECHNOLOGIES INC.
December 1, 2016 - ACQUISITION OF PATENTS AND INTELLECTUAL PROPERTY LOG-ONE LTD.
February 10, 2017 - ACQUISITION OF ORTECH CONSULTING INC.
August 4, 2017 - ACQUISITION OF EFFECIENCY ENGINEERING INC.

OVERALL PERFORMANCE

Kontrol continued to deliver strong results in the third quarter. Our performance was accentuated by a significant acquisition, which adds substantial new revenue to our existing operating portfolio. Global brings a strong order book and an impressive roster of new customers and technical capabilities. The Company invested heavily in BioCloud technology in 2021, and a portion of these costs were offset by Government funding. Kontrol recorded positive net income for the nine months ended September 30, 2021, and positive net income for the second consecutive quarter.

Revenue

Revenues for the three months ended September 30, 2021, were $21.5 million, up 614% over the same quarter in the prior year. For the nine months ended September 30, 2021, revenues were $29 million compared to $8 million for the same period in the prior year. The increase in revenue reflects growth across our verticals and the addition of Global. The Company is experiencing a rebound in overall business activity during a period of reduced Government imposed site access restrictions. As travel restrictions eased, our air monitoring and emissions business experienced stronger order growth throughout 2021. Interest in our Smart Technology offerings has escalated as re-gaining access to customer sites allowed staff to complete energy assessments.

Global is a large-scale HVAC operation and as such the acquisition added substantial new revenue in Q3 and the Company intends to focus on growing the value of that order book through cross selling its existing service offering to Global's customer base.

The NFA acquisition of 2020 is delivering favourable results. This service business is performing to management's expectations. NFA provides turn-key solutions to building owners and asset managers in the commercial, industrial, and multi-residential sector. Through this acquisition, NFA customers are being offered in house Kontrol energy software tools to analyze the management of HVAC systems, design, and engineering of improvements, and retrofits and ongoing mission critical services.

ORTECH has earned a leadership position in emission compliance and verification. ORTECH's business is based on regulatory compliance and includes a wide range of blue-chip customers across Canadian industry. ORTECH continues to expand its service offerings to deal with the increasing regulations from local and provincial governments in new industries.

CEMSI provides the Canadian, US, and international markets with value added solutions for continuous emissions and process monitoring applications and is a significant contributor to Kontrol's consolidated revenue and earnings. CEMSI works with customers across diverse industries to provide consulting, integration design, manufacturing, service, repairs, and on-site performance certification testing. CEMSI is building up its instrumentation portfolio and we are expecting growth in this division in the years ahead. CEMSI's core product, parts, and maintenance offerings are consistent revenue generators. Its US sales activity has showed signs of a rebound after a difficult period of employee travel restrictions due to the pandemic. Further, international sales of continuous emission systems were strong during the third quarter. CEMSI was instrumental in the development of BioCloud technology. Through CEMSI's deep industry experience, knowledge, and technical capability we have been able to leverage existing air quality monitoring technology process and add viral detection technology.

EE Inc. provides engineering services to industrial, municipal, and commercial building owners across Canada. This operation experienced strong sales and earnings growth in 2020 and steady performance has continued into 2021.

Adjusted EBITDA

Adjusted EBITDA for the three months ended September 30, 2021, was $2.8 million compared to $848,249 for the same quarter in the prior year. For the nine months ended September 30, 2021, Adjusted EBITDA was $5 million compared to $1.5 million for the same period in the prior year. The percentage increases were 224% for Q3 2021 over Q3 2020 and 234% for the nine months ended September 30, 2021, over the same period in the prior year. The Global acquisition had a favourable impact on earnings. In 2021 the

Company incurred its greatest level of spend relating to BioCloud development and commercialization and we offset a portion of these costs through funding received from IRAP and the Ontario Together Fund.

Energy audit and design, continuous emission monitoring, emission compliance and verification, and HVAC services all experienced strong Q3 2021 earnings performance. Management is expecting higher sales of smart building technology offerings in future quarters, assuming site access restrictions are not reimposed. The Canada Emergency Wage Subsidy contributed to the expense savings realized in 2021. Revenue growth and cost rationalization across completed acquisitions is having a positive impact on profitability.

Gross profit and expenses

Gross profit for the three months ended September 30, 2021, was $5.7 million up from $1.6 million for the comparative quarter in the prior year. For the nine months ended September 30, 2021, gross profit was $10 million compared to $4.3 million for the same period in the prior year. The third quarter and year to date increases reflects overall higher revenue, and Global's contribution to total gross profit was significant. Further, gross profit was up markedly in our air monitoring and emissions business as order activity increased in the U.S. and foreign markets.

