

**RISETECH CAPITAL CORP.**

**FILING STATEMENT**

in respect of the Qualifying Transaction involving

**TANTALUS SYSTEMS HOLDING INC.**

Dated as at January 28, 2021

*Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.*

All information contained in this Filing Statement with respect to RiseTech Capital Corp. (“**RiseTech**”) was supplied by RiseTech for inclusion herein.

All information contained in this Filing Statement with respect to Tantalus Systems Holding Inc. and its affiliates (“**TSHI**”) was supplied by TSHI for inclusion herein.

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## GLOSSARY

*The following is a glossary of certain general terms used in this Filing Statement, including the summary hereof. Terms and abbreviations used in the financial statements included in, or appended to this Filing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.*

**“1933 Act”** means the United States Securities Act of 1933, as amended from time to time;

**“Adjusted Working Capital”** means current assets less current liabilities exclusive of TSHI’s bank loan with Comerica Bank.

**“Agency Agreement”** means the agency agreement dated November 19, 2020 between TSHI, the Agents and RiseTech in respect of the Financing;

**“Agents”** means the syndicate of agents in connection with the Financing, composed of Canaccord and Cormark acting as co-lead agents and joint bookrunners, and PI Financial Corp.;

**“Affiliate”** means a Company that is affiliated with another Company as described below:

A Company is an “Affiliate” of another Company if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is controlled by the same Person.

A Company is **“controlled”** by a Person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person; and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person; or
- (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person;

**“Amalco Shareholder”** means a holder of Amalco Shares;

**“Amalco Shares”** means the common shares in the capital of the Amalgamated Company;

**“Amalgamated Company”** means the corporate entity formed as a result of the amalgamation of TSSI and TSHI pursuant to the Plan of Arrangement;

**“Amalgamation”** means the amalgamation of TSSI and TSHI pursuant to the Plan of Arrangement;

**“Amended and Restated Articles”** means the amended and restated articles of RiseTech, attached to the RiseTech Circular;

**“AMI”** means Advanced Metering Infrastructure;

**“Arrangement”** means the arrangement under the provisions of Section 192 of the CBCA pursuant to the Plan of Arrangement;

**“Arrangement Agreement”** means the arrangement agreement respecting the Plan of Arrangement dated November 19, 2020 between RiseTech, TSHI and TSSI pursuant to which RiseTech, TSHI and TSSI have agreed to complete the Plan of Arrangement on the terms and conditions set forth therein;

**“Articles Amendment”** means the amendment and restatement of the articles of RiseTech, in the form attached to the RiseTech Circular;

**“Articles of Arrangement”** means the articles of arrangement of TSHI in respect of the Plan of Arrangement, to be filed with the Director after the Final Order is made;

**“Associate”** when used to indicate a relationship with a person or Company, means

- (a) an issuer of which the person or Company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the person or Company,
- (c) any trust or estate in which the person or Company has a substantial beneficial interest or in respect of which a person or Company serves as trustee or in a similar capacity,
- (d) in the case of a person, a relative of that person, including:
  - (i) that person’s spouse or child, or
  - (ii) any relative of the person or of his spouse who has the same residence as that person, but
- (e) where the TSXV determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding Company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D of the TSXV with respect to that Member firm, Member corporation or holding company;

**“Available Funds”** means the estimated Adjusted Working Capital which will be available to the Resulting Issuer (including the Adjusted Working Capital of RiseTech and of TSHI), as at the most recent month end preceding the date of this Filing Statement, after giving effect to the Plan of Arrangement and the Financing;

**“Average Monthly Earnings”** means, in respect of an individual, the average monthly earnings of such individual based on the following: (i) actual salary from TSHI in effect immediately prior to the

date of notice; and (ii) a monthly prorated portion of such other bonus, commissions or amounts earned from TSHI over the two taxation years immediately prior to such date of notice;

**“BCBCA”** means the *Business Corporations Act* (British Columbia), including the regulations promulgated thereunder, as amended;

**“Broker Warrants”** means the non-transferrable compensation warrants issued in connection with the Financing;

**“Canaccord”** means Canaccord Genuity Corp.;

**“CBCA”** means the *Canada Business Corporations Act*, including the regulations promulgated thereunder, as amended;

**“CEO”** means Chief Executive Officer;

**“CFO”** means Chief Financial Officer;

**“Closing”** means the closing of the Plan of Arrangement;

**“Co-Lead Agents”** means Canaccord and Cormark;

**“COBRA Payments”** means the continued payment of any and all medical benefits to the extent permitted under United States COBRA law;

**“Company”** unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

**“Completion of the Qualifying Transaction”** means the date the Final Exchange Bulletin is issued by the TSXV;

**“Control Person”** means any person or Company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

**“Cormark”** means Cormark Securities Inc.;

**“Court”** means the Supreme Court of British Columbia;

**“CPC”** means a corporation:

- (a) that has been incorporated or organized in a jurisdiction in Canada,
- (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy, and
- (c) in regard to which the Completion of the Qualifying Transaction has not yet occurred;

**“CPC Escrow Agreement”** means the escrow agreement dated September 28, 2018 between RiseTech, the Escrow Agent, and certain shareholders of RiseTech;

**“CPC Escrow Shares”** means the securities of RiseTech held in escrow pursuant to the CPC Escrow Agreement;

**“CPC Policy”** means Policy 2.4 – *Capital Pool Companies* of the TSXV Corporate Finance Manual;

**“Director”** means the Director appointed pursuant to Section 260 of the CBCA;

**“Effective Date”** means the date when the Plan of Arrangement becomes effective as established by the date of issue shown on the certificate giving effect to the Plan of Arrangement as issued by the Director pursuant to Section 192(7) of the CBCA;

**“Effective Time”** means 12:01 a.m. (Vancouver Time) on the Effective Date, or such other time as agreed upon by TSHI and RiseTech;

**“Escrow Agent”** means TSX Trust Company;

**“Exchange Ratio”** means the ratio of one-for-one, in the manner that each Amalco Share will be exchanged for one post-RiseTech Consolidation RiseTech Common Share;

**“Filing Statement”** means this filing statement, together with all schedules attached hereto and including the summary hereof;

**“Final Exchange Bulletin”** means the TSXV bulletin which is issued following Closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final TSXV acceptance of the Qualifying Transaction;

**“Final Order”** means the final order of the Court approving the Arrangement, in form and substance acceptable to TSHI and RiseTech, each acting reasonably, granted pursuant to Section 192(4) of the CBCA, after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of both TSHI and RiseTech, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided that any such amendment is acceptable to both TSHI and RiseTech, each acting reasonably) on appeal unless such appeal is withdrawn, abandoned or denied;

**“Financing”** means the private placement of 4,418,210 Subscription Receipts by TSHI for gross proceeds of \$9,940,972.50. The Financing closed in two tranches, the first on November 19, 2020 and the second on January 22, 2021;

**“IFRS”** means International Financial Reporting Standards;

**“Insider”** if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer,
- (b) a director or senior officer of the company that is an Insider or subsidiary of the issuer,

- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the issuer, or
- (d) the issuer itself if it holds any of its own securities;

**“Interim Order”** means the interim order of the Court issued following the application relating to the Arrangement in form and substance acceptable to TSHI and RiseTech, each acting reasonably, providing for, among other things, the calling and holding of the Tantalus Meeting, as such order may be affirmed, amended, modified, supplemented or varied by the Court with the consent of both TSHI and RiseTech, each acting reasonably;

**“IoT”** means the internet of things, the network of physical objects - devices, vehicles, buildings and other items - embedded within electronics, software, sensors, actuators and network connectivity - that enables these various objects to collect and exchange data.

**“IPO”** means the initial public offering of Common Shares by RiseTech completed on November 21, 2018;

**“IPO Agency Agreement”** means the agency agreement dated September 28, 2018 between RiseTech and the IPO Agent;

**“IPO Agent”** means PI Financial Corp.;

**“Issuer”** means a Company and its subsidiaries which have any of its securities listed for trading on the TSXV and, as the context requires, any applicant Company seeking a listing of its securities on the TSXV;

**“Lock-up Agreements”** means the lock up agreements entered into by certain directors and executive officers of TSHI and certain shareholders of TSHI individually controlling more than 5% of the TSHI Common Shares pursuant to the terms of the Agency Agreement;

**“Locked-up Securities”** means TSHI Common Shares or Resulting Issuer Common Shares or other securities exchangeable for or convertible into TSHI Common Shares or Resulting Issuer Common Shares owned by Locked-up Shareholders but excludes Subscription Receipts held by Locked-up Shareholders or Resulting Issuer Common Shares for which the Subscription Receipts are ultimately exchanged;

**“Locked-up Shareholder”** means a holder of Locked-up Securities pursuant to the terms of a Lock-up Agreement;

**“Member”** has the meaning ascribed thereto in Policy 1.1 – *Interpretation of the TSXV Corporate Finance Manual*;

**“Name Change”** means the proposed named change of the Resulting Issuer from “RiseTech Capital Corp.” to “Tantalus Systems Holding Inc.”;

**“Non-Arm’s Length Qualifying Transaction”** means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC

and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction;

**“Notice of Articles Amendment”** means the creation of a class of preferred shares in the capital of RiseTech by amending the notice of articles of RiseTech;

**“Pender”** means, collectively, Pender Growth Fund (VCC) Inc., Pender Small Cap Opportunities Fund, Pender Small Cap Equity Fund, Pender Value Fund and Pender Value Fund II;

**“Person”** means a Company or individual;

**“Plan of Arrangement”** means the plan of arrangement under the CBCA between TSHI, TSSI and RiseTech, and any amendments or variations thereto made in accordance with the Plan of Arrangement or upon direction of the Court in the Final Order with the consent of each of TSHI and RiseTech, each acting reasonably;

**“Policy 2.2”** means Policy 2.2 *Sponsorship and Sponsorship Requirements* of the TSXV Corporate Finance Manual;

**“Principals”** has the meaning attributable thereto in Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* of the TSXV Corporate Finance Manual;

**“Pro Forma Financial Statements”** means the unaudited pro forma statement of financial position for the Resulting Issuer as at September 30, 2020 to give effect to the Plan of Arrangement as if it had taken place as of September 30, 2020, which is attached to this Filing Statement as Schedule “E”;

**“Promoter”** means the definition prescribed by applicable Securities Laws;

**“Proposed Transactions”** means the adoption of the Resulting Issuer Incentive Plan, the Name Change, the appointment of new officers and directors of the Resulting Issuer, the Articles Amendment, the Notice of Articles Amendment and the Plan of Arrangement;

**“QT Escrow Agreement”** means the Exchange Form 5D and Schedule B(3) Tier 1 Surplus Security Escrow Agreement to be entered into in connection with the Closing of the Qualifying Transaction between the Resulting Issuer, the Escrow Agent and certain Resulting Issuer shareholders, as more particularly described in this Filing Statement;

**“Qualifying Transaction”** means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means, and, specifically in the case of RiseTech, means the Plan of Arrangement all as more particularly described herein;

**“Redpoint”** means, together, Redpoint Omega L.P. and Redpoint Omega Associates, LLC;

**“Release Conditions”** means the conditions set out in the Subscription Receipt Agreement that must be met to convert the Subscription Receipts into TSHI Common Shares;

**“Replacement Amalco Broker Warrant”** has meaning ascribed to thereto in *“Summary of the Proposed Transactions”*;

**“Replacement Amalco Option”** has the meaning ascribed thereto in *“Summary of the Proposed Transactions”*;

**“Resulting Issuer”** means RiseTech (proposed to be named “Tantalus Systems Holding Inc.”) following completion of the Plan of Arrangement and the issuance of the Final Exchange Bulletin;

**“Resulting Issuer Board”** means the board of directors of the Resulting Issuer;

**“Resulting Issuer Broker Warrants”** means the non-transferable compensation warrants of the Resulting Issuer;

**“Resulting Issuer Common Shares”** means common shares in the capital of the Resulting Issuer (on a post-RiseTech Consolidation basis);

**“Resulting Issuer Incentive Plan”** means the omnibus long term incentive plan of the Resulting Issuer providing for the granting of equity incentives, including Resulting Issuer Options, to officers, employees and consultants of the Resulting Issuer to be adopted by RiseTech at the RiseTech Meeting and dated effective as of the Effective Date;

**“Resulting Issuer Options”** means the stock options of the Resulting Issuer exercisable for Resulting Issuer Common Shares;

**“Resulting Issuer Preferred Shares”** means preferred shares in the capital of the Resulting Issuer;

**“RiseTech”** means RiseTech Capital Corp., prior to the completion of the Plan of Arrangement;

**“RiseTech Board”** means the board of directors of RiseTech;

**“RiseTech Circular”** means that management information circular of RiseTech with respect to the RiseTech Meeting;

**“RiseTech Common Shares”** means common shares in the capital of RiseTech;

**“RiseTech Consolidation”** means a consolidation of the common shares of RiseTech on a one pre-consolidation share for 0.06094549 post-consolidation shares (1:0.06094549) basis to be effected prior to the Effective Time;

**“RiseTech Financial Statements”** means the audited financial statements of RiseTech for the year ended December 31, 2019 and for the period from incorporation on February 26, 2018 to December 31, 2018 and the unaudited financial statements for the three and nine month periods ended September 30, 2020 and September 30, 2019, which are attached to this Filing Statement as Schedule “A”;

**“RiseTech MD&A”** means the Management’s Discussion and Analysis of RiseTech for the year ended December 31, 2019, for the period from incorporation on February 26, 2018 to December 31, 2018 and for the three and nine month periods ended September 30, 2020 and September 30, 2019, which are attached to this Filing Statement as Schedule “B”;

**“RiseTech Meeting”** means the annual and special meeting of RiseTech’s shareholders held on December 18, 2020;

**“RiseTech Option Plan”** means the stock option plan of RiseTech;

**“RiseTech Options”** means the options granted pursuant to the RiseTech Option Plan, entitling the holders thereof to acquire RiseTech Common Shares;

**“RiseTech Shareholders”** means holders of RiseTech Common Shares;

**“SaaS”** means software as a service;

**“Securities Laws”** means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to an Issuer;

**“Severance Benefits”** means, in respect of an individual: (i) the acceleration of the vesting of any outstanding equity awards that would have occurred, on a prorated basis, over the 12 month period following the termination of such individual’s employment with TSHI; and (ii) a lump sum payment equal to the Average Monthly Earnings multiplied by 12 months;

**“Significant Assets”** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any concurrent transactions, would result in the CPC meeting the initial listing requirements of the TSXV;

**“Subscription Receipt Agent”** means TSX Trust Company, acting as subscription receipt agent pursuant to the Subscription Receipt Agreement;

**“Subscription Receipt Agreement”** means the subscription receipt agreement dated November 19, 2020 between TSHI, the Co-Lead Agents and the Subscription Receipt Agent, as amended or supplemented from time to time;

**“Subscription Receipts”** means the subscription receipts of TSHI issued pursuant to the Financing at an issue price of \$2.25 per Subscription Receipt, each Subscription Receipt being convertible into one TSHI Common Share (on a post-TSHI Consolidation basis) at the Effective Time;

**“subsidiary”** includes, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity;

**“Surplus Securities”** has the meaning attributable thereto in Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* of the TSXV Corporate Finance Manual;

**“SSRRs”** means Seed Share Resale Restrictions as defined in Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*;

**“Tantalus Meeting”** means the joint special meeting of shareholders of TSSI and TSHI held on January 22, 2021 where shareholders of TSSI and TSHI will approve a special resolution approving the Plan of Arrangement, together with such other matters as are required to effect the Plan of Arrangement;

**“Tax Act”** means *Income Tax Act*, (Canada), as amended;

“**TCC**” means the TUNet® Control Center;

“**TLMS**” means TSHI’s load management systems, which consists of a utility software application and a portfolio of load control switches that collectively manage customer appliances and consumption of electricity automatically;

“**Transfer Agent, Registrar and Disbursing Agent Agreement**” means the transfer agent agreement dated June 30, 2018 between RiseTech and the Escrow Agent;

“**TRUEdge®**” means the communications module through which TSHI’s edge computing platform is delivered;

“**TSC**” means Tantalus Systems Corp.;

“**TSHI**” means Tantalus Systems Holding Inc.;

“**TSHI Board**” means the board of directors of TSHI;

“**TSHI Common Shares**” means common shares in the capital of TSHI;

“**TSHI Consolidation**” means a consolidation of the common shares of TSHI on a one pre-consolidation share for 0.82620377 post-consolidation shares (1: 0.82620377) basis to be effected prior to the Effective Time;

“**TSHI Financial Statements**” means the audited consolidated financial statements of TSHI for the years ended December 31, 2019 and December 31, 2018 and for each of the years in the three year period ended December 31, 2019, and the unaudited consolidated financial statements for the three and nine month periods ended September 30, 2020 and September 30, 2019, which are attached to this Filing Statement as Schedule “C”;

“**TSHI MD&A**” means the management’s discussion and analysis of the financial condition and results of operations of TSHI for the years ended December 31, 2019, December 31, 2018, and December 31, 2017, and the unaudited consolidated financial statements of TSHI for the three and nine month periods ended September 30, 2020 and September 30, 2019, which are attached to this Filing Statement as Schedule “D”;

“**TSHI Option Plan**” means the stock option plan of TSHI approved by its board of directors on July 26, 2017;

“**TSHI Options**” means the options granted pursuant to the TSHI Option Plan, entitling the holders thereof to acquire TSHI Common Shares;

“**TSHI Subsidiaries**” means, collectively, TSC, TSI, Energate Inc. and Energate, Corp., or each one of them, as the context requires;

“**TSI**” means Tantalus Systems Inc.

“**TSSI**” means Tantalus Systems Shareholder Inc.;

“**TSSI Shareholder**” means a shareholder of TSSI;

“**TSXV**” means the TSX Venture Exchange;

“**TUNet®**” means the Tantalus utility network;

“**Value Securities**” has the meaning attributable thereto in Policy 5.4 –*Escrow, Vendor Consideration and Resale Restrictions* of the TSXV Corporate Finance Manual;

“**Value Security Escrow Agreement**” means the escrow requirements imposed by the TSXV Form 5D and Schedule B(1) Tier 1 Value Security Escrow Agreement on the Resulting Issuer Common Shares held by certain TSHI shareholders, in connection with the Closing of the Qualifying Transaction as more particularly described in this Filing Statement; and

“**Voting Shares**” means a security of an Issuer that:

- (a) is not a debt security, and,
- (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

## NOTE REGARDING FORWARD-LOOKING INFORMATION

This Filing Statement contains forward-looking information within the meaning of applicable Canadian securities legislation that relates to RiseTech, TSHI and the Resulting Issuer. Forward looking information may include, but is not limited to, information with respect to use of available funds, anticipated developments in operations in future periods, the adequacy of financial resources, costs, timing and receipt of approvals, consents and permits under applicable legislation, executive compensation approaches and practices and the composition of directors and committees. The forward-looking statements are contained principally in the sections titled “*Summary of Filing Statement*” and “*Part III - Information Concerning the Resulting Issuer*”.

Any statements that express, involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “may”, “believe”, “expects”, “will”, “intends”, “projects”, “anticipates”, “estimates”, “continues”, “plan”, “believe”, “aim”, “seek” or the negative of these terms, or other similar expressions intended to identify forward-looking information) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, RiseTech and TSHI have assumed that the current market will not adversely impact their respective business, properties, or assets. RiseTech and TSHI have based these forward- looking statements on their current expectations and projections about future events and financial trends that they believe may affect RiseTech, TSHI and the Resulting Issuer’s financial condition, results of operations, business strategy and financial needs, as the case may be.

Forward-looking statements relating to TSHI and the Resulting Issuer include, among other things, statements relating to:

- expectations regarding its revenue, expenses and operations;
- anticipated cash needs and its needs for additional financing;
- plans for and timing of expansion of its services;
- future growth plans;
- ability to attract and retain personnel;
- competitive position and its expectations regarding competition; and
- anticipated trends and challenges in TSHI’s business and the markets in which it operates.

Forward-looking statements relating to RiseTech include, among other things, statements relating to:

- the completion of the Plan of Arrangement;
- the terms on which the Plan of Arrangement is intended to be completed; and

- the ability to complete any of the Proposed Transactions.

Forward-looking statements are based on certain assumptions and analysis made by RiseTech and TSHI in light of their experience and perception of historical trends, current conditions and expected future developments and other factors they believe are appropriate, and are subject to risks and uncertainties. Such assumptions include, among others, those relating to general economic conditions, the impact of increasing competition and the ability to obtain regulatory and shareholder approvals. Although RiseTech and TSHI believe that the assumptions underlying the forward-looking statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, shareholders should not place undue reliance on these forward-looking statements.

Whether actual results, performance or achievements will conform to RiseTech or TSHI's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Risk Factors*", which include:

Business risks including:

- the impacts of COVID-19 are unpredictable and could have significant impacts on TSHI's financial performance;
- sales cycles to TSHI's customers can be lengthy and unpredictable and require significant employee time with no assurances that a prospective customer will select TSHI's products and services;
- TSHI's financial and operational performance significantly depends on its ability to attract and retain customers and its ability to develop new products and to enhance and sustain the quality of existing products to retain such customers;
- TSHI depends on a limited number of key suppliers and if such suppliers fail to provide TSHI with sufficient quantities of components at acceptable levels of quality and at anticipated costs, TSHI's revenue and operating results could be materially and adversely affected;
- TSHI has a prior history of operating losses and TSHI may not sustain profitability on a quarterly or annual basis;
- TSHI's quarterly results are inherently unpredictable and subject to substantial fluctuations;
- TSHI's success depends in part on TSHI's ability to integrate its technology into devices and its relationship with device manufacturers;
- TSHI's marketing efforts depend significantly on TSHI's ability to receive positive references from TSHI's existing customers;
- the markets for TSHI's products and services, smart grid, smart city, and broader IoT technology in general, are still developing. If the markets develop less extensively or more slowly than TSHI expects, TSHI's business could be harmed;

- TSHI operates in a highly competitive industry and TSHI competes against many companies with substantially greater financial and other resources, and TSHI's market share and results of operations may be reduced if TSHI is unable to respond to competitors effectively;
- TSHI is dependent on the utility industry, which has experienced volatility in capital spending. This volatility could cause TSHI's results of operations to vary significantly from period to period;
- TSHI's reliance on certain infrastructure and information technology systems make it vulnerable to the potential adverse effects of cyber-attacks and other breaches;
- if TSHI's products contain defects or otherwise fail to perform as expected, TSHI could be liable for damages and incur unanticipated warranty, recall and other related expenses, TSHI's reputation could be damaged, TSHI could lose market share and, as a result, TSHI's financial condition or results of operations could suffer;
- the nature of TSHI's business exposes it to the unpredictable risks of contractual disputes;
- the loss of key employees and the inability to attract and retain qualified personnel could harm TSHI's business;
- TSHI's business is exposed to potential risks associated with international sales and operations;
- foreign exchange rate fluctuations could harm TSHI's results or operations;
- TSHI and its customers operate in a highly regulated business environment and changes in regulation could impose costs on TSHI or make TSHI's products less economical;
- TSHI's inability to acquire and integrate other businesses, products or technologies could seriously harm TSHI's competitive position;
- intellectual property infringement claims could be costly and time-consuming to prosecute or defend;
- substantially all of TSHI's current products depend on the availability and are subject to the regulation of radio spectrum in the United States and abroad; and
- interruptions or delays in services from TSHI's third-party data center facilities, or problems with the third-party hardware or software that TSHI employs, could impair the delivery of its services and harm TSHI's business.

Risks related to the Resulting Issuer Common Shares and the completion of the Proposed Transactions including:

- there has been no public market for the Resulting Issuer Common Shares and the market price for the Resulting Issuer Common Shares may be volatile;
- as a public company, TSHI will become subject to new requirements, laws or rules that will increase both its costs and the risk of noncompliance;
- significant sales of Resulting Issuer Common Shares could cause the market price of the Resulting Issuer Common Shares to drop significantly regardless of TSHI's financial performance;
- the Arrangement Agreement may be terminated; and
- the market price of the Resulting Issuer Common Shares may fluctuate as a result of reports and publications made by trading analysts.

This list is not exhaustive of factors that may affect any of the forward-looking information contained in this Filing Statement. The above risks, uncertainties, assumptions and other factors could cause RiseTech, TSHI and the Resulting Issuer's actual results, performance, achievements and experience to differ materially from RiseTech and TSHI's expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

The forward-looking statements made in this Filing Statement relate only to events or information as of the date on which the statements are made in this Filing Statement. Except as required by law, RiseTech, TSHI and the Resulting Issuer undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

An investor should read this Filing Statement with the understanding that RiseTech, TSHI and the Resulting Issuer's actual future results may be materially different from what is expected and investors should not place undue reliance on forward-looking information.

### **INFORMATION PERTAINING TO TSHI**

The information contained or referred to in this Filing Statement with respect to TSHI and the industry in which it operates has been provided by the management of TSHI and is the responsibility of TSHI. Management of RiseTech has relied upon TSHI for the accuracy of the information provided by TSHI without independent verification. References in this Filing Statement to TSHI include reference to TSSI, TSHI, TSC, TSI, Energate Inc. and Energate, Corp., as the context requires.

### **NOTICE TO INVESTORS**

#### **Currency Presentation**

Unless otherwise specified, all references in this Filing Statement to "\$" are to Canadian dollars and references to "US\$" are to U.S. dollars.

## **Financial Statement Information**

The audited annual financial statements of RiseTech contained in this Filing Statement have been prepared in accordance with IFRS and are denominated in Canadian dollars. The unaudited pro forma financial statements of the Resulting Issuer contained in this Filing Statement have been prepared on the basis of presentation as described in the Pro Forma Financial Statements and are denominated in U.S. dollars. The interim and annual financial statements of TSHI contained in this Filing Statement have been prepared in accordance with IFRS and are denominated in U.S. dollars.

## **Market Data**

Unless otherwise indicated, information contained in this Filing Statement concerning the industry and markets in which TSHI operates, including its general expectations and market position, market opportunity and market share is based on information from independent industry organizations, and other third-party sources (including industry publications, surveys and forecasts), and management estimates. Unless otherwise indicated, management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from TSHI's internal research, and are based on assumptions made by TSHI based on such data and its knowledge of such industry and markets, which TSHI believes to be reasonable. TSHI's internal research has not been verified by any independent source, and it has not independently verified any third-party information. While TSHI believes the market position, market opportunity and market share information included in this Filing Statement is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of TSHI's future performance and the future performance of the industry in which TSHI operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the "*Risk Factors*".

## SUMMARY OF FILING STATEMENT

*The following is a summary of information relating to RiseTech, TSHI and the Resulting Issuer (assuming completion of the Proposed Transactions) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.*

### THE COMPANIES

#### RiseTech

RiseTech was incorporated pursuant to the provisions of the BCBCA on February 26, 2018. The full corporate name of RiseTech is “RiseTech Capital Corp.”. The common shares in the capital of RiseTech were first listed for trading on the TSXV under the symbol “RTCC.P” on November 21, 2018. RiseTech is a CPC pursuant to the CPC Policy, and since its incorporation it has not carried on any business or operations other than identifying and evaluating business opportunities for the purposes of completing a Qualifying Transaction. RiseTech does not have any subsidiaries.

#### TSSI and TSHI

TSSI was incorporated pursuant to the provisions of the CBCA on July 20, 2017 under the name “Tantalus Systems Shareholders Inc.”. TSSI is a holding company which holds 87.72% of the shares in the capital TSHI. Energate Shareholders Holding Corp. holds the remaining 12.28% of the shares in the capital of TSHI. TSSI’s registered office and its head office are at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada.

TSHI was incorporated pursuant to the provisions of the CBCA on July 26, 2017 under the name “Tantalus Systems Holding Inc.”. TSHI’s business operations are in Canada and the United States. TSHI’s registered office and its head office are at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada.

See “*Part II - Information Concerning TSHI*” for information regarding TSHI’s subsidiaries and corporate chart of TSHI.

### SUMMARY OF THE PROPOSED TRANSACTIONS

The following section contains a summary of the Arrangement Agreement. This summary is qualified in its entirety by the actual terms of the Arrangement Agreement which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under RiseTech’s profile.

#### Arrangement Agreement

RiseTech, TSHI and TSSI entered into the Arrangement Agreement dated as of November 19, 2020 pursuant to which RiseTech will acquire all of the issued and outstanding TSHI Common Shares. Pursuant to the Plan of Arrangement, TSHI will be a wholly-owned subsidiary of the Resulting Issuer. The proposed name of the Resulting Issuer is “*Tantalus Systems Holding Inc.*”, or such other name as may receive RiseTech Board and TSXV approval.

As a result of the Plan of Arrangement, the securities of TSHI will become securities of the Resulting Issuer and, in particular, each TSHI Common Share, on a post-TSHI Consolidation basis, will be exchanged for one Resulting Issuer Common Share. The number and terms of the securities to be issued in connection with the Plan of Arrangement and following the Plan of Arrangement were determined pursuant to arm's length negotiations between the management of each of RiseTech and TSHI.

In connection with the Plan of Arrangement, the following events will occur immediately prior to the Effective Time:

- (a) participants in TSSI's incentive carve-out policy will receive class D preferred shares of TSSI in settlement of carve-out policy awards;
- (b) the RiseTech Consolidation will occur and RiseTech Options will be adjusted to reflect such consolidation;
- (c) the TSHI Consolidation will occur and TSHI Options will be adjusted to reflect such consolidation; and
- (d) the Subscription Receipts will convert to TSHI Common Shares (on a post-TSHI Consolidation basis) on a one for one basis.

Pursuant to the Plan of Arrangement, at the Effective Time, the following events or transactions, among other things, will occur and be deemed to occur sequentially:

- (a) each TSSI option will be assigned and transferred by its holder to TSSI in exchange for no consideration, and all option agreements relating to the TSSI options will be terminated and cancelled and shall be of no further force and effect;
- (b) each share of TSSI held by a TSSI Shareholder who has validly exercised dissent rights will be transferred by such dissenting TSSI Shareholder to TSSI and such dissenting TSS Shareholder will cease to be the registered holder of such share of TSSI and have any rights as a TSSI Shareholder other than the right to be paid the fair value of such share of TSSI in accordance with the Plan of Arrangement;
- (c) each TSHI Common Share held by a TSHI Shareholder who has validly exercised dissent rights will be transferred by such dissenting TSHI Shareholder to TSHI and such dissenting TSHI Shareholder will cease to be the registered holder of such TSHI Common Share and have any rights as a TSHI Shareholder other than the right to be paid the fair value of such TSHI Common Share in accordance with the Plan of Arrangement;
- (d) each common share of TSSI, each multiple voting share of TSSI and each class A preferred share of TSSI will be transferred to TSSI for no consideration and cancelled;
- (e) TSSI and TSHI will amalgamate and continue as one corporation under the CBCA and the following (among other things) shall occur:

- (i) the articles of the Amalgamated Company will be the articles of TSHI immediately prior to the Effective Time;
  - (ii) the name of the Amalgamated Company will be “*Tantalus Systems Holding Inc.*”;
  - (iii) the authorized capital of the Amalgamated Company will consist of an unlimited number of common shares;
  - (iv) the first directors of the Amalgamated Company will be the directors of TSHI immediately prior to the Effective Time;
  - (v) each TSHI Common Share (on a post-TSHI Consolidation basis) held by TSSI immediately prior to the amalgamation will be cancelled;
  - (vi) each TSHI Common Share (on a post-TSHI Consolidation basis) will convert for one Amalco Share;
  - (vii) each class B preferred share of TSSI will convert for 0.4584703 Amalco Shares;
  - (viii) each class C preferred share of TSSI will convert for 24,195.9375 Amalco Shares;
  - (ix) each class D preferred share of TSSI will convert for 3.877398 Amalco Shares;
  - (x) outstanding Broker Warrants will be transferred to the Amalgamated Company in exchange for an equal warrant of the Amalgamated Company (a “**Replacement Amalco Broker Warrant**”); and
  - (xi) outstanding TSHI Options will be transferred to the Amalgamated Company in exchange for an equal option of the Amalgamated Company (a “**Replacement Amalco Option**”);
- (f) each Amalco Share will transfer to RiseTech in exchange for one Resulting Issuer Common Share;
  - (g) each Replacement Amalco Broker Warrant will transfer to RiseTech in exchange for an equal Resulting Issuer Broker Warrant; and
  - (h) each Replacement Amalco Option will transfer to RiseTech in exchange for an equal Resulting Issuer Option.

Completion of the Plan of Arrangement is subject to compliance with the mutual conditions precedent set forth in the Arrangement Agreement including, but not limited to:

- (a) the Plan of Arrangement being duly approved by the shareholders of TSHI and TSSI at the Tantalus Meeting;

- (b) the Interim Order and Final Order will have been obtained from the Court in the manner contemplated by the Arrangement Agreement;
- (c) the Exchange will have accepted the Plan of Arrangement, the RiseTech Consolidation, the Name Change, the Articles Amendment, the Notice of Articles Amendment, the Resulting Issuer Incentive Plan and the other transactions contemplated by the Arrangement Agreement as part of RiseTech's "Qualifying Transaction" under the policies of the TSXV, subject to compliance with standard conditions to final acceptance of the TSXV;
- (d) RiseTech Shareholders will have approved and RiseTech will have completed the RiseTech Consolidation, the Name Change, the Articles Amendment, the Notice of Articles Amendment and the Resulting Issuer Incentive Plan;
- (e) all other consents, orders, regulations and approvals necessary or desirable for the completion of the transactions provided for in Arrangement Agreement and the Plan of Arrangement will have been obtained;
- (f) there will not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Arrangement Agreement and the Plan of Arrangement;
- (g) the issuances of common shares contemplated by the Plan of Arrangement will have been approved by all necessary corporate action to permit such securities to be issued, if applicable, as fully paid and non-assessable shares and will be exempt from the registration requirements of the 1933 Act and the prospectus requirements of applicable securities laws in each of the Provinces of Canada in which holders of TSHI Common Shares are resident;
- (h) the Arrangement Agreement will not have been terminated; and
- (i) the Articles of Arrangement will have been accepted for filing by the Director.

Completion of the Plan of Arrangement is subject to compliance with the following conditions precedent set forth in the Arrangement Agreement in favour of TSHI and TSSI including, but not limited to:

- (a) the maintenance of RiseTech's listing on the TSXV;
- (b) RiseTech will have a minimum cash balance of no less than the cash balance reflected on the RiseTech balance sheet contained in the RiseTech interim financial statements for the six months ended on June 30, 2020, excluding any paid or unpaid (i) transaction costs relating to the Plan of Arrangement, and (ii) costs relating to maintaining a listing on the TSXV;
- (c) all directors (other than Tom Liston) and officers of RiseTech will resign and provide mutual releases in a form acceptable to TSHI, acting reasonably, at the Effective Time and will be replaced by the TSHI's nominees, subject to such nominees being acceptable to the TSXV;

- (d) RiseTech will have fulfilled or complied in all material respects with each of the covenants of RiseTech contained in the Arrangement Agreement on or prior to the Effective Time, and will have delivered a certificate confirming same to TSHI, executed by a senior officer of RiseTech (without personal liability) addressed to TSHI and dated the Effective Time;
- (e) the representations and warranties of RiseTech as set out in the Arrangement Agreement being true and correct in all material respects (and, for this purpose, any reference to “material”, “Material Adverse Effect” or any other concept of materiality in such representations and warranties shall be ignored) at the Effective Time with the same force and effect as if made at and as of such time except for representations and warranties made as of a specified time, the accuracy of which will be determined as of such specified time, and RiseTech will have delivered a certificate confirming same to TSHI executed by a senior officer of RiseTech (without personal liability) addressed to TSHI and dated the Effective Time; and
- (f) the absence of any material adverse effect on the financial and operational condition or the assets of RiseTech.

Completion of the Plan of Arrangement is subject to compliance with the following conditions precedent set forth in the Arrangement Agreement in favour of RiseTech including, but not limited to:

- (a) TSHI will have fulfilled or complied in all material respects with each of the covenants of TSHI contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and will have delivered a certificate confirming same to RiseTech, executed by a senior officer of TSHI (without personal liability) addressed to RiseTech and dated the Effective Time;
- (b) shareholders of TSHI holding no more than 5% of the issued and outstanding TSHI Common Shares will have exercised their Dissent Rights (and not withdrawn such exercise);
- (c) the representations and warranties of TSHI and TSSI as set out in the Arrangement Agreement being true and correct in all material respects (and, for this purpose, any reference to “material”, “Material Adverse Effect” or any other concept of materiality in such representations and warranties shall be ignored) at the Effective Time with the same force and effect as if made at and as of such time in each case except for representations and warranties made as of a specified time, the accuracy of which will be determined as of such specified time, and TSHI and TSSI will have delivered a certificate confirming same to RiseTech executed by a senior officer of TSHI and TSSI, respectively, (without personal liability) addressed to RiseTech and dated the Effective Time; and
- (d) the absence of any material adverse effect on the financial and operational condition or the assets of TSHI.

## **The Resulting Issuer**

Upon completion of the Proposed Transaction and subject to the approval of the TSXV, it is expected that the Resulting Issuer will be listed on the TSXV as a Tier 1 Issuer (as such term is defined in the Corporate Finance Manual of the TSXV). The Resulting Issuer will have its registered office at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3. The head office of the Resulting Issuer will be 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3.

Upon completion of the Proposed Transactions:

- (a) an aggregate of 38,859,051 Resulting Issuer Common Shares will be issued and outstanding, consisting of:
  - (i) 33,673,520 Resulting Issuer Common Shares issued to existing holders of TSHI Common Shares and shares of TSSI other than the holders of TSHI Common Shares issued upon conversion of Subscription Receipts;
  - (ii) 4,418,210 Resulting Issuer Common Shares issued to holders of TSHI Common Shares issued upon conversion of Subscription Receipts; and
  - (iii) 767,321 Resulting Issuer Common Shares currently held by RiseTech Shareholders; and
- (b) an aggregate of 7,771,810 Resulting Issuer Options and 124,982 Resulting Issuer Broker Warrants will be either reserved for issuance or outstanding, consisting of:
  - (i) 18,284 Resulting Issuer Options to purchase 18,284 Resulting Issuer Common Shares pursuant to the RiseTech Options;
  - (ii) 4,841,884 Resulting Issuer Options to purchase 4,841,884 Resulting Issuer Common Shares to be issued to replace outstanding TSHI Stock Options; and
  - (iii) 2,911,642 Resulting Issuer Options to purchase 2,911,642 Resulting Issuer Common Shares will be reserved for issuance for future grant and allocation; and
  - (iv) 124,982 Resulting Issuer Broker Warrants representing the right to acquire up to an aggregate of 124,982 Resulting Issuer Common Shares pursuant to the Broker Warrants.

## **Financing**

As part of the Proposed Transactions, TSHI completed a private placement of an aggregate of 4,418,210 Subscription Receipts at a subscription price of \$2.25 per Subscription Receipt for aggregate gross proceeds of \$9,940,972.50. The Financing occurred in two tranches. The closing of the first tranche of the Financing occurred on November 19, 2020 and consisted of an aggregate of 3,917,407 Subscription Receipts at a subscription price of \$2.25 per Subscription Receipt for aggregate gross proceeds of \$8,814,165.75. The closing of the second tranche of the Financing

occurred on January 22, 2021 and consisted of an aggregate of 500,803 Subscription Receipts at a subscription price of \$2.25 per Subscription Receipt for aggregate gross proceeds of \$1,126,806.75. Each Subscription Receipt is ultimately convertible into one (1) TSHI Common Share (on a post-TSHI Consolidation basis). The syndicate of agents in connection with the Financing was composed of Canaccord and Cormark, acting as co-lead agents and joint bookrunners, and PI Financial Corp. The Financing was completed on a commercially reasonable efforts private placement basis.

In connection with the Financing, the Agents received: (i) a fee (the “**Agents’ Fee**”) of up to 6.0% of the aggregate gross proceeds of subscriptions for certain Subscription Receipts (including proceeds raised from the sale of certain Subscription Receipts to participants in the Financing who were designated by TSHI as “President’s List Subscribers”); and (ii) Broker Warrants, equal to 6.0% of the total number of Subscription Receipts issued under the first tranche of the Financing and 4.5% of the total number of Subscription Receipts issued under the second tranche of the Financing (excluding all Subscription Receipts sold to participants in the Financing who were designated by TSHI as “President’s List Subscribers”).

At the Effective Time, each Broker Warrant will be exchanged into one Resulting Issuer Broker Warrant. Each Resulting Issuer Broker Warrant exchanged for a Broker Warrant shall entitle the holder thereof to subscribe for one Resulting Issuer Common Share at a price equal to \$2.25 per share for a period of 24 months from the date of the closing of the respective tranche of the Financing.

Pursuant to the terms of the Subscription Receipt Agreement, the gross proceeds from the Financing less: (i) certain permitted expenses of the Agents, and (ii) 50% of the Agents’ Fee (the “**Escrowed Funds**”) have been deposited in escrow with the Subscription Receipt Agent until the satisfaction of certain release conditions, including, without limitation, the following Release Conditions:

- (a) all conditions precedent to the completion of the Proposed Transactions, other than the release of the Escrowed Funds to the Resulting Issuer pursuant to the Subscription Receipt Agreement, have been satisfied, including, without limitation: (a) any necessary government and regulatory approvals; (b) any required shareholder approvals of each of RiseTech and TSHI; and (c) the conditional approval of the TSXV of the Proposed Transactions and the listing of the Resulting Issuer Common Shares to be issued to the subscribers of the Subscription Receipts upon completion of the Proposed Transactions; and
- (b) TSHI and RiseTech having not committed any material breach of the Agency Agreement that has not been cured within five days of TSHI’s receipt or RiseTech’s receipt, as applicable, of written notice from the Co-Lead Agents specifying in reasonable detail the nature of such breach.

As soon as practicable following the satisfaction of the Release Conditions, a joint notice from TSHI and a Co-Lead Agent will be delivered to the Subscription Receipt Agent stating that all conditions precedent to release of Escrowed Funds have been satisfied in full in accordance with the Subscription Receipt Agreement. Following which, at the Effective Time, the Subscription Receipts will be converted into TSHI Common Shares and immediately after exchanged for

Resulting Issuer Common Shares without payment of any additional consideration or any further action on the part of the holder thereof.

