KONTROL
TECHNOLOGIES CORP.

Management Discussion and Analysis

For the Three Months Ended March 31, 2025

May 15, 2025

Q1 2025 HIGHLIGHTS

The comparative Q1 2024 figures in this MD&A includes CEM Specialties Inc. ("CEMSI"). On June 24, 2024, the Company completed the sale of the operational net assets of CEMSI.

- Revenues for the three months ended March 31, 2025 were $1.5 million, compared to $3.8 million for the same quarter in the prior year.

- Gross margin for the three months ended March 31, 2025 was 54%, compared to 62% for the same quarter in the prior year.

- Adjusted EBITDA for the three months ended March 31, 2025 was negative $(228,521) compared to $966,489 for the same quarter in the prior year.

- Net income (loss) for the three months ended March 31, 2025 was $(1.1) million compared to $533,487 for the same quarter in the prior year. The Q1 2025 net loss includes loss from Revaluation of marketable securities as explained below.

- Revaluation of marketable securities for the three months ended March 31, 2025 was a loss of $742,995. The fair value of a financial instrument will fluctuate because of changes in market prices. The Company invested in marketable securities, including GIC's, fixed income securities and iShares bitcoin trust etf ("IBIT") and call IBIT. The Company notes that the investments in IBIT and the related call options are expected to be more volatile than the other marketable securities held.

- The Company's balance sheet as at March 31, 2025 reflects a stronger financial position as a result of a full pay off in 2024 of the revolver and term loan. The Company has eliminated all interest-bearing bank debt and has successfully achieved its financial objective to improve liquidity and leverage.

- As at March 31, 2025 the Company's aggregate cash and marketable securities balance was $11.2 million.

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

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 Kontrol Technologies Corp., including our most recent Annual Information Form ("AIF"), is available on SEDAR at www.sedarplus.ca. This MD&A should be read in conjunction with the Company's fiscal 2024 audited consolidated financial statements, fiscal 2024 MD&A, and unaudited condensed interim consolidated financial statements as at March 31 ,2025.

Non-IFRS Measures

Adjusted EBITDA is a non-International Financial Reporting Standards ("IFRS") measure used by management that is not defined by IFRS. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA provides meaningful and useful financial information as these measures demonstrate the operating performance of the business excluding non-cash charges.

"Adjusted EBITDA" is calculated as net income or loss before interest, income taxes, amortization, and depreciation, share based compensation, acquisition related expenses, listing expense, gain or loss on sale of assets, revaluation and impairment of assets. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net income as determined under IFRS; nor as an indicator of financial performance as determined by IFRS; nor a calculation of cash flow from operating activities as determined under IFRS; nor as a measure of liquidity and cash flow under IFRS. The Company's method of calculating Adjusted EBITDA may differ from methods used by other companies and, accordingly, the Company's Adjusted EBITDA may not be comparable to similar measures used by any other company.

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 Kontrol Buildings 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.

ABOUT

The Company is a provider of energy management to commercial and industrial consumers. Management considers its products and services to comprise one operating segment - energy management and consulting services. The Company delivers building intelligence through the Internet of Things (IoT), software and cloud technology, design and engineering improvements, energy retrofits, and installation of HVAC systems. 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

Smart Buildings and Facilities

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.

Energy management

The Company provides building HVAC integration, 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 and managers 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 collaborates with clients to provide thorough and cost-effective energy auditing, monitoring and verification, energy project assessment, mechanical, electrical, and renewable design, and LEED facilitation.

BUSINESS ACQUISTIONS/DIVESTURES AND PURCHASE/SALE OF ASSETS

June 24, 2024 – SALE OF ASSETS - CEM SPECIALTIES INC.
December 29, 2023 – SALE OF ASSETS - ORTECH CONSULTING INC.
February 14, 2023 – BANKRUPTCY ASSIGNMENT OF GLOBAL HVAC & AUTOMATION INC.
July 30, 2021 – ACQUISITION OF GLOBAL HVAC & AUTOMATION INC.
August 1, 2020 - ACQUISITION OF NEW FOUND AIR HVAC SERVICES INC.
January 14, 2019 - PURCHASE OF ASSETS FROM DIMAX CONTROLS CANADA INC.
September 20, 2018 - ACQUISITION OF CEM SPECIALITIES INC.
April 30, 2018 - ACQUISITION OF ASSETS FROM MCW DIMAX LTD.
August 4, 2017 - ACQUISITION OF EFFECIENCY ENGINEERING INC.
February 10, 2017 - ACQUISITION OF ORTECH CONSULTING INC.
December 1, 2016 - ACQUISITION OF PATENTS AND INTELLECTUAL PROPERTY LOG-ONE LTD.
June 30, 2016 - ACQUISITION OF KONTROL TECHNOLOGIES INC.