Advertising and promotion for the three months ended September 30, 2021, was $231,642 up from $14,682 for the comparative quarter in the prior year, and the nine months ended September 30, 2021, totalled $289,099 up from $26,701 for the comparative period in the prior year. The increase is primarily related to a social media campaigns and product awareness campaigns entered into in Q1 2021 and Q3 2021. These corporate campaigns can be initiated very quickly and do not require lengthy commitment terms. Management will utilize these campaigns on a strategic basis as required to communicate Company news, technology deployments, customer outreach and overall corporate updates.

Business fees and licenses for the three months ended September 30, 2021, was $131,553 up from $58,068 for the comparative quarter in the prior year, and the nine months ended September 30, 2021, totalled $309,485 up from $178,071 for the comparative period in the prior year. This expense account includes all fees associated with Kontrol's public listing, administrative fees relating to financings, and software license fees. The increase in Q3 and year to date can be attributed to administrative transfer fees in connection with debenture extensions and shareholder communication services including the annual general meeting.

Consulting for the three months ended September 30, 2021, was $154,385 up from $147,260 for the comparative quarter in the prior year, and the nine months ended September 30, 2021, totalled $665,491 up from $442,930 for the comparative period in the prior year. The increase is primarily related to the launch of a U.S. investor relations firm, virtual conferences and awareness campaign as the Company seeks to gain greater exposure in that market. Also included in the account are fees paid for investor relation services in both in Canada and the U.S.

Employee salaries and benefits for the three months ended September 30, 2021, was $2,287,429 compared to $1,075,022 for the comparative quarter in the prior year, and the nine months ended September 30, 2021, totalled $5,005,018 compared to $2,938,465 for the comparative period in the prior year. This change includes incremental employee salaries from the Global and NFA acquisitions and reflects overall increases in Company sales activities including greater staffing for SaaS and BioCloud activities. Salaries declined in groups where employee working hours were down due to the impact of COVID-19. As a percentage of revenue, office and administrative salaries have decreased with overall Company growth.

Other income for the three months ended September 30, 2021, was $361,708 compared to $773,954 for the comparative quarter in the prior year, and the nine months ended September 30, 2021, totalled $2,478,710 compared to $1,495,499 for the comparative period in the prior year. The benefits of tax incentives for scientific research and experimental development expenditures, funding for Industrial Research Assistance Program, subsidy assistance through the Canada Emergency Wage Subsidy, and grants from the Ontario Together Fund are recognized in the period the qualifying claim is made providing there is reasonable assurance of recoverability. This account also includes other miscellaneous income and expenses. The decrease in Q3 2021 compared to the same quarter in the prior year is mainly due to a drop off of claims under the Canada Emergency Wage Subsidy. The year-to-date increase over the same period in the prior year is in large part due to funding received from the Ontario Together fund in 2021.

Professional fees for the three months ended September 30, 2021, was $165,707 compared to $24,743 for the comparative quarter in the prior year, and the nine months ended September 30, 2021, totalled $402,632 compared to $115,245 for the comparative period in the prior year. This expense account is comprised primarily of legal and audit fees and is impacted by the timing of acquisition and financing related activities. The year-to-date increase over the same period in the prior year relates to legal assistance provided in connection with the Company's first filing of its annual information, debenture extension, audit fees, recruiting, exchange listing, acquisition fees, and other financing related documents. The increase in Q3 2021 compared to the same quarter in the prior year is in part due to legal fees associated with the Global acquisition.

Travel for the three months ended September 30, 2021, was $29,651 compared to $15,724 for the comparative quarter in the prior year, and the nine months ended September 30, 2021, totalled $51,717 compared to $46,795 for the comparative period in the prior year. When excluding our Q3 acquisition, travel expenses were in line with prior year periods. As pandemic restrictions continue to ease, we expect travel expenses to increase with revenue expansion. Kontrol's air monitoring and emissions business has grown its sales staff as they pursue new business opportunities across North America, and their budget will be utilized.

Finance expense for the three months ended September 30, 2021, was $192,844 compared to $250,346 for the comparative quarter in the prior year, and the nine months ended September 30, 2021, totalled $918,308 compared to $816,742 for the comparative period in the prior year. Finance expense includes interest primarily relating to debentures, convertible debentures, debt financing, lease liabilities, operating lines, and term loan. The increase for the nine months ended September 30, 2021, compared to same period in the prior year mostly related to interest fee associated with the prepayment of the $3,000,000 debt financing that was paid off in Q2 2021 as opposed to scheduled 2022 maturity date. The future savings have already realized benefits in Q3 2021 as finance expense is down compared to Q3 2020. Going forward the Company will experience a cash flow benefit from this prepayment along with potential savings from further conversions of convertible debentures to common shares.

Other expense accounts have increased in part due to the Q3 acquisition. However, rent expense decreased for the nine months ended September 30, 2021, due to a subsidiary moving from a monthly rent arrangement to a signed lease contract and as such now reported as right-of-use in 2021. Also, the Company has benefited from the Canada Emergency Rent Subsidy program.