In the event that the Release Conditions have not been satisfied or waived prior to 5:00 p.m. (Vancouver time) on January 31, 2021, the subscription funds shall be returned to the applicable holders of the Subscription Receipts together with any interest earned thereon, and such Subscription Receipts shall be automatically cancelled and be of no further force and effect.

The Resulting Issuer intends to use the net proceeds from the Financing to accelerate several strategic growth initiatives aimed at expanding TSHI's existing product portfolio through research and development, strategic partnerships and targeted acquisitions to provide additional software applications, services and support to its growing user community of utilities and for general working capital purposes.

### **Name Change**

In connection with completion of the Proposed Transactions, RiseTech intends to change its name to "Tantalus Systems Holding Inc.".

### **Articles Amendment and Notice of Articles Amendment**

In connection with completion of the Proposed Transactions, RiseTech will amend and restate its articles and amend its notice of articles to, among other things:

- (a) amend the articles of RiseTech to alter provisions relating to alterations to the articles;
- (b) amend the articles of RiseTech to alter provisions to add advance notice provisions for the nomination of directors of RiseTech;
- (c) amend the articles of RiseTech and the notice of articles of RiseTech to create a class of an unlimited number of preferred shares without par value issuable in series; and
- (d) amend the articles of RiseTech to attach special rights and restrictions to the new class of preferred shares.

The following above only provides an overview of the material proposed alterations to RiseTech's articles, as contemplated by the Amended and Restated Articles and is qualified in its entirety by reference to the full text of the Amended and Restated Articles which can be found in the RiseTech Circular which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under RiseTech's profile.

## Interests of any Insider, Promoter or Control Person

The following is a summary of the interests of Insiders of RiseTech, and their respective Associates and Affiliates, before and after giving effect to the Proposed Transactions.

| Insider, Promoter or Control Person (including Associates and Affiliates) | Position                                                      | Number and Percentage of RiseTech Common Shares prior to the Arrangement | Number and Percentage of Resulting Issuer Common Shares upon Completion of the Arrangement |
|---------------------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Manroop Padda                                                             | Chief Executive Officer, Chief Financial Officer and Director | 2,500,000 <sup>(1)</sup><br>(20%)                                        | 152,364<br>(0.39%) <sup>(2)</sup>                                                          |
| Jeffrey D. Booth                                                          | Corporate Secretary and Director                              | 2,500,000 <sup>(1)</sup><br>(20%)                                        | 152,364<br>(0.39%) <sup>(2)</sup>                                                          |
| Keith Spencer                                                             | Director                                                      | 1,000,000 <sup>(1)</sup><br>(8%)                                         | 60,945<br>(0.16%) <sup>(2)</sup>                                                           |
| Hamed Shahbazi                                                            | Director                                                      | 2,500,000 <sup>(1)</sup><br>(20%)                                        | 152,364<br>(0.39%) <sup>(2)</sup>                                                          |
| Tom Liston                                                                | Director                                                      | 1,000,000 <sup>(1)</sup><br>(8%)                                         | 60,945<br>(0.16%) <sup>(2)</sup>                                                           |

### Notes:

- (1) Represents the amount of RiseTech Common Shares held prior to the RiseTech Consolidation.  
(2) Based on 38,859,051 Resulting Issuer Common Shares on a non-diluted basis.

## Arm's Length Qualifying Transaction

The Plan of Arrangement does not constitute a Non-Arm's Length Qualifying Transaction within the meaning of the CPC Policy.

## Estimated Available Funds and Principal Purposes

### *Estimated Available Funds*

Based on information available as at January 28, 2021, upon completion of the Proposed Transactions, the Resulting Issuer is expected to have approximately US\$10,600,000 in Available Funds, which includes the following:

| Estimated Available Funds                                                                       | Amount US\$         |
|-------------------------------------------------------------------------------------------------|---------------------|
| Estimated consolidated Adjusted Working Capital <sup>(1)</sup>                                  | \$4,900,000         |
| Net proceeds from the sale of the Subscription Receipts issued in connection with the Financing | \$5,700,000         |
| <b>Total Estimated Available Funds</b>                                                          | <b>\$10,600,000</b> |

**Notes:**

- (1) Consolidated Adjusted Working Capital is derived from the Pro Forma Financial Statements attached hereto as Schedule “E”.

***Principal Purpose of Funds***

Based on information available as at January 28, 2021, the following table sets forth the principal purposes for which the Available Funds upon completion of the Proposed Transactions will be used and the current estimated amounts to be used for each such principal purpose:

| Principal Use of Available Funds                                    | Amount US\$                       |
|---------------------------------------------------------------------|-----------------------------------|
| Estimated costs related to the Proposed Transactions                | \$1,800,000 <sup>(1)</sup>        |
| General and administrative expenses for 18 months                   | \$8,200,000                       |
| Expansion of product offerings through research and development     | \$500,000                         |
| Development of strategic partnerships and/or strategic acquisitions | \$500,000                         |
| Excess capital reserve and other                                    | \$2,500,000 <sup>(2)</sup>        |
| <b>Total</b>                                                        | <b>\$13,500,000<sup>(2)</sup></b> |

**Notes:**

- (1) Includes Agents’ commissions and estimated expenses in connection with the Financing and estimated legal and accounting fees in connection with the Financing and the Proposed Transactions.
- (2) In addition to the Available Funds made available to the Resulting Issuer following the completion of the Proposed Transactions, additional Adjusted Working Capital is anticipated to be generated from operations of the Resulting Issuer in the ordinary course of business.

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds is necessary in order for the Resulting Issuer to achieve its objectives as set out in this Filing Statement.

**Selected Pro-Forma Consolidated Financial Information**

The following table sets out certain financial information for RiseTech and TSHI as at September 30, 2020 after giving effect to the Proposed Transactions as if such events had occurred on the Effective Date for balance sheet purposes.

| Pro Forma Balance Sheet   | TSHI as at September 30, 2020 (US\$) | TSHI as at September 30, 2020 giving effect to the Financing (US\$) | RiseTech as at September 30, 2020 <sup>(1)</sup> (US\$) | Pro Forma Adjustments (US\$) | Pro Forma Consolidated (US\$) |
|---------------------------|--------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------|------------------------------|-------------------------------|
| Cash and cash equivalents | \$3,225,478                          | \$8,943,093                                                         | \$365,546                                               | \$5,717,615                  | \$9,308,639                   |
| Other current assets      | \$13,812,625                         | \$13,812,625                                                        | \$5,040                                                 | -                            | \$13,817,665                  |
| Non-current assets        | \$3,023,851                          | \$3,023,851                                                         | -                                                       | -                            | \$3,023,851                   |
| <b>Total Assets</b>       | <b>\$20,061,954</b>                  | <b>\$25,779,569</b>                                                 | <b>\$370,586</b>                                        | <b>\$5,717,615</b>           | <b>\$26,150,155</b>           |

| <b>Pro Forma<br/>Balance Sheet</b> | <b>TSHI as at<br/>September 30,<br/>2020<br/>(US\$)</b> | <b>TSHI as at<br/>September<br/>30, 2020<br/>giving effect<br/>to the<br/>Financing<br/>(US\$)</b> | <b>RiseTech as at<br/>September 30,<br/>2020<sup>(1)</sup><br/>(US\$)</b> | <b>Pro Forma<br/>Adjustments<br/>(US\$)</b> | <b>Pro Forma<br/>Consolidated<br/>(US\$)</b> |
|------------------------------------|---------------------------------------------------------|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------------|----------------------------------------------|
| Current liabilities                | \$20,600,700                                            | \$12,416,000                                                                                       | \$75,196                                                                  | (\$8,184,700)                               | \$12,491,196                                 |
| Non-current<br>liabilities         | \$686,287                                               | \$8,870,987                                                                                        | -                                                                         | \$8,184,700                                 | \$8,870,987                                  |
| <b>Total Liabilities</b>           | <b>\$21,286,987</b>                                     | <b>\$21,286,987</b>                                                                                | <b>\$75,196</b>                                                           | -                                           | <b>\$21,362,183</b>                          |
| Shareholders'<br>Equity            | (\$1,225,033)                                           | \$4,492,582                                                                                        | \$295,390                                                                 | \$5,717,615                                 | \$4,787,972                                  |

**Notes:**

- (1) Canadian dollar amounts converted at CAD to US\$ foreign exchange rate of 0.7551 as per the Bank of Canada daily average exchange rates as at September 30, 2020.

## **Market for Securities and Market Price**

The RiseTech Common Shares are listed on the TSXV under the trading symbol “RTCC.P”. The closing market price of the RiseTech Common Shares on the last day on which there was a trade of RiseTech Common Shares prior to the announcement of the Proposed Transactions on September 9, 2020 was \$0.09. It is anticipated that the RiseTech Common Shares will resume trading on the TSXV upon completion of the Proposed Transactions, as the Resulting Issuer Common Shares, under the symbol “GRID”.

The TSHI Common Shares are not listed on any stock exchange and there is currently no public market for TSHI Common Shares.

## **Conflicts of Interest**

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon completion of the Proposed Transactions are also directors, officers and/or Promoters of other reporting and non-reporting issuers. To the knowledge of the directors and officers of RiseTech and TSHI, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals proposed for appointment as directors or officers upon completion of the Proposed Transactions, as of the date of this Filing Statement.

## **Interests of Experts**

No person or Company whose profession or business gives authority to a statement made by the person or Company and who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described or included in this Filing Statement currently holds, directly or indirectly, more than 1% of the RiseTech Common Shares or TSHI Common Shares, or holds any property of RiseTech or TSHI or of an Associate or Affiliate of RiseTech or TSHI and no such person is expected to be elected, appointed or employed as director, senior officer or employee of RiseTech or TSHI or of an Associate or Affiliate of the Resulting

Issuer and no such person is a Promoter of RiseTech or TSHI or an Associate or Affiliate of RiseTech or TSHI.

### **Conditional Listing Approval**

The TSXV has conditionally approved the Plan of Arrangement as the Qualifying Transaction for RiseTech subject to RiseTech fulfilling all the requirements of the TSXV on or before April 28, 2021.

### **RiseTech Meeting**

On or about November 23, 2020, RiseTech mailed to RiseTech Shareholders the RiseTech Circular. At the RiseTech Meeting, the RiseTech Shareholders approved resolutions in respect of the following matters:

- (i) to receive and consider the consolidated audited financial statements of RiseTech; together with the auditor's report thereon, for the fiscal year ended December 31, 2019;
- (ii) to appoint the auditor of RiseTech for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditor;
- (iii) to consider and, if thought advisable, to pass an ordinary resolution to approve the RiseTech Option Plan;
- (iv) to consider and, if thought fit, to pass an ordinary resolution ratifying the adoption of the Resulting Issuer Incentive Plan;
- (v) to consider and, if thought fit, to pass a special resolution to change the name of RiseTech to "Tantalus Systems Holding Inc.";
- (vi) to consider and, if thought fit, to pass a special resolution approving the RiseTech Consolidation;
- (vii) to consider, and if thought fit, to pass a special resolution authorizing the Articles Amendment and the Notice of Articles Amendment; and
- (viii) to transact such other business as may properly come before the RiseTech Meeting or any adjournment or postponements thereof.

The current directors of RiseTech have no intention of acting upon the authority granted to them with respect to matters (iv) through (vii) if the Proposed Transactions are not completed. The above information only provides an overview of the matters to be approved by shareholders of RiseTech at the RiseTech Meeting and is qualified in its entirety by reference to the full text of the RiseTech Circular which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under RiseTech's profile.

### **Summary Risk Factors**

The following is a summary of certain risk factors applicable to RiseTech, TSHI and the Resulting Issuer. The risks presented in this Filing Statement should not be considered to be exhaustive and may not be all of the risks that the Resulting Issuer and TSHI may face. See "*Risk Factors*".

Business risks including:

- the impacts of COVID-19 are unpredictable and could have significant impacts on TSHI's financial performance;
- sales cycles to TSHI's customers can be lengthy and unpredictable and require significant employee time with no assurances that a prospective customer will select TSHI's products and services;
- TSHI's financial and operational performance significantly depends on its ability to attract and retain customers and its ability to develop new products and to enhance and sustain the quality of existing products to retain such customers;
- TSHI depends on a limited number of key suppliers and if such suppliers fail to provide TSHI with sufficient quantities of components at acceptable levels of quality and at anticipated costs, TSHI's revenue and operating results could be materially and adversely affected;
- TSHI has a prior history of operating losses and TSHI may not sustain profitability on a quarterly or annual basis;
- TSHI's quarterly results are inherently unpredictable and subject to substantial fluctuations;
- TSHI's success depends in part on TSHI's ability to integrate its technology into devices and its relationship with device manufacturers;
- TSHI's marketing efforts depend significantly on TSHI's ability to receive positive references from TSHI's existing customers;
- the markets for TSHI's products and services, smart grid, smart city, and broader IoT technology in general, are still developing. If the markets develop less extensively or more slowly than TSHI expects, TSHI's business could be harmed;
- TSHI operates in a highly competitive industry and TSHI competes against many companies with substantially greater financial and other resources, and TSHI's market share and results of operations may be reduced if TSHI is unable to respond to competitors effectively;
- TSHI is dependent on the utility industry, which has experienced volatility in capital spending. This volatility could cause TSHI's results of operations to vary significantly from period to period;
- TSHI's reliance on certain infrastructure and information technology systems make it vulnerable to the potential adverse effects of cyber-attacks and other breaches;
- if TSHI's products contain defects or otherwise fail to perform as expected, TSHI could be liable for damages and incur unanticipated warranty, recall and other related expenses, TSHI's reputation could be damaged, TSHI could lose market

share and, as a result, TSHI's financial condition or results of operations could suffer;

- the nature of TSHI's business exposes it to the unpredictable risks of contractual disputes;
- the loss of key employees and the inability to attract and retain qualified personnel could harm TSHI's business;
- TSHI's business is exposed to potential risks associated with international sales and operations;
- foreign exchange rate fluctuations could harm TSHI's results or operations;
- TSHI and its customers operate in a highly regulated business environment and changes in regulation could impose costs on TSHI or make TSHI's products less economical;
- TSHI's inability to acquire and integrate other businesses, products or technologies could seriously harm TSHI's competitive position;
- intellectual property infringement claims could be costly and time-consuming to prosecute or defend;
- substantially all of TSHI's current products depend on the availability and are subject to the regulation of radio spectrum in the United States and abroad; and
- interruptions or delays in services from TSHI's third-party data center facilities, or problems with the third-party hardware or software that TSHI employs, could impair the delivery of its services and harm TSHI's business.

Risks related to the Resulting Issuer Common Shares and completion of the Proposed Transactions including:

- there has been no public market for the Resulting Issuer Common Shares and the market price for the Resulting Issuer Common Shares may be volatile;
- as a public company, TSHI will become subject to new requirements, laws or rules that will increase both its costs and the risk of non-compliance;
- significant sales of Resulting Issuer Common Shares could cause the market price of the Resulting Issuer Common Shares to drop significantly regardless of TSHI's financial performance;
- the market price of the Resulting Issuer Common Shares may fluctuate as a result of reports and publications made by trading analysts; and
- the Arrangement Agreement may be terminated.

## PART I – INFORMATION CONCERNING RISETECH

### Corporate Structure

#### *Name and Incorporation*

RiseTech was incorporated pursuant to the provisions of the BCBCA on February 26, 2018. The RiseTech Common Shares were first listed for trading on the TSXV under the symbol “RTCC.P” on November 21, 2018. The head office and the registered and records office of RiseTech is located at 2900 – 550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

### General Development of the Business

#### *History*

RiseTech is a CPC created pursuant to the policies of the TSXV. RiseTech does not own any assets, other than cash or cash equivalents and its rights under the Arrangement Agreement. The principal business of RiseTech is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance by the TSXV so as to complete a Qualifying Transaction in accordance with the policies of the TSXV.

RiseTech completed its IPO on November 21, 2018, and the RiseTech Common Shares were listed on the TSXV on November 21, 2018 and began trading on November 23, 2018. On September 8, 2020, trading in the RiseTech Common Shares was halted in connection with the announcement of the Proposed Transactions. Trading remains halted as of the date of this Filing Statement.

### Selected Consolidated Financial Information and Management’s Discussion and Analysis

#### *Selected Financial Information*

Since incorporation, RiseTech has incurred costs in carrying out its IPO, in seeking, evaluating and negotiating potential Qualifying Transactions, and in meeting the disclosure obligations imposed upon it as a reporting issuer listed for trading on the TSXV.

The following tables set forth selected historical financial information for RiseTech for the years ended December 31, 2019 and 2018 and for the unaudited financial statements for the nine month period ended September 30, 2020. The following tables also include selected balance sheet data and the statement of loss data for such periods. The financial statements of RiseTech have been prepared in accordance with IFRS and are denominated in Canadian dollars. Such information is derived from the RiseTech Financial Statements and should be read in conjunction with the RiseTech Financial Statements, attached hereto as Schedule “A”.

| Balance Sheet Data        | As at September 30, 2020<br>(C\$) | As at December 31, 2019<br>(C\$) | As at December 31, 2018<br>(C\$) |
|---------------------------|-----------------------------------|----------------------------------|----------------------------------|
| Cash and cash equivalents | 484,093                           | 516,134                          | 635,656                          |
| Total assets              | 490,767                           | 523,312                          | 658,889                          |
| Total liabilities         | 99,582                            | 30,761                           | 64,238                           |
| Shareholders’ equity      | 391,185                           | 492,551                          | 594,651                          |

| Statement of Loss Data | For the nine-month period<br>ended September 30, 2020<br>(C\$) | For the year ended<br>December 31, 2019<br>(C\$) | For the year ended<br>December 31, 2018<br>(C\$) |
|------------------------|----------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Total income           | 6,876                                                          | 7,178                                            | -                                                |
| Total expenses         | 137,707                                                        | 109,278                                          | 109,764                                          |
| Net income (loss)      | (130,831)                                                      | (102,100)                                        | (109,764)                                        |

### ***Management's Discussion and Analysis***

The RiseTech MD&A for the year ended December 31, 2019 and for the period from incorporation on February 26, 2018 to December 31, 2018, and for the three and nine month periods ended September 30, 2020 and September 30, 2019, are attached hereto as Schedule "B". The RiseTech MD&A should be read in conjunction with the RiseTech Financial Statements where necessary.

### **Description of the Securities**

#### ***RiseTech Shares***

RiseTech is authorized to issue an unlimited number of RiseTech Common Shares, of which 12,590,280 RiseTech Common Shares are issued and outstanding as of the date hereof. In addition, as of the date hereof, 300,000 RiseTech Options are outstanding and up to 1,950,000 RiseTech Common Shares are reserved for issuance upon exercise of the RiseTech Options granted to directors and officers of RiseTech.

The holders of RiseTech Common Shares are entitled to dividends if, as and when declared by the RiseTech Board to receive notice of and one vote per RiseTech Common Share at meetings of the RiseTech Shareholders and, upon liquidation, dissolution or winding up of RiseTech, to share rateably in such assets of RiseTech as are distributable to the holders of RiseTech Common Shares. All RiseTech Common Shares which are to be outstanding after completion of the Proposed Transactions will be fully paid and non-assessable, and will not be subject to any pre-emptive rights, conversion or exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a RiseTech Shareholder to contribute additional capital. This summary does not purport to be complete and reference is made to the notice of articles and articles of RiseTech for a complete description of these securities and the full text of their provisions.

### **Stock Option Plan**

#### ***Summary of Plan***

The principal purposes of the RiseTech Option Plan are to provide RiseTech with the advantages of the incentive inherent in share ownership on the part of directors, employees and consultants of RiseTech and its subsidiaries responsible for the continued success of RiseTech and its subsidiaries; to create in them a proprietary interest in, and a greater concern for, the welfare and success of RiseTech and its subsidiaries; to encourage them to remain with RiseTech or its

subsidiaries; and to attract new directors, employees and consultants to RiseTech and its subsidiaries.

As permitted by the policies of the TSXV, the RiseTech Option Plan provides for a rolling maximum limit of 10% of the issued and outstanding RiseTech Common Shares at the time of grant. The RiseTech Option Plan provides that the RiseTech Board may from time to time, in its discretion and in accordance with the requirements of the TSXV, grant to directors, officers, employees and consultants of RiseTech and its subsidiaries, non-transferable options to purchase RiseTech Common Shares, provided that the number of RiseTech Common Shares reserved for issuance will not exceed 10% of the issued and outstanding RiseTech Common Shares. Such options are exercisable for a period of up to ten years from the date of grant.

Upon completion of the Proposed Transactions, the maximum number of RiseTech Common Shares reserved for issue to any one person under the RiseTech Option Plan in a twelve-month period cannot exceed 5% of the issued and outstanding number of RiseTech Common Shares at the time of the grant and the maximum number of RiseTech Common Shares reserved for issuance to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of RiseTech Common Shares at the date of the grant.

Prior to the completion of the Proposed Transactions, the RiseTech Board may grant options only to directors, officers and consultants. Options are non-assignable and non-transferable. For the purposes of the shareholder approvals required under the RiseTech Option Plan, “disinterested shareholder approval” means approval by a majority of votes cast by all shareholders at a meeting, excluding votes attached to RiseTech Common Shares beneficially owned by Insiders of RiseTech to whom stock options may be granted pursuant to the RiseTech Option Plan and their associates in accordance with the policies of the TSXV.

If an optionee ceases to be employed by RiseTech or ceases to act as a director, officer or consultant of RiseTech, any unvested options held by such optionee shall immediately cease and terminate on the date such optionee ceases to be in at least one of such positions. All vested options held by such optionee shall cease and terminate on the earlier of (i) the 90th day following the termination date, (ii) a date which is provided for in such optionee’s option agreement and, (iii) the expiry date of the option. If an optionee ceases to be an optionee in the case of death, all options expire on the earlier of (i) one year following such death, (ii) a date provided for in the option agreement and, (iii) the expiry date of the option. Upon death, the options may be exercised by legal representatives or designated beneficiaries of the holder of the option. In the event of termination for cause, the option shall terminate and shall cease to be exercisable immediately upon such termination for cause.

While RiseTech is a CPC, if an optionee ceases to be employed by RiseTech or ceases to act as a director, officer or consultant of RiseTech following the completion of a Qualifying Transaction, the options shall cease and terminate on the earlier of (i) the later of one year following the completion of a Qualifying Transaction and the 90<sup>th</sup> day following the termination date, (ii) a date provided for in the option agreement and, (iii) the expiry date of the option. Any RiseTech Common Shares acquired pursuant to the exercise of options prior to the completion of a Qualifying Transaction must be deposited in escrow and will be subject to escrow restrictions until the TSXV issues a bulletin evidencing the final acceptance of a Qualifying Transaction. The RiseTech Board may determine the exercise prices for the stock options granted according to its own discretion subject to the policies of the TSXV.

The vesting schedule for RiseTech Options granted, if any, shall be determined by the RiseTech Board according to its own discretion subject to the policies of the TSXV and shall be set out in the option certificate issued in respect of the stock option. The RiseTech Board may elect, at any time, to accelerate the vesting schedule for one or more RiseTech Options.

On December 18, 2020, the RiseTech Shareholders approved the Resulting Issuer Incentive Plan, which will be the Resulting Issuer's option plan upon completion of the Proposed Transactions.

### Stock Options Granted

As of the date of this Filing Statement, there are outstanding RiseTech Options to acquire an aggregate of 300,000 RiseTech Common Shares issued as follows:

| Name          | Number of RiseTech Common Shares Under Option | Exercise Price of Common Share | Expiry Date        |
|---------------|-----------------------------------------------|--------------------------------|--------------------|
| Tom Liston    | 200,000 <sup>(1)</sup>                        | \$0.10                         | September 28, 2030 |
| Manroop Padda | 100,000 <sup>(1)</sup>                        | \$0.10                         | September 28, 2030 |
| <b>Total</b>  | 300,000 <sup>(1)</sup>                        | -                              | -                  |

**Notes:**

- (1) Represents the amount of RiseTech Options held prior to the RiseTech Consolidation.

### Prior Sales

Since the date of incorporation of RiseTech on February 26, 2018, 12,900,000 securities in the capital of RiseTech have been issued as follows:

| Date of Issuance   | Security        | Issuance/Exercise Price per Security | Number of Securities      |
|--------------------|-----------------|--------------------------------------|---------------------------|
| February 26, 2018  | Common Shares   | \$0.05                               | 10,000,000 <sup>(1)</sup> |
| November 21, 2018  | Common Shares   | \$0.10                               | 2,000,000                 |
| November 21, 2018  | Broker Warrants | \$0.10                               | 100,000 <sup>(2)</sup>    |
| December 7, 2018   | Common Shares   | \$0.10                               | 500,000                   |
| September 28, 2020 | Options         | \$0.10                               | 300,000 <sup>(3)</sup>    |
| November 9, 2020   | Common Shares   | \$0.10                               | 90,280 <sup>(4)</sup>     |

**Notes:**

- (1) Includes the issuance of 9,500,000 RiseTech Common Shares to Manroop Padda, Jeffrey D. Booth, Keith Spencer, Hamed Shabazi and Tom Liston, all of whom are Non-Arm's Length Parties of RiseTech. See "*Part I – Information Concerning RiseTech – Interests of any Insider, Promoter or Control Person*".
- (2) Represents the warrants issued to PI Financial pursuant to the IPO. These warrants were subsequently exercised in part and the remainder expired on November 21, 2020.
- (3) Represents the issuance of RiseTech Options to Manroop Padda and Tom Liston, both Non-Arm's Length Parties of RiseTech. See "*Part I – Information Concerning RiseTech – Stock Options Granted*".
- (4) Represents the issuance of 90,280 RiseTech Common Shares issued to PI Financial pursuant to the exercise of warrants.

## Stock Exchange Price

On November 21, 2018 the RiseTech Common Shares were listed on the TSXV under the symbol “RTCC.P”. On September 8, 2020 trading in the RiseTech Common Shares was halted in connection with the announcement of the Arrangement. Trading remains halted as of the date of this Filing Statement. Upon completion of the Plan of Arrangement, it is anticipated that the RiseTech Common Shares will be listed on the TSXV under the symbol “GRID”.

The following table sets out trading information for the RiseTech Common Shares on the TSXV for the periods indicated:

| Period                             | High<br>(\$)       | Low<br>(\$)        | Volume             |
|------------------------------------|--------------------|--------------------|--------------------|
| October 2018 – December 2018       | N/A                | N/A                | 0                  |
| January 2019 - March 2019          | 0.15               | 0.10               | 34,250             |
| April 2019 - June 2019             | N/A                | N/A                | 0                  |
| July 2019 – September 2019         | N/A                | N/A                | 0                  |
| October 2019 – December 2019       | 0.11               | 0.03               | 64,000             |
| January 2020 - March 2020          | N/A                | N/A                | 0                  |
| April 2020 - June 2020             | N/A                | N/A                | 0                  |
| July 2020                          | 0.13               | 0.11               | 30,000             |
| August 2020                        | 0.10               | 0.10               | 7,000              |
| September 2020                     | N/A <sup>(1)</sup> | N/A <sup>(1)</sup> | N/A <sup>(1)</sup> |
| October 2020                       | N/A <sup>(1)</sup> | N/A <sup>(1)</sup> | N/A <sup>(1)</sup> |
| November 2020                      | N/A <sup>(1)</sup> | N/A <sup>(1)</sup> | N/A <sup>(1)</sup> |
| December 2020                      | N/A <sup>(1)</sup> | N/A <sup>(1)</sup> | N/A <sup>(1)</sup> |
| January 1, 2021 – January 28, 2021 | N/A <sup>(1)</sup> | N/A <sup>(1)</sup> | N/A <sup>(1)</sup> |

### Notes:

(1) Trading of the Common Shares has been halted since September 8, 2020.

## Arm’s Length Transaction

The Plan of Arrangement does not constitute a Non-Arm’s Length Qualifying Transaction within the meaning of the CPC Policy.

## Legal Proceedings

There are no legal proceedings material to RiseTech to which RiseTech is a party to or of which any of its property is the subject matter, and there are no such proceedings known to RiseTech to be contemplated.

## Auditor, Transfer Agent And Registrar

The auditors of RiseTech are Baker Tilly WM LLP located at 900 – 400 Burrard Street, Vancouver, British Columbia, V6C 3B7.

The transfer agent and registrar for the RiseTech Common Shares is TSX Trust Company at its principal office at 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1.

### **Material Contracts**

RiseTech has not entered into any material contracts and will not enter into any material contracts prior to the closing of the Proposed Transactions, other than:

- Transfer Agent, Registrar and Disbursing Agent Agreement;
- CPC Escrow Agreement;
- Arrangement Agreement; and
- Agency Agreement.

Copies of these agreements are available for inspection at the head office of RiseTech, at Suite 2900 – 550 Burrard Street, Vancouver, British Columbia V6C 0A3, during ordinary business hours until the closing of the Plan of Arrangement and for a period of 30 days thereafter.

## **PART II – INFORMATION CONCERNING TSHI**

### **Corporate Structure**

#### ***Name and Incorporation***

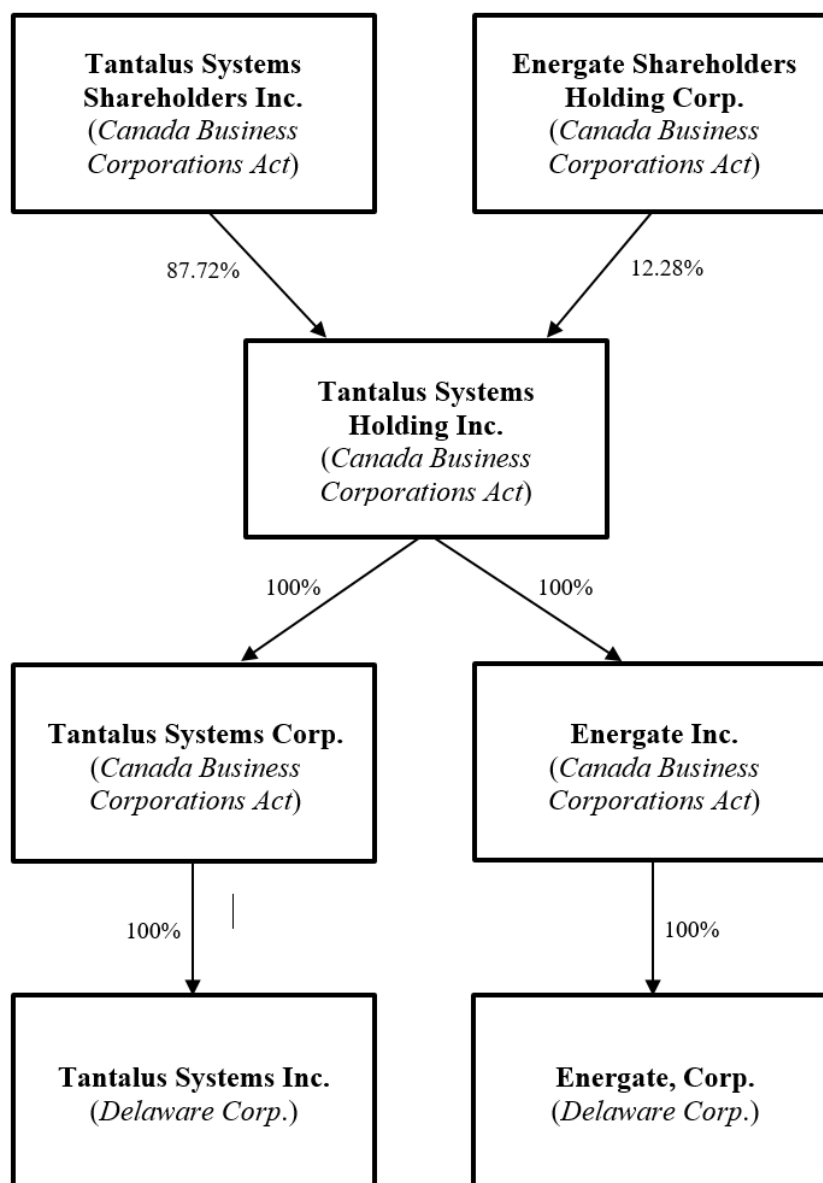
TSSI was incorporated pursuant to the provisions of the CBCA on July 20, 2017 under the name “Tantalus Systems Shareholders Inc.”. TSSI is a holding company which holds 87.72% of the shares in the capital TSHI. One other shareholder, Energate Shareholders Holding Corp., holds the remaining 12.28% of the shares in the capital of TSHI. TSSI’s registered office and its head office are at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada.

TSHI was incorporated pursuant to the provisions of the CBCA on July 26, 2017 under the name “Tantalus Systems Holding Inc.”. TSHI’s business operations are in Canada and in the United States. TSHI’s registered office and its head office is at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada. TSHI is not a “reporting issuer” under applicable securities legislation and its securities are not listed for trading on any stock exchange.

TSHI has two operating subsidiaries: TSC and Energate Inc. TSC provides smart grid and AMI solutions in order to serve public power and electric cooperative utilities in Canada. TSC was formed through the amalgamation of 1127485 B.C. Ltd. and Tantalus Systems Corp. on July 24, 2017 under the BCBCA under the name “Tantalus Systems Corp.”. TSC was subsequently continued into the CBCA on August 15, 2017. TSC’s registered office and its head office are at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada. TSC has one wholly-owned operating subsidiary, TSI, which provides the same services as TSC, but whose operations are based in the United States. TSI was incorporated under the laws of Delaware on May 12, 2010 under the name “Tantalus Systems Inc.” and has its head office at 1130 Situs Court, Suite 230, Raleigh, North Carolina, 27606, United States and its registered office at 1209 Orange St, Wilmington, Delaware, 19801, United States.

TSHI's other wholly-owned subsidiary, Energate Inc., provides interactive energy management applications and products for utilities and their residential customers. Energate Inc. was formed through the amalgamation of 2586851 Ontario Inc. and Energate Inc. on July 24, 2017 under the *Business Corporations Act* (Ontario) under the name "Energate Inc." and was subsequently continued into the CBCA on August 15, 2017. Energate Inc.'s registered office and its head office are at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada and has its registered office at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada. Energate Inc. has one wholly-owned subsidiary, Energate, Corp., which is currently inactive as of the date of this Filing Statement. Energate, Corp. was incorporated under the laws of Delaware on August 6, 2010 under the name "Energate, Corp." and has its head office at 1130 Situs Court, Suite 230, Raleigh, North Carolina, 27606, United States and its registered office at 1209 Orange St, Wilmington, Delaware, 19801, United States.

### ***Intercorporate Relationships***



## Development and Description of the Business

### *History*

Over the past three decades, TSHI and its predecessor entities have delivered mission-critical technology solutions that enhance the safety, security, reliability and efficiency of public power and electric cooperative utilities across North America and the Caribbean Basin. By leveraging technology, Tantalus empowers utilities to transform their distribution grids from systems designed to support one-way power flow into a connected network of devices capable of supporting multi-directional power flow from solar panels, distributed storage and electric vehicles. The solutions offered by Tantalus enable utilities to engage proactively with their customers and members to be more responsive and reliable, pinpoint where to make capital investments to improve the resiliency of their grids and generate cost savings by streamlining system operations. Tantalus' comprehensive suite of smart grid solutions includes advanced metering infrastructure, demand-management technologies, data analytics, distribution automation and street lighting control systems - a broad portfolio built purposefully to support smart community initiatives essential to both the near-term and long-term success of the utilities Tantalus supports and the communities they serve.

TSHI was incorporated on July 26, 2017 pursuant to the provisions of the CBCA in connection with the reorganization of certain Tantalus entities and the concurrent purchase of Energate Inc. pursuant to a share purchase agreement and related transaction documents among, *inter alia*, TSSI, Energate Shareholders Holding Corp. and TSHI, whereby TSHI subsequently acquired all of the issued and outstanding shares of Energate Inc. and Energate Inc.'s subsequent incorporation into the TSHI portfolio of entities. See "*Corporate Structure*" above for further details on the current corporate structure and history of TSHI.

In connection with the acquisition of Energate Inc., TSHI was able to expand its technology solution offering to include comprehensive load management to TSHI's existing smart grid solutions in order to deliver an expanded suite of smart grid solutions to the public power and electric cooperative utility market segment. See "*Narrative Description of the Business*" below for further details on TSHI's business.

Except as described below, since July 26, 2017 and the acquisition of Energate Inc., no major events or conditions that have influenced the general development of TSHI's business have occurred. Instead TSHI has focused on the integration of the Energate Inc. product offering and expanding its business through accretive growth. In particular, TSHI has focused on the following corporate initiatives:

- Focusing its attention and product offering on continuing to develop and deliver smart grid solutions to the public power and electric cooperative utility market segment across North America and the Caribbean Basin.
- Continuing to expand its solutions to support utilities transforming their legacy distribution grids to help improve stability, reliability and efficiency of delivering electricity, water and gas to residential, commercial and industrial customers.

- Expanding its product portfolio through partnerships focused on diversifying types of endpoints that can be integrated onto TSHI's smart grid network, including additional electric meters, water meters, distribution automation equipment and lighting fixtures.

In connection with these corporate initiatives, TSHI has expanded its user community of utility customers, adding on average 20 new utilities per year over the last 5 years, and currently supports over 180 utilities as of the date of this Filing Statement. TSHI's growth through these corporate initiatives has also been assisted through its partnerships with several Joint Action Agencies across the United States. Joint Action Agencies are a resource that municipal distribution utilities can use to help accomplish their goals of providing reliable, safe and low-cost electric supply and services to their communities in an efficient and effective manner. Joint Action Agencies also provide a strong pipeline of customers and future potential customers to TSHI.

On August 17, 2020, TSHI hired George Reznik as its Chief Financial Officer to assist TSHI's transition with, among other things, its proposed going public transaction and listing on the Exchange. For further details on Mr. Reznik, including his qualifications, please see "*Part III – Information Concerning the Resulting Issuer – Management*".

On September 8, 2020, TSHI and RiseTech entered into a non-binding letter of intent, pursuant to which the parties agreed to complete a plan of arrangement, merger, amalgamation, share exchange and/or other similar transaction.

On November 19, 2020, TSHI and RiseTech entered into the Arrangement Agreement pursuant to which the parties agreed to complete the Plan of Arrangement. On November 19, 2020, TSHI also announced the completion of the Financing.

For a discussion of expected changes to the business of TSHI in the current financial year, please see "*Narrative Description of the Business – Growth Through Acquisition*" below.

### ***Significant Acquisitions and Dispositions***

No significant acquisitions or dispositions were made by TSHI in the year ended December 31, 2020 or, as of the date of this Filing Statement, in the 2021 financial year.

## **Narrative Description of the Business**

### ***General***

TSHI develops and delivers technology solutions to help public power and electric cooperative utilities digitally transform and automate their distribution grids, helping make their systems more reliable, stable and efficient. TSHI's solutions are specifically designed to help utilities transition from aging one-way distribution grids to multi-directional intelligent systems capable of meeting the changing expectations of customers. TSHI's technology solutions establish smart grids for utilities which consist of an intelligent network of connected devices that work in a coordinated manner to provide visibility to the utility of changes in the flow, consumption and quality of power and water through a comprehensive industrial IoT communications network, edge computing endpoints and software applications that are used across all departments within a utility. By

leveraging TSHI's technology solutions, utilities are positioned to transform their distribution grids into an intelligent network that:

- safely and reliably delivers electricity, water and gas to residential, commercial and industrial customers and communities;
- prepares for the broad adoption of renewable and distributed energy resources such as solar panels, distributed storage and electric vehicles which impact the flow of power across existing one-way distribution grids;
- empowers the utility to efficiently respond to service interruptions resulting from severe storms or major events;
- enables proactive and personalized engagement with the utility's customers and members; and
- integrates additional capabilities to create smarter community infrastructure.

### *Growth Through Acquisition*

TSHI intends to expand its business through organic initiatives as well as targeting strategic acquisitions that have complementary technologies to assist in the acceleration of TSHI's growth trajectory. TSHI expects that in most instances, these acquisitions will provide TSHI with an already installed base of utility customers, sources of revenue, intellectual property and human capital resources. TSHI's management team has a history of successfully acquiring companies to scale a business and will utilize its broad network to source opportunities and apply a rigorous analysis focusing on the following four key characteristics:

1. ensuring the acquiree's team members have a strong intellectual capital baseline that will fit within TSHI's corporate culture;
2. ensuring the acquiree has an attractive current and future market opportunity that expands TSHI's total addressable market opportunities;
3. ensuring the acquiree has a scalable base technology that can be seamlessly integrated with TSHI's existing capabilities; and,
4. ensuring the transactions can be executed in a responsible manner at sensible economics, including, among other things, price and terms.

TSHI intends to pursue transactions that are accretive to the existing business of TSHI, unless a unique strategic opportunity becomes available where the expected increase in the enterprise value over the long-term outweighs the short-term financial impact.

TSHI intends to also actively continue to target businesses with a variety of capital structures, including privately-held companies.

### ***Principal Products and Services***

TSHI has two operating segments that collectively deliver TSHI's technology solutions to utilities. An operating segment is a component of the group that engages in business activities from which TSHI may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of TSHI's other components, and for which discrete financial information is

available. All operating segment results are regularly reviewed by TSHI's chief operating decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance. TSHI's two operating segments consist of:

1. *Connected Devices and Infrastructure*: This segment is responsible for the sale of TSHI's proprietary edge-computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, load control switches, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of TSHI's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / IoT smart grid including base stations, repeaters and collector.
2. *Utility Applications and Services*: This segment is responsible for the sale of TSHI's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services.

For the year ended December 31, 2019, the Company generated total revenue of US\$41,588,462. For the year ended December 31, 2019, Connected Devices and Infrastructure accounted for US\$28,984,477 in revenue, which was equivalent to 70% of TSHI's total consolidated revenues for the year ended December 31, 2019. For the year ended December 31, 2018, Connected Devices and Infrastructure accounted for US\$28,548,624 in revenue, which was equivalent to 71% of TSHI's total consolidated revenues for the year ended December 31, 2018. For the year ended December 31, 2018, the Company generated total revenue of US\$40,412,821.