CORPORATE UPDATE

The Company is focused on providing sustainable building services and solutions to a wide range of real estate owners, property managers and institutions. The Company’s customer footprint includes commercial, multi-residential and industrial customers who face similar challenges, including managing energy consumption and decarbonization.

The Company’s balance sheet as at March 31, 2025 reflects a stronger financial position as a result of a full pay off in 2024 of the revolver and term loan. The Company has eliminated all interest-bearing bank debt and has successfully achieved its financial objective to improve liquidity and leverage. In 2024 the sale of CEMSI’s net assets raised substantial internal cash, delivered a significant gain to book value and in the process, we are now well positioned with the necessary resources to accelerate organic growth plans and to evaluate potential acquisitions. The Company’s business model involves growing our core sustainable buildings platform which is critical to Kontrol’s strategic direction. Over the medium term we will seek to deploy cash resources through expansion of core operations in managing the decrease in revenue and earnings resulting from recent asset sales.

Revenue

Revenues for the three months ended March 31, 2025 were $1.5 million, compared to $3.8 million for the same quarter in the prior year. The decrease is attributable to the sale of air monitoring and compliance assets in Q2 2024.

The Company's presence in buildings allows for revenue generation from multiple sources including project integration, energy retrofit and service, recurring revenues through energy software monitoring, maintenance, energy management, and engineering/design. Our building technology and cloud-based platform are addressing sustainability, energy conservation and greenhouse gas emission reduction. Further, we continue to focus on our net zero emission business in the private and public sectors.

The Kontrol Buildings brand is a commercial and industrial HVAC contractor that mainly services the province of Ontario. The group has demonstrated excellence in both customer and technical services; providing complete turnkey solutions which includes repair, installation, maintenance, retrofit, and system design services for HVAC systems.

Adjusted EBITDA

Adjusted EBITDA for the three months ended March 31, 2025 was negative $(228,521) compared to $966,489 for the same quarter in the prior year. The reduction of earnings from the sale air monitoring and compliance assets had a negative impact on EBITDA. Further, activity from our HVAC business in Q1 2025 was slower than Q1 2024 mainly due to timing of work order execution. Management is expecting improved performance over the remaining year from the industrial HVAC group. The HVAC team has consistently contributed steady revenue and earnings through a combination of project work and service maintenance under contract. Kontrol's audit and systems design team are leading experts in net zero emission engineering and have been putting decarbonization and mitigating environmental impacts at the forefront as we address a renewed focus on helping our customers achieve their sustainability objectives.

Gross profit and expenses

Gross profit for the three months ended March 31, 2025 was $807,804, compared to $2.3 million for the same quarter in the prior year. Gross margin for the three months ended was 54%, compared to 62% in the prior year. The decrease in dollars is attributable to the sale of air monitoring and compliance assets. The overall gross margin, while down, has remained in a favourable range due to the Company's strategic focus on higher gross margin service and technology solutions.

Advertising and promotion for the three months ended March 31, 2025, was $3,583 down from $18,598 for the comparative quarter in the prior year. Advertising is primarily related to social media campaigns, marketing, trade shows and product awareness campaigns. Management will utilize these campaigns on a strategic basis as required to communicate Company news, technology deployments, customer outreach and overall corporate updates. As these expenses are often discretionary in nature, management has focussed on essential programs.

Business fees and licenses for the three months ended March 31, 2025, was $91,652 down from $101,904 for the comparative quarter in the prior year. This expense account includes all fees associated with Kontrol's public listing, administrative fees relating to financings, software licenses and cloud computing fees. Management's ongoing efforts to reduce scope of service cloud computing/storage, web services and computing processing capacity has resulted in greater stability and consistency of the overhead. Further, less financing activities has reduced administrative expenses.

Consulting for the three months ended March 31, 2025, was $72,473 down from $140,470 for the comparative quarter in the prior year. Consulting will vary based on the mix of staff under consulting arrangement versus employment salary contracts. Kontrol will periodically engage investor relations firms and strategic communication professionals on a case-by-case basis depending on company awareness needs. Consultants are used for any annual SR&ED filings.