Selected Financial Information and Discussion of Operations

Financial Results	**Three months ended**		**Nine months ended**	
(unaudited)	**Sept 30, 2021**	**Sept 30, 2020**	**Sept 30, 2021**	**Sept 30, 2020**
Revenue	$21,494,039	$3,012,386	$28,980,685	$8,047,477
Gross profit	$5,706,336	$1,601,830	$9,968,132	$4,315,650
Net income (loss)	$2,060,880	$(193,541)	1,415,283	$(1,305,904)
Basic EPS	$0.04	$(0.01)	$0.03	$(0.04)
Diluted EPS	$0.04	$(0.01)	$0.03	$(0.04)
Add for adjusted EBITDA reconciliation:				
Amortization and depreciation	$430,166	$538,159	$1,245,453	$1,490,017
Finance expense	$192,844	$250,346	$918,308	$816,742
Share based compensation	$67,267	$227,274	$1,283,770	$455,386
Acquisition related expenses	$0	$26,011	$0	$36,011
Listing expense	$0	$0	$117,797	$0
Adjusted EBITDA	$2,751,157	$848,249	$4,980,611	$1,492,252

Financial Position	**at Sept 30, 2021**	**at Dec 31, 2020**
Assets	$57,891,508	$22,203,642
Non-current liabilities	$11,083,205	$9,201,961
Cash dividends	$0	$0

Total assets and liabilities

As at September 30, 2021, the Company had total assets of $57.9 million. Cash, accounts receivable, goodwill, and intangible assets were the most significant dollar asset account balances. Non-current liabilities are comprised of term loan, debentures, convertible debentures, lease liabilities, vendor take back, and deferred income taxes. Total assets increased by $35.7 million and is mainly attributable to the acquisition of Global in Q3 2021. (See business acquisition details in earlier section of this MD&A).

Disclosure of Outstanding Share Data

As at September 30, 2021, 47,809,343 common shares, 1,871,236 options, and 3,881,972 warrants were outstanding. The options and warrants are exercisable on a one-for-one basis for common shares of the Company.

As at September 30, 2021, the outstanding principal amount of the 2024 convertible debenture offering was $50,000; convertible into common shares at a conversion price of $0.80 per share. Any convertible debentures that have not been converted will mature on August 31, 2024.

As at September 30, 2021, the outstanding principal amount of the 2023 convertible debenture offering was $525,000; convertible into common shares at a conversion price 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. Any convertible debentures that have not been converted will mature on June 30, 2023.

SUMMARY OF QUARTERLY RESULTS

The following summary information is taken from the Company's quarterly and annual financial reports.

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	Sept 30, 2021	June 30, 2021	March 31, 2021	Dec 31, 2020	Sept 30, 2020	June 30, 2020	March 31, 2020	Dec 31, 2019
Revenue	$21,494,039	$4,167,452	$3,319,194	$4,302,514	$3,012,386	$2,273,537	$2,761,554	$3,701,750
Gross Profit	$5,706,336	$2,490,574	$1,771,223	$1,734,510	$1,601,830	$1,014,378	$1,699,441	$1,595,670
Net profit (loss)	$2,060,880	$178,135	$(823,733)	$(598,816)	$(193,541)	$(437,194)	$(675,169)	$(721,206)
Basic EPS	$0.04	$0.00	$(0.02)	$(0.02)	$(0.01)	$(0.01)	$(0.02)	$(0.02)
Diluted EPS	$0.04	$0.00	$(0.02)	$(0.02)	$(0.01)	$(0.01)	$(0.02)	$(0.02)

Pandemic impact on Business

Management is pleased with its continued growth and improvement in business operations as well as delivering its second consecutive quarter of positive net income. There remain issues related to the COVID-19 pandemic impacting the ability to get site access over our entire customer base. Further the supply chain for all projects remains subject to volatility and we're subject to increased lead times in securing materials. These challenges in the supply chain also continue for BioCloud source components and materials. It is not possible to predict when supply chains will return to pre-pandemic functioning.

LIQUIDITY AND CAPITAL RESOURCES

Cash balance as at September 30, 2021, was $5.4 million. As at September 30, 2021, the Company had current assets and current liabilities of $31.8 million and $27 million respectively. The acquisition of Global increased the Company's working capital position.

Cash flows from operating activities were $4.8 million for the nine months ended September 30, 2021, an increase of $4.3 million over the nine months ended September 30, 2020. This is a significant positive change and reflects strong earnings performance, sizable add back of non-cash items, and favourable working capital movements.

Cash flows used in investing activities were $7 million for the nine months ended September 30, 2021, compared to cash flows used of $1.6 million for the comparative period in the prior year. During Q1 and Q2 of 2021 additions to product development were $1.6 million and relate the development of the Kontrol BioCloud and the Company's next generation Energy Management System - SmartSuite. The Company paid $6.5 million in cash and acquired $1.2 million of cash in respect of the Q3 2021 acquisition of Global.