For the year ended December 31, 2019, Utility Applications and Services accounted for US\$12,603,985 in revenue, which was equivalent to 30% of TSHI's total consolidated revenues for the year ended December 31, 2019. For the year ended December 31, 2018, Utility Applications and Services accounted for US\$11,864,197 in revenue, which was equivalent to 29% of TSHI's total consolidated revenues for the year ended December 31, 2018.

The principal markets for TSHI's proprietary technology solutions consist of public power and electric cooperative utilities across North America and the Caribbean Basin. TSHI utilizes the following methods to distribute its technology solutions into this market:

- a direct sales force consisting of Regional Sales Managers and Account Managers who are employees of TSHI; and,
- a group of sales channel partners distributed regionally consisting of manufacturer representatives and resellers of TSHI's solutions.

## ***Operations***

### ***Overview of Connected Devices and Infrastructure***

TSHI designs, builds and deploys connected devices and IoT communications network infrastructure to help utilities access data across their distribution grid to gain visibility and control

of the flow of power from substations to residential premises and commercial and industrial facilities. TSHI's devices are deployed at utilities for an extended period of time, establishing a long-term relationship between TSHI and each utility TSHI supports. TSHI's Connected Devices and Infrastructure include:

1. *TRUEdge® Communication Modules:* At the edge of TSHI's TUNet® communications network lies its edge computing capabilities to help enable utilities to access granular data, control devices, run analytics, optimize their grids and resolve issues at the edge of their grids. TSHI's edge computing platform is delivered through a communications module which TSHI refers to as TRUEdge®, which offers a comprehensive, Linux-based platform integrated into networked devices including meters, sensors, controllers and switches deployed across the utility's distribution grid, facilitating near real-time two-way secure communication of operational information.

The TRUEdge® module transforms devices deployed throughout a utility's distribution grid into intelligent endpoints to help the utility send and receive granular data to support a number of operational tools and applications in order to help make informed decisions based on distributed intelligence. Distributed intelligence delivered through TRUEdge® has the ability to analyze more granular data at the endpoint, make decisions, and take actions by managing and controlling devices without having to ship all of the data to the central server. TRUEdge® modules are intended to help utilities manage and control specific endpoint devices by turning on or off power at a meter, adjusting the power cycle of appliances such as air conditioning, hot water heaters and irrigation pumps and also managing and controlling distributed energy resources installed at homes and buildings including roof-top solar panels, electric vehicles and distributed battery storage.

2. *Tantalus Utility Network (TUNet®) Infrastructure Devices:* TSHI's IoT communications network is a robust communications network providing coverage certainty to connect intelligent edge-computing devices across a utility's footprint including electric, water and gas meters, load control devices that monitor and control appliances with thermal load profiles such as air conditioning units, hot water heaters and irrigation pumps, street and security lighting leveraging LED fixtures and distribution automation equipment. By deploying TUNet®, utilities are able to collect near real-time data and control endpoints to improve the stability, efficiency and reliability of their distribution grids. Collectively, the TUNet® communications network powers multiple smart grid applications.

### *Overview of Utility Applications and Services*

Once TSHI's Connected Devices and Infrastructure are deployed across a utility's distribution grid, the utility then leverages a suite of proprietary enterprise software applications and professional software from TSHI. The TSHI suite of proprietary enterprise software applications are referred to as "Utility Applications". In addition to Utility Applications, TSHI also offers Services, which include a suite of professional services to support the deployment and management of TSHI's technology solutions.

## Overview of Utility Applications: Enterprise Software Applications

TSHI's Utility Applications is a suite of enterprise software that has two primary components including the TCC and TUNet® Insight. TSHI's TCC is utilized by all departments across every utility TSHI supports. The TCC accumulates and processes the data that has been pushed from the TUNet® communications network in near real-time. The TCC provides a central database and is designed to collect and accommodate large amounts of data.

As part of TSHI's enterprise software, utilities also leverage a comprehensive user interface referred to as TUNet® Insight, which is a digital user interface delivering a visualization tool that allows utilities to fully monitor and control the TUNet® system. Built on the foundation of the TCC, TUNet® Insight is intended to add even greater value to the existing suite of TSHI infrastructure products and offers more precise management of distribution networks, intelligent endpoints, and smart communication networks. To remain sustainable, municipalities and electric cooperative utilities must leverage existing grid resources, all while meeting the advancing challenges of today's technology.

Together, the TCC and TUNet® Insight components of TSHI's enterprise software delivers TSHI's suite of Utility Applications including:

1. *Advanced Metering Infrastructure:* AMI allows two-way communication with meters to gather data related to the consumption of electricity, water and gas at residential, commercial and industrial facilities as well as critical power quality data such as voltage and current. AMI allows the utility to remotely make changes to meter configuration, request immediate consumption reading, remotely connect and disconnect service, or get notified of an outage or other power quality issues to improve reliability and help prevent catastrophic events, such as fires or water leaks. The coordination of data from connected meters through TSHI's AMI solution allows a utility to help automate meter reading and manage their distribution grids remotely, which in turn would be expected to help reduce costs, enhance customer service, provide additional information to their customers, respond to outages and prepare for the emergence of renewable distributed energy resources installed at homes and commercial and industrial buildings.

The TUNet® AMI system uses TSHI's TUNet® communications network to link to all the meters deployed across the utility's distribution grid and access information that is pushed up to the software head-end at the utility. While TSHI does not build meters, it has a number of partners that offer a full set of options to its customers. TSHI's TRUEdge® communications module is integrated into its third-party meter manufacturing partners and ultimately shipped as an integrated product to each utility for deployment in the field.

2. *Load Management System:* TSHI offers its TLMS which consists of a utility software application and a portfolio of load control switches that collectively help manage customer appliances and consumption of electricity automatically. Each connected device within TSHI's TLMS includes an integrated TRUEdge® module. Once powered by TSHI's edge computing platform, TLMS is able to help manage a diverse set of load types such as central air conditioners and electric water heaters. TLMS is also able to help manage a set of high-value loads that is particular to rural electrical utilities and small municipalities,

such as whole-home electric heating, electric thermal storage appliances, and agricultural irrigation pumps.

TSHI also provides a distributed energy resource management tool intended to enable utilities to shape electricity demand to match the supply of electricity. This can be useful to help avoid expensive peaks of excess demand, but also to help fill demand valleys when there is an excess of supply, such as from renewables. Much of the distributed energy resource management occurs at the grid edge with the customers, by controlling major customer appliances that consume (such as with air conditioning), store (such as with electric water heaters), or generate electricity (such as with solar panels).

Electric vehicles are an emerging load type that is believed to pose both challenges and opportunities to electrical utilities. When unmanaged, electric vehicles can create significant localized demand spikes when owners of electric vehicles plug in to charge after their daily commute. These spikes can force large infrastructure investments on the utility to upsize transformers and power lines. TLMS can help manage electric vehicles to charge at beneficial times, such as during overnight demand valleys, or at times of excess solar or wind generation. In this way, managed electric vehicles can become a beneficial and profitable load for utilities to welcome rather than discourage. TLMS features a solution that is expected to work with most residential charger models available.

3. *Distribution automation and grid optimization:* A distribution grid is a massive collection of expensive transformers, wires, poles, meters and other assets to enable utilities to deliver electricity in a safe and reliable manner to homes and commercial and industrial buildings. When investments and expansions are made in a distribution grid, the assets deployed by utilities are expected to last for decades and are planned to accommodate future growth accordingly.

The automation of distribution grid assets is called “distribution automation” which is intended to provide utilities with visibility, awareness and control of the assets deployed across their distribution grid by connecting smart devices throughout the field. Investments in distribution automation can lead to improved power quality, reduced operating costs by eliminating avoidable maintenance, and enhances safety. By deploying distribution automation devices, the utility can also achieve grid optimization, which is based on the collection of power quality data from endpoint devices (meters and load control switches) as well as distribution automation equipment to ultimately deliver energy efficiency and improve the safety and reliability of the delivery of electricity.

In addition to deploying smart meters with TSHI’s TRUEdge® computing platform, TSHI’s TUNet® communications network is also capable of connecting to distribution automation equipment, such as reclosures, fault circuit indicators and capacitor banks that are deployed across the entire distribution grid by utilities with integrated TRUEdge® modules.

By leveraging connected distribution automation equipment, utilities are expected to be empowered to actively manage voltages across their grids to minimize energy losses and manage energy supply costs while ensuring voltage is delivered within an acceptable range

for all customers at all times. In connecting distribution automation equipment across TSHI's system, utilities can optimize the performance of their grids through voltage reduction at customer service points. With feedback on the actual voltages being experienced by customers, utilities can optimize the benefits and protect power quality for customers.

4. *Street and Security Lighting Control:* Street and security lighting fixtures are a common and energy-intensive asset that is typically owned by municipalities and managed by their local electric utilities. TSHI believes that lighting control solutions are one of the primary paths for municipalities to improve energy efficiency and the safety for their communities. TSHI offers TRULight Intelligence, an integrated smart community solution that incorporates lighting control, sensors, and water, gas, and electric meter reading.

TRULight Intelligence provides monitoring, dimming and scheduling features for standard LED streetlights and other lighting assets. This is expected to substantially reduce lighting energy costs while increasing public safety and lighting asset life by managing the amount of illumination according to vehicle and pedestrian traffic and other factors.

#### Overview of Services: Customizable & Comprehensive Professional Services

TSHI offers a wide range of services designed to fit the unique needs of its public power and electric cooperative utility customer base. TSHI's professional services helps support its customers' operations from project inception through the TUNet® system's operational life. TSHI's services include professional services, managed services and technical support.

TSHI's professional services are tailored to support the specific circumstances and resources of its clients, including: program and project planning, radio frequency propagation design, network systems design, system optimization, deployment support, third party software and systems integration, project management, field maintenance, storm restoration, consulting services and training.

TSHI's project management services include turnkey installation of meters and network infrastructure using third-party partner installers. TSHI's project team, working closely with its customers and partners, ensures the successful deployment of TSHI's networking platform, associated endpoints and solutions.

TSHI's managed services include monitoring the performance of the TCC and network communications, providing alerts, and planning disaster response. Additionally, TSHI remotely manages the network end point (i.e. meters, load control switches, streetlight light controllers, distribution automation devices and infrastructure) software enabling advanced applications at each connected device. TSHI provides a suite of managed services including customer on-premise support (as a managed appliance), off-site hosted services or SaaS models.

TSHI's technical support team provides network and product support at a variety of service levels. TSHI offers Technical Service Agreements that are designed to support TSHI's utility customers' varying internal technical capabilities. Support services include 365-day telephone, email and web-based problem reporting. Technical Service Agreements may include annual system health checks, software updates and hardware replacement services, admissions to Tantalus University (multi-

day in-depth user training), admissions to the annual Tantalus Users' conference, remote quarterly training sessions, phone, email and live on-line chat with the technical support team, prioritized parts shipment along with a plethora of other support items.

### ***Operations***

TSHI has centralized its sales and marketing functions, product development and research and development functions, corporate management and corporate development. TSHI has developed and continues to enhance the vision and concepts of its products and services.

TSHI currently develops products and software applications through its employees and contractors, and intends to continue to do so following the completion of the Proposed Transaction. TSHI will continue to rely on third-party contract manufacturers to build and assemble its hardware products.

### ***Facilities***

TSHI maintains four office locations across North America, including:

- Burnaby, British Columbia, Canada (headquarters);
- Kanata, Ontario, Canada;
- Norwalk, Connecticut, United States of America; and
- Raleigh, North Carolina, United States of America.

Each office is based on a lease with a third-party building manager or landlord. TSHI's Burnaby office lease, of approximately 32,000 square feet was entered into on August 8, 2014 and is expected to expire on January 31, 2022. The average monthly rent for the Burnaby location is approximately \$81,000. TSHI's Kanata office lease, of approximately 8,200 square feet was entered into on October 10, 2017 and is expected to expire on February 28, 2025. The average monthly rent for the Kanata location is approximately \$20,000. TSHI's Norwalk office lease, of approximately 800 square feet was entered into on November 1, 2017 and has been renegotiated to expand the office space to 2,350 and which is now expected to expire on January 31, 2026. The expected average monthly rent for the Norwalk location is approximately US\$8,700. TSHI's Raleigh office lease, of approximately 5,602 square feet was entered into on November 25, 2015 and is expected to expire on May 31, 2022. The monthly rent for the Raleigh location is US\$9,700. All of TSHI's office leases are with arm's length parties and TSHI does not consider any of such office leases to be material to the business of TSHI.

### ***Employees***

As at December 31, 2019, TSHI employed 111 regular full-time employees, including 76 employees located in Canada, and 35 employees located in the United States. TSHI has one employee located in the Caribbean Basin.

### ***Specialized Skill and Knowledge***

TSHI is dependent on the specialized skill and knowledge of its employees in order to execute TSHI's business objectives and current strategic plan. Specifically, TSHI is dependent on:

- continuing to have access to the engineering resources required to develop and maintain current and future product offerings tied to the TSHI's product roadmap;
- maintaining direct relationships with existing and future customers;
- supporting the deployment and management of TSHI's systems on behalf of TSHI's utility customers;
- maintaining and facilitating direct relationships with TSHI's contract manufacturer and key component suppliers; and
- identifying and understanding TSHI's target market and ability identify trends unfolding within the utility industry.

TSHI expects to be able to continue to attract and retain team members to support the company's business objectives and current strategic plan for the foreseeable future. See "*Part IV – Risk Factors*" for further information on the importance of key employees and how the failure of TSHI to attract and retain qualified personnel could harm its business.

#### *Research and Development*

TSHI's ability to deliver its products depends, in large part, on its continuous commitment to product delivery and continued research and development. TSHI's engineering team is multi-disciplined with hardware, software, quality assurance/test, application and project management capabilities.

TSHI's engineering efforts are centered on building and delivering solutions for its public power and electric cooperative utility customers and enhancing the performance of TSHI's IoT network and edge-computing devices, enriching the user interfaces to improve the TUNet® head-end application, leveraging third-party integrations and developing new applications that drive customer's operational efficiency and improve their end-users' experience. TSHI's research and development efforts are focused on the design and development of its Connected Devices and Infrastructure products as well as the development of its software Utility Applications.

#### *Manufacturing and Supply Chain Management*

TSHI outsources the manufacturing of its connected devices to third-party contract manufacturers. By outsourcing such items, TSHI expects to be able to:

- focus its resources on core competencies in engineering and supply chain management;
- reduce costs by minimizing manufacturing overhead and inventory;
- rapidly scale capacity on a global basis to meet demand;
- improve continuity of material supply; and
- increase customer response time with turn-key manufacturing and drop-shipment capabilities.

TSHI's contract manufacturers provide it with a wide range of operational and manufacturing services. TSHI's hardware products are primarily manufactured at its contract manufacturers' facilities in Asia. The finished products are delivered directly to TSHI's third-party meter partners

for integration into their products prior to being delivered to TSHI's utility customers. Other finished hardware products, such as TSHI's networking infrastructure, are generally delivered directly to customers or TSHI warehouses. All of TSHI's warehouse locations are in good standing and no one warehouse location is material to TSHI's operations.

### *Operational Risk and Availability of Component Parts*

Most components necessary to TSHI's operations are available from multiple sources or suppliers, however, some components used in TSHI's products are only available from a single source or from geographically concentrated suppliers. TSHI's primary suppliers are primarily based across Southeast Asia.

To help protect against component shortages and to provide replacement parts for TSHI's service teams, TSHI manages its supply chain with its contract manufacturers to establish adequate quantities of key components. In addition, TSHI procures some components directly from the original equipment manufacturers and maintains consigned stock of those components with Integrated Microelectronics, Inc.

As part of TSHI's design review process, TSHI identifies alternative or substitute parts for single-source components to further minimize risk. Nonetheless, in some situations, TSHI faces the risk of shortages due to reliance on a limited number of suppliers, commodity supply constraints, capacity constraints or price fluctuations related to raw materials. See "*Part IV – Risk Factors*" for further information with respect to TSHI's dependence on key suppliers.

## **Market**

### *Industry Overview*

TSHI deploys its technology solutions to the utility market across North America and the Caribbean Basin. Specifically, TSHI is focused on electric and multi-commodity utilities. Multi-commodity utilities are responsible for the delivery of electricity and/or water and gas. Across North America, the electric utility industry is further segmented into several categories including larger, investor-owned utilities, referred to as "IOUs", public power utilities (including municipal and public district utilities) and electric cooperative utilities.

### *TSHI's Target Market*

TSHI centers its focus on public power and electric cooperative utilities. By focusing attention on this segment of the utility industry and delivering solutions that meet the specific needs of this market segment, TSHI expects to be able to establish clear differentiation from a technical, operational and cultural perspective.

Public power utilities are typically operated by local governments to provide communities with reliable and responsive services, which may include electric, water, gas and telecommunications. Public power utilities are directly accountable to the people they serve through local elected or appointed officials. A public power utility is an organization that maintains the infrastructure (such as the electric distribution network) for a public service and typically provides the service that uses

that infrastructure. Public utilities are subject to forms of public control and regulation ranging from local community-based groups to statewide government organizations.

Electric cooperatives are independent electric utilities, owned by the members they serve and are usually found in rural areas or less-densely populated regions. Upon joining an electrical cooperative, an individual is considered a member and owner rather than a customer. Electric cooperatives are service-focused. They are dedicated to providing electricity to their members. Electric cooperatives are believed to have played a vital role in transforming the electric sector, first through rural electrification and, more recently, by deploying advanced communications and automation technology to enable co-ops to improve the resiliency and efficiency of their systems.

Collectively, public power and electric cooperative utilities are not-for-profit organizations and have different mandates and objectives than that of IOUs which are typically publicly traded on stock exchanges. IOUs generally operate in a manner that generates a profit for their shareholders.

In most cases, public power and electric cooperative utilities are not involved in the generation of power they sell to residents/members, but generally purchase power from a power generation organization through a wholesale 'power purchase agreement' and then distribute and resell to those residents/members.

Public power and electric cooperative utilities are also not typically regulated by state or provincial governing bodies and operated in the unregulated area of the utility industry.

### *Industry Trends*

Within the public power and electric cooperative utility segment, there are a number of industry trends that are believed to motivate utilities to purchase TSHI's smart grid solutions, including:

- the need to transform existing distribution grids from traditional systems designed to support the one-way flow of power from a centralized source of generation delivering power through substations to homes and buildings, to a multi-directional, integrated smart grid capable of supporting two-way power flows as homes and buildings adopt distributed energy resources such as solar panels, electric vehicles and distributed storage;
- increasing expectations from customers and end-users of electricity, water and gas which require customer service representatives of the utility to have access to more granular data to explain and address monthly bill complaints and questions and addressing power quality issues;
- the need to proactively respond to power outages resulting from storms or major events; and
- changes to the traditional business model where the consumption of electricity is dropping but costs to maintain legacy infrastructure are increasing.

TSHI's solutions are designed to address these trends, which are expected to continue to unfold over time, particularly as utilities seek to leverage and access distributed and localized sources of power.

### *Market Acceptance*

Given the maturity of TSHI and its technology solutions, TSHI believes it has reached commercial scale and is continuing to increase its market share of its target market. As of the date of this Filing Statement, TSHI supports over 180 public power and electric cooperative utilities with its smart grid solutions. Within TSHI's customer base of utilities, approximately 75% are public power utilities while approximately 25% are cooperative power utilities. Within TSHI's user community of utility customers, it supports more than 10% of the 100 largest public power utilities in the United States and over 80 utilities responsible for the delivery of multiple commodities including electricity, water and/or gas. The public power and electric cooperative utilities served by TSHI today represent more than approximately 4.1 million connected endpoints, of which approximately 2.5 million meters are either deployed or in backlog with approximately 1.6 million meters yet to be deployed.

While TSHI continues to add approximately 20 new utility customers per year, risk remains as to how the market will respond to new product offerings and broader market acceptance. See "*Risk Factors*" for further details.

### *Obsolescence*

Due to the nature of developing and delivering technology solutions to the utility industry, the market and TSHI may be subject to obsolescence of technology. The broader smart grid industry is highly competitive and dynamic with the addition of new tools and technologies to help utilities improve the management of their distribution grids. The adoption of cloud-based technologies is also expected to impact the adoption of technology and is further expected to continue to accelerate the development of new solutions and delivery methodologies.

TSHI continues to invest in research and development as technology continues to evolve and change. TSHI is currently deploying its third-generation solution, which was developed and became commercially available in 2013. TSHI's third-generation solution includes a Linux-based operating system, RAM and flash memory, multiple processors and a software-definable radio in order to allow TSHI to remotely program and modify devices deployed in the field through over-the-air-programming. By incorporating the ability to perform over-the-air-programming, TSHI is delivering a system that can be continually upgraded and enhanced as new features or capabilities are developed and delivered.

As technology continues to evolve for communications networks, computing power and software applications, TSHI expects to continue to prepare for obsolescence of its solutions while, at the same time, delivering next generation solutions to help maintain continuity for the utilities it supports.

### *Market Controls and Regulation*

Market controls and regulations in TSHI's market segment (public power and electric cooperative utilities) are generally tied to macroeconomic trends in the energy sector. Demand and peak demand rates continue to increase across the target market segment TSHI pursues while the consumption of electricity has generally declined across the United States. The adoption of renewable distributed energy resources, such as solar panels, distributed storage and electric vehicles, at homes, buildings and industrial facilities is also impacting the stability of the

distribution grid. These changes in the stability of the grid and the overall economics of delivering electricity are believed to be motivating factors in a utility's decision to invest in smart grid technology, such as TSHI's technology solutions.

While TSHI's target utility market segment is generally not subject to state or provincial regulations, the broader effort to improve TSHI's environment and reduce carbon emissions continues to influence TSHI's market and may lead to broader mandates within the public power and electric cooperative utility segment as these utilities are dependent on entering into power purchase agreements with larger power generators, which are subject to regulatory and environmental initiatives across North America and the Caribbean Basin.

TSHI is not subject to, nor is TSHI aware of, any controls on ownership, profit repatriation or economic or political conditions that may materially affect TSHI's operations.

### *Seasonality*

Historically, revenue for TSHI has not been subject to material seasonality or cyclicity as most utility customers have varying budgeting cycles and fiscal years. As an example, TSHI's customers have fiscal years ending at various times throughout the year with the two most typical fiscal years ending on either December 31<sup>st</sup> or June 30<sup>th</sup>. This may lead to slightly higher second quarter and fourth quarter revenue within a year as utilities seek to release available dollars within their budgeting cycle.

### *Environmental*

TSHI is not subject to any environmental regulations that materially impact TSHI's operations.

## **Sales Strategy & Marketing Plans**

The general go-to-market strategy for TSHI includes:

1. remaining focused on TSHI's target market segments of public power and electric cooperative utilities;
2. carefully selecting the opportunities TSHI pursues through a qualification process;
3. establishing a relationship with target utilities; and
4. occasionally supporting pilot deployments to allow utilities to become familiar with TSHI's products and solutions.

### *Sales Process*

TSHI markets and sells its solutions primarily through TSHI's direct sales force. As part of its direct sales force, TSHI employs Regional Sales Managers that are geographically dispersed across North America. TSHI's Regional Sales Managers are primarily charged with managing a diverse group of channel partners and are ultimately responsible for driving revenue by competing for and winning new customer accounts while accelerating deployments within existing customers. TSHI also employs Account Managers that focus on existing accounts and lead the commercial relationship with assigned accounts with responsibility for accelerating deployments, maintaining customer satisfaction and facilitating up take of new applications.

The sales process within TSHI's target market typically involves senior-level utility executives and cross-functional teams, and can take an extended period of time to complete. Since TSHI focuses primarily on the public and cooperative power market segments, it is rare that the sales cycle is extended to include the work of regulatory bodies. The typical sales cycle can be compressed in a number of ways including but not limited to:

- delivering unsolicited or proactive offers that may eliminate the need for a formal request for proposal process;
- positioning TSHI's solution as an upgrade of an existing asset; and
- leveraging a broader decision-making body such as a joint action agency of which the utility is a member.

Municipal governments often have rules regarding the need for a competitive and formal bid process. By leveraging existing legacy metering infrastructure through technology differentiation, TSHI can, on occasion, be successful in removing the need for a competitive bidding process where TSHI's technology is viewed as an expansion of existing decisions and technology. While cooperative power utilities often have different rules than municipal governments, they may also require a competitive bid process prior to the selection of a networking partner.

TSHI works closely with customers to develop measurable success criteria for these projects and often assist potential utility customers in the development of an internal business case to quantify the value proposition of TSHI's products and services. Once a customer is onboarded, deployment acceleration and/or the addition of ancillary applications such as distribution automation, street light control or load management may be procured on a non-competitive basis without the same multi-level review as the original technology platform decision.

### *Marketing Programs*

In order to maintain and build TSHI's presence within its target utility market, TSHI participates in industry trade shows and regional events throughout the course of the year. TSHI attends two industry-wide and global trade shows each year – DistribuTech and TechAdvantage. TSHI also attends a series of smaller trade shows and partner events throughout the year. In the aggregate, TSHI spends approximately US\$122,000 supporting these two larger events. TSHI also attends a series of smaller trade shows and partner events throughout the year, which cost in the aggregate, approximately US\$74,000 per year.

In addition to the trade shows, TSHI also hosts an annual users conference for TSHI's utility customers and technology partners. The annual users conference typically includes a 3 – 4 day agenda, inclusive of technical training programs, updates regarding TSHI's business and networking events. The annual event costs, on average, US\$240,000 per year.

TSHI also prepares and publishes articles and advertisements in trade journals that specifically target TSHI's market segments. While social media is not an active component of TSHI's marketing programs, TSHI does, from time to time, leverage tools such as LinkedIn and Twitter to share updates regarding TSHI to the broader industry.

### *Pricing Policy*

Pricing is based on a combination of factors and the nature of the technology solutions that are being deployed. TSHI tracks its competitors and works with industry stakeholders in an effort to ensure TSHI devices are priced competitively and within market standards.

TSHI's pricing policies for ongoing maintenance and support are traditionally offered at market rates and believed to be comparable to TSHI's competition.

TSHI's pricing policies for hosted and managed services are traditionally offered at market rates and believed to be comparable to TSHI's competition.

### *Competitive Conditions*

Competition in TSHI's market involves changing technologies, evolving industry standards, frequent new product introductions, and changes in customer requirements. TSHI strives to lead its market space by focusing its resources and efforts on addressing the specific issues confronting TSHI's target market segment within the utility industry, specifically the public power and electric cooperative utility segment. These issues include a changing economic landscape (especially for rural cooperatives and smaller municipalities), population migration, changing customer expectations as well as the complications of adding renewable distributed energy resources in conjunction with environment pressures to upgrade an aging distribution grid for electricity, water and gas.

In contrast to many market competitors, TSHI focuses its smart grid solutions on the public power and electric cooperative utility market, ensuring that the perspectives of public power and electric cooperative utilities are better integrated into its broader planning process.

Within North America however, nearly all IOUs are believed to have made AMI technology decisions within the past 5-10 years. As a result, TSHI has witnessed increased competition within its target customer segment as these larger, vertically integrated solution providers have moved down market to focus increasingly on public and cooperative distribution utilities. While many of these larger competitors have focused an increasing amount of their development, sales and marketing resources on the public and cooperative market segment, the market has witnessed a corresponding contraction of competitive market pricing for AMI meters and networking solutions. TSHI believes it has been able to compete effectively with much larger competitors given its reputation for focusing specifically on this market segment with a networking solution that is purpose built to serve the needs of this segment.

The principal competitive factors that may impact TSHI's success include:

- TSHI's ability to anticipate changes in customer requirements and to develop new or improved products that meet these requirements in a timely manner;
- the price, quality and performance of TSHI's products and services;
- TSHI's ability to differentiate its products and services from those of its competitors and thereby obtain new customers or sell additional solutions to existing customers;

- TSHI's ability to competitively source and/or license applications, software and metering endpoints that often make up a complete AMI solution;
- TSHI's ability to ensure that its products conform to established and evolving industry standards and governmental regulations;
- TSHI's customer service and support;
- TSHI's capability to offer multiple meters as part of its solution, allowing its customers and prospects to select those that best meet their specific requirements and budget; and
- TSHI's reputation, including the perceived quality and performance of its products and services.

TSHI competes with traditional meter manufacturers that incorporate various communications technologies that provide some level of connectivity to a utility's back office. TSHI's key competitors in this segment include Landis+Gyr AG, Aclara Technologies LLC (acquired by Hubbell Inc.), Elster Group GmbH (acquired by Honeywell International Inc.), Itron, Inc. and Sensus USA Inc. (acquired by Xylem, Inc).

Similarly, TSHI competes with AMI solution providers, both large and small, that are not traditional meter manufacturers but may approach the market as providers of software, software-as-a-service and/or distribution automation such as Eaton Corporation plc, General Electric Company, Trilliant Networks, Inc., Vision Metering LLC and AMI Investments, LLC (d/b/a Nighthawk).

As TSHI looks to expand into new international markets, it expects to face additional competitors that may be more established in specific geographies. TSHI anticipates that in the future, additional competitors will emerge that offer a broad range of competing products and services related to the smart grid, smart cities, and the broader IoT, some of which may be competitive with TSHI's offerings.

TSHI endeavors to offer the most competitive and highest-value solutions and services to the markets it serves. Maintaining TSHI's competitive positioning through understanding the requirements of its customers and markets is of paramount importance in growing TSHI's market opportunity and will remain a top priority for the entire organization.

For further discussion on the potential impact of TSHI's competitors on TSHI's business, see "*Part IV – Risk Factors*".

### ***Future Development***

The TSHI business plan calls for significant ongoing research and development along with strategic and synergistic acquisitions to build out its technology portfolio. In particular, research and development, involves:

- developing new features and products through TSHI's engineering team to meet strategic and contractual features, enhancements or applications;
- identifying and evaluating potential acquisitions for expanding and accelerating TSHI's product portfolio;

- integrating new acquisitions, both operationally and technologically, into TSHI's existing solutions;
- partnering with technology companies to expand TSHI's ecosystem; and
- developing new technology solutions to complete TSHI's product portfolio when buying or partnering is not an option.

TSHI's strategy to expand its product portfolio focuses on two major factors. First, adding functionality for existing and prospective customers, and second, accelerating the number of endpoints integrated onto TSHI's smart grid communications network. As TSHI expands the number of connected devices integrated onto the smart grid communications network, collects and analyzes data from those devices and adds additional functionality to those connected devices, TSHI expects to increase the recurring and repeatable revenue generated from each connected device.

This section contains forward-looking statements about the business and outlook of TSHI and the Resulting Issuer. Reference should be made to "Note Regarding Forward-Looking Statements", and for a description of material factors that could cause actual results to differ from the forward-looking statements, see "Part IV – Risk Factors".

### ***Proprietary Protection***

TSHI takes industry standard actions to protect its intellectual property through a collection of patents, trademarks and copyright registrations in North America. TSHI also takes significant steps to protect trade secrets, software, confidential information and intellectual property.

As of August 30, 2020, TSHI has 17 issued design and utility patents across the United States, Canada and Mexico. TSHI's patents expire at various times as further described below. TSHI also has registered and unregistered trademarks in the United States and in several foreign jurisdictions.

TSHI generally requires employees, consultants, utility customers, suppliers and partners to execute confidentiality agreements with us that restrict the disclosure of TSHI's intellectual property, and TSHI generally requires its employees and consultants to execute invention assignment agreements that help protect TSHI's intellectual property rights.

The following provides a summary of core patents, registrations and trademarks:

#### ***Canada***

TSHI has been issued the following patents in Canada:

| <b>Patent No.<br/>(Application<br/>number)</b> | <b>Title</b>                  | <b>Filed Date/PCT<br/>Filing Date</b> | <b>Issued</b> | <b>Expiry</b>        |
|------------------------------------------------|-------------------------------|---------------------------------------|---------------|----------------------|
| 2552365                                        | Communications<br>system with | December 10,<br>2004                  | July 8, 2014  | December 20,<br>2024 |

|         |                             |                      |               |                      |
|---------|-----------------------------|----------------------|---------------|----------------------|
|         | context based<br>addressing |                      |               |                      |
| 2478564 | Meter antenna               | September 7,<br>2004 | March 6, 2012 | September 7,<br>2024 |

TSHI has obtained registrations for the following trademarks in Canada:

| Trademark                                                                                                | App. No. | Reg. No.  | Status                                 | Renewal<br>Deadline |
|----------------------------------------------------------------------------------------------------------|----------|-----------|----------------------------------------|---------------------|
| TANTALUS (word mark)                                                                                     | 1143150  | TMA622338 | Registered                             | October 12,<br>2029 |
|  Tantalus (design mark) | 1143054  | TMA622572 | Registered                             | October 15,<br>2029 |
| TUNET® (word mark)                                                                                       | 1228418  | TMA642900 | Registered<br>(Renewal<br>notice sent) | June 23, 2020       |

TSHI has obtained the following copyright registrations in Canada:

| Copyright | Reg. No. | Registration Date | Expiry                                                               |
|-----------|----------|-------------------|----------------------------------------------------------------------|
| RF Link T | 1024150  | October 15, 2004  | Life of author plus<br>50 years (Vadim<br>Dumin and Keith<br>Martin) |
| RF Link R | 1024151  | October 15, 2004  | Life of author plus<br>50 years (Keith<br>Martin)                    |

### *United States*

TSHI has been issued the following patents in the United States:

| Patent No. | Title                  | Filed Date/PCT<br>Filing Date | Issued         | Expected<br>Expiry |
|------------|------------------------|-------------------------------|----------------|--------------------|
| 7019666    | Adapter for a<br>meter | June 10, 2002                 | March 28, 2006 | May 20, 2023       |
| 7692556    | Adapter for a<br>meter | February 8, 2006              | April 6, 2010  | February 6, 2029   |

|          |                                                 |                   |                    |                   |
|----------|-------------------------------------------------|-------------------|--------------------|-------------------|
| 7129900  | Meter antenna                                   | September 8, 2003 | October 31, 2006   | November 9, 2023  |
| 7802015  | Communications system of heterogeneous elements | January 26, 2004  | September 21, 2010 | August 6, 2028    |
| 8285879  | Communications system recovery system           | August 9, 2010    | October 9, 2012    | January 28, 2024  |
| D643,763 | Collar plug-in for a utility meter              | June 1, 2010      | August 23, 2011    | August 23, 2025   |
| D773399  | Communications collector                        | December 15, 2014 | December 6, 2016   | December 6, 2030  |
| D778888  | Wireless communications repeater                | December 15, 2014 | February 15, 2017  | February 15, 2031 |

TSHI has obtained registrations for the following trademarks in the United States:

| Trademark                                                                                                     | App. No. | Reg. No. | Status     | Renewal or Declaration Deadline |
|---------------------------------------------------------------------------------------------------------------|----------|----------|------------|---------------------------------|
| <br>Tantalus (design mark) | 78194541 | 2969752  | Registered | July 19, 2025                   |
| TRUEEDGE® (word mark)                                                                                         | 87524660 | 5885849  | Registered | October 15, 2025                |
| TRUVIEW (word mark)                                                                                           | 87513659 | 5422181  | Registered | March 13, 2024                  |
| TUNET® (word mark)                                                                                            | 78409713 | 2944081  | Registered | April 26, 2025                  |

TSHI has been issued the following patents in the United States:

| Patent No. | Title                                   | Filed Date/PCT Filing Date | Issued         | Expiry       |
|------------|-----------------------------------------|----------------------------|----------------|--------------|
| 7504972    | Method for increasing the resolution of | May 30, 2007               | March 17, 2009 | May 30, 2027 |

|          |                                                                                |                    |                    |                   |
|----------|--------------------------------------------------------------------------------|--------------------|--------------------|-------------------|
|          | analog to digital conversion                                                   |                    |                    |                   |
| 7737762  | Solid state switch                                                             | September 12, 2007 | June 15, 2010      | January 20, 2929  |
| 7922100  | Ground wire adaptor                                                            | March 12, 2008     | April 12, 2011     | October 2, 2029   |
| 9141116  | Auxiliary switch for multiplexed control and ground signal from a thermostat   | March 30, 2011     | September 22, 2015 | March 31, 3034    |
| 9817417  | Generating event anticipation parameters in advance of a demand response event | March 31, 2014     | November 14, 2017  | March 4, 2036     |
| D553022  | Thermostat housing                                                             | September 14, 2006 | October 16, 2007   | October 16, 2021  |
| D556060  | Thermostat housing                                                             | September 14, 2006 | November 27, 2007  | November 27, 2021 |
| D688955  | Thermostat unit                                                                | January 24, 2012   | September 3, 2013  | September 3, 2027 |
| D715165  | Thermostat unit                                                                | June 13, 2013      | October 14, 2014   | October 14, 2028  |
| 10353349 | Load control by adaptive duty cycling                                          | December 31, 2015  | July 16, 2019      | February 11, 2037 |

### *Mexico*

TSHI has been issued the following patents in Mexico:

| <b>Patent No.<br/>(Application number)</b> | <b>Title</b>          | <b>Filed Date/PCT Filing Date</b> | <b>Issued</b>    | <b>Expiry</b> |
|--------------------------------------------|-----------------------|-----------------------------------|------------------|---------------|
| 283433                                     | Communications system | July 6, 2006                      | January 28, 2024 | December 2024 |

### ***Lending***

TSHI maintains a bank loan with Comerica Bank. TSHI first entered into its loan agreement with Comerica Bank on April 12, 2012 and has since entered into subsequent amendments with Comerica Bank to fund ongoing Adjusted Working Capital requirements. The bank loan provided by Comerica Bank is comprised of two lines of credit facilities and a term loan that has an aggregate total payable by TSHI of US\$8,184,700 as at September 30, 2020. TSHI entered into an amendment agreement with Comerica Bank on January 18, 2021 which extended the maturity date of the line of credit facility under the bank loan from February 26, 2021 to February 28, 2022.

TSHI is not subject to any bankruptcy, or any receivership or similar proceedings against it or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by it or any of its subsidiaries within the three most recently completed financial years or the current financial year.

### ***Investment Policies and Investment Restrictions***

TSHI does not have any dedicated investment policies or investment restrictions.

### **Selected Consolidated Financial Information**

The following information is derived from the TSHI Financial Statements and should be read in conjunction with such financial statements attached hereto as Schedule “C”.

The following table sets forth selected annual information of the results of operations for the nine month period ended September 30, 2020, and includes a comparison to the nine month period ended September 30, 2019, and for the year-ended December 31, 2019, and includes comparisons to the years-ended December 31, 2018 and 2017, respectively (expressed in U.S. dollars):

|                              | September 30,<br>2020 | September 30,<br>2019 | December 31,<br>2019 | December 31,<br>2018 | December 31,<br>2017 |
|------------------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| Revenue                      | \$ 23,736,626         | \$ 31,520,166         | \$41,588,462         | \$40,412,821         | \$32,331,644         |
| Cost of sales                | 12,418,233            | 17,772,122            | 23,203,522           | 22,490,993           | 16,631,742           |
| Gross profit                 | 11,318,393            | 13,748,044            | 18,384,940           | 17,921,828           | 15,699,902           |
| Expenses                     | 11,369,249            | 13,578,260            | 17,832,827           | 18,562,397           | 15,332,193           |
| Operating income (loss)      | (50,856)              | 169,784               | 552,113              | (640,569)            | 367,709              |
| Other earnings (expenses)    | 2,893,881             | (840,076)             | (1,148,083)          | (828,824)            | (17,824,287)         |
| Loss before income taxes     | 2,843,025             | (670,292)             | (595,970)            | (1,469,393)          | (17,456,578)         |
| Income tax expense           | -                     | 10,000                | 9,950                | -                    | -                    |
| Income (loss) for the period | \$2,843,025           | (\$680,292)           | (\$605,920)          | (\$1,469,393)        | (\$17,456,578)       |

The following table sets forth the Company’s financial position as at September 30, 2020 and as at December 31, 2019 and December 31, 2018 (expressed in U.S. dollars):

| Assets                            | September 30,<br>2020 | December 31,<br>2019 | December 31,<br>2018 |
|-----------------------------------|-----------------------|----------------------|----------------------|
| Cash                              | \$3,225,478           | \$5,368,086          | \$3,640,507          |
| Accounts receivable               | 5,935,571             | 4,819,166            | 5,749,823            |
| Investment tax credits receivable | 1,910,728             | 960,728              | 1,439,769            |
| Inventory                         | 5,241,541             | 5,038,119            | 5,474,661            |
| Prepaid expenses and deposits     | 724,785               | 563,035              | 732,429              |
| Total current assets              | \$17,038,103          | \$16,749,134         | \$17,037,189         |
| Property and equipment            | 1,386,933             | 1,477,160            | 1,086,102            |
| Intangible assets                 | 533,526               | 759,445              | 1,147,043            |
| Right of Use assets               | 1,103,392             | 1,152,875            | 1,562,932            |

|                                          |                     |                     |                     |
|------------------------------------------|---------------------|---------------------|---------------------|
| <b>Total assets</b>                      | <b>\$20,061,954</b> | <b>\$20,138,614</b> | <b>\$20,833,266</b> |
| <b>Liabilities</b>                       |                     |                     |                     |
| Accounts payable and accrued liabilities | \$9,714,062         | 9,968,915           | 12,559,692          |
| Deferred revenue and deposits            | 1,981,902           | 3,250,183           | 919,443             |
| Lease liabilities                        | 720,036             | 680,595             | 670,280             |
| Bank loan                                | 8,184,700           | 8,196,892           | 8,044,375           |
| <b>Total current liabilities</b>         | <b>\$20,600,700</b> | <b>\$22,096,585</b> | <b>\$22,193,790</b> |
| Lease Liabilities                        | 686,287             | 902,381             | 1,366,117           |
| <b>Total liabilities</b>                 | <b>\$21,286,987</b> | <b>\$22,998,966</b> | <b>\$23,559,907</b> |

The following table provides the results of operations for each of the eight most recently completed quarterly periods ended December 31, 2019 (expressed in U.S. dollars):

|                                       | Three months<br>ended<br>December 31,<br>2019 | Three months<br>ended<br>September<br>30,<br>2019 | Three months<br>ended<br>June 30,<br>2019 | Three months<br>ended<br>March 31,<br>2019 | Three months<br>ended<br>December 31,<br>2018 | Three months<br>ended<br>September<br>30,<br>2018 | Three months<br>ended<br>June 30,<br>2018 | Three months<br>ended<br>March 31,<br>2018 |
|---------------------------------------|-----------------------------------------------|---------------------------------------------------|-------------------------------------------|--------------------------------------------|-----------------------------------------------|---------------------------------------------------|-------------------------------------------|--------------------------------------------|
| Revenue                               | \$10,068,296                                  | \$10,680,926                                      | \$11,196,308                              | \$9,642,932                                | \$9,675,392                                   | \$10,590,043                                      | \$10,870,000                              | \$9,277,385                                |
| Cost of sales                         | 5,431,400                                     | 5,825,712                                         | 6,758,399                                 | 5,188,011                                  | 5,626,719                                     | 6,214,770                                         | 5,860,575                                 | 4,788,929                                  |
| Gross Profit                          | 4,636,896                                     | 4,855,214                                         | 4,437,909                                 | 4,454,921                                  | 4,048,673                                     | 4,375,273                                         | 5,009,425                                 | 4,488,457                                  |
| Expenses                              | 4,254,567                                     | 4,364,650                                         | 4,728,818                                 | 4,484,792                                  | 4,759,095                                     | 4,549,602                                         | 4,967,761                                 | 4,285,939                                  |
| Operating income (loss)               | 382,329                                       | 490,564                                           | (290,909)                                 | (29,871)                                   | (710,422)                                     | (174,328)                                         | 41,664                                    | 202,518                                    |
| Other earnings<br>(expenses)          | (308,006)                                     | (222,467)                                         | (375,817)                                 | (241,792)                                  | (166,297)                                     | (262,461)                                         | (226,293)                                 | (173,772)                                  |
| Loss before income<br>taxes           | 74,323                                        | 268,097                                           | (666,727)                                 | (271,663)                                  | (876,719)                                     | (436,790)                                         | (184,629)                                 | 28,746                                     |
| Income tax expense                    | (\$50)                                        | -                                                 | -                                         | 10,000                                     | -                                             | -                                                 | -                                         | -                                          |
| Income (loss) for the<br>period       | \$74,373                                      | \$268,097                                         | (\$666,727)                               | (\$281,663)                                | (\$876,719)                                   | (\$436,790)                                       | (\$184,629)                               | \$28,746                                   |
| Loss per share (basic<br>and diluted) | \$0.00                                        | \$0.01                                            | (\$0.03)                                  | (\$0.01)                                   | (\$0.02)                                      | (\$0.02)                                          | (\$0.01)                                  | \$0.00                                     |

The following table sets forth selected quarterly excerpts from TSHI's statement of financial position for each of the eight most recently completed quarterly periods ended December 31, 2019 (expressed in U.S. dollars):

|                             | December 31,<br>2019 | September 30,<br>2019 | June 30,<br>2019 | March 31,<br>2019 | December 31,<br>2018 | September 30,<br>2018 | June 30,<br>2018 | March 31,<br>2018 |
|-----------------------------|----------------------|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| Cash                        | \$5,368,086          | \$3,682,681           | \$3,231,206      | \$3,883,085       | \$3,640,507          | \$6,592,273           | \$3,866,503      | \$4,660,935       |
| Adjusted Working<br>Capital | \$2,849,441          | \$2,574,767           | \$3,171,232      | \$3,168,032       | \$2,887,774          | \$3,300,995           | \$3,592,078      | \$3,573,682       |
| Total assets                | \$20,138,614         | \$22,170,831          | \$19,513,273     | \$22,999,445      | \$20,833,266         | \$24,717,010          | \$20,808,528     | \$21,077,705      |
| Shareholders' deficit       | (\$2,860,352)        | (\$3,029,427)         | (\$3,038,521)    | (\$2,922,320)     | (\$2,726,641)        | (\$900,254)           | (\$1,298,712)    | (\$1,990,174)     |

## Management's Discussion and Analysis

TSHI's MD&A for the years ended December 31, 2019, December 31, 2018, and December 31, 2017, and the three and nine month periods ended September 30, 2020 and September 30, 2019 are attached hereto as Schedule "D".