Employee salaries and benefits for the three months ended March 31, 2025, was $556,011 down from $903,513 for the comparative quarter in the prior year. Employee salaries and benefits decreased due to the sale of CEMSI assets. As the Company pursues growth opportunities in our sustainable buildings' platform, the expectation is to leverage existing in-house expertise.

Other income for the three months March 31, 2025 was $5,278 down from $87,747 for the comparative quarter in the prior year. Other income is comprised of benefits from scientific research and experimental development, funding from the Industrial Research Assistance Program, and other miscellaneous income and expenses. The decrease is related to significantly lower spending on product development.

Professional fees for the three months ended March 31, 2025 was $180,913 up from $98,620 for the comparative quarter in the prior year. Professional fees include audit, legal, recruiter, investment banking, dispute settlement, and professional fees relating to asset sales and discontinued operations, and other miscellaneous. The increase is attributable to legal fees associated with discontinued operations and disputes.

Travel for the three months ended March 31, 2025, was $38,545 down from $47,373 for the comparative quarter in the prior year. In the prior year period, the monitoring and compliance team were incurring expenses for travel to customers both locally and in the U.S. The Ontario based energy service teams will continue to incur typical expenses such as fuel, and road tolls.

Finance income for the three months ended March 31, 2025, was $30,208 compared to finance expense of $158,662 for the same quarter in the prior year. The Company is recording interest income earned on the marketable securities. As at March 31, 2025 the marketable securities balance was $10 million. The revolver and term loan were paid off in 2024 which has markedly reduced total liabilities; interest expense that was related to bank debt no longer applies. Interest expense continues to be incurred in connection with leases.

Share-based compensation for the three months ended March 31, 2025, was $48,473 down from $51,957 for the comparative quarter in the prior year. Share-based compensation relates to expensing of employee and board options and share awards; timing of compensation will impact expense recognition.

Revaluation of marketable securities for the three months ended March 31, 2025 was a loss of $742,995. The marketable securities are measured at fair value through profit and loss. The fair value of a financial instrument will fluctuate because of changes in market prices.

Selected Financial Information and Discussion of Operations

Financial Results	**Three months ended**	
(Unaudited)	**March 31, 2025**	**March 31, 2024**
Revenue	$1,493,383	$3,786,234
Gross profit	$807,804	$2,332,075
Net income (loss)	$(1,145,833)	$533,487
Basic and diluted EPS	$(0.02)	$0.01
Add/Deduct for Adjusted EBITDA reconciliation:		
Amortization and depreciation	$156,052	$222,383
Finance expense (income)	$(30,208)	$158,662
Revaluation of marketable securities	$742,995	-
Share based compensation	$48,473	$51,957
Adjusted EBITDA	$(228,521)	$966,489

Financial Position	**At March 31, 2025**	**At December 31, 2024**
Assets	$18,575,374	$20,280,554
Non-current liabilities	$307,513	$355,648
Cash dividends	$0	$0

Total assets and liabilities

As at March 31, 2025, the Company had total assets of $18.6 million. Cash, marketable securities, accounts receivable, goodwill, and intangible assets were the most significant dollar asset account balances. Non-current liabilities are comprised of lease liabilities, and deferred income taxes.

Disclosure of Outstanding Share Data

As at March 31, 2025, 55,157,169 common shares, 3,420,000 options, and 10,829,006 warrants were outstanding. The options and warrants are exercisable on a one-for-one basis for common shares of the Company.

SUMMARY OF QUARTERLY RESULTS

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

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	March 31, 2025	Dec 31, 2024	Sept 30, 2024	June 30, 2024	March 31, 2024	Dec 31, 2023	Sept 30, 2023	June 30, 2023
Revenue	$1,493,383	$1,749,808	$1,737,947	$3,654,825	$3,786,234	$5,145,668	$4,543,367	$4,678,027
Gross Profit	$807,804	$858,702	$924,580	$2,020,525	$2,332,075	$2,872,762	$3,149,791	$2,901,891
Net income (loss)	$(1,145,833)	148,582	$(805,444)	$12,321,014	$533,487	$(294,882)	$665,558	$98,405
		-	-	-	-	-	-	-
Basic and Diluted EPS	$(0.02)	$0.00	$(0.01)	$0.21	$0.01	$(0.01)	$0.01	$0.00

Due to the sale of air testing, air monitoring and compliance related assets in Q4 2023 and Q2 2024, revenue, gross profit, and earnings have decreased over the last five quarters. Management is pleased with the gains generated from asset sales; Q2 2024 net income includes a significant gain on the sale of air monitoring and compliance assets, which reflects a significant premium to book value. While the Company's operational footprint has become smaller, we seek to deploy our cash holdings to accelerate the pursuit of growth opportunities in our sustainable buildings' platform.