Cash flows from financing activities were $5.1 million for the nine months ended September 30, 2021, compared to cash flows from financing activities of $3.5 million for the comparative period in the prior year. During the nine months ended September 30, 2021, the Company received net debenture proceeds of $498,112 compared to net debenture proceeds of $177,405 for the comparative quarter in the prior year. Lease payments of $291,407 (comprised of principal - $248,359 and interest - $43,048) were made during the nine months ended September 30, 2021. Proceeds of $113,607 and $1,033,425 were received in connection with options exercise and warrants exercise respectively for the nine months ended September 30, 2021. Net proceeds from the private placement equity raise were $7,717,165 for the nine months ended September 30, 2021. These proceeds in part were used to pay off the debt financing of $3,0000,000 in Q2 2021. The operating line was paid down to zero in 2020. The operating line allows for drawdowns as required with a total capacity of $900,000 based on the aggregate of two available facilities. The Company acquired a note payable of $1.8 million at closing of the Global acquisition and $900,000 was paid down in Q3 2021.

Conversions of convertible debentures to common shares totalled $631,000 for the nine months ended September 30, 2021. While the conversion does not affect cash flows from financing activities, this has a positive impact on the Company's interest expense due to a material reduction of debt. The Q2 2021 payoff of the $3 million debt financing is a material savings.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes differ from these estimates under different assumptions and conditions.

COVID-19

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 continued to impact operations during the nine months ended September 30, 2021, by making it difficult to access customer sites. However, in many cases customers have resumed or budgeted projects for completion in the fiscal year 2021.

The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Company is uncertain and remains a developing situation. Accordingly, there is a higher level of uncertainty with respect to management's judgements and estimates.

RELATED PARTY BALANCES AND TRANSACTIONS

	September 30, 2021	December 31, 2020
Due to shareholder	$-	$35,762

Due to shareholder is unsecured, non-interest bearing and due on demand.

	Nine months ended September 30, 2021	Six months ended September 30, 2020
Salaries, benefits, and consulting	403,984	255,176
Share based compensation	128,580	221,181
	$532,564	$476,357

The Company's key management personnel have the authority and responsibility for planning, directing, and controlling the activities of the Company and consists of the Company's executive management team and management directors. The above table is a summary of the related party transactions, including key management compensation for the nine months ended September 30, 2021, and 2020.

FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk.

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to the liquidity of its cash and accounts receivable. The Company limits exposure to credit risk by maintaining its cash with large Canadian financial institutions. To mitigate credit risk with respect to accounts receivable the Company subjects all major customer accounts to its credit evaluation process. The Company's maximum exposure to credit risk as at September 30, 2021, is the carrying value of cash held with financial institutions and accounts receivable.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements after taking into account cash flows from operations, the Company's holdings of cash, and the available credit facilities. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

The Company's contractual liabilities and obligations are as follows:

	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Accounts payable	19,416,956	-	-	19,416,956
Income taxes payable	212,700	-	-	212,700
Holdback, note payable, VTB	1,482,500	4,656,083	-	6,138,583
Term loan	25,668	133,521	-	159,189
Debenture	511,110	5,716,860	-	6,227,970
Convertible debenture	46,000	614,180	-	660,180
Lease liabilities	492,361	587,761	-	1,080,122
Total	$22,187,295	$11,708,405	$0	$33,895,700

(c) Interest rate risk

As at September 30, 2021, the Company's Operating Line is subject to varying rates with the financial institution's prime rate and are subject to cash flow risks. As at September 30, 2021, the Company paid off its Debt Financing which was subject to varying rates. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to mitigate this risk.

(d) Fair Value

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities:
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2021, the vendor take back relating to the acquisition of NFA was classified as level 3. As at December 31, 2020, the vendor take back relating to the acquisition of NFA was classified as level 3.

As at September 30, 2021, and December 31, 2020, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent.

(e) Foreign currency risk

Foreign currency risk arises because of fluctuations in exchange rates. CEMSI conducts a portion of its business activities in U.S. dollars. Management of foreign exchange currency exposure is governed by the Company’s foreign exchange policy. The objective of the policy is to minimize the earnings impact of foreign currency gains and losses associated with foreign exchange rate fluctuations.

The financial assets and liabilities that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and the U.S. dollar. This primarily includes cash, accounts receivable, and accounts payables and accrued liabilities which are denominated in foreign currencies.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

In accordance with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", our certifying officers have evaluated the design effectiveness of Disclosure Controls and Procedures, and our Company's Internal Control over Financial Reporting.

There were no changes in the Company’s Internal Control over Financial Reporting during the three months ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's Internal Control over Financial Reporting.