## Description of the Securities

TSHI is authorized to issue an unlimited number of TSHI Common Shares.

### *TSHI Common Shares*

Each of the TSHI Common Shares is entitled to one vote per TSHI Common Share. Each of the TSHI Common Shares is entitled to receive an equal share of any dividends and distributions (whether payable in cash or otherwise) as may be declared on the TSHI Common Shares from time to time. Each of the TSHI Common Shares is entitled, in the event of any liquidation, dissolution or winding-up of TSHI (whether voluntary or involuntary), to receive in equal amounts per TSHI Common Share, the assets of TSHI available for liquidation.

## Consolidated Capitalization of TSHI

The share capital of TSHI is as follows:

| Designation of Security              | Amount Authorized | Amount Outstanding as at September 30, 2020 | Amount Outstanding as at January 28, 2021 (prior to giving effect to the Proposed Transactions) |
|--------------------------------------|-------------------|---------------------------------------------|-------------------------------------------------------------------------------------------------|
| TSHI Common Shares                   | Unlimited         | 40,760,688                                  | 40,760,688                                                                                      |
| Subscription Receipts <sup>(1)</sup> | Not applicable    | Nil                                         | 4,418,210                                                                                       |
| TSHI Options                         | 6,145,571         | 5,860,400                                   | 5,860,400                                                                                       |

### Notes:

- (1) For an overview of the terms of the Subscription Receipts see "*Summary of the Proposed Transactions - Financing*".

## Prior Sales

The following table sets forth the number and price at which securities of TSHI have been issued within the 12 months period prior to the date of this Filing Statement.

| Date of Issuance | Security | Issuance/Exercise Price per Security | Number of Securities |
|------------------|----------|--------------------------------------|----------------------|
| February 1, 2020 | Options  | US\$0.62                             | 5,000                |
| June 1, 2020     | Options  | US\$0.62                             | 5,000                |

| Date of Issuance  | Security              | Issuance/Exercise Price per Security | Number of Securities     |
|-------------------|-----------------------|--------------------------------------|--------------------------|
| July 1, 2020      | Options               | US\$0.62                             | 15,000                   |
| August 1, 2020    | Options               | US\$0.62                             | 7,000                    |
| September 1, 2020 | Options               | US\$0.62                             | 909,545                  |
| November 19, 2020 | Subscription Receipts | \$2.25                               | 3,917,407 <sup>(1)</sup> |
| November 19, 2020 | Broker Warrants       | \$2.25                               | 110,897 <sup>(2)</sup>   |
| January 22, 2021  | Subscription Receipts | \$2.25                               | 500,803 <sup>(1)</sup>   |
| January 22, 2021  | Broker Warrants       | \$2.25                               | 14,085 <sup>(2)</sup>    |

**Notes:**

- (1) Represents the Subscription Receipts issued pursuant to the Financing. See “Summary of Filing Statement – Financing”.
- (2) Represents the Broker Warrants issued pursuant to the Financing. See “Summary of Filing Statement – Financing”.

## Executive Compensation

### *Director and Named Executive Officer Compensation (excluding compensation securities)*

The following table sets out information concerning the compensation paid to the directors and CEO of TSHI and the three most highly compensated executive officers of TSHI, regardless of the amount of their compensation during the years ended December 31, 2019 and December 31, 2018, and for the nine month period ended September 30, 2020. TSHI has seven individuals for whom disclosure is required.

| Table of Compensation Excluding Compensation Securities                              |      |                                                         |                |                                    |                               |                                                         |                       |
|--------------------------------------------------------------------------------------|------|---------------------------------------------------------|----------------|------------------------------------|-------------------------------|---------------------------------------------------------|-----------------------|
| Name and position                                                                    | Year | Salary, consulting fee, retainer or commission (\$U.S.) | Bonus (\$U.S.) | Committee or meeting fees (\$U.S.) | Value of perquisites (\$U.S.) | Value of all other compensation <sup>(1)</sup> (\$U.S.) | Total compensation    |
| <b>Peter Londa</b><br>President and Chief Executive Officer, Director <sup>(2)</sup> | 2020 | 270,375                                                 | 135,188        | Nil                                | Nil                           | 46,634                                                  | 452,197               |
|                                                                                      | 2019 | 358,312                                                 | 170,625        | Nil                                | Nil                           | 47,747                                                  | 576,684               |
|                                                                                      | 2018 | 345,000                                                 | 165,000        | Nil                                | Nil                           | 44,549                                                  | 554,548               |
| <b>George Reznik</b><br>Chief Financial Officer <sup>(3)</sup>                       | 2020 | 15,731 <sup>(4)</sup>                                   | Nil            | Nil                                | Nil                           | 1,201 <sup>(4)</sup>                                    | 16,932 <sup>(4)</sup> |
| <b>Dermot O’Leary</b><br>Chief Operating Officer                                     | 2020 | 189,262                                                 | 54,464         | -                                  | Nil                           | 35,566                                                  | 279,292               |
|                                                                                      | 2019 | 250,819                                                 | 119,465        | -                                  | Nil                           | 40,534                                                  | 410,817               |
|                                                                                      | 2018 | 240,000                                                 | 112,531        | -                                  | Nil                           | 33,170                                                  | 385,701               |
| <b>Michael Grandis</b><br>General Counsel & Corporate Secretary                      | 2020 | 231,750                                                 | 46,350         | -                                  | Nil                           | 14,247                                                  | 292,347               |
|                                                                                      | 2019 | 307,125                                                 | 51,188         | -                                  | Nil                           | 15,427                                                  | 373,740               |
|                                                                                      | 2018 | 267,115                                                 | -              | -                                  | Nil                           | 13,471                                                  | 280,587               |
| <b>Michael Julian</b><br>Executive Vice President, Sales and Marketing               | 2020 | 154,500                                                 | 72,631         | -                                  | Nil                           | 31,856                                                  | 258,986               |
|                                                                                      | 2019 | 204,750                                                 | 96,132         | -                                  | Nil                           | 27,808                                                  | 328,691               |
|                                                                                      | 2018 | 200,000                                                 | 130,078        | -                                  | Nil                           | 23,336                                                  | 353,414               |
| <b>Hugo Hodge</b><br>Executive Vice President and                                    | 2020 | 177,675                                                 | 25,565         | -                                  | Nil                           | 28,315                                                  | 231,555               |
|                                                                                      | 2019 | 235,462                                                 | 75,000         | -                                  | Nil                           | 26,857                                                  | 337,319               |
|                                                                                      | 2018 | 230,000                                                 | 92,000         | -                                  | Nil                           | 22,110                                                  | 344,110               |

|                                            |      |        |     |     |     |     |        |
|--------------------------------------------|------|--------|-----|-----|-----|-----|--------|
| General Manager,<br>Caribbean Basin        |      |        |     |     |     |     |        |
| <b>Laura Formusa</b><br>Chair and Director | 2020 | 28,125 | Nil | Nil | Nil | Nil | 28,125 |
|                                            | 2019 | 37,500 | Nil | Nil | Nil | Nil | 37,500 |
|                                            | 2018 | 28,125 | Nil | Nil | Nil | Nil | 28,125 |
| <b>Francis J. Harvey</b><br>Director       | 2020 | 21,375 | Nil | Nil | Nil | Nil | 21,375 |
|                                            | 2019 | 28,500 | Nil | Nil | Nil | Nil | 28,500 |
|                                            | 2018 | 28,500 | Nil | Nil | Nil | Nil | 28,500 |
| <b>John McEwen</b><br>Director             | 2020 | Nil    | Nil | Nil | Nil | Nil | Nil    |
|                                            | 2019 | Nil    | Nil | Nil | Nil | Nil | Nil    |
|                                            | 2018 | Nil    | Nil | Nil | Nil | Nil | Nil    |

**Notes:**

- (1) This column includes compensation amounts related to TSHI's costs for executive benefits, 401(k) contributions and other government regulated requirements such as unemployment insurance benefits.
- (2) Peter Londa received all of his compensation in his role as President and Chief Executive Officer.
- (3) George Reznik was hired as Chief Financial Officer on August 17, 2020 and started in such role on September 1, 2020.
- (4) Canadian dollar amounts converted at CAD to US\$ foreign exchange rate of 0.7551 as per the Bank of Canada daily average exchange rates as at September 30, 2020.

**External Management Companies**

There are no individual who are acting as Named Executive Officers that are not employees of a Tantalus entity.

**Stock Options and Other Compensation Securities**

The following table sets out information concerning the compensation securities granted during the year ended December 31, 2019 and for the nine month period ended September 30, 2020 to TSHI directors or Named Executive Officers.

| Compensation Securities                                               |              |                               |                                                                                             |                        |                                          |                                                                        |                                                                   |                   |
|-----------------------------------------------------------------------|--------------|-------------------------------|---------------------------------------------------------------------------------------------|------------------------|------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------|
| Name and position                                                     | Year         | Type of compensation security | Number of compensation securities, number of underlying securities, and percentage of class | Date of issue or grant | Issue, conversion or exercise price (\$) | Closing price of security or underlying security on date of grant (\$) | Closing price of security or underlying security at year end (\$) | Expiry date       |
| <b>Peter Londa</b><br>President and Chief Executive Officer, Director | 2020<br>2019 | Nil<br>Nil                    | N/A<br>N/A                                                                                  | N/A<br>N/A             | N/A<br>N/A                               | N/A<br>N/A                                                             | N/A<br>N/A                                                        | N/A<br>N/A        |
| <b>George Reznik</b><br>Chief Financial Officer                       | 2020         | Options                       | 491,646                                                                                     | Sept. 1/20             | US\$0.62                                 | N/A                                                                    | N/A                                                               | Sept. 1/30        |
| <b>Dermot O'Leary</b><br>Chief Operating Officer                      | 2020<br>2019 | Nil<br>Nil                    | N/A<br>N/A                                                                                  | N/A<br>N/A             | N/A<br>N/A                               | N/A<br>N/A                                                             | N/A<br>N/A                                                        | N/A<br>N/A        |
| <b>Michael Grandis</b><br>General Counsel                             | 2020<br>2019 | Options<br>Nil                | 245,823<br>N/A                                                                              | Sept. 1/20<br>N/A      | US\$0.62<br>N/A                          | N/A<br>N/A                                                             | N/A<br>N/A                                                        | Sept. 1/30<br>N/A |

|                                                                                    |              |            |            |            |            |            |            |            |
|------------------------------------------------------------------------------------|--------------|------------|------------|------------|------------|------------|------------|------------|
| & Corporate Secretary                                                              |              |            |            |            |            |            |            |            |
| <b>Michael Julian</b><br>Executive Vice President, Sales and Marketing             | 2020<br>2019 | Nil<br>Nil | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A |
| <b>Hugo Hodge</b><br>Executive Vice President and General Manager, Caribbean Basin | 2020<br>2019 | Nil<br>Nil | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A |
| <b>Laura Formusa</b><br>Chair and Director                                         | 2020<br>2019 | Nil<br>Nil | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A |
| <b>Francis J. Harvey</b><br>Director                                               | 2020<br>2019 | Nil<br>Nil | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A |
| <b>John McEwen</b><br>Director                                                     | 2020<br>2019 | Nil<br>Nil | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A | N/A<br>N/A |

The following table sets out information concerning the exercise of compensation securities during calendar year 2019, and for the nine month period ended September 30, 2020 by TSHI directors and Named Executive Officers.

| Exercise of Compensation Securities                                                |                               |                                           |                                  |                  |                                                |                                                                              |                                   |
|------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------|----------------------------------|------------------|------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------|
| Name and position                                                                  | Type of compensation security | Number of underlying securities exercised | Exercise price per security (\$) | Date of exercise | Closing price per security on date of exercise | Difference between exercise price and closing price on date of exercise (\$) | Total value on exercise date (\$) |
| <b>Peter Londa</b><br>President and Chief Executive Officer, Director              | N/A                           | N/A                                       | N/A                              | N/A              | N/A                                            | N/A                                                                          | N/A                               |
| <b>George Reznik</b><br>Chief Financial Officer                                    | N/A                           | N/A                                       | N/A                              | N/A              | N/A                                            | N/A                                                                          | N/A                               |
| <b>Dermot O'Leary</b><br>Chief Operating Officer                                   | N/A                           | N/A                                       | N/A                              | N/A              | N/A                                            | N/A                                                                          | N/A                               |
| <b>Michael Grandis</b><br>General Counsel & Corporate Secretary                    | N/A                           | N/A                                       | N/A                              | N/A              | N/A                                            | N/A                                                                          | N/A                               |
| <b>Michael Julian</b><br>Executive Vice President, Sales and Marketing             | N/A                           | N/A                                       | N/A                              | N/A              | N/A                                            | N/A                                                                          | N/A                               |
| <b>Hugo Hodge</b><br>Executive Vice President and General Manager, Caribbean Basin | N/A                           | N/A                                       | N/A                              | N/A              | N/A                                            | N/A                                                                          | N/A                               |
| <b>Laura Formusa</b><br>Chair and Director                                         | N/A                           | N/A                                       | N/A                              | N/A              | N/A                                            | N/A                                                                          | N/A                               |
| <b>Francis J. Harvey</b><br>Director                                               | N/A                           | N/A                                       | N/A                              | N/A              | N/A                                            | N/A                                                                          | N/A                               |
| <b>John McEwen</b><br>Director                                                     | N/A                           | N/A                                       | N/A                              | N/A              | N/A                                            | N/A                                                                          | N/A                               |

### ***Stock Option Plans and Other Incentive Plans***

The TSHI Option Plan allows the grant of TSHI Options to TSHI's directors, officers, advisory board members, employees, independent contractors and consultants, subject to approval by the board of directors. The total number of TSHI Common Shares reserved and available for grant and issuance pursuant to the TSHI Option Plan is 6,145,571. The exercise price of a TSHI Option granted shall be determined by the board of directors of TSHI at the time of the grant. The term of any TSHI Options granted shall not exceed ten years.

The TSHI Option Plan was first approved by the board of directors of TSHI on July 26, 2017.

### ***Employment, Consulting and Management Agreements***

No management functions of TSHI or its subsidiaries are to any substantial degree performed by a person other than the directors or senior officers of TSHI.

### ***Termination, Severance and Change of Control Benefits***

TSHI has entered into an executive employment agreements with Peter Londa and Dermot O'Leary for their services as President and Chief Executive Officer and Chief Operating Officer, respectively. Each of the agreements provides that the employee may terminate the agreement absent good reason upon not less than six weeks and not more than three months advance written notice. The agreements also provide that Mr. Londa or Mr. O'Leary, respectively, may terminate their agreements with good reason upon 90 days notice, following which TSHI shall have 30 days to cure such good reason. If the good reason is not cured, Mr. Londa or Mr. O'Leary, respectively, will be entitled to Severance Benefits and to COBRA Payments for a period of 12 months. Similarly, TSHI may terminate the agreements without just cause, but in such event Mr. Londa or Mr. O'Leary, respectively, will be entitled to Severance Benefits and Cobra Payments for a period of 12 months. If TSHI terminates Mr. Londa or Mr. O'Leary for just cause, Mr. Londa and Mr. O'Leary, respectively, shall be entitled to be paid all amounts properly due and owing up to the date of termination. In the event either Mr. Londa or Mr. O'Leary is terminated pursuant to a change of control with a period of three to 12 months following such change of control, such terminated individual shall be entitled to a lump sum payment equal to his Average Monthly Earnings for twelve months and the immediate vesting of any stock options or other outstanding unvested equity granted.

TSHI has entered into an executive employment agreement with George Reznik for his services as Chief Financial Officer. The agreement provides that Mr. Reznik will be entitled to six months of severance pay if TSHI terminates his employment for any reason without cause (including if such termination occurs following a "change a control"). Such amount will be increased by an amount equal to two additional months for each year of service Mr. Reznik provides to TSHI. In the event Mr. Reznik is dismissed for cause, he will not be entitled to severance. Mr. Reznik may terminate his executive employment agreement without cause by giving 90 days' written notice to the TSHI Board and shall be entitled to receive his regular compensation (along with any accrued but unused vacation) until such termination date.

TSHI has entered into an employment agreement with Michael Grandis for his services as General Counsel. The agreement provides that Mr. Grandis will be entitled to four months of severance

pay if TSHI terminates his employment for any reason without cause. In the event Mr. Grandis is dismissed for cause, he will not be entitled to severance.

TSHI has entered into an employment agreement with Michael Julian for his services as Vice President, Sales and Marketing. The agreement provides that Mr. Julian may terminate his employment by providing at least four weeks advance notice and shall be entitled to remuneration and benefits pursuant to his employment agreement until such termination date. If Mr. Julian is terminated for cause, Mr. Julian will not be entitled to notice or payment in lieu thereof. In the event Mr. Julian is terminated without cause, Mr. Julian shall be entitled to six months notice or payment in lieu thereof.

### ***Oversight and Description of Director and Named Executive Compensation***

#### ***Compensation Philosophy and Objectives***

The objectives of TSHI's executive compensation policy are: (a) to attract and retain individuals of high calibre to serve as officers of TSHI; (b) to motivate their performance in order to achieve TSHI's strategic objectives; and (c) to align the interests of executive officers with the long-term interests of TSHI's shareholders.

#### ***Overview***

The TSHI Board, on the recommendation of the compensation committee and management of TSHI, is responsible for setting the overall compensation strategy of TSHI and evaluating and making determinations for the compensation of TSHI directors and executive officers. The TSHI Board, on the recommendation of management of TSHI, annually reviews and determines base salary.

Each executive officer receives a base salary. The salary of the executive officers of TSHI is believed to be similar to salaries provided by comparable companies, although no peer group is used to determine TSHI's compensation policies.

TSHI has a benefit plan in place for management and employees that provides, among other things, health medical, dental and vision benefits, along with group life and disability plan options. All members of management of TSHI are entitled to participate in the TSHI Benefit Plan.

The members of management of TSHI are entitled to bonus and incentive compensation payments. The payment of such bonuses and incentive compensation, and the criteria used to establish such bonuses and incentive compensation, are entirely subject to the discretion of the TSHI Board. Such bonuses and incentive compensation payments consist of:

- Peter Londa and Dermot O'Leary are entitled to a bonus equal to 50% of their respective salaries, such bonuses to be based on the reasonable performance criteria annually established by the TSHI Board.
- George Reznik is eligible for a discretionary bonus up to 50% of his annual salary. Such bonus is based upon the achievement of annual performance goals established by TSHI's Compensation Committee and the TSHI Board.

- Michael Grandis is eligible for a discretionary bonus up to 20% of his annual salary. Such bonus is calculated based on TSHI's performance in terms of revenue, EBITDA, cash flow metrics and such other criteria as established and determined from time to time by TSHI's Compensation Committee and the TSHI Board.
- Michael Julian is entitled to incentive compensation which is earned in connection with his sales commission and certain other discretionary criteria and which is equal to a maximum of 100% of his base salary. Seventy percent (70%) of Mr. Julian's incentive compensation is based on the achievement of certain quotas as set by the TSHI Board, such quotas consisting of Mr. Julian reaching his orders target (50%) and TSHI hitting its revenue target (50%). The remaining 30% of Mr. Julian's incentive compensation is tied to the overall management bonuses set by the TSHI Board and paid out by TSHI in a given year. In the event that the management of TSHI reaches 100% of its TSHI Board established bonus thresholds, Mr. Julian is entitled to receive an additional bonus equivalent to 10% of his total bonus paid out in that year.
- Hugo Hodge is entitled to variable compensation equal to 50% of his salary. Mr. Hodge's variable compensation is based on the achievement of certain targets as set by the TSHI Board, such targets consisting of sales and orders performance in the Caribbean Basin (50%) and the management bonus plan of TSHI as set by the TSHI Board (50%).

While TSHI reimburses its executive officers for expenses incurred in the course of performing their duties as executive officers of TSHI, TSHI has not provided any compensation that would be considered a perquisite or personal benefit to its executive officers.

TSHI has the TSHI Option Plan and grants options to recruit and retain key personnel including management of TSHI and members of the TSHI Board. TSHI also grants stock options for performance on a periodic basis as approved by the TSHI Board.

### **Pension Disclosure**

No pension, retirement or deferred compensation plans, including defined contribution plans, have been instituted by TSHI and none are proposed at this time.

### **Management Contracts**

No management functions of TSHI are to any substantial degree performed by a person other than the directors or senior officers of TSHI.

### **Non-Arm's Length Transactions**

Other than as disclosed herein, there has been no acquisition of assets or services or provision of assets or service in any transaction within the five years before the date of this Filing Statement, or in any of the Proposed Transactions, where TSHI or any subsidiary of TSHI has obtained such assets or services from:

- (a) any director, officer or Promoter of TSHI;

- (b) a security holder disclosed in this Filing Statement as a principal security holder, either before or after giving effect to the Proposed Transactions; or
- (c) an Associate or Affiliate of any of the persons or companies referred to in paragraphs (a) or (b) above.

### **Legal Proceedings**

There are no legal proceedings material to TSHI to which TSHI or any of the TSHI Subsidiaries is a party to or of which any of its property is the subject matter, and there are no such proceedings known to TSHI to be contemplated.

### **Material Contracts**

TSHI has not entered into any material contracts and does not intend to enter into any material contracts prior to closing of the Proposed Transactions, other than:

- the Arrangement Agreement;
- the Subscription Receipt Agreement; and
- the Agency Agreement.

Copies of these agreements may be inspected during regular business hours at the office of TSHI's Canadian legal counsel, Osler, Hoskin & Harcourt LLP, Guinness Tower, 1055 W Hastings St #1700, Vancouver, British Columbia, V6E 2E9, Canada, until the Closing of the Plan of Arrangement and for a period of 30 days thereafter.

## **PART III – INFORMATION CONCERNING THE RESULTING ISSUER**

Information contained in this Part III assumes completion of the Proposed Transactions, including the Plan of Arrangement.

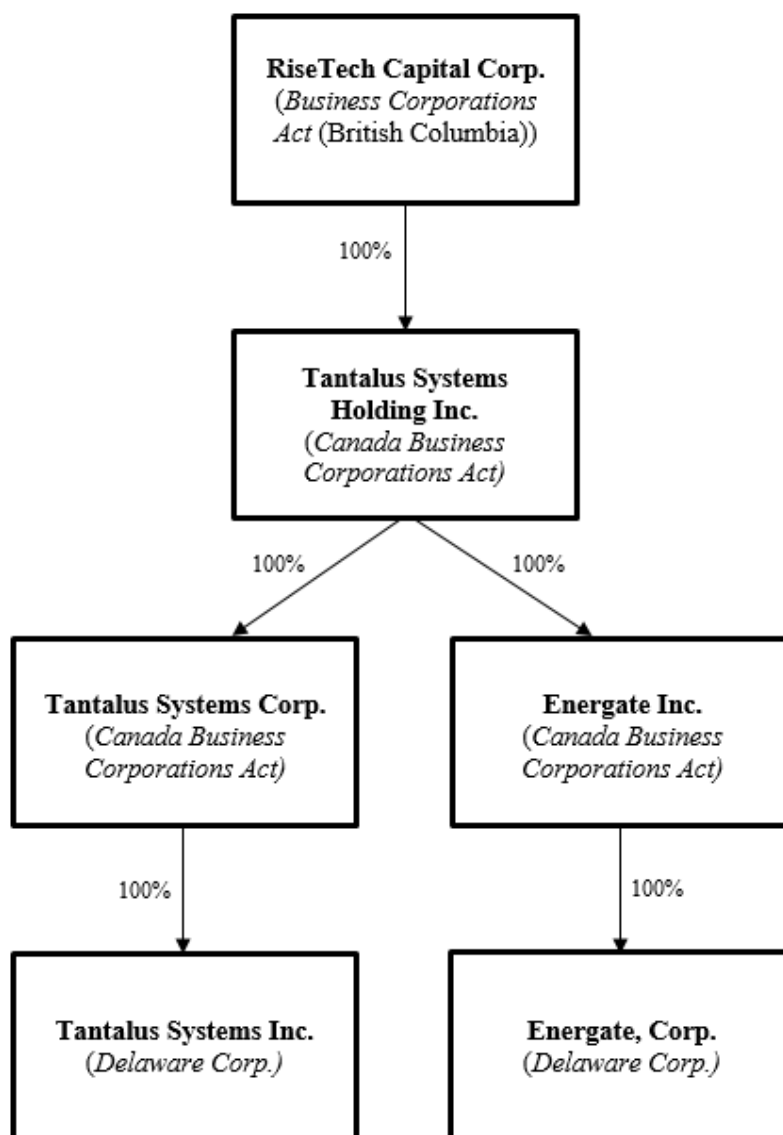
### **Corporate Structure**

#### ***Name and Incorporation***

Following the completion of the Proposed Transactions, it is anticipated that the Resulting Issuer will file a Form 11 - Notice of Alteration to change its name to "Tantalus Systems Holding Inc.", or such other name as may be determined in the sole discretion of the Resulting Issuer Board. It is expected that the Resulting Issuer will continue to be subject to the BCBCA and that the registered office of the Resulting Issuer will be located at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada.

#### ***Intercorporate Relationships***

The following organizational chart reflects the proposed structure of the Resulting Issuer after completion of the Proposed Transactions, but prior to the Name Change:



## Description of the Business

Following the Closing, the Resulting Issuer will continue to carry on the business of TSHI. See “Part II – Information Concerning TSHI – Development and Description of the Business”.

## Stated Business Objectives

In addition to having the same stated business objectives as TSHI, the Resulting Issuer intends to utilize the funds over the next 24 months after completion of the Plan of Arrangement as described in “Part II – Information Concerning TSHI – Available Funds and Principal Purposes”.

## ***Milestones***

Within six months following the completion of the Proposed Transactions, the Resulting Issuer anticipates working towards several milestones, including:

| <b>Milestone</b>                                                                                                                                               | <b>Target Date</b>  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Beginning a search process to identify potential acquisition targets or strategic joint venture partners.                                                      | First Quarter 2021  |
| Identify potential acquisition targets or strategic joint venture partners and begin the letter of intent and negotiation process.                             | Second Quarter 2021 |
| Close any transaction identified in TSHI's search process and letter of intent phase as identified in the fourth quarter of 2020 or the first quarter of 2021. | Third Quarter 2021  |
| Maintain TSHI's current business plan and continue to grow revenues and visibility so as to achieve strategic goals.                                           | Ongoing             |

## **Description of the Securities**

### ***Resulting Issuer Common Shares***

The share structure and the rights associated with the RiseTech Common Shares will remain the same after the completion of the Proposed Transactions. See “*Part I - Information Concerning RiseTech - Description of the Securities.*”

### ***Resulting Issuer Preferred Shares***

The Resulting Issuer will also be authorized to issue an unlimited number of Resulting Issuer Preferred Shares, of which none are expected to be issued and are issued as of the Effective Date. The Resulting Issuer Board will be entitled fix from time to time before such issue, the number of shares which is to comprise each series and the designation, special rights and restrictions attached to each series of Resulting Issuer Preferred Shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the redemption, purchase and/or conversion prices and terms and conditions of redemption, purchase and/or conversion, and any sinking fund or other provisions.

The Resulting Issuer Preferred Shares of each series will, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Resulting Issuer, or any other return of capital or distribution of the assets of the Resulting Issuer among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Resulting Issuer Preferred Shares of every other series and be entitled to preference over the Resulting Issuer Common Shares and over any other shares of the Resulting Issuer ranking junior to the Resulting Issuer Preferred Shares. The Resulting Issuer Preferred Shares of any series may also be given such other preferences, not inconsistent with these articles, over the Common shares and any other shares of the Resulting Issuer ranking junior to such Resulting Issuer Preferred Shares.

If any cumulative dividends or amounts payable on the return of capital in respect of a series of Resulting Issuer Preferred Shares are not paid in full, all series of Resulting Issuer Preferred Shares will participate rateably in respect of accumulative dividends and return of capital.

Unless the Resulting Issuer Board otherwise determines when designating a series, the holder of each share of a series of Resulting Issuer Preferred Shares shall not, except as otherwise specifically provided in the BCBCA, be entitled to receive notice of or vote at any meeting of the shareholders.

### *Resulting Issuer Options*

For a description of the Resulting Issuer Options, see “*Part III - Information Concerning the Resulting Issuer – Resulting Issuer Incentive Plan.*”

### *Resulting Issuer Broker Warrants*

The rights associated with the Broker Warrants will remain the same after the completion of the Proposed Transactions. For a description of the Broker Warrants, see “*Summary of the proposed Transactions – Financing*”.

## **Pro-Forma Consolidated Capitalization**

The following table sets forth the capitalization of the Resulting Issuer after giving effect to the transactions described in the unaudited Pro Forma Consolidated Financial Statements attached hereto as Schedule “E”.

| <b>Designation of Security<sup>(1)</sup></b> | <b>Amount Authorized or to be authorized</b> | <b>Amount Outstanding After Giving Effect to the Proposed Transactions</b> |
|----------------------------------------------|----------------------------------------------|----------------------------------------------------------------------------|
| Resulting Issuer Common Shares               | Unlimited                                    | 38,859,051 <sup>(1)</sup>                                                  |
| Resulting Issuer Preferred Shares            | Unlimited                                    | Nil                                                                        |
| Resulting Issuer Options                     | 20% fixed plan <sup>(2)</sup>                | 4,860,168 <sup>(3)</sup>                                                   |
| Resulting Issuer Broker Warrants             | N/A                                          | 124,982                                                                    |

### **Notes:**

- (1) After giving effect to the completion of the Proposed Transactions, all of the 4,418,210 outstanding Subscription Receipts that were issued pursuant to the Financing will be converted into TSHI Common Shares and subsequently exchanged for Resulting Issuer Common Shares in accordance with the terms of the Subscription Receipt Agreement; See “*Summary of the Proposed Transactions - Financing*”.
- (2) The Resulting Issuer Incentive Plan is a 20% fixed plan pursuant to which the maximum number of Resulting Issuer Common Shares which may be subject to Resulting Issuer Option grants at any time shall not exceed 20% of the total number of Resulting Issuer Common Shares outstanding as of the Effective Date on a non-diluted basis in combination with all other security-based compensation arrangements of the Resulting Issuer.
- (3) Represent the number of issued and outstanding Resulting Issuer Options out of an aggregate total of 7,771,810 Resulting Issuer Options reserved for issuance under the Resulting Issuer Incentive Plan. Certain of the Resulting Issuer Common Shares and Resulting Issuer Options will be subject to escrow. See “*Part II – Information Concerning TSHI – Escrowed Securities – Terms of the Escrow for Common Shares held by Principals*”.

## Fully Diluted Share Capital

In addition to the information set out in the capitalization table above, the following table sets out the fully diluted share capital of the Resulting Issuer after giving effect to the Proposed Transactions.

|                                                                                                                                                                                  | Number of Securities | Percentage of Total After Giving Effect to the Proposed Transactions |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------------------------------------------|
| Resulting Issuer Common Shares issued and outstanding as at the date of the Filing Statement (to be issued to holders of existing RiseTech Common Shares)                        | 767,321              | 1.64%                                                                |
| Resulting Issuer Common Shares issued pursuant to the Arrangement Agreement (to be issued to holders of existing TSHI Common Shares)                                             | 33,673,520           | 72.02%                                                               |
| Resulting Issuer Common Shares issued pursuant to the Financing upon automatic exercise of Subscription Receipts                                                                 | 4,418,210            | 9.45%                                                                |
| <b>TOTAL RESULTING ISSUER COMMON SHARES</b>                                                                                                                                      | 38,859,051           | 83.11%                                                               |
| Resulting Issuer Common Shares reserved for issuance pursuant to the exercise of Resulting Issuer Options issued and outstanding pursuant to the Resulting Issuer Incentive Plan | 4,860,168            | 10.39%                                                               |
| Resulting Issuer Common Shares reserved for issuance pursuant to the exercise of Resulting Issuer Options but not yet issued under the Resulting Issuer Incentive Plan           | 2,911,642            | 6.23%                                                                |
| Common Shares reserved for issuance upon exercise of Resulting Issuer Broker Warrants                                                                                            | 124,982              | 0.27%                                                                |
| <b>TOTAL NUMBER OF ISSUED AND OUTSTANDING RESULTING ISSUER COMMON SHARES ON A FULLY DILUTED BASIS</b>                                                                            | 46,755,843           | 100%                                                                 |

Other than the securities set out above, no other securities will be outstanding which are convertible into, or exchangeable for, Resulting Issuer Common Shares following completion of the Proposed Transactions.

## Available Funds and Principal Purposes

### Available Funds

Upon completion of the Proposed Transactions, the Resulting Issuer is expected to have approximately US\$10,600,000 in Available Funds, and is expected to use the funds available to it in furtherance of its stated business objectives which are summarized in the table appearing below:

| Estimated Available Funds                                                                       | Amount US\$         |
|-------------------------------------------------------------------------------------------------|---------------------|
| Estimated consolidated Adjusted Working Capital <sup>(1)</sup>                                  | \$4,900,000         |
| Net proceeds from the sale of the Subscription Receipts issued in connection with the Financing | \$5,700,000         |
| <b>Total Estimated Available Funds</b>                                                          | <b>\$10,600,000</b> |

**Notes:**

- (1) Consolidated working capital is derived from the Pro Forma Financial Statements attached hereto as Schedule “E”.

***Principal Purpose of Funds***

The following table sets forth the principal purposes for the Available Funds upon completion of the Proposed Transactions and the current estimated amounts to be used for each such principal purpose:

| <b>Principal Use of Available Funds</b>                             | <b>Amount US\$</b>                |
|---------------------------------------------------------------------|-----------------------------------|
| Estimated costs related to the Proposed Transactions                | \$1,800,000 <sup>(1)</sup>        |
| General and administrative expenses for 18 months                   | \$8,200,000                       |
| Expansion of product offerings through research and development     | \$500,000                         |
| Development of strategic partnerships and/or strategic acquisitions | \$500,000                         |
| Excess capital reserve and other                                    | \$2,500,000 <sup>(2)</sup>        |
| <b>Total</b>                                                        | <b>\$13,500,000<sup>(2)</sup></b> |

**Notes:**

- (1) Includes Agents’ commissions and estimated expenses in connection with the Financing and estimated legal and accounting fees in connection with the Financing and the Proposed Transactions.
- (2) In addition to the Available Funds made available to the Resulting Issuer following the completion of the Proposed Transactions, additional Adjusted Working Capital will be generated from operations of the Resulting Issuer in the ordinary course of business.

Based on current projections, the Resulting Issuer’s Adjusted Working Capital available for funding ongoing operations is expected to meet its expenses for a minimum period of 18 months following the Effective Date.

The above sources and uses of funds are estimates only. Notwithstanding the proposed uses of Available Funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult at this time to definitively project the total funds necessary to execute the planned activities of the Resulting Issuer. For these reasons, management of TSHI considers it to be in the best interests of the Resulting Issuer and its shareholders to permit a reasonable degree of flexibility as to how the Resulting Issuer’s funds are employed among the uses identified above, or for other purposes, as the need may arise. Further, the above uses of available funds should be considered estimates. See “*Note Regarding Forward-Looking Information*”.

***Dividend Policy***

The Resulting Issuer does not currently intend to pay any cash dividends or distributions on the Resulting Issuer Common Shares in the foreseeable future and, therefore, holders of Resulting Issuer Common Shares may not be able to receive a return on their Resulting Issuer Common Shares unless they sell such Resulting Issuer Common Shares. The Resulting Issuer’s policy will be to retain earnings to reinvest in the Resulting Issuer.

The Resulting Issuer’s dividend policy will be reviewed from time to time by the Resulting Issuer Board in the context of its earnings, financial condition and other relevant factors. Until the

Resulting Issuer pays dividends on the Resulting Issuer Common Shares, which it may never do, its shareholders will not be able to receive a return on the Resulting Issuer Common Shares unless they sell them.

## Principal Securityholders

To the knowledge of management of RiseTech and TSHI, no person or company is anticipated to own of record of beneficially, directly or indirectly, or exercise control or direction over more than 10% of any class of voting securities of the Resulting Issuer upon completion of the Proposed Transactions, other than as follows:

| Name of Shareholder and Municipality of Residence      | Number of Resulting Issuer Common Shares Beneficially Owned, Controlled or Directed | Percentage of Outstanding Resulting Issuer Common Shares <sup>(1)</sup> |
|--------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Redpoint <sup>(2)</sup><br>San Francisco, California   | 7,506,271                                                                           | 19.32% <sup>(4)</sup>                                                   |
| Pender <sup>(3)</sup><br>Vancouver, British Columbia   | 4,268,379                                                                           | 10.98% <sup>(4)</sup>                                                   |
| Marin Investments Ltd.<br>Vancouver, British Columbia  | 4,139,308                                                                           | 10.65% <sup>(4)</sup>                                                   |
| Energate Shareholders Holding Corp.<br>Kanata, Ontario | 4,135,129                                                                           | 10.64% <sup>(4)</sup>                                                   |

### Notes:

- (1) Based on 38,859,051 Resulting Issuer Common Shares on a non-diluted basis.
- (2) Includes 7,299,848 Resulting Issuer Common Shares held by Redpoint Omega L.P. and 206,423 Resulting Issuer Common Shares held by Redpoint Omega Associates, LLC.
- (3) Includes 980,932 Resulting Issuer Common Shares held by Pender Growth Fund (VCC) Inc., 2,034,660 Resulting Issuer Common Shares held by Pender Small Cap Opportunities Fund, 188,453 Resulting Issuer Common Shares held by Pender Small Cap Equity Fund, 973,934 Resulting Issuer Common Shares held by Pender Value Fund and 90,400 Resulting Issuer Common Shares held by Pender Value Fund II.
- (4) On a fully-diluted basis of 46,755,843 Resulting Issuer Common Shares, the percentage of outstanding Resulting Issuer Common Shares would consist of 16.05%, 9.13%, 8.85% and 8.84%, respectively. Such number of Resulting Issuer Common Shares on a fully-diluted basis includes 2,911,642 Resulting Issuer Options reserved for issuance but that have not yet been granted under the Resulting Issuer Incentive Plan.

See “*Note Regarding Forward-Looking Information*”.