LIQUIDITY AND CAPITAL RESOURCES

The aggregate cash and marketable securities balance as at March 31, 2025 was $11.2 million. As at March 31, 2025, the Company had current assets and current liabilities of $13.3 million and $4.7 million, respectively. The Vendor Take Back associated with the Global discontinued operation is classified as current based on the contractual terms of the purchase agreement. However, the Company is pursuing legal action against the vendor, as the full amount is under legal dispute.

Cash flows used in operating activities were $585,953 for the three months ended March 31, 2025, compared to cash flow from operations of $443,808 for the same quarter in the prior year. The reduction of earnings from air monitoring and compliance had a downward impact on cash flows used in operating activities compared to the prior period.

Cash flows used in investing activities were $127,738 for the three months March 31, 2025, compared to cash flows from investing activities of $5.8 million for the same quarter in the prior year. During Q1 2024, the Company had received proceeds owed from the buyer in connection with the Q4 2023 sale of air testing assets. The Q1 2025 activity related to payments for product development and the purchase of marketable securities.

Cash flows used in financing activities were $170,079 for the three months ended March 31, 2025, compared to $7.8 million for the same quarter in the prior year. Lease principal payments of $25,974 were made during the three months ended March 31, 2025 compared to $61,396 for the same quarter in the prior year. The reduction relates to elimination of one office lease due to the sale of assets. The Company repurchased $130,000 of common shares during the three months ended March 31, 2025. Interest payments were $14,105 for the three months ended March 31, 2025 compared to $215,662 for the same quarter in the prior year. On an accrual (non-cash) basis, the Company recorded net interest income as interest income is collected at time of maturity on certain GIC investments. During Q1 2024, the Company made total principal payments of $7.6 million to the term loan and revolver. The Company paid off these debt instruments in 2024. Interest expense continues to be incurred in connection with leases.

Investments in marketable securities

During the last three quarters, the Company invested in marketable securities, including GIC's, fixed income securities and iShares bitcoin trust etf ("IBIT") and call IBIT. Certain securities may be held to collect principal and interest or for cash flows. As at March 31, 2025, total marketable securities were $10 million. All investments in marketable securities are passive investments. These investments were made until a point in which the cash liquidity can be deployed into the active operations of the business, through organic growth or acquisitions.

The Company does not directly hold any bitcoin and does intend to make any direct acquisition of bitcoin or other cryptocurrencies. The Company's holdings are in Blackrock's iShares Bitcoin Trust ETF (IBIT), as well as call options on the same fund. The Company has no intention of creating a wallet or taking custody of bitcoins and other crypto assets. The Company's passive investments in IBIT and call options are directly correlated with the price of bitcoin.

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.

RELATED PARTY TRANSACTIONS

	Three months ended March 31, 2025	Three months ended March 31, 2024
Salaries, benefits, and consulting	104,800	114,700
Share based compensation	35,702	40,627
	$140,502	$155,327

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 three months ended March 31, 2025, and 2024.

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, accounts receivable and certain marketable securities. 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 March 31, 2025 is the carrying value of cash held with financial institutions, marketable securities 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, available credit facilities, and by initiating new debt or equity financings. The Company manages liquidity risk through the management of its capital structure.

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	519,923	-	-	519,923
Holdback and VTB	4,082,500	-	-	4,082,500
Lease liabilities	131,075	277,002	-	408,077
Total	$4,733,498	$277,002	$0	$5,010,500

The Global VTB is classified as current based on the contractual terms of the purchase agreement. However, the Company is pursuing legal action against the vendor, as the full amount is under legal dispute.

(c) 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 March 31, 2025 and December 31, 2024, both the carrying and fair value amounts of all the Company's financial instruments was approximately equivalent. The Company's marketable securities are measured at fair value and are classified as level 1 within the fair value hierarchy.

(d) Foreign currency risk

Foreign currency risk arises because of fluctuations in exchange rates. 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, marketable securities, accounts payables and accrued liabilities which are denominated in foreign currencies.

(e) Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. The Company is exposed to market price risk arising from its marketable securities. The Company manages market price risk in accordance with the Company's investment objective and policies. The Company notes that the investments in IBIT and the related call options are expected to be more volatile than the other marketable securities held.

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 March 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Company's Internal Control over Financial Reporting.