## Directors, Officers and Promoters

The following table lists the names, municipalities of residence of the proposed directors and officers of the Resulting Issuer upon completion of the Proposed Transactions, their proposed positions and offices to be held with the Resulting Issuer, and their principal occupations or employment and the number of securities of the Resulting Issuer which will be beneficially owned, directly or indirectly, or over which control or direction will be exercised by each upon completion of the Proposed Transactions.

| <b>Name and Municipality of Residence</b>                   | <b>Principal Occupations for the Last Five Years</b>                                                                                                                                                                                                                                                                                                          | <b>Period or periods during which each director or officer has served as a director or officer of TSHI</b> | <b>Proposed Position With the Resulting Issuer</b> | <b>Number and Percent of Resulting Issuer Common Shares<sup>(1)</sup></b> |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------|
| Peter Londa <sup>(2)</sup><br>Norwalk, Connecticut          | Mr. Londa is currently the President and Chief Executive Officer of TSHI.                                                                                                                                                                                                                                                                                     | April 1, 2014                                                                                              | President and Chief Executive Officer<br>Director  | 1,259,766<br>3.24%                                                        |
| Laura Formusa <sup>(2)(3)(4)</sup><br>Toronto, Ontario      | Ms. Formusa is currently a director of TSHI and serves on the board of directors of Equitable Life Insurance Company of Canada, 407 International Inc. and ENMAX Corporation.                                                                                                                                                                                 | October 2017                                                                                               | Chair of the Board of Directors                    | Nil                                                                       |
| Francis J. Harvey <sup>(4)</sup><br>Los Gatos, California   | Dr. Harvey is currently a director of TSHI and is self-employed providing consulting and executive advisory services to corporations.                                                                                                                                                                                                                         | March 2015                                                                                                 | Director                                           | 153,169<br>0.39%                                                          |
| John McEwen <sup>(3)(4)</sup><br>Naramata, British Columbia | Mr. McEwen is currently a director of TSHI and the Chief Executive Officer of Discovery Capital Management Corporation, a technology venture capital firm.                                                                                                                                                                                                    | June 2001                                                                                                  | Director                                           | Nil                                                                       |
| Tom Liston <sup>(2)(3)</sup><br>Toronto, Ontario            | Mr. Liston is currently a director of RiseTech. Mr. Liston is also a director of WELL Health Technologies Corp., an owner and operator of a portfolio of primary healthcare facilities. Mr. Liston also served as the Managing Partner of Difference Capital Financial Inc., a publicly-listed, Toronto-based specialty finance company until September 2019. | N/A                                                                                                        | Director                                           | 60,945<br>0.16%                                                           |
| George Reznik<br>West Vancouver, British Columbia           | Mr. Reznik is currently the Chief Financial Officer of TSHI. Mr. Reznik is also the Chair of BC Technology Industry CFO Council. Prior to joining TSHI, Mr. Reznik was the Chief Financial Officer                                                                                                                                                            | September 1, 2020                                                                                          | Chief Financial Officer                            | 6,600<br>0.02%                                                            |

| Name and Municipality of Residence            | Principal Occupations for the Last Five Years                                                                                                                                                                                                                      | Period or periods during which each director or officer has served as a director or officer of TSHI | Proposed Position With the Resulting Issuer                 | Number and Percent of Resulting Issuer Common Shares <sup>(1)</sup> |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------|
|                                               | and Corporate Secretary of Intrinsic Technologies Corporation, an internet of things edge computing company.                                                                                                                                                       |                                                                                                     |                                                             |                                                                     |
| Dermot O'Leary<br>Orlando, Florida            | Mr. O'Leary is currently the Chief Operating Officer of TSHI.                                                                                                                                                                                                      | April 28, 2014                                                                                      | Chief Operating Officer                                     | 309,258<br>0.80%                                                    |
| Michael Julian<br>Chapel Hill, North Carolina | Mr. Julian is currently the Executive Vice President, Sales and Marketing of TSHI.                                                                                                                                                                                 | August 18, 2010                                                                                     | Executive Vice President, Sales and Marketing               | 157,709<br>0.41%                                                    |
| Hugo Hodge<br>St. Thomas, Virgin Islands      | Mr. Hodge is currently the Executive Vice President & General Manager, Caribbean Basin of TSHI. Prior to joining TSHI, Mr. Hodge was the President and Chief Executive Officer of HKT Energy Consulting Group, a full service energy consultation firm.            | April 1, 2016                                                                                       | Executive Vice President & General Manager, Caribbean Basin | 44,964<br>0.12%                                                     |
| Michael Grandis<br>Darien, Connecticut        | Mr. Grandis is the General Counsel and Corporate Secretary of TSHI. Prior to joining TSHI, Mr. Grandis was a corporate partner in the New York office of Loeb & Loeb LLP, a multi-service law firm with offices located in the United States, China and Hong Kong. | February 12, 2018                                                                                   | General Counsel and Corporate Secretary                     | Nil                                                                 |
| Param Pawar,<br>Surrey, British Columbia      | Mr. Pawar is currently the Vice-President, Finance of TSHI.                                                                                                                                                                                                        | November 2011                                                                                       | Vice-President, Finance                                     | 106,536<br>0.27%                                                    |

**Notes:**

- (1) Resulting Issuer Common Shares to be beneficially owned, directly or indirectly, or over which control or direction is proposed to be exercised. Based on 38,859,051 Resulting Issuer Common Shares issued and outstanding as of the date of this Filing Statement.
- (2) Proposed member of the Resulting Issuer's Corporate Governance and Nominating Committee.
- (3) Proposed member of the Resulting Issuer's Audit Committee.
- (4) Proposed member of the Resulting Issuer's Compensation Committee.

Each of the Resulting Issuer's directors are elected by the Resulting Issuer's shareholders at an annual general meeting to serve until the next annual general meeting of shareholders or until a successor is elected or appointed.

Assuming completion of the Proposed Transactions, the directors and officers of the Resulting Issuer as a group will beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 2,098,947 Resulting Issuer Common Shares, representing approximately 5.40% of the then issued and outstanding Resulting Issuer Common Shares upon closing of the Proposed Transactions.

### ***Management***

The following is a brief description of each of the proposed members of management for the Resulting Issuer (including details with regard to their principal occupations for the last five years). Following the closing of the Proposed Transactions, the Resulting Issuer expects to enter employment agreements with each of the following members of management, such employment agreements to be commensurate with employment agreements entered into by management of TSHI's Exchange-listed peer companies. It is expected these employment agreements will contain non-competition and non-disclosure provisions.

#### *Peter Londa, Chief Executive Officer, President, Director, 48 years old*

Peter Londa is the President & Chief Executive of TSHI and also serves as a member of the board of directors. Following the completion of the Proposed Transactions, Mr. Londa will be the President & Chief Executive Officer of the Resulting Issuer. In this role, Mr. Londa will be responsible for overseeing corporate development and strategy, product development and all other key areas of the Resulting Issuer across all of its divisions. Mr. Londa has over 20 years of experience in leadership roles, including in the smart grid and electric utility industry. Prior to joining TSHI, Mr. Londa served as the Independent Chair of the board of directors for World Energy Solutions, Inc., a publicly traded company on NASDAQ that operates online exchanges for energy and green commodities. Previous to his role at World Energy Solutions, Inc., Mr. Londa served as the Chief Executive Officer of BPL Global, Ltd., a leading smart grid company delivering technology solutions to the electric utility industry with operations in the United States, Europe, Middle East, India, and China. Mr. Londa is a graduate of Emory University and holds a JD, MBA in Finance and Corporate Law, and a Bachelor of Arts in Economics.

#### *George Reznik, Chief Financial Officer, 54 years old*

George Reznik is the Chief Financial Officer of TSHI and will continue as Chief Financial Officer of the Resulting Issuer following the completion of the Proposed Transactions. As Chief Financial Officer, Mr. Reznik will be responsible for managing the financial actions of the Resulting Issuer, including tracking cash flow and financial planning as well as analyzing the Resulting Issuer's financial strengths and weaknesses and proposing corrective actions. Mr. Reznik brings over 25 years of expertise in executive financial leadership and operations having held key roles at rapidly growing public companies in the high technology industry. Prior to joining TSHI in August 2020, Mr. Reznik served as Chief Financial Officer and Corporate Secretary of Intrinsyc Technologies Corporation, an internet of things edge computing company. Mr. Reznik also served as the Corporate Finance Valuation Practice Leader of Deloitte LLP, where he was a member of the accounting practice in Canada and the United Kingdom for over 12 years. Mr. Reznik is a

Chartered Professional Accountant - Chartered Accountant, a Chartered Business Valuator, a Certified Fraud Examiner and is a graduate the University of Manitoba, where he holds a Bachelor of Commerce in Accounting and Finance.

*Dermot O’Leary, Chief Operating Officer, 62 years old*

Dermot O’Leary is the Chief Operating Officer of TSHI and will continue in that role with the Resulting Issuer following the completion of the Proposed Transactions. In his role, Mr. O’Leary will primarily be responsible for overseeing the day-to-day administrative and operational functions of TSHI. Mr. O’Leary is a 40-year veteran of the utility industry, with expertise in all aspects of strategic planning, product development, manufacturing and supply chain processes, customer deployments, business development, contracting, and international business. Mr. O’Leary holds a Bachelor of Science in Physics from the University of Toronto.

*Hugo Hodge, Executive Vice President & General Manger, Caribbean Basin, 51 years old*

Hugo Hodge serves as Executive Vice President and General Manager of the Caribbean Basin for TSHI. Mr. Hodge will continue in this role with the Resulting Issuer following the completion of the Proposed Transactions. In his role, Mr. Hodge will primarily be responsible for leading, managing and overseeing the Resulting Issuer’s expansion into the Caribbean Basin. Mr. Hodge has dedicated his career to the success of utilities and most recently served as Chief Executive Officer of the Virgin Islands Water and Power Authority prior to joining TSHI in 2016. Mr. Hodge has over 25 years of experience in distribution utility operations in the United States and Caribbean Basin. Mr. Hodge holds Master of Business Administration from Georgia State University and a Bachelor of Science in Mechanical Engineering from Southern Polytechnic State University.

*Michael Julian, Executive Vice President, Sales and Marketing, 52 years old*

Michael Julian currently serves as Executive Vice President, Sales and Marketing of TSHI. Following the completion of the Proposed Transactions, Mr. Julian will continue in this same role and will be responsible for leading the Resulting Issuer’s sales organization and for growing the Resulting Issuer’s revenue profile and market presence across the public power and electric cooperative utility market segment throughout North America. As a former United States Air Force officer, Mr. Julian brings over 20 years of leadership, sales and sales management experience within the energy and communications industries through prior roles at General Electric Company, Ericsson, Tekelec, Inc. and Catapult Communications Corporation. Mr. Julian is a graduate of General Electric’s Technical Sales Program. He earned an Master of Business Administration from the W.P. Carey School of Business at Arizona State University and holds a Bachelor of Science in Electrical Engineering from Villanova University.

*Michael Grandis, General Counsel and Corporate Secretary, 46 years old*

Michael Grandis currently serves as the General Counsel of TSHI and is responsible for all legal matters across the company and its affiliates. He oversees contracting, corporate governance, partnerships, intellectual property, employment, compliance and other transactional matters, as well as serving as a strategic member of the senior leadership team. Mr. Grandis will continue in this role and with these responsibilities following the completion of the Proposed Transactions. Prior to joining TSHI in 2018, Mr. Grandis was a corporate partner in the New York law office of Loeb & Loeb LLP where he also acted as outside general counsel to TSHI for several years. Mr.

Grandis has nearly two decades of experience practicing in New York City law firms representing clients on a broad range of corporate, securities and other transactional engagements. Mr. Grandis received his Bachelor of Science in Marketing and Management from the McDonough School of Business at Georgetown University and his J.D. from Columbia University School of Law.

*Param Pawar, Vice-President, Finance, 40 years old*

Param Pawar is the Vice-President, Finance of TSHI and will continue as Vice-President, Finance of the Resulting Issuer following the completion of the Proposed Transactions. As Vice-President, Finance, Mr. Pawar will report into the Chief Financial Officer and will be responsible for assisting in the management of the financial actions of the Resulting Issuer, including tracking cash flow and financial planning as well as assisting the Chief Financial Officer in analyzing the Resulting Issuer's financial strengths and weaknesses and proposing corrective actions. Mr. Pawar brings over 16 years of accounting experience having held key accounting and controller roles at several privately held companies. Mr. Pawar is a Chartered Professional Accountant - Chartered Management Accountant, and is a graduate of Douglas College, where he holds a Bachelor of Accounting and also holds a Certificate of Management Accounting from the University of British Columbia.

### ***Committees of the Board***

Following the completion of the Proposed Transactions, the Resulting Issuer Board is expected to establish an Audit Committee, a Corporate Governance and Nominating Committee and a Compensation Committee.

#### *Audit Committee*

The Audit Committee of the Resulting Issuer is expected to be comprised of John McEwen as Chair, Laura Formusa, and Tom Liston.

The Audit Committee will consist of individuals who are “independent” and “financially literate” within the meaning of National Instrument 52-110 — *Audit Committees*. Each of the Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. Please see below for details regarding the relevant education and experience of each member of the Audit Committee:

*John McEwen* – John McEwen is the Chief Executive Officer of Discovery Capital Management Corporation, a technology venture capital firm. Mr. McEwen has worked with nearly 200 technology companies, and serves on several investee company boards of directors. His experience includes leading major corporate finance initiatives for companies such as Sierra Wireless Inc. and Circon Systems Corp. In Mr. McEwen's current and past roles, Mr. McEwen has been required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

*Laura Formusa* – Laura Formusa serves on the boards of Equitable Life Insurance Company of Canada where she is Chair of the Governance Committee, 407 International Inc., and ENMAX Corporation where she is Chair of the Safety and Human Resources Committee. She has also

served on the Boards of DHX Media Ltd., the Canadian Electricity Association, ICES, the Banting Research Foundation and York University. Prior to such roles, Ms. Formusa served as President and Chief Executive Officer of Hydro One Inc. from 2007 until her retirement at the end of 2012. In Ms. Formusa's current and past roles, Ms. Formusa has been required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

*Tom Liston* – Tom Liston is a director of RiseTech and WELL Health Technologies Corp. He is also the founder of Water Street Corp and currently serves on the board of directors for multiple private technology companies. Prior to his current role, Mr. Liston was the Chief Investment Officer of a leading technology-focused venture capital firm, which provided growth capital to late-stage private companies with a focus on technology, media and healthcare. Mr. Liston is also a Chartered Financial Analyst. In Mr. Liston's current and past roles, Mr. Liston has been required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

The Resulting Issuer Board is expected to adopt a written charter for the Audit Committee which sets out the Audit Committee's responsibility in reviewing the financial statements of the Resulting Issuer and public disclosure documents containing financial information and reporting on such review to the Resulting Issuer Board, ensuring that adequate procedures are in place for the review of the Resulting Issuer's public disclosure documents that contain financial information, overseeing the work and reviewing the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management.

#### *Corporate Governance and Nominating Committee*

The Corporate Governance and Nominating Committee of the Resulting Issuer is expected to be comprised of Laura Formusa as Chair, Tom Liston, and Peter Londa.

The Corporate Governance and Nominating Committee will identify, interview and make recommendations to the Resulting Issuer Board with respect to new Resulting Issuer Board members. It is anticipated that nominees to the Resulting Issuer Board will be as a result of the recruitment efforts by members of the Corporate Governance and Nominating Committee and the Resulting Issuer Board including both formal and information among the Corporate Governance and Nomination Committee members, members of the Resulting Issuer Board, and management. For additional details regarding the relevant education and experience of each member of the Corporate Governance and Nominating Committee, see the relevant biographical experiences for each member of the Corporate Governance and Nominating Committee under "*Part III – Directors, Officers and Promoters*".

#### *Compensation Committee*

The Compensation Committee of the Resulting Issuer is expected to be comprised of Dr. Francis J. Harvey as Chair, John McEwen, and Laura Formusa.

The Compensation Committee will assist the Resulting Issuer Board in settling compensation of directors and senior executives, and developing and submitting to the Resulting Issuer Board recommendations with regard to other employee benefits. The Compensation Committee will review on an annual basis the adequacy and form of compensation and senior executives and

directors to ensure that such compensation reflects the responsibilities, time commitment, and risk involved in being an effective executive officer or director as applicable. For additional details regarding the relevant education and experience of Mr. McEwen and Ms. Formusa, see their relevant biographical experiences under “*Part III – Directors, Officers and Promoters*”. The relevant education and experience of Dr. Harvey is as follows below.

*Dr. Francis J. Harvey* – Dr. Francis J. Harvey is currently self-employed providing consulting and executive advisory services to corporations. Prior to being self-employed, Dr. Harvey served as the 19th Secretary of the United States Army from November 2004 to March 2007. As the Secretary, Dr. Harvey was responsible for the Department of the Army’s annual budget and supplemental of over \$200 billion. Dr. Harvey led a workforce of over one million active duty, Army National Guard, Army Reserve Soldiers and Department of the Army civilian employees. Dr. Harvey has extensive experience serving on corporate boards and currently is on the corporate or advisory boards of six companies and private equity firms in the energy, defense and information technology sectors, including TSHI. In Dr. Harvey’s current and past roles, Dr. Harvey has been required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

It is anticipated that the Corporate Governance Committee and the Compensation Committee will have a combined written Charter that will govern both committees.

#### ***Work Commitment to the Resulting Issuer***

All proposed executive officers of the Resulting Issuer will work on a full-time basis for the Resulting Issuer. Each executive officer of the Resulting Issuer will enter into non-competition and non-disclosure agreements with the Resulting Issuer. The directors will devote their time and expertise as required by the Resulting Issuer.

#### ***Corporate Cease Trade Orders or Bankruptcies***

Within the ten years before the date of this Filing Statement, no proposed director, officer or Promoter of the Resulting Issuer, or a securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, within 10 years before the date of this Filing Statement, has been a director, officer or Promoter of any person or company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
- (b) 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.

The foregoing information, not being within the knowledge of RiseTech or TSHI, has been furnished by the proposed directors.

### ***Penalties or Sanctions***

To the knowledge of RiseTech and TSHI, no proposed director, officer or Promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has:

- (a) been subject to 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) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Proposed Transactions.

### ***Personal Bankruptcies***

To the knowledge of RiseTech and TSHI, no director, officer or Promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any of them, has, within the ten years prior to the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements, or compromise with creditors or had a receiver manager or trustee appointed to hold the assets of that individual.

### ***Conflicts of Interest***

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon the closing of the Proposed Transactions are also directors, officers and/or Promoters of other reporting and non-reporting issuers. To the knowledge of the directors and officers of RiseTech and TSHI, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals proposed for appointment as directors or officers upon closing of the Proposed Transactions, as of the date of this Filing Statement.

### ***Other Reporting Issuer Experience***

The following table sets out the proposed directors, officers and Promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or Promoters of other reporting issuers:

| <b>Name</b>   | <b>Name and Jurisdiction of Reporting Issuer</b> | <b>Name of Trading Market</b> | <b>Position</b>                                 | <b>Period</b>            |
|---------------|--------------------------------------------------|-------------------------------|-------------------------------------------------|--------------------------|
| George Reznik | Intrinsyc Technologies Corporation               | TSX                           | Chief Financial Officer and Corporate Secretary | April 2008 – August 2020 |
|               | Apteryx Inc.                                     | TSXV                          | Director                                        | June 2018 – August 2020  |
| Tom Liston    | WELL Health Technologies Corp.                   | TSXV                          | Director                                        | May 2018 – Present       |

|  |                              |      |          |                              |
|--|------------------------------|------|----------|------------------------------|
|  | MOGO Finance Technology Inc. | TSX  | Director | October 2016 – November 2018 |
|  | QHR Technologies Inc.        | TSXV | Director | May 2014 – September 2016    |

## **Executive Compensation**

### ***Compensation Discussion and Analysis***

Disclosure of the executive compensation practices for TSHI is set forth in “*Part II – Information Concerning TSHI – Executive Compensation*”. It is anticipated that the Resulting Issuer will continue the executive compensation practices of TSHI upon completion of the Proposed Transactions. It is anticipated that from time to time Resulting Issuer Options will be granted under the Resulting Issuer Incentive Plan to provide an incentive to the participants; to achieve the longer-term objectives of the Resulting Issuer; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Resulting Issuer; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Resulting Issuer.

It is expected that the anticipated compensation for the Resulting Issuer’s proposed CEO, CFO, Chief Operating Officer, Executive Vice President & General Manager, and Executive Vice President for the 12 month period after the closing of the Proposed Transactions will be consistent with the compensation paid to such individuals in the year ended December 31, 2019 and the year ended December 31, 2018. See “*Part II – Information Concerning TSHI – Executive Compensation*” for further details.

### ***Director Compensation***

Upon completion of the Proposed Transactions, the directors of the Resulting Issuer will determine how much, if any, compensation will be paid to directors for services rendered to the Resulting Issuer by them in that capacity. Such incentives may be in the form of an annual director’s fee and/or in the form of incentive Resulting Issuer Options pursuant to the Resulting Issuer Incentive Plan.

## **Indebtedness Of Directors And Officers**

No director or officer of RiseTech or TSHI proposed director or officer of the Resulting Issuer, or individual that at any time during the financial year ended December 31, 2019 was, a director or officer of the RiseTech or TSHI, or any associate of such individual, is indebted to RiseTech or TSHI or any of its subsidiaries or is indebted to another entity so that such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by RiseTech, TSHI or any subsidiary of TSHI. None of them is expected to be indebted to the Resulting Issuer following the completion of the Proposed Transactions.

## **Investor Relations Arrangements**

No written or oral agreement or understanding has been reached with any person to provide any promotional or investor relations services for the Resulting Issuer. Following the closing of the Proposed Transactions, the Resulting Issuer expects to conduct investor relations internally.

## Resulting Issuer Options

The following table discloses the material information as to options to purchase Resulting Issuer Common Shares held as of January 28, 2021.

| Optionee                                                                                                                 | Number of Resulting Issuer Options                                                                        | Exercise Price                                                                                             | Expiry Date                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| All proposed officers of the Resulting Issuer, as a group (6 persons) <sup>(1)</sup>                                     | 2,213,786<br>609,300                                                                                      | \$1.00<br>\$1.00                                                                                           | December 18, 2028<br>September 1, 2030                                                                                                                                                                 |
| All proposed directors of the Resulting Issuer who are not also proposed officers, as a group (4 persons) <sup>(2)</sup> | 203,100<br>12,189                                                                                         | \$1.00<br>\$1.64                                                                                           | December 18, 2028<br>September 28, 2030                                                                                                                                                                |
| All employees other than proposed officers of the Resulting Issuer, as a group                                           | 1,589,255<br>28,917<br>10,328<br>10,328<br>4,131<br>4,131<br>4,131<br>4,131<br>12,393<br>5,783<br>142,170 | \$1.00<br>\$1.00<br>\$1.00<br>\$1.00<br>\$1.00<br>\$1.00<br>\$1.00<br>\$1.00<br>\$1.00<br>\$1.00<br>\$1.00 | December 18, 2028<br>February 4, 2029<br>February 11, 2029<br>April 1, 2029<br>April 8, 2029<br>June 17, 2029<br>January 2, 2030<br>June 1, 2030<br>June 8, 2030<br>July 20, 2030<br>September 1, 2030 |
| All consultants of the Resulting Issuer, as a group                                                                      | Nil                                                                                                       | N/A                                                                                                        | N/A                                                                                                                                                                                                    |
| All other persons                                                                                                        | 6,095                                                                                                     | \$1.64                                                                                                     | September 28, 2030                                                                                                                                                                                     |

### Notes:

- (1) Consists of Peter Londa, George Reznik, Dermot O’Leary, Michael Julian, Hugo Hodge and Michael Grandis.
- (2) Consists of Laura Formusa, Dr. Francis J. Harvey, John McEwen and Tom Liston. Mr. Liston will hold 12,189 Resulting Issuer Options following the RiseTech Consolidation and the Proposed Transactions.

## Resulting Issuer Incentive Plan

Following the closing of the Proposed Transaction, the Resulting Issuer will implement the Resulting Issuer Incentive Plan. The purpose of the Resulting Issuer Incentive Plan is to: (i) provide “Employees”, “Directors” or “Consultants” (as defined in the Resulting Issuer Incentive Plan) (the “**Eligible Persons**”) with additional incentive; (ii) encourage stock ownership by such Eligible Persons; (iii) encourage Eligible Persons to remain with the Resulting Issuer; (iv) encourage Eligible Persons to remain with the Resulting Issuer or its subsidiaries; and (v) attract new directors, employees and officers. The types of awards that can be granted to Eligible Persons include options, unrestricted share units, performance share units, deferred share units, share appreciation rights, restricted shares and other share-based awards. The Resulting Issuer Incentive Plan is expected to be subject to the following restrictions:

- the number of Resulting Issuer Common Shares that may be reserved for issuance pursuant to options granted under the Resulting Issuer Incentive Plan, must be less than 20% of the of the Resulting Issuer Common Shares outstanding as at the date of implementation of the Resulting Issuer Incentive Plan, expected to be implemented at the effective date of the Qualifying Transaction;
- the number of Resulting Issuer Common Shares that may be reserved for issuance pursuant to all other awards, other than options, granted under the Resulting Issuer Incentive Plan, must be less than 10% of the of the Resulting Issuer Common Shares outstanding as at the date of implementation of the Resulting Issuer Incentive Plan, expected to be implemented at the effective date of the Qualifying Transaction;
- to the extent any awards (or portion(s) thereof) under the Resulting Issuer Incentive Plan terminate or are cancelled, the Resulting Issuer Common Shares subject to such awards (or portion(s) thereof) shall be added back to the number of Resulting Issuer Common Shares reserved for issuance under the Resulting Issuer Incentive Plan;
- any Resulting Issuer Common Shares issued by the Resulting Issuer through the assumption or substitution of outstanding stock options or other equity-based awards from an acquired company shall not reduce the number of Resulting Issuer Common Shares available for issuance pursuant to the exercise or settlement of awards granted under the Resulting Issuer Incentive Plan;
- the expiry date of any option granted under the Resulting Issuer Incentive Plan shall not exceed a period of 10 years from the date of the grant; and
- if the Resulting Issuer Common Shares are listed on the Exchange:
  - the number of Resulting Issuer Common Shares that may be reserved for issuance pursuant to awards granted to an Eligible Person (and any companies wholly owned by that Eligible Person) in any 12 month period shall not exceed 5% of the issued and outstanding Resulting Issuer Common Shares, calculated on the date of the grant;
  - the number of Resulting Issuer Common Shares that may be reserved for issuance pursuant to awards granted to a Consultant (and any companies wholly owned by that Eligible Person) in any 12 month period that exceeds 2% of the Reserved Shares issued and outstanding Resulting Issuer Common Shares, calculated on the date of the grant; and
  - the number of Resulting Issuer Common Shares that may be reserved for issuance pursuant to Persons who are non-Employee Directors shall not exceed one percent (1%) of the issued and outstanding Resulting Issuer Common Shares and awards to non-Employee Directors shall not have an aggregate value greater than \$150,000 (and the annual aggregate value of options shall not exceed \$100,000).

The full text of the Resulting Issuer Incentive Plan will be filed on the Resulting Issuer's SEDAR Profile.

## Escrowed Securities

### *RiseTech Founders Shares*

There are two classes of escrow to which certain Resulting Issuer Common Shares will be subject to the CPC Escrow Agreement: (i) CPC Escrow Shares in escrow pursuant to Section 11 of the CPC Policy; and (ii) Value Securities issued in connection with the Arrangement. The CPC Escrow Shares are subject to an escrow that continues as part of RiseTech's IPO, while the Value Securities are subject to an escrow as a result of the Arrangement.

### *Terms of the Escrow for the CPC Escrow Shares*

CPC Escrow Shares are Common Shares held in escrow pursuant to Section 11 of the CPC Policy, and released in accordance with the following timeline:

| <b>% of Resulting Issuer Common Shares Released From Escrow</b> | <b>Release Date</b>                    |
|-----------------------------------------------------------------|----------------------------------------|
| 10%                                                             | Date of Final Exchange Bulletin        |
| 15%                                                             | 6 months from Final Exchange Bulletin  |
| 15%                                                             | 12 months from Final Exchange Bulletin |
| 15%                                                             | 18 months from Final Exchange Bulletin |
| 15%                                                             | 24 months from Final Exchange Bulletin |
| 15%                                                             | 30 months from Final Exchange Bulletin |
| 15%                                                             | 36 months from Final Exchange Bulletin |

The CPC Escrow Agreement allows the transfer of CPC Escrow Shares within escrow to existing or, upon their appointment, incoming directors or senior officers of RiseTech if the transfer is approved by the RiseTech Board, the requisite application is made to the TSXV and the TSXV does not object, and the Escrow Agent receives customary deliverables associated with the transfer.

CPC Escrow Shares may be transferred within escrow to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to RiseTech's outstanding securities or to a person or company if after the proposed transfer the transferee will hold more than 10% of the voting rights of RiseTech and has the right to elect or appoint one or more directors or senior officers of RiseTech provided that the requisite application is made to the TSXV and the TSXV does not object, and the Escrow Agent receives customary deliverables associated with the transfer.

CPC Escrow Shares may be transferred within escrow to a trustee in bankruptcy provided the requisite application is made to the TSXV and the TSXV does not object, and the Escrow Agent receives customary deliverables associated with the transfer.

CPC Escrow Shares may be transferred within escrow to a financial institution provided the requisite application is made to the TSXV and the TSXV does not object, and the Escrow Agent receives customary deliverables associated with the transfer.

CPC Escrow Shares may be transferred within escrow to or between a registered retirement savings plan, registered retirement income fund or other similar registered plan or fund with a trustee where the beneficiaries of the plan or fund are limited to the transferor, their spouse, children, or parents provided the requisite application is made to the TSXV and the TSXV does not object, and the Escrow Agent receives customary deliverables associated with the transfer.

CPC Escrow Shares may be additionally transferred within escrow upon consent of the TSXV in other circumstances and on such terms and conditions as it deems appropriate.

The following table sets out, as of the date hereof and to the knowledge of RiseTech and TSHI, the Resulting Issuer Common Shares which will continue to be held in escrow by the Escrow Agent subject to the CPC Escrow Agreement.

| Name and Municipality of Residence of Shareholder  | Designation of Class | Prior to Giving Effect to the Proposed Transactions |                     | After Giving Effect to the Proposed Transactions <sup>(1)</sup> |                                              |
|----------------------------------------------------|----------------------|-----------------------------------------------------|---------------------|-----------------------------------------------------------------|----------------------------------------------|
|                                                    |                      | Number of Securities held in Escrow                 | Percentage of Class | Number of Securities to be held in Escrow                       | Percentage of Class                          |
| Manroop Padda<br>Burnaby, British Columbia         | Common<br>Options    | 2,500,000<br>100,000                                | 19.86%<br>33.33%    | 152,364<br>6,095                                                | 0.39% <sup>(2)</sup><br>0.13% <sup>(3)</sup> |
| Jeffrey D. Booth<br>Richmond,<br>British Columbia  | Common               | 2,500,000                                           | 19.86%              | 152,364                                                         | 0.39% <sup>(2)</sup>                         |
| Hamed Shahbazi<br>Vancouver, British Columbia      | Common               | 2,500,000                                           | 19.86%              | 152,364                                                         | 0.39% <sup>(2)</sup>                         |
| Tom Liston<br>Toronto, Ontario                     | Common<br>Options    | 1,000,000<br>200,000                                | 7.94%<br>66.67%     | 60,945<br>12,189                                                | 0.16% <sup>(2)</sup><br>0.25% <sup>(3)</sup> |
| Keith Spencer<br>Vancouver,<br>British Columbia    | Common               | 1,000,000                                           | 7.94%               | 60,945                                                          | 0.16% <sup>(2)</sup>                         |
| Shahrazad Rafati<br>Vancouver,<br>British Columbia | Common               | 500,000                                             | 3.97%               | 30,473                                                          | 0.08% <sup>(2)</sup>                         |
| <b>Total</b>                                       |                      | <b>10,300,000</b>                                   | <b>-</b>            | <b>627,739</b>                                                  | <b>1.34%<sup>(4)</sup></b>                   |

**Notes:**

- (1) The information in this table is given after giving effect to the Financing and the Consolidation.
- (2) Based on 38,859,051 Resulting Issuer Common Shares being issued and outstanding immediately following the Proposed Transactions.
- (3) Based on a 4,860,168 Resulting Issuer Options being issued and outstanding immediately following the Proposed Transactions Resulting Issuer Options out of an aggregate total of 7,771,810 Resulting Issuer Options reserved for issuance under the Resulting Issuer Incentive Plan.
- (4) Based on 46,755,843 Resulting Issuer Common Shares being issued and outstanding following the Proposed Transactions on a fully-diluted basis. Such number of Resulting Issuer Common Shares on a fully-diluted basis includes 2,911,642 Resulting Issuer Options reserved for issuance but that have not yet been granted under the Resulting Issuer Incentive Plan.

***Terms of the Escrow for Resulting Issuer Common Shares held by Principals***

In accordance with Section 6.1(b) of Policy 5.4 –*Escrow, Vendor Consideration and Resale Restrictions* of the TSXV Corporate Finance Manual, all Resulting Issuer Common Shares that are both Value Securities and Surplus Securities held by Principals are subject to the QT Escrow Agreement. Accordingly, it is anticipated that an aggregate of 2,038,002 Resulting Issuer Common Shares and 3,148,046 Resulting Issuer Options will be subject to the release schedule applicable under the QT Escrow Agreement in accordance with the following timeline:

| <b>% of Securities Released from Escrow</b> | <b>Release Date</b>                    |
|---------------------------------------------|----------------------------------------|
| 25%                                         | Date of Final Exchange Bulletin        |
| 25%                                         | 6 months from Final Exchange Bulletin  |
| 25%                                         | 12 months from Final Exchange Bulletin |
| 25%                                         | 18 months from Final Exchange Bulletin |

The following table sets out, as of the date hereof and to the knowledge of RiseTech and TSHI, the Resulting Issuer Common Shares and Resulting Issuer Options which are expected to be placed in escrow to be held in escrow by the Escrow Agent pursuant to the terms of the QT Escrow Agreement.

| <b>Name and Municipality of Residence of Shareholder</b> | <b>Designation of Class</b> | <b>Prior to Giving Effect to the Proposed Transactions</b> |                            | <b>After Giving Effect to the Proposed Transactions</b> |                                               |
|----------------------------------------------------------|-----------------------------|------------------------------------------------------------|----------------------------|---------------------------------------------------------|-----------------------------------------------|
|                                                          |                             | <b>Number of Securities held in Escrow<sup>(1)</sup></b>   | <b>Percentage of Class</b> | <b>Number of Securities to be held in Escrow</b>        | <b>Percentage of Class</b>                    |
| Peter Londa<br>Norwalk, Connecticut                      | Common<br>Options           | N/A<br>N/A                                                 | N/A<br>N/A                 | 1,259,766 <sup>(1)</sup><br>913,949 <sup>(2)</sup>      | 3.24% <sup>(1)</sup><br>18.80% <sup>(2)</sup> |
| Laura Formosa<br>Toronto, Ontario                        | Options                     | N/A                                                        | N/A                        | 101,550 <sup>(2)</sup>                                  | 2.09% <sup>(2)</sup>                          |
| Francis J. Harvey<br>Los Gatos,<br>California            | Common<br>Options           | N/A<br>N/A                                                 | N/A<br>N/A                 | 153,169 <sup>(1)</sup><br>101,550 <sup>(2)</sup>        | 0.39% <sup>(1)</sup><br>2.09% <sup>(2)</sup>  |
| George Reznik<br>West Vancouver,<br>British Columbia     | Common<br>Options           | N/A<br>N/A                                                 | N/A<br>N/A                 | 6,600 <sup>(1)</sup><br>406,200 <sup>(2)</sup>          | 0.02% <sup>(1)</sup><br>8.36% <sup>(2)</sup>  |
| Dermot O’Leary<br>Orlando, Florida                       | Common<br>Options           | N/A<br>N/A                                                 | N/A<br>N/A                 | 309,258 <sup>(1)</sup><br>690,539 <sup>(2)</sup>        | 0.80% <sup>(1)</sup><br>14.21% <sup>(2)</sup> |
| Michael Julian<br>Chapel Hill,<br>North Carolina         | Common<br>Options           | N/A<br>N/A                                                 | N/A<br>N/A                 | 157,709<br>304,649 <sup>(2)</sup>                       | 0.41% <sup>(1)</sup><br>6.27% <sup>(2)</sup>  |
| Hugo Hodge<br>St. Thomas,<br>Virgin Islands              | Common<br>Options           | N/A<br>N/A                                                 | N/A<br>N/A                 | 44,964<br>203,100 <sup>(2)</sup>                        | 0.12% <sup>(1)</sup><br>4.18% <sup>(2)</sup>  |
| Michael Grandis<br>Darien, Connecticut                   | Options                     | N/A                                                        | N/A                        | 304,649 <sup>(2)</sup>                                  | 6.27% <sup>(2)</sup>                          |
| Param Pawar<br>Surrey, British<br>Columbia               | Common<br>Options           | N/A<br>N/A                                                 | N/A<br>N/A                 | 106,536<br>121,860                                      | 0.27% <sup>(1)</sup><br>2.51% <sup>(2)</sup>  |
| <b>Total</b>                                             |                             |                                                            |                            | <b>5,186,048<sup>(3)</sup></b>                          | <b>11.09%<sup>(3)</sup></b>                   |

**Notes:**

- (1) Based on 38,859,051 Resulting Issuer Common Shares being issued and outstanding immediately following the Proposed Transactions.
- (2) Based on a 4,860,168 Resulting Issuer Options being issued and outstanding immediately following the Proposed Transactions Resulting Issuer Options out of an aggregate total of 7,771,810 Resulting Issuer Options reserved for issuance under the Resulting Issuer Incentive Plan.
- (3) Based on 46,755,843 Resulting Issuer Common Shares being issued and outstanding following the Proposed Transactions on a fully-diluted basis. Such number of Resulting Issuer Common Shares on a fully-diluted basis includes 2,911,642 Resulting Issuer Options reserved for issuance but that have not yet been granted under the Resulting Issuer Incentive Plan.

***Seed Share Resale Restrictions***

Pursuant to Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*, certain non-principal shareholders of TSHI Common Shares, upon conversion into Resulting Issuer Common Shares, will be subject to SSRRs. SSRRs are Exchange hold periods of various lengths which apply where seed shares are issued to non-Principals by private companies in connection with the Proposed Transactions. The terms of the SSRRs are based on the length of time such TSHI Common Shares have been held and the price at which such shares were originally issued.

Such Resulting Issuer Common Shares will either be issued with a restrictive legend such that the securities may not be traded until released from the applicable SSRR.

***Lock-up Agreements***

Pursuant to the terms of the Agency Agreement, and in conjunction with the Financing, the directors and executive officers of TSHI and certain shareholders of TSHI individually controlling more than 5% of the TSHI Common Shares entered into Lock-Up Agreements. Pursuant to the terms of the Lock-Up Agreements, each Locked-up Shareholder is prohibited from selling, transferring, assigning, or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of (or announce any intention to do so) their Locked-up Securities for a period ending one year following the satisfaction of the specified escrow release conditions provided in the Subscription Receipt Agreement.

***Auditor, Transfer Agent And Registrar***

On completion of the Proposed Transactions, the auditor of the Resulting Issuer is expected to be KPMG LLP, located at 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K3.

The transfer agent and registrar for the Resulting Issuer Common Shares is TSX Trust Company at its principal office at 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1.

**PART IV – RISK FACTORS**

Where used in this “*Risk Factors*” section, “TSHI” refers to either TSHI or the Resulting Issuer as the context may require. The current business of TSHI will be the business of the Resulting Issuer upon completion of the Proposed Transactions. Accordingly, risk factors relating to TSHI’s current business will be risk factors relating to the Resulting Issuer’s business and references to TSHI in these risk factors should, where the context requires, be read to include the risks of the Resulting Issuer. The risks presented below should not be considered to be exhaustive and may not be all of the risks that the TSHI may face. Additional risks and uncertainties not presently known to TSHI

or that TSHI currently considers immaterial may also impair the business and operations of TSHI. If any of the following or other risks occur, the Resulting Issuer's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Resulting Issuer Common Shares could decline and investors could lose all or part of their investment. Readers should carefully consider all such risks and other information elsewhere in this Filing Statement before making an investment in TSHI.

### **Risks related to TSHI and its Business**

*The impacts of COVID-19 are unpredictable and could have significant impacts on TSHI's financial performance.*

The continuing global health, social, political and economic implications of the COVID-19 pandemic are highly unpredictable and could have significant impacts on TSHI's business, operations, future financial performance. As a result of the scale of the pandemic and the speed at which the global community has been impacted, TSHI's current and future financial performance, including its quarterly and annual revenue growth rates and expenses as a percentage of its revenues, may differ significantly from its historical performance and its future operating results may fall below expectations. The impacts of the pandemic on TSHI's business, operations and future financial performance could include, but are not limited to:

- A significant decline in revenue as customer spending slows due to an economic downturn and/or as customer demand otherwise decreases. This decline in revenue could persist through and beyond a recessionary period.
- Adverse impacts to TSHI's growth rates, cash flows and margins - particularly if expenses do not decrease across its business at the same pace as revenue declines. Many of TSHI's expenses are less variable in nature and may not correlate to changes in revenues, such as depreciation and other costs associated with its office facilities and infrastructure maintenance costs. As such, TSHI may not be able to decrease them significantly in the short-term, or TSHI may choose not to significantly reduce them in an effort to remain focused on its long-term outlook and opportunities.
- Major disruptions to the respective businesses of TSHI's principal customers and suppliers which could have a material impact on TSHI's business, operations, prospects and revenues and accordingly TSHI's financial position. For example, in certain jurisdictions governments have, in response to the COVID-19 pandemic, implemented regulations that prevent or limit the ability of a utility to stop providing services to a customer that has not paid its electricity bill. Such legislation may have an adverse impact on the financial position of utilities that are TSHI's customers and, in turn, reduce the demand for TSHI's products and services.
- The COVID-19 pandemic has caused organizations globally to rapidly and broadly shift to remote working, which has resulted in certain inherent productivity, connectivity and oversight challenges. Continued and/or new governmental lockdowns, restrictions, or regulations arising from the COVID-19 pandemic which restrict the movement of people in the jurisdictions in which TSHI operates could significantly impact the ability of its employees, partners, customers and vendors to work productively. Governmental restrictions have been globally inconsistent and it is not clear if and when a full return to

worksite locations or travel will be permitted or for how long or what restrictions will be in place in these jurisdictions at any given time. The extent and/or duration of ongoing workforce restrictions and limitations could impact TSHI's ability to enhance, develop and support existing products and services, hold sales, marketing and employee events, and generate new sales leads, among others. In addition, the changed environment under which TSHI is operating could have an impact on its internal controls over financial reporting as well as its ability to meet a number of its compliance requirements in a timely manner.

- Ongoing significant foreign exchange volatility which could materially impact TSHI's revenues that are denominated in foreign currencies and its ability to hedge its foreign exchange exposure.

*Sales cycles to TSHI's customers can be lengthy and unpredictable and require significant employee time with no assurances that a prospective customer will select TSHI's products and services.*

TSHI's revenue expectations are highly dependent upon retaining existing customers and adding new customers. New customers may require significant time to integrate TSHI's products into their existing infrastructure. TSHI may incur significant costs in making proposals to prospective customers who do not ultimately become customers of TSHI. New projects by new customers, as well as existing customers, may be canceled or delayed, which can adversely impact TSHI's anticipated revenue and profitability. Project delays or cancellations could be more frequent during times of meaningful economic downturn. Cancellations, reductions or delays by a significant customer, or by a group of customers, could seriously harm TSHI's operating results and negatively affect its working capital levels. Such cancellations, reductions or delays have occurred from time to time and may continue to occur.

Additionally, sales cycles with TSHI's prospective customers, particularly to utilities, which are TSHI's primary set of prospective customers, tend to be long and unpredictable. Utilities generally have extensive budgeting, procurement, competitive bidding, technical and performance review, and regulatory approval processes that can take up to several years to complete. Utilities may choose, and many historically have often chosen, to follow industry trends rather than be early adopters of new products or services, which can extend the lead time for or prevent acceptance of more recently introduced products or services. In addition, in many instances, a utility may require one or more pilot programs to test new products and services before committing to a larger deployment. These pilot programs may be quite lengthy and further delay the sales cycle with no assurance that they will lead to a larger deployment or future sales. Furthermore, to the extent TSHI's products are required to be deployed with the products of others, such as meters, delays related to such third-party products will further lengthen the sales cycle.

This extended sales process requires TSHI to dedicate significant time by TSHI's senior management, sales and marketing personnel and customer services personnel.

The lengthy sales cycles of TSHI's products and services also make it difficult to forecast new customer deployments, as well as the volume and timing of orders, which in turn makes forecasting TSHI's future results of operations challenging. In the event that TSHI publicly discloses any forecasts of TSHI's future results of operations or other performance metrics and those forecasts ultimately turn out to be inaccurate, the value of the Resulting Issuer Common Shares could significantly decline.

*TSHI's financial and operational performance significantly depends on its ability to attract and retain customers and its ability to develop new products and to enhance and sustain the quality of existing products to retain such customers.*

In order for TSHI to maintain or improve its financial and operational results, it is important that TSHI maintain or expand its relationships with existing customers. TSHI's customer retention and expansion may decline or fluctuate as a result of a number of factors, including its customers' satisfaction with its products and services, its pricing, customer spending levels, industry developments, competition and general economic conditions. If TSHI's efforts to maintain and expand its relationships with its existing customers are not successful, its business, results of operation and financial condition may materially suffer.

To expand its customer base, TSHI needs to convince potential customers to allocate a portion of their budgets to purchase its solutions. TSHI's sales efforts often involve educating its prospective customers about the uses and benefits of its solutions. TSHI may have difficulty convincing prospective customers of the value of adopting its solutions. TSHI may be unsuccessful in convincing prospective customers to purchase its solutions for a variety of reasons, some of which are out of TSHI's control. For example, any deterioration in general economic conditions, including a downturn due to the COVID-19 pandemic, may cause TSHI's prospective customers to reduce their spending. Economic weakness, customer financial difficulties and constrained spending may result in decreased revenue, reduced sales, lengthened sales cycles, increased churn, lower demand for TSHI's products and adversely affect TSHI's results of operations and financial condition. If organizations do not continue to adopt TSHI's solutions, its sales will not grow as quickly as anticipated, or at all, and its business, results of operations and financial condition will be harmed.

The market for TSHI's products and services is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To be successful, TSHI will need to enhance existing products and to introduce new products and features in response to changing standards, customer requirements and technological innovations by others. There can be no assurance that TSHI will be successful in doing this in a timely manner or at all. There can be no assurance that products or technologies developed by others will not render TSHI's products obsolete or non-competitive. There is no assurance that TSHI will be able to successfully develop next generation operational products. Failure to do so may have an adverse effect on the business, operating results and financial condition of TSHI. Even if TSHI does develop new products which are accepted by its target markets, TSHI cannot assure that the revenue from these products will be sufficient to justify TSHI's investment in research and development.

If TSHI is unable to adapt its products to new technological industry standards, to extend its core technologies into new applications or new platforms or to anticipate or respond to technological changes, the market's acceptance of its products and solutions could decline and its market share and results of operations could materially suffer. Additionally, any delay in the development, production, marketing or offering of a new product or application or an enhancement to an existing product or application could result in customer attrition or impede TSHI's ability to attract new customers, causing a decline in TSHI's revenue or earnings and weakening its competitive position.

TSHI must make long-term investments, develop or obtain appropriate know-how and intellectual property and commit significant resources before knowing whether its predictions will accurately

reflect customer demand for its products and solutions. In the future, TSHI may not have the necessary capital, or access to capital on acceptable terms, to fund necessary levels of research and development. Even with adequate capital resources, TSHI may nonetheless experience unforeseen problems in the development or performance of TSHI's technologies or products. The markets for smart grid, smart city, and broader IoT technology products are still in their early stages, and TSHI cannot may not be successful in developing or selling new products in these markets. In addition, TSHI may not meet TSHI's product development schedules and, even if TSHI does, TSHI may not develop new products fast enough to provide sufficient differentiation from TSHI's competitors' products, which may be more successful. If TSHI is unable to develop new products or enhance or sustain the quality of TSHI's existing products, successfully develop and deploy new technology and products or integrate these new technologies into devices manufactured by third-parties, TSHI's business and operating results could be harmed.

Certain of TSHI's products and solutions are integrated with the products of third parties. To the extent that the products of these third parties become obsolete, that may adversely impact the demand for TSHI's products and solutions, and TSHI's business and operating results could be harmed.

*TSHI depends on a limited number of key suppliers and if such suppliers fail to provide TSHI with sufficient quantities of components at acceptable levels of quality and at anticipated costs, TSHI's revenue and operating results could be materially and adversely affected.*

Several of the components used in TSHI's products come from sole, limited source or geographically concentrated suppliers. Additionally, TSHI's suppliers are not typically contractually obligated to supply TSHI with components in minimum quantities or at predetermined prices over the long-term. Accordingly, TSHI may be vulnerable to price increases, component quality issues, the discontinuance of certain components, and financial, natural disasters, or other difficulties faced by TSHI's suppliers, causing shortages or interruptions in supply of components and materials, which could cause TSHI to delay shipments to TSHI's customers.

Further, some of these suppliers are not located in the United States or Canada and therefore may be subject to tariffs or other international restrictions or obligations that are subject to change and which may have a material impact on the price TSHI pays for certain of its products or the availability of such products.

If TSHI experiences any shortages due to reliance on a limited number of suppliers, commodity supply constraints, capacity constraints, discontinuance, natural disasters or price fluctuations related to the raw materials used, or if TSHI is not able to identify, test, qualify, and procure components from alternate sources at acceptable prices and within a reasonable period of time, TSHI's reputation could suffer and TSHI's business, financial condition and results of operations could be materially and adversely effected. TSHI may not be able to obtain component replacements on commercially reasonable terms in the event of a natural disaster, act of God or similar catastrophic event. In such circumstances, TSHI could be forced to exhaust its excess on-hand inventory and then face a delay in shipments of TSHI's products to TSHI's customers. In addition, TSHI may also be subject to contractual penalties if TSHI fails to deliver its products and services on time.

Further, TSHI's customers may reschedule or cancel orders on relatively short notice. If TSHI's customers cancel orders after TSHI has ordered the corresponding product from TSHI's suppliers, TSHI may be forced to incur cancellation fees or to purchase products that TSHI may not be able to resell, which could have a material adverse effect on TSHI's business, financial condition and results of operations.

*TSHI has a prior history of operating losses and TSHI may not sustain profitability on a quarterly or annual basis.*

TSHI has an accumulated deficit of \$116,779,274 as of December 31, 2019 and has a history of losses. TSHI's ability to be profitable for 2020 and beyond will depend on TSHI's ability to continue to increase TSHI's revenue, and maintain proportional expense levels. TSHI may not achieve profitability in 2020 or future periods and may incur negative operating cash flow in future periods, as TSHI expects to incur significant costs to sell TSHI's products and operating expenses in connection with the continued development and expansion of TSHI's business. TSHI's expenses include research and development expenses, general and administrative expenses, selling and marketing expenses and customer service and support expenses. Some of these expenses relate to prospective customers that may never place any orders and products that may not be introduced or generate revenue until later periods, if at all. There can be no assurance that TSHI will become profitable on a quarterly or annual basis.

*TSHI's quarterly results are inherently unpredictable and subject to substantial fluctuations.*

TSHI's revenue, billings, margins and other operating results may vary significantly from quarter to quarter due to a number of factors, many of which are outside of TSHI's control. TSHI's revenue and billings have fluctuated in recent periods, and have in the past decreased on a quarterly basis and on an annual basis. There can be no assurances that TSHI's revenue and billings will increase, or will not decrease on a quarterly or annual basis. TSHI expects revenue, billings, margins and other operating results to fluctuate from period to period throughout 2020 and beyond.

The factors that may affect the unpredictability of TSHI's quarterly results and cause TSHI's share price to fluctuate include, but are not limited to:

- long, and sometimes unpredictable, sales and customer deployment cycles;
- changes in the type and mix of products and services sold;
- the timing of acceptance of TSHI's products and services by TSHI's customers, which can have a material impact on when TSHI recognize related revenue under TSHI's revenue recognition policies;
- delays in regulatory approvals for TSHI's customers and customer deployments;
- changing market conditions;
- competition;
- failures of TSHI's products, components that TSHI use in TSHI's products, or third-party devices containing TSHI's products that delay deployments, cause property damage, harm TSHI's reputation or result in high warranty costs, contractual penalties or terminations;
- product or project failures by third-party vendors, customers or competitors that result in the cancellation, slowing down or deferring of projects;
- liquidated damages provisions in TSHI's contracts, which could result in significant financial penalties if triggered or, even if not triggered, could affect TSHI's ability to recognize revenue in a given period;

- the ability of TSHI's suppliers and manufacturers to deliver supplies and products to TSHI on a timely basis;
- delays associated with government funding programs for smart grid projects;
- political and consumer sentiment and the related impact on the scope and timing of smart grid and smart city deployments; and
- economic, regulatory and political conditions in the markets where TSHI operate or anticipate operating.

As a result, TSHI believes that quarter to quarter comparisons of operating results are not necessarily a good indication of what TSHI's future performance will be. In some future quarters TSHI's operating results may be below TSHI's expectations or the expectations of securities analysts or investors, in which case the price of the Resulting Issuer Common Shares may decline.

*TSHI's success depends in part on TSHI's ability to integrate its technology into devices and its relationship with device manufacturers.*

TSHI's business depends on its ability to integrate its communications modules into devices manufactured by third-party vendors. For example, for TSHI's advanced metering solution, TSHI's communications modules are integrated into electricity meters that are manufactured by third parties. Accordingly, even if demand for TSHI's products is strong, TSHI has in the past and may in the future be constrained by the production capacity and priorities of the device manufacturers. In addition, several of these device manufacturers offer competing products, partner with other providers or may otherwise choose not to integrate TSHI's communications modules with their devices. If for technical or any other reason TSHI was to lose the ability to integrate its communications modules with devices manufactured by third parties, or if TSHI's relationships with device manufacturers were to be terminated or renegotiated on unfavorable terms, TSHI's business, financial condition, and operating results could suffer. Further, there have been instances where devices with which TSHI's technology had been integrated experienced defects or had other problems that were unrelated to its technology. If this occurs in the future and the defects or problems are more significant or occur more frequently, TSHI's reputation could suffer and our business could be harmed.

*TSHI's marketing efforts depend significantly on TSHI's ability to receive positive references from TSHI's existing customers.*

TSHI's marketing efforts depend significantly on TSHI's ability to call on TSHI's current customers to provide positive references to new, potential customers. Given TSHI's limited number of customers, the loss or dissatisfaction of any customer could substantially harm TSHI's brand and reputation, inhibit the market acceptance of TSHI's products and services, and impair TSHI's ability to attract new customers and maintain existing customers. Any of these consequences could have a material adverse effect on TSHI's business, financial condition and results of operations.

*The markets for TSHI's products and services, smart grid, smart city, and broader IoT technology in general, are still developing. If the markets develop less extensively or more slowly than TSHI expects, TSHI's business could be harmed.*

The markets for TSHI's products and services, smart grid, smart city and broader IoT technology in general, are still developing, and it is uncertain whether TSHI's products and services will

achieve and sustain high levels of demand and market acceptance. TSHI's near-term and long-term success will depend to a substantial extent on the willingness and ability of utilities to implement smart grid technology. Many utilities lack the financial resources and/or technical expertise required to evaluate, deploy and operate smart grid technology. Utilities' activities are governed by regulatory agencies, including public utility commissions, which may not create a regulatory environment that is conducive to the implementation of smart grid technologies in a particular jurisdiction. Furthermore, some utilities may be reluctant or unwilling to adopt smart grid technology because they do not perceive the benefits or are unable to develop a business case to justify the up-front and ongoing expenditures. If utilities do not implement smart grid technology or do so in fewer numbers or more slowly than TSHI expects, TSHI's business and operating results would be adversely affected. For example, in the past, the rate of smart grid adoption slowed due to uncertainty surrounding the timing and tax treatment of government stimulus funding, negative publicity and consumer opposition, and regulatory investigations. These uncertainties caused many potential customers that had been considering smart grid programs to further evaluate their smart grid initiatives and delay their procurement processes or extend their deployment schedules.

*TSHI operates in a highly competitive industry and TSHI competes against many companies with substantially greater financial and other resources, and TSHI's market share and results of operations may be reduced if TSHI is unable to respond to competitors effectively.*

Competition in TSHI's market is intense and involves quickly changing technologies, evolving industry standards, frequent new product introductions, rapid consolidation, and changes in customer requirements. To maintain and improve TSHI's competitive position, TSHI must keep pace with the evolving needs of TSHI's customers and continue to develop and introduce new solutions, applications and services in a timely and efficient manner. TSHI's competitors range from small companies to very large and established companies. These competitors offer a variety of products and services related to the smart grid and smart city and come from a number of industries, including traditional meter manufacturers, application developers, telecommunications vendors, street light providers, and other service providers. TSHI competes with traditional meter manufacturers that incorporate various communications technologies that provide some level of connectivity to the utility's back office. TSHI also faces competition from newer entrants that are providing specific narrowly focused products for the smart grid. TSHI anticipates that in the future, additional competitors will emerge that offer a broad range of competing products and services related to the smart grid, smart city, and the broader IoT, some of which may be competitive with TSHI's offerings.

Several of TSHI's competitors enjoy substantial competitive advantages such as:

- greater name recognition and longer operating histories;
- larger sales and marketing budgets and resources;
- greater ability to integrate their products with existing systems;
- broader distribution channels;
- established relationships with existing and potential partners and customers;
- lower labor and development costs; and
- significantly greater financial, technical, customer support and other resources.

Some of these larger competitors have substantially broader product offerings and may be able to leverage the existing relationships they have with customers. In some cases, TSHI's larger

competitors are also currently its vendors, and they could decide in the future to develop their own products instead of working with TSHI. Any inability to effectively manage these relationships could have a material adverse effect on TSHI's business, operating results, and financial condition, and accordingly affect TSHI's chances of success. In addition, some of TSHI's competitors may have larger patent portfolios than TSHI has, which may provide them with a competitive advantage and may require TSHI to engage in costly litigation to protect and defend TSHI's freedom to operate and/or intellectual property rights.

Conditions in TSHI's market could change rapidly and significantly as a result of technological advancements or market consolidation. The development and market acceptance of alternative technologies could decrease the demand for TSHI's products or render them obsolete. TSHI's competitors may introduce products and services that are less costly, provide superior performance or achieve greater market acceptance than TSHI's products and services. In order to remain competitive, TSHI may need to lower prices or attempt to add incremental features and functionality, which could negatively impact TSHI's revenue, billings, gross margin and financial condition. In addition, TSHI's larger competitors often have broader product lines and are in a better position to withstand any significant reduction in capital spending by customers in the smart grid and smart city markets, and will therefore not be as susceptible to downturns in a particular market. If TSHI are unable to compete successfully in the future, TSHI's business may be harmed.

*TSHI is dependent on the utility industry, which has experienced volatility in capital spending. This volatility could cause TSHI's results of operations to vary significantly from period to period.*

TSHI derives a substantial portion of its revenue and billings from sales of products and services directly and indirectly to utilities. Similar to other industries, the utility industry has been affected by recent economic factors, including continued global economic uncertainty. Purchases of TSHI's products and services may be reduced or deferred as a result of many factors including economic downturns and uncertainty, slowdowns in new residential and commercial construction, a utility's access to capital on acceptable terms, the timing and availability of government grants or incentives, utility specific financial circumstances, mergers and acquisitions, regulatory decisions, weather conditions, consumer opposition and fluctuating interest rates. Even with economic recovery, it may take time for TSHI's customers to establish new budgets and return to normal purchasing patterns. TSHI cannot predict the recurrence of any economic slowdown or the strength or sustainability of the economic recovery, worldwide, in the United States or Canada or in its industry. TSHI has experienced, and may in the future experience, variability in operating results on an annual and a quarterly basis as a result of these factors. Because a significant portion of TSHI's expenses is fixed in the short term or is incurred in advance of anticipated sales, TSHI may not be able to decrease its expenses in a timely manner to offset any shortfall of sales. This could materially and adversely affect TSHI's operating results, financial condition and cash flows.

*TSHI's reliance on certain infrastructure and information technology systems make it vulnerable to the potential adverse effects of cyber-attacks and other breaches.*

TSHI relies on certain internal processes, infrastructure and information technology systems, including infrastructure and systems operated by third parties, to efficiently operate its business in a secure manner. The inability to continue to enhance or prevent a failure of these internal processes, infrastructure or information technology systems could negatively impact TSHI's ability to operate its business. TSHI's products and services depend on very high levels of network

reliability and availability in order to provide its customers with the ability to monitor and receive data from their devices.

Cyber-attacks or other breaches of network or information technology systems security may cause disruptions to TSHI's operations, including the ability to provide connectivity, device management and other services to its customers. TSHI's industry is at risk of cyber-attacks by third parties seeking unauthorized access to its data or its customers' data, or by third parties seeking to exploit its technology and devices, such as by conducting denial of service attacks. The prevalence and sophistication of these types of threats are increasing and TSHI's frequently evolving security measures may not be sufficient to prevent the damage that such threats can inflict on its assets and information. The theft, unauthorized use or publication of TSHI's intellectual property and/or confidential business information could harm its competitive position, reduce the value of its investment in research and development and other strategic initiatives and/or otherwise adversely affect its business. TSHI's security measures may also be breached due to employee error, malfeasance, system errors or vulnerabilities, including vulnerabilities of its vendors, suppliers, their products or otherwise. To the extent that any security breach results in inappropriate disclosure of TSHI's customers' confidential information or disruption of service to its customers, TSHI may incur liability, be subject to legal action and suffer damage to its reputation. TSHI's insurance may not be adequate to fully reimburse TSHI for these costs and losses.

*If TSHI's products contain defects or otherwise fail to perform as expected, TSHI could be liable for damages and incur unanticipated warranty, recall and other related expenses, TSHI's reputation could be damaged, TSHI could lose market share and, as a result, TSHI's financial condition or results of operations could suffer.*

TSHI's products are complex and may contain defects or experience failures due to any number of issues in design, materials, deployment and/or use. Also, TSHI's products are often integrated into other products and, to the extent that those other products are not maintained, it may increase the likelihood of a failure of TSHI's products. TSHI may also experience product defects due to faulty components supplied by third parties. If any of TSHI's products contain a defect, compatibility or interoperability issue or other error, TSHI may have to devote significant time and resources to find and correct the issue. Such efforts could divert the attention of TSHI's management team and other relevant personnel from other important tasks. A product defect, product recall or a significant number of product returns could be expensive, damage TSHI's reputation and relationships with TSHI's customers and third-party vendors, result in property damage or physical injury or death, result in the loss of business to competitors, and result in litigation against TSHI. Costs associated with field replacement labor, hardware replacement, re-integration with third-party products, handling charges, correcting defects, errors and bugs, or other issues could be significant and could materially harm TSHI's financial results.

*The nature of TSHI's business exposes it to the unpredictable risks of contractual disputes.*

TSHI's business is exposed to the risk of contractual disputes with counterparties and as a result TSHI may be involved in complaints, claims and litigation. TSHI cannot predict the outcome of any complaint, claim or litigation. If a dispute cannot be resolved favorably, it may delay or interrupt TSHI's operations and may have a material adverse effect on its operating results, liquidity or financial position.

*The loss of key employees and the inability to attract and retain qualified personnel could harm TSHI's business.*

TSHI's future success depends on the continued service of certain of its executive officers and TSHI's key research, marketing, sales, product development and manufacturing personnel. The loss of any of TSHI's executive officers or key employees could impair TSHI's ability to pursue TSHI's growth strategy and slow TSHI's product development processes. Furthermore, as part of TSHI's growth strategy, TSHI must continue to hire highly qualified individuals. TSHI may not be able to attract, assimilate or retain qualified personnel in the future, which would adversely affect TSHI's ability to develop TSHI's products and generate revenue.

*TSHI's business is exposed to potential risks associated with international sales and operations.*

TSHI operates internationally, specifically in Canada, the United States and the Caribbean. International sales and the related infrastructure support operations carry certain risks and costs, such as the administrative complexities and expenses of administering a business abroad; the complexities and expenses of compliance with current and changing regulatory requirements, foreign laws, international import and export legislation, trading policies, tariffs and other barriers; potentially adverse tax consequences; and uncertainties of law and enforcement relating to the protection of intellectual property. There can be no assurance that these factors will not be experienced in the future by TSHI or that they will not have a material adverse impact on TSHI's business, results of operations and financial conditions.

*Foreign exchange rate fluctuations could harm TSHI's results or operations.*

Although substantially all of TSHI's revenues are received in U.S. dollars, TSHI incurs operating costs and has outstanding trade and other payables denominated in Canadian dollars. TSHI attempts to mitigate this risk by denominating many of its payment obligations in U.S. dollars. TSHI maintains certain assets in Canadian dollars. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations of TSHI.

*TSHI and its customers operate in a highly regulated business environment and changes in regulation could impose costs on TSHI or make TSHI's products less economical.*

TSHI's products and TSHI's customers are subject to federal, state, provincial, local and foreign laws and regulations. Laws and regulations applicable to TSHI and its products govern, among other things, the manner in which TSHI's products communicate, and the environmental impact and electrical reliability of TSHI's products. Additionally, TSHI's customers are often regulated by national, state, provincial and/or local bodies, including public utility commissions, the Department of Energy, the Federal Energy Regulatory Commission and other bodies. Prospective customers may be required to gain approval from any or all of these organizations prior to implementing TSHI's products and services, including specific permissions related to the cost recovery of these systems. Regulatory agencies may impose special requirements for implementation and operation of TSHI's products. TSHI may incur material costs or liabilities in complying with government regulations applicable to TSHI or TSHI's customers. In addition, potentially significant expenditures could be required in order to comply with evolving regulations and requirements that may be adopted or imposed on TSHI or TSHI's customers in the future. Such costs could make TSHI's products less economical and could impact its customers'

willingness to adopt TSHI's products, which could materially and adversely affect TSHI's revenue, results of operations and financial condition.

Furthermore, changes in the underlying regulatory conditions that affect utilities could have a potentially adverse effect on a utility's interest or ability to implement smart grid technologies. For example, ongoing regulatory uncertainties have in the past delayed the timing of some deployments. Many regulatory jurisdictions have implemented rules that provide financial incentives for the implementation of energy efficiency and demand response technologies, often by providing rebates or through the restructuring of utility rates. If these programs were to cease, or if they were restructured in a manner inconsistent with the capabilities enabled by TSHI's products and services, TSHI's business, financial condition and results of operations could be significantly harmed.

*TSHI's inability to acquire and integrate other businesses, products or technologies could seriously harm TSHI's competitive position.*

In order to remain competitive, obtain key competencies or accelerate TSHI's time to market, TSHI may seek to acquire additional businesses, products or technologies. TSHI has limited experience in successfully acquiring and integrating additional businesses, products or technologies. If TSHI identifies an appropriate acquisition candidate, TSHI may not be successful in negotiating the terms of the acquisition, financing the acquisition, or effectively integrating the acquired business, product or technology into TSHI's existing business and operations. TSHI may have difficulty integrating acquired businesses, technologies or products with TSHI's existing products and services. TSHI's due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business, product or technology, including issues related to intellectual property, product quality or product architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or customer issues. If TSHI finances acquisitions by issuing convertible debt or equity securities, TSHI's existing shareholders may be diluted, which could affect the market price of TSHI's shares. In addition, any acquisitions TSHI is able to complete may not result in the synergies or any other benefits TSHI had expected to achieve, which could result in substantial write-offs or impairment charges. Further, contemplating or completing an acquisition and integrating an acquired business, product or technology will significantly divert management and employee time and resources.

*Intellectual property infringement claims could be costly and time-consuming to prosecute or defend.*

TSHI's ability to compete may be affected by its ability to protect its intellectual property. It relies primarily on a combination of copyright, trademark, patent and trade secret laws, confidentiality procedures and contractual provisions to protect its intellectual property. While TSHI believes that its products and technologies are adequately protected against infringement, there can be no assurance of effective protection. Monitoring and identifying unauthorized use of TSHI's technology is difficult, and the prohibitive cost of litigation may impair TSHI's ability to prosecute any infringement. The commercial success of TSHI will also depend upon its products not infringing any intellectual property rights of others and upon no claims for infringement being made against TSHI. TSHI believes that it is not infringing any intellectual property rights of third parties, but there can be no assurance that such infringement will not occur. An infringement claim against TSHI by a third party may, if valid, result in TSHI being subject to damages or being unable to use intellectual property upon which it relies. Even if an infringement claim by a third

party is invalid, it could have a material adverse effect on TSHI because of the costs of defending against or settling such a claim.

*Substantially all of TSHI's current products depend on the availability and are subject to the regulation of radio spectrum in the United States and abroad.*

Substantially all of TSHI's current products are designed to communicate wirelessly via radio frequencies and therefore depend on the availability of adequate radio spectrum in order to operate. While these products are designed to operate in a variety of different frequencies to allow TSHI to adapt TSHI's solutions to local market conditions, or by using other technologies such as cellular, in the United States and Canada, they are primarily designed to form long range RF wireless networks using the unlicensed 902-928 megahertz (MHz) band, and in certain circumstances in conjunction with the 220-221 MHz licensed bands. The 902-928 MHz band is available for a wide variety of uses and requires TSHI to manage interference by other users who operate in accordance with the Federal Communications Commission, or "FCC", rules within the USA, and in accordance with Innovation, Science and Economic Development or "ISED" within Canada. Spectrum management policies are also often the subject to proposals for change with respect to the rules under which such frequencies may be used. In the past, the FCC and ISED have re-allocated spectrum for new or additional uses, and has adopted changes to the requirements for equipment using radio spectrum. It is possible that the FCC or the U.S. Congress, or ISED or the Government of Canada could adopt additional changes, which may be incompatible with TSHI's current or future product offerings, as well as products currently installed in the field, or require them to be modified at significant, or even prohibitive, cost. If the unlicensed frequencies become unacceptably crowded, restrictive or subject to changed laws, regulations or rules governing their use, TSHI's business, financial condition and results of operations could be materially and adversely affected.

TSHI's international growth and future success also depend on the availability of radio spectrum that is compatible with TSHI's products, and on TSHI's ability to develop products that use alternative communications technology as TSHI continues to integrate TSHI's products with products from additional device partners. Certain international markets use and may continue to use different spectrum bands than the United States, which has in the past and may continue to require TSHI to make modifications to TSHI's products in order to operate within the designated spectrum. Additionally, TSHI has in the past and may in the future seek rights and seek to certify TSHI's products for using a variety of spectrum in various international markets, however TSHI may not be granted such rights or certifications in all countries. In many other countries, there may not be spectrum available or TSHI may be required to obtain a license to operate in a frequency band that is not immediately compatible with TSHI's products. Licenses to appropriate spectrum in these countries may be unavailable or only available at unreasonably high prices. Similarly, in the event that TSHI were only able to obtain a license in a different frequency band, the cost of modifying or redesigning TSHI's products to make them compatible with available spectrum could be significant or even cost-prohibitive. Alternatively, if TSHI are not able to obtain available spectrum on financially advantageous terms, TSHI may not be able to compete without investing in alternative communication technology. Moreover, interference caused by others who do not comply with regulatory or statutory requirements could further limit the availability of spectrum that is compatible with TSHI's products. If limitations on the availability of spectrum or the cost of making necessary modifications or investments in new technology precludes TSHI from selling

TSHI's products in markets outside of the United States, TSHI's growth, prospects, financial condition and results of operations could be materially and adversely affected.

*Interruptions or delays in services from TSHI's third-party data center facilities, or problems with the third-party hardware or software that TSHI employs, could impair the delivery of its services and harm TSHI's business.*

TSHI currently offers hosting services utilizing a data center facility operated by separate third parties. These facilities may be vulnerable to damage or interruption from, among other things, fire, natural disaster, power loss, telecommunications failure, war, acts of terrorism, unauthorized entry, human error, and computer viruses or other defects. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. TSHI relies on software and hardware technology provided by third-parties to enable us to provide these services. Any damage to, or failure of, these third-party data centers or the third-party hardware and software TSHI employs, could result in significant and lengthy interruptions in the services TSHI provides to its customers. Such interruptions could reduce TSHI's revenue and billings, cause TSHI to issue credits or pay penalties, cause customers to terminate their services, harm TSHI's reputation and adversely affect TSHI's ability to attract new customers.

#### **Risks related to the Resulting Issuer Common Shares and Completion of the Qualifying Transaction**

*There has been no public market for the Resulting Issuer Common Shares and the market price for the Resulting Issuer Common Shares may be volatile.*

There can be no assurance that an active trading market for the Resulting Issuer Common Shares will develop or, if developed, that any market will be sustained. TSHI cannot predict the prices at which the Resulting Issuer Common Shares will trade. The price of the Subscription Receipts was determined by negotiations with the Agents in connection with the financing and might not bear any relationship to the market price at which the Resulting Issuer Common Shares will trade or to any other established criteria of the value of TSHI's business. Fluctuations in the market price of the Resulting Issuer Common Shares could cause an investor to lose all or part of its investment in Resulting Issuer Common Shares. Factors that could cause fluctuations in the trading price of the Resulting Issuer Common Shares include: (a) announcements of new offerings, products, services or technologies, commercial relationships, acquisitions or other events by TSHI or its competitors; (b) price and volume fluctuations in the overall stock market from time to time; (c) significant volatility in the market price and trading volume of similar companies; (d) fluctuations in the trading volume of the Resulting Issuer Common Shares or the size of TSHI's public float; (e) actual or anticipated changes or fluctuations in TSHI's results of operations; (f) whether TSHI's results of operations meet the expectations of securities analysts or investors; (g) actual or anticipated changes in the expectations of investors or securities analysts; (h) escrow releases and sales of large blocks of the Resulting Issuer Common Shares; or (i) an adverse impact on TSHI from any of the other risks cited herein. Fluctuations in the market price of the Resulting Issuer Common Shares may be exaggerated if trading volume is low.

*As a public company, TSHI will become subject to new requirements, laws or rules that will increase both its costs and the risk of non-compliance.*

From the date of incorporation to the date of this Filing Statement, TSHI has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the TSXV. As a reporting issuer, TSHI will be subject to reporting requirements under applicable securities law and stock exchange policies. TSHI is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to TSHI's financial management control systems to manage its obligations as a subsidiary of a public company. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, TSHI will be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm TSHI's business and results of operations. TSHI may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses.

*Significant sales of Resulting Issuer Common Shares could cause the market price of the Resulting Issuer Common Shares to drop significantly regardless of TSHI's financial performance.*

The Resulting Issuer Common Shares held by TSHI's directors, executive officers, Control Persons and certain other security holders of TSHI may be subject to contractual lock-up restrictions and may also be subject to escrow and Seed Share Resale Restrictions pursuant to the policies of the TSXV. Sales of a substantial number of the Resulting Issuer Common Shares in the public market after the expiry of lock-up, Seed Share Resale Restrictions or escrow restrictions, or the perception that these sales could occur, may adversely affect the market price of the Resulting Issuer Common Shares and could make it more difficult for investors to sell Resulting Issuer Common Shares at a favourable time and price.

*The market price of the Resulting Issuer Common Shares may fluctuate as a result of reports and publications made by trading analysts.*

The trading market for the Resulting Issuer Common Shares may become dependent on the research and reports that securities or industry analysts publish about TSHI or its business. TSHI will not have any control over these analysts. If one or more of the analysts who covers TSHI should downgrade the Resulting Issuer Common Shares or change their opinion of TSHI's business prospects, TSHI's share price would likely decline. If one or more of these analysts ceases coverage of TSHI or fails to regularly publish reports on TSHI, TSHI could lose visibility in the financial markets, which could cause the Resulting Issuer Common Share price or trading volume to decline.

*The Arrangement Agreement may be terminated.*

The Arrangement Agreement specifies that the parties' obligation to effect the Plan of Arrangement is conditional upon the satisfaction of a number of conditions. If any of these conditions are not satisfied or waived, the Plan of Arrangement may not be completed. Each of RiseTech and TSHI has the right, in certain circumstances, in addition to termination rights relating to the failure to satisfy the conditions of Closing, to terminate the Arrangement Agreement. Accordingly, RiseTech or TSHI cannot provide any assurance that the Arrangement Agreement

will not be terminated by either of RiseTech or TSHI prior to the completion of the Plan of Arrangement.

## **PART V – GENERAL MATTERS**

### **Sponsorship**

RiseTech and TSHI requested an exemption from the sponsorship requirements under TSXV Policy 2.2. Under Section 3.4(a)(ii) of Policy 2.2, an exemption from the sponsorship requirement is available where, among other things, there is: (a) significant involvement of a bank or other major financial institution in the transaction; or (b) the issuer conducts a concurrent brokered financing of at least \$500,000 in connection with the transaction, and the agent for that transaction has provided the TSXV with confirmation that it has completed appropriate due diligence on both the transaction and the accompanying disclosure document describing it. Such conditions have been satisfied given the role of the Agents (including the Agents' due diligence investigations) in connection with the offering of Subscription Receipts and the Agents' confirmation of availability to respond to Exchange inquiries related to due diligence. The TSXV has correspondingly granted TSHI's request for an exemption from the sponsorship requirements, subject to the Agents submitting to the TSXV the due diligence confirmation letter contemplated by Section 3.4(a)(ii)(B)(II) of Policy 2.2.

### **Relationships**

Except as disclosed herein, there are no actual or anticipated agreements with any registrant to provide sponsorship or corporate finance services either now or in the future.

### **Experts**

The following opinions or reports have been described or included in this Filing Statement:

- (a) Baker Tilly WM LLP, Chartered Professional Accountants, are RiseTech's auditors and have issued an opinion with respect to RiseTech's audited financial statements as at and for the year ended December 31, 2019 and for the period from incorporation on February 26, 2018 to December 31, 2018. Baker Tilly WM LLP, Chartered Professional Accountants has advised that they are independent with respect to RiseTech within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia; and
- (b) KPMG LLP, Chartered Professional Accountants, are TSHI's auditors and have issued an opinion with respect to the audited consolidated financial statements of TSHI as at and for the period ended December 31, 2019 and December 31, 2018 and for the three year period ended December 31, 2019. KPMG LLP, Chartered Professional Accountants has advised that they are independent with respect to TSHI within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

Except as otherwise disclosed in this Filing Statement, no experts have, or will have immediately following completion of the Proposed Transactions, any direct or indirect interest in the Resulting Issuer or TSHI.

For the purposes hereof, “expert” means any person or company whose profession or business gives authority to a statement made by that person or company and who is named as having prepared or certified a part of this Filing Statement, or prepared or certified a report or valuation described or included in this Filing Statement.

### **Other Material Facts**

Neither RiseTech nor TSHI are aware of any other material facts relating to RiseTech, TSHI or the Resulting Issuer or to the Proposed Transactions that are not disclosed under the preceding items and are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to RiseTech, TSHI and the Resulting Issuer, assuming completion of the Proposed Transactions, other than those set forth herein.

### **Board Approval**

The RiseTech Board has approved this Filing Statement. Where information contained in this Filing Statement rests particularly within the knowledge of a Person other than RiseTech, RiseTech has relied upon information furnished by such Person.

**CERTIFICATE OF RISETECH CAPITAL CORP.**

DATED January 28, 2021

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of RiseTech Capital Corp. assuming completion of the Proposed Transactions.

(signed) “*Manroop Padda*”

Manroop Padda  
Chief Executive Officer and Chief Financial  
Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF  
RISETECH CAPITAL CORP.**

(signed) “*Jeffrey Booth*”

Jeffrey Booth  
Director

(signed) “*Hamed Shahbazi*”

Hamed Shahbazi  
Director

**CERTIFICATE OF TANTALUS SYSTEMS HOLDING INC.**

DATED January 28, 2021

The foregoing as it relates to Tantalus Systems Holding Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of Tantalus Systems Holding Inc.

\_\_\_\_\_  
(signed) "*Peter Londa*"

Peter Londa  
President and Chief Executive Officer

\_\_\_\_\_  
(signed) "*George Reznik*"

George Reznik  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF  
TANTALUS SYSTEMS HOLDING INC.**

\_\_\_\_\_  
(signed) "*Laura Formusa*"

Laura Formusa  
Director

\_\_\_\_\_  
(signed) "*Francis J. Harvey*"

Francis J. Harvey  
Director

## ACKNOWLEDGMENT – PERSONAL INFORMATION

“**Personal Information**” means any information about an identifiable individual, and includes information contained in any Items in the attached filing statement/information circular that are analogous to Items 4.2, 11, 12.1, 15, 17.3, 18, 22, 23, 25, 30.3, 31, 32, 33, 34, 35, 36, 37, 40, and 41 of TSXV Form 3B2.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the TSXV (as defined in Appendix 6B) pursuant to Exchange Form 3B2; and
- (b) the collection, use and disclosure of Personal Information by the TSXV for the purposes described in Appendix 6B or as otherwise identified by the TSXV, from time to time.

Dated: January 28, 2021.

\_\_\_\_\_  
(signed) “*Peter Londa*”  
Peter Londa  
President and Chief Executive Officer

## **SCHEDULE “A”**

Audited financial statements of RiseTech for the year ended December 31, 2019 and for the period from incorporation on February 26, 2018 to December 31, 2018 and the unaudited financial statements for the three and nine month periods ended September 30, 2020 and September 30, 2019.

(See attached.)

# **RiseTech Capital Corp.**

## **Financial Statements**

**For the Year ended December 31, 2019 and the Period from Incorporation on  
February 26, 2018 to December 31, 2018**

Stated in Canadian Dollars, unless otherwise noted

## MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by Management of the Company which is responsible for the integrity and fairness of the information presented. The financial statements have been reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect Management’s best estimates and judgments based on currently available information. The Company believes it has established appropriate systems of internal accounting controls in order to ensure the reliability of its financial information, on a reasonable and cost-effective basis. The financial statements have been audited by Baker Tilly WM LLP. Their report outlines the scope of their examination and opinion on the financial statements.

***“Manroop Padda”***

---

Chief Financial Officer  
March 30, 2020

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of RiseTech Capital Corp.:

### ***Opinion***

We have audited the financial statements of RiseTech Capital Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the year ended December 31, 2019 and for the period from incorporation on February 26, 2018 to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and for the period from incorporation on February 26, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

### ***Basis for Opinion***

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Graeme L. Cocke.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.  
March 30, 2020

**RiseTech Capital Corp.**  
**Statements of Financial Position**  
(Stated in Canadian Dollars)

|                                          | December 31,<br>2019 | December 31,<br>2018 |
|------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                            |                      |                      |
| <b>Current assets</b>                    |                      |                      |
| Cash and cash equivalents                | \$ 516,134           | \$ 635,656           |
| Interest receivable                      | 7,178                | -                    |
| GST recoverable (note 4)                 | -                    | 5,248                |
| Advances (note 9)                        | -                    | 17,985               |
| <b>TOTAL ASSETS</b>                      | <b>\$ 523,312</b>    | <b>\$ 658,889</b>    |
| <b>LIABILITIES AND EQUITY</b>            |                      |                      |
| <b>Current liabilities</b>               |                      |                      |
| Accounts payable and accrued liabilities | \$ 30,761            | \$ 64,238            |
| <b>Equity</b>                            |                      |                      |
| Share capital (note 5)                   | 693,915              | 693,915              |
| Share based payment reserve (note 5)     | 10,500               | 10,500               |
| Deficit                                  | (211,864)            | (109,764)            |
| <b>Total equity</b>                      | <b>492,551</b>       | <b>594,651</b>       |
| <b>TOTAL LIABILITIES AND EQUITY</b>      | <b>\$ 523,312</b>    | <b>\$ 658,889</b>    |
| Subsequent event (note 11)               |                      |                      |

Approved on behalf of the Board of Directors:

***"Manroop Padda"***

\_\_\_\_\_  
Director

***"Tom Liston"***

\_\_\_\_\_  
Director

# RiseTech Capital Corp.

## Statements of Loss and Comprehensive Loss

(Stated in Canadian Dollars)

|                                                         | Year ended<br>December 31, 2019 | Period from<br>incorporation on<br>February 26, 2018 to<br>December 31, 2018 |
|---------------------------------------------------------|---------------------------------|------------------------------------------------------------------------------|
| <b>Expenses</b>                                         |                                 |                                                                              |
| Audit and accounting                                    | \$ 10,592                       | \$ 22,280                                                                    |
| General and administrative                              | 22,150                          | 192                                                                          |
| Interest income                                         | (7,178)                         | -                                                                            |
| Listing fees                                            | 21,133                          | 5,250                                                                        |
| Professional fees                                       | 55,403                          | 82,042                                                                       |
| <b>Loss and comprehensive loss for the period</b>       | <b>\$ (102,100)</b>             | <b>\$ (109,764)</b>                                                          |
| <br>                                                    |                                 |                                                                              |
| <b>Basic and diluted loss per common share (note 5)</b> | <b>\$ (0.04)</b>                | <b>\$ (0.37)</b>                                                             |

**RiseTech Capital Corp.**  
**Statements of Changes in Equity**  
(Stated in Canadian Dollars)

|                                     | Common Shares |            | Share-based<br>payment<br>reserve | Deficit      | Total      |
|-------------------------------------|---------------|------------|-----------------------------------|--------------|------------|
|                                     | Number        | Amount     |                                   |              |            |
| <b>Balance at December 31, 2018</b> | 12,500,000    | \$ 693,915 | \$ 10,500                         | \$ (109,764) | \$ 594,651 |
| Loss for the year                   | -             | -          | -                                 | (102,100)    | (102,100)  |
| <b>Balance at December 31, 2019</b> | 12,500,000    | \$ 693,915 | \$ 10,500                         | \$ (211,864) | \$ 492,551 |
| <b>Balance at February 26, 2018</b> | -             | \$ -       | \$ -                              | \$ -         | \$ -       |
| Issue of common shares (note 5)     |               |            |                                   |              |            |
| Seed shares                         | 10,000,000    | 500,000    | -                                 | -            | 500,000    |
| Initial Public Offering             | 2,000,000     | 200,000    | -                                 | -            | 200,000    |
| Share issuance costs                | -             | (56,085)   | 10,500                            | -            | (45,585)   |
| Private placement                   | 500,000       | 50,000     | -                                 | -            | 50,000     |
| Loss for the period                 | -             | -          | -                                 | (109,764)    | (109,764)  |
| <b>Balance at December 31, 2018</b> | 12,500,000    | \$ 693,915 | \$ 10,500                         | \$ (109,764) | \$ 594,651 |

**RiseTech Capital Corp.****Statement of Cash Flows**

(Stated in Canadian Dollars)

|                                                               | Year ended<br>December 31, 2019 | Period from<br>incorporation on<br>February 26, 2018 to<br>December 31, 2018 |
|---------------------------------------------------------------|---------------------------------|------------------------------------------------------------------------------|
| <b>Operating activities</b>                                   |                                 |                                                                              |
| Loss for the period                                           | \$ (102,100)                    | \$ (109,764)                                                                 |
| Changes in non-cash working capital items:                    |                                 |                                                                              |
| Interest receivable                                           | (7,178)                         | -                                                                            |
| GST recoverable                                               | 5,248                           | (5,248)                                                                      |
| Advances                                                      | 17,985                          | (17,985)                                                                     |
| Accounts payable and accrued liabilities                      | (24,356)                        | 55,117                                                                       |
| <b>Net cash used in operating activities</b>                  | <b>(110,401)</b>                | <b>(77,880)</b>                                                              |
| <b>Financing activities</b>                                   |                                 |                                                                              |
| Issue of common shares                                        | -                               | 750,000                                                                      |
| Share issuance costs                                          | (9,121)                         | (36,464)                                                                     |
| <b>Net cash provided by financing activities</b>              | <b>(9,121)</b>                  | <b>713,536</b>                                                               |
| <b>Change in cash and cash equivalents during the period</b>  | <b>(119,522)</b>                | <b>635,656</b>                                                               |
| <b>Cash and cash equivalents, beginning of period</b>         | <b>635,656</b>                  | <b>-</b>                                                                     |
| <b>Cash and cash equivalents, end of period</b>               | <b>\$ 516,134</b>               | <b>\$ 635,656</b>                                                            |
| <b>Cash and cash equivalents is comprised of:</b>             |                                 |                                                                              |
| Cash                                                          | \$ 216,134                      | \$ 635,656                                                                   |
| Cash equivalents                                              | 300,000                         | -                                                                            |
|                                                               | <b>\$ 516,134</b>               | <b>\$ 635,656</b>                                                            |
| <b>Supplemental cash flow information</b>                     |                                 |                                                                              |
| <b>Non cash financing activities</b>                          |                                 |                                                                              |
| Share issue costs in accounts payable and accrued liabilities | \$ -                            | \$ 9,121                                                                     |

# **RiseTech Capital Corp.**

## **Notes to the Financial Statements**

**For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018**

(Stated in Canadian Dollars)

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### **1. Nature and Continuance of Operations**

RiseTech Capital Corp. (the "Company") was incorporated on February 26, 2018 pursuant to the Business Corporations Act of British Columbia and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On November 21, 2018 the Company completed its Initial Public Offering (note 5) and on the same day its shares commenced trading on the TSX-V under the symbol "RTCC.P".

As at December 31, 2019, the Company had no business operations and its only significant asset was cash and cash equivalents. During the year ended December 31, 2019, the Company did not enter into any agreements to acquire interests in businesses or assets. As a Capital Pool Company, the Company's principal business is the identification and evaluation of assets, properties or businesses with a view to acquisition or participation therein subject, in certain cases, to shareholder approval and acceptance by the TSX-V. Where an acquisition or participation is warranted (the "Qualifying Transaction"), additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon obtaining additional financing. There is no assurance that the Company will complete a Qualifying Transaction within twenty-four months from the date that the Company's shares were listed on the TSX-V, at which time the TSX-V may suspend or de-list the Company's shares from trading.

The registered and records office of the Company are located at 2900 – 550 Burrard Street, Vancouver, BC, Canada V6C 0A3.

### **2. Basis of Preparation**

#### **a) Statement of compliance**

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRICs").

#### **b) Basis of presentation**

The financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments carried at fair value. The financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except for per share information.

#### **c) Approval of the financial statements**

The financial statements of the Company for the year ended December 31, 2019 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 30, 2020.

# RiseTech Capital Corp.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018

(Stated in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies

#### a) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, or held in trust, and short term deposits that are readily convertible into a known amount of cash and subject to insignificant risk of changes in fair value. As at December 31, 2019, the Company holds a one-year cashable GIC of \$300,000 (2018 - \$nil).

#### b) Foreign currencies

The financial statements are presented in Canadian dollars. The Company's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are initially recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rate of exchange at the date of the statement of financial position. Revenue and expense items are translated at the rate of exchange at the transaction date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

#### c) Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value of the equity instruments at the date on which they are granted.

In situations where equity instruments are issued to non-employees for goods or services, the transaction is measured at the fair value of the goods or services received by the entity. When the value of the goods or services cannot be reliably estimated, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is recorded in share-based payment reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the equity-settled transactions or is otherwise beneficial to the employee as measured at the date of modification.

# RiseTech Capital Corp.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018

(Stated in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (cont'd)

#### d) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

##### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted at the date of the statement of financial position.

##### Deferred income tax

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the date of each statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at the date of each statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

# RiseTech Capital Corp.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018

(Stated in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (cont'd)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### e) Earnings or loss per share

The Company presents basic and diluted earnings and or loss per share data for its common shares. Basic earnings or loss per share is computed by dividing the loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In a loss period, potentially dilutive stock options and warrants are excluded from the loss per share calculation as the effect would be anti-dilutive. Common shares that are contingently returnable are not included in the calculation.

#### f) Financial instruments

##### *Recognition*

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows on a financial asset.

# RiseTech Capital Corp.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018

(Stated in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (cont'd)

#### *Classification and Measurement*

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i. those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- ii. those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i. amortized cost;
- ii. FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii. FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial assets consist of cash and cash equivalents, and interest receivable, which are classified as subsequently measured at amortized cost, using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest method. Interest income and expense is reported in profit or loss.

#### *Impairment*

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable forward-looking information.

# RiseTech Capital Corp.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018

(Stated in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (cont'd)

#### g) Interest income

Interest income from financial assets is accrued based on the credit impaired status of the financial asset as follows:

- i) *Not a purchased or originated credit-impaired financial asset, or has not become credit impaired since initial recognition*, interest revenue is calculated using a 'gross method' of applying the effective interest rate method to the gross carrying amount of the asset (i.e. its carrying amount excluding the loss allowance).
- ii) *Not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired*, from the beginning of the next reporting period, interest revenue is calculated using a 'net method' of applying the effective interest rate to the net amortized cost balance (i.e. including the loss allowance).
- iii) *Improvement of credit risk, following a period of using the 'net method'*, so that the financial asset is no longer credit-impaired and the improvement can be related objectively to an event since the net method was applied, the calculation of interest revenue reverts to the 'gross method' from the beginning of the next reporting period.
- iv) *Purchased or originated credit-impaired financial assets*, interest revenue is recognized by applying the credit-adjusted effective interest rate to the amortized cost carrying amount. The credit adjusted effective interest rate is the rate that discounts the cash flows expected on initial recognition (explicitly taking account of expected credit losses as well as contractual terms of the instrument) back to the amortized cost at initial recognition.

#### h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

#### i) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, and related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

# RiseTech Capital Corp.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018

(Stated in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (cont'd)

#### j) Significant accounting judgments and estimates

The preparation of these 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 financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The Company adopted IFRS 16 – *Leases*, on January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or leases where the underlying asset is of low value. The adoption of IFRS 16 did not have any impact on the financial statements of the Company.

There are no key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements as at December 31, 2019.

#### k) Standards and amendments issued but not yet effective

At the date of authorization of these financial statements, management of the Company has considered new and revised standards that the IASB has issued, but which are not yet effective, and determined that those standards are not expected to have a material impact on the Company's financial statements.

### 4. GST Recoverable

During the year ended December 31, 2019, the Company received notice from the Canada Revenue Agency ("CRA") that the Company's GST income tax credits ("ITCs") recorded on invoices paid were not recoverable as the Company was not yet generating operating income. As a result, the Company wrote off all GST recoverable amounts to \$nil and now expenses all GST amounts incurred to profit and loss. For the year ended December 31, 2019, the Company recorded GST expense of \$8,383 to general and administrative expenses. The Company expects that once a Qualifying Transaction has been completed and the Company is generating operating income, all ITCs incurred from that point onwards will be recoverable.

### 5. Shareholders' Equity

#### a) Authorized and issued share capital:

Unlimited number of common shares without par value.

The Company issued no common shares during the year ended December 31, 2019.

During the period from Incorporation on February 26, 2018 to December 31, 2018, the Company issued the following common shares:

- On February 26, 2018, the Company issued 10,000,000 common shares at a price of \$0.05 per share for cash proceeds of \$500,000.

# RiseTech Capital Corp.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018

(Stated in Canadian Dollars)

### 5. Shareholders' Equity (cont'd)

- On November 21, 2018, the Company closed its distribution and initial public offering ("IPO") by issuing 2,000,000 common shares for gross proceeds of \$200,000. PI Financial Corp. (the "Agent") was issued 100,000 Agent's Options being equal to 5% of the number of common shares sold under the IPO. Each Agent's Option will entitle the Agent to acquire one common share at \$0.10 per share exercisable at any time for a period of 24 months from the date of grant. In connection with the IPO, the Company paid to the Agent a \$10,000 commission, a corporate finance fee of \$5,000, and other expenses of \$16,500. The fair value of the Agents' Options has been estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 2.20%, an expected life of 2 years, an expected volatility of 56% and no expected dividends. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Company has limited historical information. The fair value of the Agent's Options is \$10,500 and recorded as share issue costs. The Company incurred additional professional fees of \$84,509 with respect to the prospectus and IPO. These professional fees were allocated to share issue costs (\$14,085) and profit and loss (\$70,424).
- On December 7, 2018, the Company issued 500,000 common shares at a price of \$0.10 for cash proceeds of \$50,000.

#### b) Escrowed shares:

An escrow agreement (the "Escrow Agreement") between the Company and certain shareholders of the Company has been executed resulting in the deposit into escrow of 10,000,000 common shares (the "Escrowed Shares"), being all of the issued and outstanding common shares prior to the completion of the IPO. Pursuant to the Escrow Agreement, the Escrowed Shares shall be released pro-rata to the shareholders as to 10% upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

#### c) Loss per share:

Basic and diluted loss per share

|                                                              | Year ended<br>December 31,<br>2019 | Period ended<br>December 31,<br>2018 |
|--------------------------------------------------------------|------------------------------------|--------------------------------------|
| Numerator:                                                   |                                    |                                      |
| Net loss                                                     | \$ (102,100)                       | \$ (109,764)                         |
| Denominator:                                                 |                                    |                                      |
| Weighted average number of common shares (basic and diluted) | 2,500,000                          | 298,701                              |
| Basic and diluted loss per common share                      | \$ (0.04)                          | \$ (0.37)                            |

### 6. Financial Instruments

The Company is exposed to various financial risks resulting from its operations. The Company's management manages financial risks. The Company does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risk exposures and its financial policies are as follows:

# **RiseTech Capital Corp.**

## **Notes to the Financial Statements**

**For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018**

(Stated in Canadian Dollars)

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### **6. Financial Instruments (continued)**

#### **a) Fair value of financial instruments**

The Company's financial instruments consist of cash and cash equivalents, interest receivable, and accounts payable and accrued liabilities. Each of the financial instruments have a carrying value that approximates fair value due to the short term to maturity of these financial instruments.

#### **b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents, and interest receivable are exposed to credit risk, with their carrying value being the Company's maximum exposure. The Company's cash and cash equivalents consists of funds held at a Canadian Schedule 1 Chartered Bank. The interest receivable is due from a Canadian Schedule 1 Chartered Bank based on a GIC held by the Company. Management believes the Company's exposure to credit risk is minimal.

#### **c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as the cash and cash equivalent balances are earning interest at nominal rates as of December 31, 2019. The Company had no interest rate swaps or financial contracts in place as at or during the year ended December 31, 2019.

#### **d) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's liabilities are all current and due within 90 days of the statement of financial position date. The Company seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its operating obligations and cash on hand.

### **7. Capital Management**

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in businesses or assets. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company, listed on the TSX-V as a Capital Pool Company, may only use the proceeds raised from the issuance of share capital and from the initial public offering (note 5) to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until the completion of a Qualifying Transaction by the Company as defined under the policies of the TSX-V.

# RiseTech Capital Corp.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018

(Stated in Canadian Dollars)

### 8. Segmented Information

At December 31, 2019, the Company has one reportable operating segment being the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. All of the Company's assets are located in Canada.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

### 9. Related party transactions

Key management personnel includes the Directors and officers of the Company. No remuneration was paid or accrued to key management personnel in the year ended December 31, 2019, or for the period from incorporation on February 28, 2018 to December 31, 2018.

At December 31, 2019, the Company has no funds (2018 - \$17,985) advanced to Directors for expenditures to be paid by the Directors on behalf of the Company.

### 10. Income Taxes

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the loss before income taxes due to the following:

|                                                                                         | 2019         | 2018         |
|-----------------------------------------------------------------------------------------|--------------|--------------|
| Loss before income taxes                                                                | \$ (102,100) | \$ (109,764) |
| Canadian federal and provincial income tax rates                                        | 27%          | 27%          |
| Income tax expense (recovery) based on Canadian federal and provincial income tax rates | (27,567)     | (29,600)     |
| Increase (decrease) attributable to:                                                    |              |              |
| Share issue costs incurred                                                              | -            | (15,100)     |
| Changes in unrecognized deferred tax assets                                             | 27,567       | 44,700       |
| Tax expense                                                                             | \$ -         | \$ -         |

# RiseTech Capital Corp.

## Notes to the Financial Statements

For the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018

(Stated in Canadian Dollars)

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### 10. Income Taxes (continued)

Unrecognized deductible temporary differences and unused tax losses are attributable to the following:

|                                 | December 31,<br>2019 | December 31,<br>2018 |
|---------------------------------|----------------------|----------------------|
| Non-capital loss carry forwards | \$ 63,200            | \$ 32,600            |
| Share issue costs               | 9,100                | 12,100               |

At December 31, 2019, the Company has non-capital losses approximately \$234,000 available for carry-forward to reduce future years' income taxes. These losses will expire from 2038 through 2039.

### 11. Subsequent Event

Subsequent to year end, the novel coronavirus (COVID-19) pandemic has evolved into a global crisis. The quarantines and related work and travel restrictions implemented in countries around the globe to contain the outbreak have affected the global economy and market conditions in the first quarter of 2020, and the Company expects the economic disruptions and market conditions to continue beyond the first quarter of 2020. The impact of the coronavirus pandemic on the business of the Company is unclear. The balance of these effects in this case will likely be driven by how long the economic disruptions and market conditions last once the pandemic is contained, the timing of which is currently uncertain. The situation may have an impact on the Company's ability to find, negotiate, and close a Qualifying Transaction.

# **RiseTech Capital Corp.**

## **Condensed Interim Financial Statements**

**For the nine months ended September 30, 2020 and 2019**

*(Unaudited)*

Stated in Canadian Dollars

# RiseTech Capital Corp.

## Condensed Interim Statement of Financial Position (Unaudited)

(Stated in Canadian Dollars)

|                                          | Note | September 30,<br>2020 | December 31,<br>2019 |
|------------------------------------------|------|-----------------------|----------------------|
| <b>ASSETS</b>                            |      |                       |                      |
| <b>Current assets</b>                    |      |                       |                      |
| Cash and cash equivalents                |      | \$ 484,093            | \$ 516,134           |
| Interest receivable                      |      | 6,674                 | 7,178                |
| <b>TOTAL ASSETS</b>                      |      | <b>\$ 490,767</b>     | <b>\$ 523,312</b>    |
| <b>LIABILITIES AND EQUITY</b>            |      |                       |                      |
| <b>Current liabilities</b>               |      |                       |                      |
| Accounts payable and accrued liabilities |      | \$ 99,107             | \$ 30,761            |
| Advances due to a director               |      | 475                   | -                    |
| <b>Total liabilities</b>                 |      | <b>99,582</b>         | <b>30,761</b>        |
| <b>Equity</b>                            |      |                       |                      |
| Share capital                            | 4    | 693,915               | 693,915              |
| Share based payment reserve              | 4    | 39,965                | 10,500               |
| Deficit                                  |      | (342,695)             | (211,864)            |
| <b>Total equity</b>                      |      | <b>391,185</b>        | <b>492,551</b>       |
| <b>TOTAL LIABILITIES AND EQUITY</b>      |      | <b>\$ 490,767</b>     | <b>\$ 523,312</b>    |

Subsequent events (Notes 1, 2 and 4)

Approved on behalf of the Board of Directors:

***"Manny Padda"***

\_\_\_\_\_  
Director

***"Tom Liston"***

\_\_\_\_\_  
Director

**RiseTech Capital Corp.****Condensed Interim Statement of Loss and Comprehensive Loss (Unaudited)**

(Stated in Canadian Dollars)

|                                                             | Three months ended September 30, |                  | Nine months ended September 30, |                  |
|-------------------------------------------------------------|----------------------------------|------------------|---------------------------------|------------------|
|                                                             | 2020                             | 2019             | 2020                            | 2019             |
| <b>Expenses</b>                                             |                                  |                  |                                 |                  |
| Audit and accounting                                        | \$ -                             | \$ -             | \$ 1,168                        | \$ 3,592         |
| General and administrative                                  | 244                              | 4,835            | 2,513                           | 13,486           |
| Interest income                                             | (2,334)                          | (1,997)          | (6,876)                         | (5,707)          |
| Listing fees                                                | 3,491                            | 759              | 12,864                          | 20,272           |
| Professional fees                                           | 79,502                           | 6,100            | 91,697                          | 52,869           |
| Share-based compensation (Note 4)                           | 29,465                           | -                | 29,465                          | -                |
| <b>Loss and comprehensive loss for the period</b>           | <b>\$ 110,368</b>                | <b>\$ 9,697</b>  | <b>\$ 130,831</b>               | <b>\$ 84,512</b> |
| <b>Weighted average number of common shares outstanding</b> |                                  |                  |                                 |                  |
| Basic                                                       | 2,500,000                        | 2,500,000        | 2,500,000                       | 2,500,000        |
| Diluted                                                     | 2,500,000                        | 2,500,000        | 2,500,000                       | 2,500,000        |
| <b>Basic and diluted loss per common share</b>              | <b>\$ (0.04)</b>                 | <b>\$ (0.00)</b> | <b>\$ (0.05)</b>                | <b>\$ (0.03)</b> |

**RiseTech Capital Corp.****Condensed Interim Statement of Changes in Equity (Unaudited)**

(Stated in Canadian Dollars)

|                                      | Common Shares     |                   | Share-based payments reserve |                     | Deficit   | Total          |
|--------------------------------------|-------------------|-------------------|------------------------------|---------------------|-----------|----------------|
|                                      | Number            | Amount            |                              |                     |           |                |
| <b>Balance at December 31, 2018</b>  | 12,500,000        | \$ 693,915        | \$ 10,500                    | \$ (109,764)        | \$        | 594,651        |
| Loss for the period                  | -                 | -                 | -                            | (84,512)            |           | (84,512)       |
| <b>Balance at September 30, 2019</b> | 12,500,000        | \$ 693,915        | \$ 10,500                    | \$ (194,276)        | \$        | 510,139        |
| <b>Balance at December 31, 2019</b>  | 12,500,000        | \$ 693,915        | \$ 10,500                    | \$ (211,864)        | \$        | 492,551        |
| Share-based compensation (Note 4)    | -                 | -                 | 29,465                       | -                   |           | 29,465         |
| Loss for the period                  | -                 | -                 | -                            | (130,831)           |           | (130,831)      |
| <b>Balance at September 30, 2020</b> | <b>12,500,000</b> | <b>\$ 693,915</b> | <b>\$ 39,965</b>             | <b>\$ (342,695)</b> | <b>\$</b> | <b>391,185</b> |

# RiseTech Capital Corp.

## Condensed Interim Statement of Cash Flows (Unaudited)

(Stated in Canadian Dollars)

|                                                       |      | Nine months ended September 30, |                   |
|-------------------------------------------------------|------|---------------------------------|-------------------|
|                                                       | Note | 2020                            | 2019              |
| <b>Cash provided by (used in):</b>                    |      |                                 |                   |
| Operating activities                                  |      |                                 |                   |
| Loss for the period                                   |      | \$ (130,831)                    | \$ (84,512)       |
| Non-cash items:                                       |      |                                 |                   |
| Share-based compensation                              | 4    | 29,465                          | -                 |
| Changes in non-cash working capital:                  |      |                                 |                   |
| Interest receivable                                   |      | 504                             | (5,707)           |
| GST recoverable                                       |      | -                               | (2,952)           |
| Advances due to directors                             |      | 475                             | 17,985            |
| Accounts payable and accrued liabilities              |      | 68,346                          | (44,155)          |
| <b>Net cash used in operating activities</b>          |      | <b>(32,041)</b>                 | <b>(119,341)</b>  |
| Change in cash and cash equivalents during the period |      | (32,041)                        | (119,341)         |
| Cash and cash equivalents, beginning of period        |      | 516,134                         | 635,656           |
| <b>Cash and cash equivalents, end of period</b>       |      | <b>\$ 484,093</b>               | <b>\$ 516,315</b> |
| <b>Cash and cash equivalents is comprised of:</b>     |      |                                 |                   |
| Cash                                                  |      | \$ 9,093                        | \$ 216,315        |
| Cash equivalents                                      |      | 475,000                         | 300,000           |
|                                                       |      | <b>\$ 484,093</b>               | <b>\$ 516,315</b> |

# RiseTech Capital Corp.

## Notes to the Condensed Interim Financial Statements (Unaudited)

Three and nine months ended September 30, 2020

(Stated in Canadian Dollars)

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### 1. Nature and Continuance of Operations

RiseTech Capital Corp. (the "Company" or "RiseTech") was incorporated on February 26, 2018 pursuant to the Business Corporations Act of British Columbia and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V" or the "Exchange") Policy 2.4. On November 21, 2018, the Company completed its Initial Public Offering ("IPO", note 3) and on the same day its shares were listed for trading on the TSX-V under the symbol "RTCC.P".

As at September 30, 2020, the Company had no business operations and its only significant asset was cash and cash equivalents. As a Capital Pool Company, the Company's principal business is the identification and evaluation of assets, properties or businesses with a view to acquisition or participation (Note 2) therein subject, in certain cases, to shareholder approval and acceptance by the TSX-V. Where an acquisition or participation is warranted (the "Qualifying Transaction"), additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon obtaining additional financing. There is no assurance that the Company will complete a Qualifying Transaction within twenty-four months from the date the Company's shares are listed on the TSX-V, at which time the TSX-V may suspend or de-list the Company's shares from trading.

The registered and records offices of the Company are located at 2900 – 550 Burrard Street, Vancouver, BC, Canada V6C 0A3.

During the nine months ended September 30, 2020 and subsequent to period end, the novel coronavirus ("COVID-19") pandemic has created uncertainty and volatility in the global financial markets as a result of the worldwide implementation of measures designed to contain COVID-19, including extended quarantines and work and travel restrictions. While some of these measures have been relaxed and financial markets have improved to some degree, the Company expects the economic disruptions and volatile market conditions to continue into 2021. The impact of the COVID-19 pandemic on the business of the Company is uncertain. The balance of these effects will likely be driven by how long the economic disruptions and market conditions last once the pandemic is contained, the timing of which is not yet determinable.

### 2. Announcement of Qualifying Transaction

On November 19, 2020, the Company announced that, further to its previously announced proposed transaction by way of press release on September 9, 2020, it has entered into a definitive arrangement agreement (the "Arrangement Agreement") with each of Tantalus Systems Holding Inc. ("Tantalus") and Tantalus Systems Shareholders Inc. ("TSS") pursuant to which, among other things, RiseTech will acquire all of the issued and outstanding securities of Tantalus, the whole in accordance with the Arrangement Agreement and plan of arrangement (the "Plan of Arrangement") included therein (the "Transaction").

The Transaction is intended to constitute RiseTech's "Qualifying Transaction" as defined under Policy 2.4 of the Exchange. It is expected that RiseTech, following closing of the Transaction (referred to as the "Resulting Issuer") will be listed on the Exchange as a Tier 1 Technology issuer, and that the business of the Resulting Issuer will be the business of Tantalus, the whole as further described below. The Resulting Issuer also intends to change its name to "Tantalus Systems Holding Inc.", or such other name as may be approved by the board of directors of RiseTech and/or the Resulting Issuer, and subject to applicable regulatory and Exchange approvals.

The Transaction is an "Arm's Length Transaction" and therefore will not require approval by the shareholders of RiseTech under Policy 2.4 of the Exchange. The Transaction is further subject to, among other things, the approval by the shareholders of Tantalus and TSS, the interim and final orders of the Supreme Court of British Columbia approving the Plan of Arrangement, and the approval of the Exchange.

There is no finder's fee payable in connection with the Transaction and no deposits or advances have or will be made to Tantalus with respect to the Transaction. Trading in the common shares of RiseTech (the "RiseTech Shares") has been halted since the initial announcement of the proposed Transaction, and the halt is expected to remain in place until the Transaction is completed.

# RiseTech Capital Corp.

## Notes to the Condensed Interim Financial Statements (Unaudited)

Three and nine months ended September 30, 2020

(Stated in Canadian Dollars)

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### 2. Announcement of Qualifying Transaction (continued)

Upon completion of the Transaction, the number of post-consolidation RiseTech Shares that are expected to be issued to securityholders of Tantalus will be approximately 33,676,634. In addition, it is anticipated that there will be also be 4,841,884 options exercisable for post-consolidation RiseTech Shares issued to former optionholders of Tantalus in exchange for such options of Tantalus held immediately prior to the closing of the Transaction. Additional post-consolidation RiseTech Shares will also be issued in exchange for Subscription Receipts on a one for one basis, the whole as further detailed herein.

Under the terms of the Arrangement Agreement, the Transaction is expected to be completed by way of the Plan of Arrangement pursuant to Section 192 of the Canada Business Corporations Act. Pursuant to the terms of the Plan of Arrangement, it is expected that, among other things, TSS and Tantalus will amalgamate (the "Amalgamation") and all issued and outstanding securities of Tantalus, immediately following completion of the Amalgamation, will be exchanged for equivalent securities of RiseTech on a one-for-one basis, subject to the applicable consolidation and exchange ratios as set forth in the Plan of Arrangement.

The Arrangement Agreement includes a number of conditions precedent to the closing of the Transaction, including, but not limited to, receipt of the requisite shareholder approvals, court approval, approvals of all regulatory bodies having jurisdiction in connection with the Transaction, approval of the Exchange, including the satisfaction of its listing requirements, and the satisfaction of other closing conditions customary to transactions of this nature. There can be no assurance that the Transaction will be completed as proposed or at all. Following completion of the Transaction, and the steps included in the Plan of Arrangement, Tantalus will become a wholly-owned subsidiary of RiseTech which, together, along with the other subsidiaries, will form the Resulting Issuer.

Following completion of the Transaction, it is expected that the board of directors and management of the Resulting Issuer will be the board of directors and management of Tantalus.

In connection with the Transaction, RiseTech will seek shareholder approval at a meeting scheduled to take place on or about December 18, 2020, to, among other things, (a) change its name to "Tantalus Systems Holding Inc.", or such other name as may receive approval by the board of directors of RiseTech and/or the Resulting Issuer, subject to applicable regulatory and Exchange approvals, (b) consolidate its issued and outstanding shares on the basis of 0.06094549 post-consolidation RiseTech Share for one (1) pre-consolidation RiseTech Shares (the "Consolidation"), (c) adopt a new long-term omnibus equity incentive plan of the Resulting Issuer, and (d) amend its Notice of Articles and amend and restate its Articles. The foregoing approvals will remain subject to the completion of the Transaction.

Special meetings of the shareholders of each of TSS and Tantalus will be held to, among other things: (a) approve the Transaction, (b) approve the Arrangement Agreement and the Plan of Arrangement, (c) approve a consolidation of the common shares of Tantalus (each, a "Tantalus Share"), and (d) approve such other matters that may be required to be approved in order to give effect to the arrangement steps set forth in the Plan of Arrangement and the implementation of the Transaction. Dates for the special meetings of the shareholders of TSS and Tantalus have not yet been set but will be held following the receipt of interim court approval and prior to obtaining final court approval in respect of the Plan of Arrangement.

In connection with the Transaction, RiseTech also announced that Tantalus has completed a private placement offering (the "Offering") of 3,917,407 subscription receipts (the "Subscription Receipts") at an issue price of \$2.25 per Subscription Receipt for aggregate gross proceeds of \$8,814,166.

The Resulting Issuer intends to use the net proceeds of the Offering to, among other things, accelerate several strategic growth initiatives aimed at expanding its product portfolio through research and development, strategic partnerships and targeted acquisitions to provide additional software applications, services and support to its growing user community of utilities and for general working capital purposes.

# RiseTech Capital Corp.

## Notes to the Condensed Interim Financial Statements (Unaudited)

Three and nine months ended September 30, 2020

(Stated in Canadian Dollars)

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### 3. Basis of Preparation

#### a) Statement of compliance

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") since incorporation on February 26, 2018. These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, and do not include all of the information required for full annual financial statements prepared using IFRS and accordingly, these condensed interim financial statements should be read in conjunction with the Company's most recent audited annual financial statements for the period ended December 31, 2019. These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRICs"). The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's annual financial statements for the year ended December 31, 2019.

#### b) Basis of presentation

The condensed interim financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments carried at fair value. The condensed interim financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except for loss per share information.

#### c) Approval of the condensed interim financial statements

The condensed interim financial statements of the Company for the period ended September 30, 2020, were approved and authorized for issuance by the Board of Directors on November 30, 2020.

### 4. Shareholders' Equity

#### a) Authorized and issued share capital:

The Company has authorized an unlimited number of common shares without par value.

During the nine months ended September 30, 2020, the Company issued no common shares (nine months ended September 30, 2019 – Nil).

On November 9, 2020, PI Financial Corp. (the "Agent") exercised 90,280 Agent's options which were issued as part of the Company's IPO. The Agent's options entitle the holder to acquire one common share at \$0.10 per share. Accordingly, the Company issued 90,280 shares for cash proceeds of \$9,028. The remaining 9,720 warrants expired unexercised on November 21, 2020.

#### b) Escrowed shares:

An escrow agreement (the "Escrow Agreement") between the Company and certain shareholders (the "Parties") of the Company was executed on September 28, 2018, resulting in the deposit into escrow of 10,000,000 common shares (the "Escrowed Shares"), being all of the issued and outstanding common shares prior to the completion of the IPO. Pursuant to the Escrow Agreement, the Escrowed Shares shall be released pro-rata to the Parties as to 10% upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

## RiseTech Capital Corp.

### Notes to the Condensed Interim Financial Statements (Unaudited)

#### Three and nine months ended September 30, 2020

(Stated in Canadian Dollars)

#### 4. Shareholders' Equity (continued)

c) Basic and diluted loss per share:

|                                                              | Three months ended September 30, |            | Nine months ended September 30, |             |
|--------------------------------------------------------------|----------------------------------|------------|---------------------------------|-------------|
|                                                              | 2020                             | 2019       | 2020                            | 2019        |
| Numerator:                                                   |                                  |            |                                 |             |
| Net loss                                                     | \$ (110,368)                     | \$ (9,697) | \$ (130,831)                    | \$ (84,512) |
| Denominator:                                                 |                                  |            |                                 |             |
| Weighted average number of common shares (basic and diluted) | 2,500,000                        | 2,500,000  | 2,500,000                       | 2,500,000   |
| Basic and diluted loss per common share                      | \$ (0.04)                        | \$ (0.00)  | \$ (0.05)                       | \$ (0.03)   |

Loss per share reflects the exclusion of 10,000,000 common shares which are contingently returnable in the event that a Qualifying Transaction is not completed. Due to the Company being in a loss position, no equity instruments or other financial instruments had a dilutive impact on loss per share and as such the weighted average number of common shares is the same for both basic and diluted loss per share.

d) Stock Options:

On September 29, 2020, the Company granted 300,000 stock options to directors of the Company at an exercise price of \$0.10 per share. The options vest immediately and will be exercisable for a period of ten years from the date of grant. The options were valued at \$0.098 per share using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.0%, an expected life of 9.0 years, an expected volatility of 157% and no expected dividends. During the three and nine months ended September 30, 2020, the Company recognized share-based compensation expense of \$29,465 (three and nine months ended September 30, 2019 – \$nil). As at September 30, 2020, the Company has 300,000 options outstanding with a weighted-average exercise price of \$0.10 per share and a weighted average remaining life of 10.0 years.

#### 5. Financial Instruments

The Company is exposed to various financial risks resulting from its operations. The Company's management manages financial risks. The Company does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risk exposures and its financial policies are as follows:

a) Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, interest receivable, accounts payable and accrued liabilities and advances due to a director. Each of the financial instruments have a carrying value that approximates fair value due to the short term to maturity of these financial instruments.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and interest receivable are exposed to credit risk, with their carrying values being the Company's maximum exposure. The Company's cash and cash equivalents consists of funds held at a Canadian Schedule 1 Chartered Bank. The interest receivable is due from a Canadian Schedule 1 Chartered Bank based on a GIC held by the Company. Management believes the Company's exposure to credit risk is minimal.

# RiseTech Capital Corp.

## Notes to the Condensed Interim Financial Statements (Unaudited)

Three and nine months ended September 30, 2020

(Stated in Canadian Dollars)

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### 5. Financial Instruments (continued)

#### c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as cash and cash equivalents only comprised bank balances paying interest at nominal rates as at September 30, 2020. The Company had no interest rate swaps or financial contracts in place as at or during the period ended September 30, 2020.

#### d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's liabilities are all current and due within 90 days of the interim condensed statement of financial position date. The Company seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its operating obligations and cash on hand.

### 6. Capital Management

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in businesses or assets. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company, listed on the TSX-V as a Capital Pool Company, may only use the proceeds raised from the issuance of share capital and from the IPO to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until the completion of a Qualifying Transaction by the Company as defined under the policies of the TSX-V.

### 7. Segmented Information

At September 30, 2020, the Company has one reportable operating segment being the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. All of the Company's assets are located in Canada.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

### 8. Related Party Transactions

Key management personnel includes the Directors and officers of the Company. As at September 30, 2020, one of the Company's Directors had advanced \$475 to the Company for payment of an operating expenditure. The amount was reimbursed subsequent to September 30, 2020. No remuneration other than the grant of stock options (Note 4) was paid or accrued to key management personnel in the nine months ended September 30, 2020.

## RiseTech Capital Corp.

### Notes to the Condensed Interim Financial Statements (Unaudited)

#### Three and nine months ended September 30, 2020

(Stated in Canadian Dollars)

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#### 9. Income Taxes

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the loss before income taxes due to the following:

|                                                                                         | Nine months ended September 30, |             |
|-----------------------------------------------------------------------------------------|---------------------------------|-------------|
|                                                                                         | 2020                            | 2019        |
| Loss before income taxes                                                                | \$ (130,831)                    | \$ (84,512) |
| Canadian federal and provincial income tax rates                                        | 27%                             | 27%         |
| Income tax expense (recovery) based on Canadian federal and provincial income tax rates | \$ (35,324)                     | \$ (22,818) |
| Increase (decrease) attributable to:                                                    |                                 |             |
| Changes in unrecognized deferred tax assets                                             | 35,324                          | 22,818      |
| Tax expense                                                                             | \$ -                            | \$ -        |

Unrecognized deductible temporary differences and unused tax losses are attributable to the following:

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Non-capital loss carry forwards | \$ 92,900 | \$ 57,690 |
| Share issue costs               | 6,800     | 9,843     |

At September 30, 2020, the Company has non-capital losses of approximately \$344,000 available for carry-forward to reduce future years' income taxes. These losses will expire from 2038 through 2040.

## **SCHEDULE “B”**

Management’s Discussion and Analysis of RiseTech for the year ended December 31, 2019, for the period from incorporation on February 26, 2018 to December 31, 2018 and for the three and nine month periods ended September 30, 2020 and September 30, 2019.

(See attached.)

## **RISETECH CAPITAL CORP.**

### **Management's Discussion and Analysis**

For the Year ended December 31, 2019 and the Period from Incorporation on February 26, 2018 to December 31, 2018

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**Dated: March 30, 2020**

### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of RiseTech Capital Corp. (the "Company") for the year ended December 31, 2019, and for the period from incorporation on February 26, 2018 to December 31, 2018 and is prepared as at March 30, 2020. This MD&A should be read in conjunction with the audited financial statements for the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018, which were prepared in accordance with International Financial Reporting Standards (the "Financial Statements"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of the Company's management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity;
  - The Company's success at completing future financings;
  - The Company's strategies and objectives;
  - General business and economic conditions;
  - The Company's ability to meet its financial obligations as they become due;
  - The positive cash flows and financial viability of new business opportunities;
  - The Company's ability to manage growth with respect to a new business opportunity;
- and

## **RISETECH CAPITAL CORP.**

### **Management's Discussion and Analysis**

For the Year ended December 31, 2019 and the Period from Incorporation on February 26, 2018 to December 31, 2018

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- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company.

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

## **CORPORATE OVERVIEW AND OUTLOOK**

The Company was incorporated on February 26, 2018 under the laws of British Columbia and is classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The Company completed its Initial Public Offering ("IPO") on November 21, 2018 from purchasers in Alberta and British Columbia. The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The Company's head office and the records and registered office is located at 2900 – 550 Burrard Street, British Columbia, V6C 0A3.

As a CPC, the Company's business objective is to identify and evaluate assets or businesses with a view to potential acquisition or participation and completing a qualifying transaction ("Qualifying Transaction"), as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the TSX-V. The Company has an accumulated deficit of \$211,864 as at December 31, 2019. The Company's continued operations are dependent upon its ability to identify, evaluate and successfully negotiate an agreement to acquire an interest in a sustainable/viable business operation within 24 months of listing on the TSX-V. There is no assurance that the Company will complete a Qualifying Transaction within twenty-four months from the date the Company's shares were listed on the TSX-V, at which time the TSX-V may suspend or de-list the Company's shares from trading.

The Company has been closely following developments relating to the recent novel coronavirus (COVID-19) pandemic which has now evolved into a global crisis. The quarantines and related work and travel restrictions implemented in countries around the globe to contain the outbreak have and will continue to affect the global economy and market conditions in the fourth quarter of 2019 and the first quarter of 2020. The Company expects the economic disruptions and current market conditions to continue beyond the first quarter of 2020. Beyond then, the impact of the coronavirus pandemic on the business of the Company is unclear. The balance of these effects in this case will likely be driven by how long the economic disruptions and market conditions last once the pandemic is contained, the timing of which is currently uncertain.

While this situation remains fluid and subject to daily changes, the Company is generally seeing existing merger and acquisition processes continue forward on both the buy side and the sell side. That being said, in certain jurisdictions and in industries particularly affected by the coronavirus pandemic, some deals are on pause as the parties evaluate the effects of the pandemic. This is likely to lead to price renegotiations and, in some cases, termination of

## **RISETECH CAPITAL CORP.**

### **Management's Discussion and Analysis**

For the Year ended December 31, 2019 and the Period from Incorporation on February 26, 2018 to December 31, 2018

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negotiations if buyers are unsure whether they are overpaying for an asset under current circumstances. Buyers and sellers can expect last-minute halts where parties re-evaluate and potentially renegotiate material terms (including prices and valuations). If the coronavirus pandemic continues to expand and the related market volatility persists, the Company expects an increasing number of sellers to reconsider if and when to launch new processes.

As a result of these and other factors, the Company's ability to identify a business or asset that warrants acquisition or participation and/or the ability of the Company to obtain the financing necessary to support a new business acquisition could be severely impacted over this period and potentially beyond such period as the global economy recovers from a pandemic that is unprecedented in modern times. There can be no assurance that we will be able to increase revenues in future periods or be able to sustain the level of revenue or rate of revenue growth on a quarterly or annual basis that we have sustained in the past. Due to the foregoing factors, there is no assurance that the Company will identify a business or asset that warrants acquisition or participation, and/or will be able to obtain the financing necessary to support a new business acquisition.

On November 21, 2018, the Company closed its distribution and initial public offering by issuing 2,000,000 common shares at a price of \$0.10 per share (the "Offering") and engaged PI Financial Corp. as its agent (the "Agent") in connection with the Offering. The Company paid the Agent a commission equal to 5% of the gross funds raised from the Offering in the amount of \$10,000 and a non-refundable corporate finance fee of \$5,250. The Company also reimbursed the Agent for its legal fees and expenses incurred in connection with the Offering in the amount of \$16,500. The Company issued to the Agent 100,000 agent's options (the "Agent's Options") to purchase an aggregate of 100,000 common shares of the Company at an exercise price of \$0.10 per share. The Agent's Options expire on November 21, 2020.

On December 7, 2018, the Company closed a non-brokered equity private placement (the "Private Placement") for 500,000 common shares of the Company at a price of \$0.10 per common share for aggregate gross proceeds of \$50,000. No finder's fees, bonuses, agent's options, commission or other compensation were paid in connection with the Private Placement.

Following the IPO and the Private Placement, the Company has 12,500,000 common shares outstanding of which 10,000,000 are held in escrow and will be released over a 36-month period following the completion of a Qualifying Transaction. In addition, the Company has reserved 1,200,000 common shares with respect to incentive stock options the Company intends to grant to its directors and officers, which, (when issued), will be exercisable for a period of two years from the date of grant..

## **SELECTED ANNUAL INFORMATION**

The following selected financial data, prepared in accordance with IFRS, has been derived from the Company's audited financial statements for the year ended December 31, 2019, and for the period from incorporation on February 26, 2018 to December 31, 2018:

**RISETECH CAPITAL CORP.****Management's Discussion and Analysis**

For the Year ended December 31, 2019 and the Period from Incorporation on February 26, 2018 to December 31, 2018

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|                            | For the year ended<br>December 31, 2019 | For the period from<br>Incorporation on<br>February 26, 2018 to<br>December 31, 2018 |
|----------------------------|-----------------------------------------|--------------------------------------------------------------------------------------|
|                            | \$                                      | \$                                                                                   |
| (a) Revenue                | Nil                                     | Nil                                                                                  |
| (b) Loss for the<br>period | 102,100                                 | 109,764                                                                              |
| (c) Loss per share         | (0.04)                                  | (0.37)                                                                               |

**SUMMARY OF QUARTERLY RESULTS<sup>1</sup>**

| Three months<br>ended      | Dec-19 | Sep-19 | Jun-19 | Mar-19                                                   |
|----------------------------|--------|--------|--------|----------------------------------------------------------|
|                            | \$     | \$     | \$     | \$                                                       |
| (a) Revenue                | Nil    | Nil    | Nil    | Nil                                                      |
| (b) Loss for the<br>period | 17,588 | 9,697  | 32,249 | 42,566                                                   |
| (c) Loss per share         | (0.01) | (0.00) | (0.01) | (0.02)                                                   |
| Three months<br>ended      | Dec-18 | Sep-18 | Jun-18 | Period from<br>February 26,<br>2018 to March<br>31, 2018 |
|                            | \$     | \$     | \$     | \$                                                       |
| (a) Revenue                | Nil    | Nil    | Nil    | Nil                                                      |
| (b) Loss for the<br>period | 52,600 | 57,063 | 101    | Nil                                                      |
| (c) Loss per share         | (0.18) | (0.00) | (0.00) | Nil                                                      |

<sup>1</sup> Financial information prepared in accordance with IFRS.

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2019 and 2018, FOR THE YEAR ENDED DECEMBER 31, 2019, AND FOR THE PERIOD FROM INCORPORATION ON FEBRUARY 26, 2018 TO DECEMBER 31, 2018**

The Company currently has no sources of revenue.

**Audit and Accounting fees** for the three months ended December 31, 2019 were \$7,000 (2018 – \$22,280), and for the year ended December 31, 2019 fees were \$10,592 (period from incorporation on February 26, 2018 to December 31, 2018 – \$22,280). Fees incurred in 2018 were higher than in 2019 as they represent accounting fees incurred for the preparation of the

## **RISETECH CAPITAL CORP.**

### **Management's Discussion and Analysis**

For the Year ended December 31, 2019 and the Period from Incorporation on February 26, 2018 to December 31, 2018

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Company's prospectus and financial statements, whereas fees incurred in 2019 represent audit and associated fees only.

**General and administrative expenses** for the three months ended December 31, 2019 were \$8,664 (2018 – \$24), and for the year ended December 31, 2019 expenses were \$22,150 (period from incorporation on February 26, 2018 to December 31, 2018 – \$192). These charges were incurred in relation to general admin costs related to the operation of the Company.

**Listing fees** for the three months ended December 31, 2019 were \$861 (2018 – \$nil) and for the year ended December 31, 2019 fees were \$22,133 (period from incorporation on February 26, 2018 to December 31, 2018 – \$5,250). These charges are incurred in relation to being listed publicly on the TSX Venture Exchange.

**Professional fees** for the three months ended December 31, 2019 were \$2,534 (2018 – \$10,930), and for the year ended December 31, 2019 the fees were \$55,403 (period from incorporation on February 26, 2018 to December 31, 2018 – \$82,042). These costs are related to legal fees and ongoing accounting costs. Costs in 2018 were higher due to having incorporated the Company and a portion of the cost of preparing the Company's prospectus and IPO.

### **Loss and comprehensive loss for the period**

As a result of the activities discussed above, the Company experienced a loss and comprehensive loss of \$17,588 for the three months ended December 31, 2019 (2018 – \$27,984) and \$102,100 for the year ended December 31, 2019 (period from incorporation on February 26, 2018 to December 31, 2018 – \$109,764).

## **SHARE CAPITAL**

### **Authorized**

Unlimited number of common shares without par value.

### **Issued and outstanding**

As at December 31, 2019 and the date of this MD&A, the Company had 12,500,000 common shares issued and outstanding.

## **LIQUIDITY AND CAPITAL RESOURCES**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

**RISETECH CAPITAL CORP.**

## Management's Discussion and Analysis

For the Year ended December 31, 2019 and the Period from Incorporation on February 26, 2018 to December 31, 2018

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuance of common shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange Policy 2.4.

A summary of the Company's cash flows during the year ended December 31, 2019 and during the period from incorporation on February 26, 2018 to December 31, 2018 is as follows:

|                                             |    | <b>For the year<br/>ended<br/>December 31,<br/>2019</b> | <b>For the period from<br/>incorporation on<br/>February 26, 2018 to<br/>December 31, 2018</b> |
|---------------------------------------------|----|---------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Cash flows used in operating activities     | \$ | (110,401)                                               | \$ (77,880)                                                                                    |
| Cash flows used in investing activities     |    | -                                                       | -                                                                                              |
| Cash flows provided by financing activities |    | (9,121)                                                 | 713,536                                                                                        |
| (Decrease) Increase in cash for the period  | \$ | (119,522)                                               | \$ 635,656                                                                                     |
| Cash, beginning of the period               |    | 635,656                                                 | -                                                                                              |
| Cash, end of the period                     | \$ | 516,134                                                 | \$ 635,656                                                                                     |

**Cash flows used in operating activities** were \$110,401 for the year ended December 31, 2019 (period from incorporation on February 26, 2018 to December 31, 2018 – \$77,880). The cash was used to maintain the administrative and reporting needs of the Company as well as pay for certain legal costs related to evaluating potential qualifying transactions.

**Cash flows used by financing activities** were \$9,121 for the year ended December 31, 2019 (period from incorporation on February 26, 2018 to December 31, 2018 – \$713,536 provided by financing activities). Cash used by financing activities during 2019 relate to the payment of certain share issuance costs incurred in 2018.

As a result of the above activities, at December 31, 2019, the Company has \$516,134 of cash to settle current liabilities of \$30,761. As such, management feels the Company has sufficient cash to fund corporate overhead costs. The Company's exposure to liquidity risk is currently negligible.

Until the Company has either acquired or developed a business that generates revenues, the Company will remain dependent upon the financial support of its shareholders. Therefore, in order to fund future operating costs and/or settle its obligations with debt holders, the Company may seek to raise debt financing, or issue shares of its common stock to settle any debt, or issue shares of its common stock to raise capital. There is no assurance that the Company will be able to issue shares or raise debt financing. Should the Company issue common shares to settle its debt or raise capital it would significantly dilute the existing shareholders. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

## **RISETECH CAPITAL CORP.**

### **Management's Discussion and Analysis**

For the Year ended December 31, 2019 and the Period from Incorporation on February 26, 2018 to December 31, 2018

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## **RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As of December 31, 2019, \$nil was due to related parties.

The Company has identified its directors and officers as its key management personnel.

During the year ended December 31, 2019, \$nil (period from incorporation on February 26, 2018 to December 31, 2018 – \$nil) was recorded as compensation costs for key management personnel and companies related to them.

## **RISKS AND UNCERTAINTIES**

### **Strategic Risk**

There is no guarantee that the Company will be able to complete the acquisition of or participation in a new business opportunity. If an acquisition of or the participation in corporations, properties, assets or businesses is identified, the Company may find that even if the terms of an acquisition or participation are economic, it may not be able to finance such acquisition or participation and additional funds will be required to enable the Company to pursue such an initiative. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. The Company will be competing with other companies, many of which will have far greater resources and experience than the Company. No assurance can be given that the Company will be successful in raising the funds required for an acquisition.

### **Market Conditions Risk**

In addition to the Strategic Risk described above, the Company's ability to identify a business or asset that warrants acquisition or participation and/or the ability of the Company to obtain the financing necessary to support a new business acquisition could also be severely impacted by the recent novel coronavirus (COVID-19) pandemic which has now evolved into a global crisis.

Quarantines and related work and travel restrictions implemented by countries around the globe to contain the outbreak have and will continue to affect the global economy and market conditions in the fourth quarter of 2019 and the first quarter of 2020. The Company expects the economic disruptions and current market conditions to continue beyond the first quarter of 2020. At this time the impact of the coronavirus pandemic on the business of the Company is uncertain. The balance of the impact to the Company, if any, will likely be driven by how long the economic disruptions and market conditions last once the pandemic is contained, the timing of which is currently unclear.

**RISETECH CAPITAL CORP.****Management's Discussion and Analysis**

For the Year ended December 31, 2019 and the Period from Incorporation on February 26, 2018 to December 31, 2018

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If the coronavirus pandemic continues to expand and the related global market volatility persists, however, the Company expects an increasing number of sellers to reconsider if and when to launch new processes.

As a result of the risks associated with the COVID-19 pandemic and other unknown related factors, there could be a material impact to the Company's ability to identify a business or asset or the ability of the Company to obtain the necessary financing to support a new business acquisition.

**Lack of Dividend Policy**

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

**Possible Dilution to Present and Prospective Shareholders**

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

**Dependence of Key Personnel**

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources may be required.

**FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

**Fair value of financial instruments**

The Company's financial instruments consist of cash and cash equivalents, interest receivable, and accounts payable and accrued liabilities. Each of the financial instruments have a carrying value that approximates fair value due to the short term to maturity of these financial instruments.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents, and interest receivable are exposed to credit risk, with their carrying value being the Company's maximum exposure. The Company's cash and cash equivalents consists of funds held at a Canadian Schedule 1 Chartered Bank. The interest receivable is due from a Canadian

**RISETECH CAPITAL CORP.****Management's Discussion and Analysis**

For the Year ended December 31, 2019 and the Period from Incorporation on February 26, 2018 to December 31, 2018

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Schedule 1 Chartered Bank based on a GIC held by the Company. Management believes the Company's exposure to credit risk is minimal.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as the cash and cash equivalent balances are earning interest at nominal rates as of December 31, 2019. The Company had no interest rate swaps or financial contracts in place as at or during the year ended December 31, 2019.

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's liabilities are all current and due within 90 days of the statement of financial position date. The Company seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its operating obligations and cash on hand.

**Fair Value Measurements**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data. The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets.

As at December 31, 2019, the Company's financial instruments consist of cash and cash equivalents, and interest receivables and accounts payable and accrued liabilities. Cash and cash equivalents, and interest receivables are valued at amortized cost. Accounts payable and accrued liabilities are valued at amortized cost. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**RISETECH CAPITAL CORP.**

Management's Discussion and Analysis

For the Year ended December 31, 2019 and the Period from Incorporation on February 26, 2018 to December 31, 2018

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At December 31, 2019, the Company has not identified any key sources of estimation or judgments.

**CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

The Company adopted IFRS 16 – Leases, on January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or leases where the underlying asset is of low value. The adoption of IFRS 16 did not have any impact on the financial statements of the Company.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company currently has no off-balance sheet arrangements.

**RISETECH CAPITAL CORP.**  
**INTERIM MD&A – QUARTERLY HIGHLIGHTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

**Background and Corporate Update**

This Management Discussion and Analysis (“MD&A”) – Quarterly Highlights (“Quarterly Highlights”) for RiseTech Capital Corp. (the “Company” or “RiseTech”) is prepared as at November 30, 2020 and should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2019, and the unaudited condensed interim financial statements for the three and nine month periods ended September 30, 2020.

The unaudited condensed interim financial statements for the three and nine month periods ended September 30, 2020, have been prepared in accordance with International Financial Reporting Standard (“IFRS”) and with International Accounting Standard 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”).

All dollar figures included therein and in the following Quarterly Highlights are expressed in Canadian dollars.

The Company was incorporated under the *Business Corporations Act* (British Columbia) on February 26, 2018 and is a Capital Pool Corporation (a “CPC”), defined by Policy 2.4 of the TSX-Venture Exchange (“TSX-V” or the “Exchange”). The common shares of the Company were listed for trading on the TSX-V under the symbol “RTCC.P” on November 21, 2018. The registered and records office of the Company is located at Suite 2900, 550 Burrard Street, Vancouver, British Columbia V6C 0A3. Additional information relevant to the Company and its regulatory filings can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

As a CPC, the Company’s business objective is to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a qualifying transaction (“Qualifying Transaction”), as defined in TSX-V Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the TSX-V. As at September 30, 2020, the Company has an accumulated deficit of \$342,695.

**Announcement of Qualifying Transaction**

On November 19, 2020, the Company announced that, further to its previously announced proposed transaction by way of press release on September 9, 2020, it has entered into a definitive arrangement agreement (the “Arrangement Agreement”) with each of Tantalus Systems Holding Inc. (“Tantalus”) and Tantalus Systems Shareholders Inc. (“TSS”) pursuant to which, among other things, RiseTech will acquire all of the issued and outstanding securities of Tantalus, the whole in accordance with the Arrangement Agreement and plan of arrangement (the “Plan of Arrangement”) included therein (the “Transaction”).

The Transaction is intended to constitute RiseTech’s “Qualifying Transaction” as defined under Policy 2.4 of the Exchange. It is expected that RiseTech, following closing of the Transaction (referred to as the “Resulting Issuer”) will be listed on the Exchange as a Tier 1 Technology issuer, and that the business of the Resulting Issuer will be the business of Tantalus, as further described below. The Resulting Issuer also intends to change its name to “Tantalus Systems Holding Inc.”, or such other name as may be approved by the board of directors of RiseTech

and/or the Resulting Issuer, and subject to applicable regulatory and Exchange approvals.

The Transaction is an "Arm's Length Transaction" and therefore will not require approval by the shareholders of RiseTech under Policy 2.4 of the Exchange. The Transaction is further subject to, among other things, the approval by the shareholders of Tantalus and TSS, the interim and final orders of the Supreme Court of British Columbia approving the Plan of Arrangement, and the approval of the Exchange.

There is no finder's fee payable in connection with the Transaction and no deposits or advances have or will be made to Tantalus with respect to the Transaction. Trading in the common shares of RiseTech (the "RiseTech Shares") has been halted since the initial announcement of the proposed Transaction, and the halt is expected to remain in place until the Transaction is completed.

Upon completion of the Transaction, the number of post-consolidation RiseTech Shares that are expected to be issued to securityholders of Tantalus will be approximately 33,676,634. In addition, it is anticipated that there will be also be 4,841,884 options exercisable for post-consolidation RiseTech Shares issued to former optionholders of Tantalus in exchange for such options of Tantalus held immediately prior to the closing of the Transaction. Additional post-consolidation RiseTech Shares will also be issued in exchange for Subscription Receipts on a one for one basis, the whole as further detailed herein.

Under the terms of the Arrangement Agreement, the Transaction is expected to be completed by way of the Plan of Arrangement pursuant to Section 192 of the *Canada Business Corporations Act*. Pursuant to the terms of the Plan of Arrangement, it is expected that, among other things, TSS and Tantalus will amalgamate (the "Amalgamation") and all issued and outstanding securities of Tantalus, immediately following completion of the Amalgamation, will be exchanged for equivalent securities of RiseTech on a one-for-one basis, subject to the applicable consolidation and exchange ratios as set forth in the Plan of Arrangement.

The Arrangement Agreement includes a number of conditions precedent to the closing of the Transaction, including, but not limited to, receipt of the requisite shareholder approvals, court approval, approvals of all regulatory bodies having jurisdiction in connection with the Transaction, approval of the Exchange, including the satisfaction of its listing requirements, and the satisfaction of other closing conditions customary to transactions of this nature. There can be no assurance that the Transaction will be completed as proposed or at all. Following completion of the Transaction, and the steps included in the Plan of Arrangement, Tantalus will become a wholly-owned subsidiary of RiseTech which, together, along with the other subsidiaries, will form the Resulting Issuer.

Following completion of the Transaction, it is expected that the board of directors and management of the Resulting Issuer will be the board of directors and management of Tantalus. In connection with the Transaction, RiseTech will seek shareholder approval at a meeting scheduled to take place on or about December 18, 2020, to, among other things, (a) change its name to "Tantalus Systems Holding Inc.", or such other name as may receive approval by the board of directors of RiseTech and/or the Resulting Issuer, subject to applicable regulatory and Exchange approvals, (b) consolidate its issued and outstanding shares on the basis of 0.06094549 post-consolidation RiseTech Share for one (1) pre-consolidation RiseTech Shares (the "Consolidation"), (c) adopt a new long-term omnibus equity incentive plan of the Resulting Issuer, and (d) amend its Notice of Articles and amend and restate its Articles. The foregoing approvals will remain subject to the completion of the Transaction.

Special meetings of the shareholders of each of TSS and Tantalus will be held to, among other things: (a) approve the Transaction, (b) approve the Arrangement Agreement and the Plan of Arrangement, (c) approve a consolidation of the common shares of Tantalus (each, a "Tantalus Share"), and (d) approve such other matters that may be required to be approved in order to give effect to the arrangement steps set forth in the Plan of Arrangement and the implementation of the Transaction. Dates for the special meetings of the shareholders of TSS and Tantalus have not yet been set but will be held following the receipt of interim court approval and prior to obtaining final court approval in respect of the Plan of Arrangement.

In connection with the Transaction, RiseTech also announced that Tantalus has completed a private placement offering (the "Offering") of 3,917,407 subscription receipts (the "Subscription Receipts") at an issue price of \$2.25 per Subscription Receipt for aggregate gross proceeds of \$8,814,166. Each Subscription Receipt will ultimately entitle the holder thereof to receive, without any further action on the part of the holder or payment of any additional consideration, one post-Consolidation common share of the Resulting Issuer (each, a "Resulting Issuer Share"), upon the conversion of the Subscription Receipts into shares of Tantalus and the subsequent conversion of such shares into Resulting Issuer Shares upon the completion of the Transaction. The conversion of the Subscription Receipts will be subject to the satisfaction or waiver of certain escrow release conditions (the "Escrow Release Conditions") prior to January 31, 2021, the whole in accordance with a subscription receipt agreement entered into with TMX Trust Company (the "Escrow Agent"). The proceeds of the Offering will be held in escrow by the Escrow Agent pending the satisfaction of the Escrow Release Conditions, the primary condition being the receipt of all approvals necessary for the completion of the Transaction.

The Resulting Issuer intends to use the net proceeds of the Offering to, among other things, accelerate several strategic growth initiatives aimed at expanding its product portfolio through research and development, strategic partnerships and targeted acquisitions to provide additional software applications, services and support to its growing user community of utilities and for general working capital purposes.

***Completion of the Transaction is subject to a number of conditions, including but not limited to, the approval of the Exchange, requisite shareholder approval and disinterested shareholder approvals, requisite court approval, regulatory and third party approvals and the satisfaction of other closing conditions. Where applicable, the Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.***

***Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.***

## **Business Environment and COVID-19**

The Company's continued operations are dependent upon its ability to identify, evaluate and successfully negotiate an agreement to acquire an interest in a sustainable/viable business operation within 24 months of listing on the TSX-V. Despite the announcement of a potential Qualifying Transaction within the mandated twenty-four months from the date the Company's shares were listed on the TSX-V, there is no assurance that the Company will complete the Qualifying Transaction, and as such the TSX-V may suspend or de-list the Company's shares from trading if the Qualifying Transaction is not completed.

During the nine months ended September 30, 2020 and subsequent to period end, the novel coronavirus ("COVID-19") pandemic has created uncertainty and volatility in the global financial markets as a result of the worldwide implementation of measures designed to contain COVID-19, including extended quarantines and work and travel restrictions. While some of these measures have been relaxed and financial markets have improved to some degree, the Company expects the economic disruptions and volatile market conditions to continue into 2021. The impact of the COVID-19 pandemic on the business of the Company is uncertain. The balance of these effects will likely be driven by how long the economic disruptions and market conditions last once the pandemic is contained, the timing of which is not yet determinable.

While this situation is constantly evolving, the Company has seen a slowdown of the Canadian merger and acquisition market so far in 2020. Processes continue forward on both the buy side and the sell side, however in certain jurisdictions and in industries particularly affected by the COVID-19 pandemic, some deals are on pause as the parties evaluate the effects of the pandemic. This may result in price renegotiations and, in some cases, termination of negotiations if buyers are unsure whether they are overpaying for an asset under current circumstances. Buyers and sellers can expect last-minute halts where parties re-evaluate and potentially renegotiate material terms (including prices and valuations) as they await some stabilization, if not recovery in the market. If the related market volatility persists, the Company expects parties to reconsider if and when to launch new processes.

The Company cannot yet determine the impact of the COVID-19 pandemic on its financial position or cash flows for the year ending December 31, 2020 and beyond.

### **Analysis of the Company's Financial Performance and Condition**

For the nine months ended September 30, 2020, the Company reported a loss of \$130,831 (2019 – \$84,512) which equates to a loss per share of \$0.05 (2019 – \$0.03). During the period, the Company incurred audit and accounting fees of \$1,168 (2019 – \$3,592), general and administrative expenses of \$2,513 (2019 – \$13,486), listing and filing fees of \$12,864 (2019 – \$20,272), professional fees of \$91,697 (2019 – \$52,869) and share-based compensation expense of \$29,465 (2019 – \$nil). Excluding professional fees and share-based compensation, expenses generally decreased as the Company is now into its third calendar year of operations and efficiencies have been realized for routine and ongoing corporate costs. Professional fees increased as the Company worked towards closing a Qualifying Transaction, and share-based compensation expense resulted from the grant of stock options to directors.

For the nine months ended September 30, 2020, the Company's expenses were offset in part by interest income of \$6,876 (2019 – \$5,707). The increase in interest income reflects a higher balance being held by the Company in its cash equivalents account as compared to the prior period.

### **Liquidity and Changes to Expense Structure**

As a CPC, the Company's routine expenses are generally expected to consist of general administrative expenses, TSX-V listing and filing fees, audit and accounting fees, professional fees and transfer agent, listing and filing fees. When the Company has identified a potential Qualifying Transaction, additional legal or other transaction-related costs may be incurred, regardless of whether or not the transaction is ultimately completed. Management believes that the Company's current cash and cash equivalents balance of \$484,093 will be sufficient to fund corporate overhead costs. The Company's exposure to liquidity risk is currently negligible.

During the nine months ended September 30, 2020, the Company used \$32,041 in operating activities (2019 – \$119,341). During the same periods, the Company incurred no cash flows related to investing or financing activities.

### **Related Party Transactions**

As at September 30, 2020, one of the Company's Directors had advanced \$475 to the Company for payment of an operating expenditure. The amount was reimbursed subsequent to September 30, 2020.

### **Forward-Looking Statements**

*Certain statements contained in these Quarterly Highlights may constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements, which are current as of the date of these Quarterly Highlights. These risks include, but are not limited to, the completion of the Transaction and transactions related thereto, the full completion of the Offering, the satisfaction of the Escrow Release Conditions, the use of the net proceeds from the Offering, the various conditions to be satisfied for the completion of the Transaction, including the approval of the Exchange the granting of the final order of the Supreme Court of British Columbia approving the Plan of Arrangement,, the parties' ability to obtain requisite shareholder and regulatory approvals, as applicable. Such statements are not guarantees of future performance, and closing of the Transaction. They are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements, including risks related to factors beyond the control of RiseTech. Such factors include, among other things: the requisite corporate approvals of the directors and shareholders of the parties may not be obtained; the Exchange may not approve the Transaction; and other risks that are customary to transactions of this nature. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits RiseTech will obtain from them. More information on the risks and uncertainties associated with investing in the securities of the Company, are discussed in the Company's 2019 annual MD&A dated March 30, 2020, available on SEDAR. Readers are cautioned not to place undue reliance on these forward-looking statements.*

## **SCHEDULE “C”**

Audited consolidated financial statements of TSHI as at December 31, 2019 and December 31, 2018 and for each of the years in the three year period ended December 31, 2019, and the unaudited consolidated financial statements for the three and nine month periods ended September 30, 2020 and September 30, 2019.

(See attached.)

# **TANTALUS SYSTEMS HOLDING INC.**

## **Consolidated Financial Statements**

For the years ended December 31, 2019, 2018 and 2017  
*(expressed in United States dollars)*

## MANAGEMENT'S RESPONSIBILITY

The management of Tantalus Systems Holding Inc. is responsible for the preparation of the accompanying consolidated financial statements and the preparation and presentation of information in the Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted under International Financial Reporting Standards and are considered by management to present fairly the financial position and operating results of the Company.

The Company maintains various systems of internal control to provide reasonable assurance that transactions are appropriately authorized and recorded, that assets are safeguarded, and that financial reports are properly maintained to provide accurate reliable financial statements.

The Company's audit committee is comprised entirely of independent directors and is appointed by the Board of Directors annually. The committee meets annually with the Company's management and independent auditors to review the consolidated financial statements and the independent auditors report. The audit committee has approved the consolidated financial statements and reported its findings to the Board of Directors.

The Company's independent auditors, KPMG LLP, have performed an audit of the consolidated financial statements and their report follows.

"Peter Londa"  
Chief Executive Officer  
December 22, 2020

"George Reznik"  
Chief Financial Officer  
December 22, 2020



KPMG LLP  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada  
Telephone (604) 691-3000  
Fax (604) 691-3031

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Tantalus Systems Holding Inc.:

### ***Opinion***

We have audited the consolidated financial statements of Tantalus Systems Holding Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018;
- the consolidated statements of operations and comprehensive loss for the years ended December 31, 2019, December 31, 2018 and December 31, 2017;
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2019, December 31, 2018 and December 31, 2017;
- the consolidated statements of cash flows for the years ended December 31, 2019, December 31, 2018 and December 31, 2017; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

(hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 in accordance with International Financial Reporting Standards ("IFRS").

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Consolidated Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the consolidated financial statements and the auditors' report thereon, included in the Management's Discussion and Analysis is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

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Chartered Professional Accountants

Vancouver, Canada

December 22, 2020

**TANTALUS SYSTEMS HOLDING INC.**  
**Consolidated Statements of Financial Position**  
*(Expressed in United States dollars)*

|                                              | <i>Note</i> | December 31,<br>2019 | December 31,<br>2018 |
|----------------------------------------------|-------------|----------------------|----------------------|
| <b>Assets</b>                                |             |                      |                      |
| Current assets                               |             |                      |                      |
| Cash                                         |             | \$ 5,368,086         | \$ 3,640,507         |
| Accounts receivable                          | 4           | 4,819,166            | 5,749,823            |
| Investment tax credits receivable            | 5           | 960,728              | 1,439,769            |
| Inventory                                    | 6           | 5,038,119            | 5,474,661            |
| Prepaid expenses and deposits                |             | 563,035              | 732,429              |
| Total current assets                         |             | 16,749,134           | 17,037,189           |
| Property and equipment                       | 7           | 1,477,160            | 1,086,102            |
| Intangible assets                            | 8           | 759,445              | 1,147,043            |
| Right of Use assets                          | 9           | 1,152,875            | 1,562,932            |
| Total assets                                 |             | \$ 20,138,614        | \$ 20,833,266        |
| <b>Liabilities and Shareholders' Deficit</b> |             |                      |                      |
| Current liabilities                          |             |                      |                      |
| Accounts payable and accrued liabilities     | 10          | \$ 9,968,915         | \$ 12,559,692        |
| Deferred revenue and deposits                |             | 3,250,183            | 919,443              |
| Lease liabilities                            | 12          | 680,595              | 670,280              |
| Bank loan                                    | 11          | 8,196,892            | 8,044,375            |
| Total current liabilities                    |             | 22,096,585           | 22,193,790           |
| Lease Liabilities                            | 12          | 902,381              | 1,366,117            |
| Total liabilities                            |             | 22,998,966           | 23,559,907           |
| Shareholders' deficit                        |             |                      |                      |
| Share capital                                | 14          |                      |                      |
| Common shares                                |             | 74,556,543           | 74,556,543           |
| Other capital reserves                       |             | 37,436,376           | 36,978,338           |
| Accumulated other comprehensive income       |             | 1,926,003            | 1,911,832            |
| Deficit                                      |             | (116,779,274)        | (116,173,354)        |
| Total Shareholders' deficit                  |             | (2,860,352)          | (2,726,641)          |
| Total liabilities and Shareholders' deficit  |             | \$ 20,138,614        | \$ 20,833,266        |

*See accompanying notes to consolidated financial statements.*

Commitments and contingencies (*note 18*)  
Subsequent events (*note 11 and 26*)

Approved on behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**TANTALUS SYSTEMS HOLDINGS INC.**  
**Consolidated Statements of Operations and Comprehensive Loss**

*(Expressed in United States dollars)*

| For the                                                                            | Note         | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|------------------------------------------------------------------------------------|--------------|------------------------------------|------------------------------------|------------------------------------|
| Revenues                                                                           | 19           | \$ 41,588,462                      | \$ 40,412,821                      | \$ 32,331,644                      |
| Cost of sales                                                                      | 6, 14(d), 20 | 23,203,522                         | 22,490,993                         | 16,631,742                         |
|                                                                                    |              | 18,384,940                         | 17,921,828                         | 15,699,902                         |
| <b>Expenses</b>                                                                    |              |                                    |                                    |                                    |
| Sales and marketing                                                                | 14(d)        | 6,232,907                          | 6,687,486                          | 6,078,947                          |
| Research and development                                                           | 5&14(d)      | 4,969,106                          | 5,306,754                          | 4,158,892                          |
| General and administrative                                                         | 14(d)        | 5,129,321                          | 5,212,128                          | 4,055,739                          |
| Depreciation and amortization                                                      | 7, 8, 9      | 1,501,493                          | 1,356,029                          | 1,038,615                          |
|                                                                                    |              | 17,832,827                         | 18,562,397                         | 15,332,193                         |
| <b>Operating income (loss)</b>                                                     |              | 552,113                            | (640,569)                          | 367,709                            |
| <b>Other earnings (expenses)</b>                                                   |              |                                    |                                    |                                    |
| Foreign exchange gain / (loss)                                                     |              | (226,877)                          | 62,269                             | (227,106)                          |
| Finance expenses                                                                   | 15           | (921,206)                          | (891,093)                          | (893,692)                          |
| Change in fair value of FVTPL instruments                                          | 13           | -                                  | -                                  | (8,276,389)                        |
| Impairment loss                                                                    | 25           | -                                  | -                                  | (8,427,100)                        |
|                                                                                    |              | (1,148,083)                        | (828,824)                          | (17,824,287)                       |
| <b>Loss before income taxes</b>                                                    |              | (595,970)                          | (1,469,393)                        | (17,456,578)                       |
| Income tax expense                                                                 | 16           | 9,950                              | -                                  | -                                  |
| Loss for the year                                                                  |              | (605,920)                          | (1,469,393)                        | (17,456,578)                       |
| Foreign currency translation adjustment                                            |              | 14,171                             | 56,921                             | (37,374)                           |
| <b>Total comprehensive loss for the period</b>                                     |              | (\$591,749)                        | (\$1,412,472)                      | (\$17,493,952)                     |
| <b>Loss per share (basic and fully diluted)</b>                                    | 17           | (\$0.01)                           | (\$0.03)                           | (\$0.91)                           |
| <b>Weighted average number of shares outstanding<br/>(basic and fully diluted)</b> | 17           | 43,018,997                         | 43,018,997                         | 19,166,341                         |

*See accompanying notes to consolidated financial statements.*

# TANTALUS SYSTEMS HOLDING INC.

## Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars)

|                                                                                        | <i>Note</i>      | Common Shares |               | Preferred Shares | Other Capital Reserves | Accumulated Other Comprehensive Income | Deficit      | Total Shareholders' Equity |
|----------------------------------------------------------------------------------------|------------------|---------------|---------------|------------------|------------------------|----------------------------------------|--------------|----------------------------|
|                                                                                        |                  | Number        | Amount        | Number           | Amount                 |                                        |              |                            |
| Balance, January 1, 2017                                                               | <i>14</i>        | 1,466,030     | \$ 24,314,802 | 1,295,545        | \$ 13,106,054          | \$ 21,032,254                          | \$ 1,892,285 | \$ (36,901,988)            |
| Share-based compensation Restructuring of Tantalus Systems Corp.                       |                  |               |               |                  |                        | 44,585                                 |              | 44,585                     |
|                                                                                        | <i>14(b)</i>     | (903,062)     | (14,977,711)  | 1,500,000        | 113                    | 14,977,016                             |              | (582)                      |
| Continuation of Tantalus Systems Corp. Loss for the year                               | <i>14(c)</i>     | 35,192,745    | 55,310,572    | (2,795,545)      | (13,106,167)           |                                        |              | 42,204,405                 |
| Share issuance on acquisition of Energate Inc. Foreign Currency Translation adjustment | <i>14(c), 25</i> | 7,263,284     | 9,908,880     |                  |                        |                                        | (17,456,578) | (17,456,578)               |
|                                                                                        |                  |               |               |                  |                        |                                        |              | 9,908,880                  |
|                                                                                        |                  |               |               |                  |                        | (37,374)                               |              | (37,374)                   |

# TANTALUS SYSTEMS HOLDING INC.

## Consolidated Statements of Changes in Shareholders' Equity

*(Expressed in United States dollars)*

|                                           |           |                   |                      |          |           |          |                      |                     |                        |                       |
|-------------------------------------------|-----------|-------------------|----------------------|----------|-----------|----------|----------------------|---------------------|------------------------|-----------------------|
| <b>Balance,<br/>December 31,<br/>2017</b> | <b>14</b> | <b>43,018,997</b> | <b>\$ 74,556,543</b> | <b>-</b> | <b>\$</b> | <b>-</b> | <b>\$ 36,053,855</b> | <b>\$ 1,854,911</b> | <b>(\$114,703,961)</b> | <b>\$ (2,238,652)</b> |
| Share-based compensation                  |           |                   |                      |          |           |          | 924,483              |                     |                        | 924,483               |
| Foreign Currency                          |           |                   |                      |          |           |          |                      |                     |                        |                       |
| Translation adjustment                    |           |                   |                      |          |           |          |                      | 56,921              |                        | 56,921                |
| Loss for the year                         |           |                   |                      |          |           |          |                      |                     | (1,469,393)            | (1,469,393)           |
| <b>Balance,<br/>December 31,<br/>2018</b> | <b>14</b> | <b>43,018,997</b> | <b>\$ 74,556,543</b> | <b>-</b> | <b>\$</b> | <b>-</b> | <b>\$ 36,978,338</b> | <b>\$ 1,911,832</b> | <b>(\$116,173,354)</b> | <b>\$ (2,726,641)</b> |
| Share-based compensation                  |           |                   |                      |          |           |          | 458,038              |                     |                        | 458,038               |
| Foreign Currency                          |           |                   |                      |          |           |          |                      |                     |                        |                       |
| Translation adjustment                    |           |                   |                      |          |           |          |                      | 14,171              |                        | 14,171                |
| Loss for the year                         |           |                   |                      |          |           |          |                      |                     | (605,920)              | (605,920)             |
| <b>Balance,<br/>December 31,<br/>2019</b> |           | <b>43,018,997</b> | <b>\$ 74,556,543</b> | <b>-</b> | <b>\$</b> | <b>-</b> | <b>\$ 37,436,376</b> | <b>\$ 1,926,003</b> | <b>(\$116,779,274)</b> | <b>\$ (2,860,352)</b> |

*See accompanying notes to consolidated financial statements*

# TANTALUS SYSTEMS HOLDINGS INC.

## Consolidated Statements of Cash Flows

(Expressed in United States dollars)

| For the years ended                                 | Note  | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|-----------------------------------------------------|-------|------------------------------------|------------------------------------|------------------------------------|
| <b>Cash provided by (used in)</b>                   |       |                                    |                                    |                                    |
| Operating Activities                                |       |                                    |                                    |                                    |
| Loss for the year                                   |       | (\$605,920)                        | (\$1,469,393)                      | (\$17,456,578)                     |
| Items Not Affecting Cash:                           |       |                                    |                                    |                                    |
| Unrealized foreign exchange loss (gain)             |       | 92,584                             | (27,666)                           | (59,267)                           |
| Depreciation of equipment                           | 7     | 441,270                            | 355,219                            | 428,128                            |
| Amortization of intangible assets                   | 8     | 650,166                            | 590,753                            | 290,012                            |
| Amortization of right-of-use asset                  | 9     | 410,057                            | 410,057                            | 320,475                            |
| Share-Based compensation                            | 14(d) | 458,038                            | 924,483                            | 44,585                             |
| Impairment Loss                                     | 25    | -                                  | -                                  | 8,427,100                          |
| Finance expenses                                    | 15    | 750,876                            | 754,092                            | 661,156                            |
| Change in fair value of FVTPL instruments           | 13    | -                                  | -                                  | 8,276,389                          |
| Changes in Non-Cash Operating Working Capital       |       |                                    |                                    |                                    |
| Accounts Receivable                                 | 4     | 930,657                            | 471,973                            | (429,823)                          |
| Investment tax credits receivable                   | 5     | 479,041                            | (342,849)                          | (1,096,920)                        |
| Inventories                                         | 6     | 436,542                            | (2,259,735)                        | (327,940)                          |
| Prepaid expenses and deposits                       |       | 169,393                            | (355,659)                          | (85,640)                           |
| Accounts payable and accrued liabilities            | 10    | (2,590,777)                        | 3,860,586                          | 336,053                            |
| Deferred revenue and deposits                       |       | 2,330,741                          | (335,267)                          | 797,608                            |
| Lease payments for interest                         | 12    | (155,732)                          | (197,313)                          | (184,392)                          |
| Interest paid on bank loan                          | 11    | (595,144)                          | (556,778)                          | (476,764)                          |
| Net Cash provided by (used in) Operating Activities |       | 3,201,792                          | 1,822,503                          | (535,818)                          |
| Investing Activities                                |       |                                    |                                    |                                    |
| Purchase of equipment                               | 7     | (832,328)                          | (372,436)                          | (110,777)                          |
| Purchase of intangible assets                       | 8     | (262,568)                          | (190,368)                          | (180,344)                          |
| Cash acquired on acquisition of Energate            | 25    | -                                  | -                                  | 168,931                            |
| Net Cash used in Investing Activities               |       | (1,094,896)                        | (562,804)                          | (122,190)                          |
| Financing Activities                                |       |                                    |                                    |                                    |
| Advances / (repayments) of bank loan                | 11    | 152,517                            | (28,875)                           | 573,250                            |
| Repayment of lease liabilities                      | 12    | (601,428)                          | (531,399)                          | (367,003)                          |
| Net redemption of shares on restructuring           | 14    | -                                  | -                                  | (582)                              |
| Repayment of debt acquired from Energate            | 25    | -                                  | -                                  | (599,472)                          |
| Net Cash used in Financing Activities               |       | (448,911)                          | (560,274)                          | (393,807)                          |
| Increase (decrease) in cash                         |       | 1,657,985                          | 699,425                            | (1,051,815)                        |
| Effect of foreign exchange on cash                  |       | 69,594                             | (111,209)                          | 16,062                             |
| Cash, beginning of year                             |       | 3,640,507                          | 3,052,291                          | 4,088,044                          |
| <b>Cash, end of period</b>                          |       | <b>\$ 5,368,086</b>                | <b>\$ 3,640,507</b>                | <b>\$ 3,052,291</b>                |

See accompanying notes to consolidated financial statements.

# TANTALUS SYSTEMS HOLDING INC.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Years ended December 31, 2019, 2018 and 2017

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## 1. Reporting Entity

Tantalus Systems Holding Inc. (“TSH”) was incorporated pursuant to the provisions of the Canada Business Corporations Act (“CBCA”) on July 26, 2017. TSH’s business operations are in Canada and in the United States.

The consolidated financial statements of TSH, as at, and for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 comprise the Company and its direct and indirect subsidiaries and the previous entities in existence prior to the common control transactions referenced below (collectively referred to as the “Company”).

The Company has two operating subsidiaries: Tantalus Systems Corp. (“TSC”) and Energate Inc. (“Energate”).

- 1) TSC was originally incorporated on July 7, 1989. Effective April 1, 2017, the original TSC consummated a series of common control transactions to restructure the share capital of TSC and to amalgamate with a newly incorporated numbered company under the British Columbia Business Corporations Act, with the amalgamated entity continuing operations under the name “Tantalus Systems Corp.” (note 14(b) “TSC”). Effective July 15, 2017, TSC consummated a series of common control transactions and became a wholly-owned subsidiary of Tantalus Systems Shareholders Inc. and, thereafter, pursuant to a share purchase agreement effective as of July 26, 2017, TSC became a wholly-owned subsidiary of TSH (note 14(c)). TSC was subsequently continued into the CBCA on August 15, 2017. Throughout the series of common control transactions outlined above and in notes 14(b) and 14(c), TSC (both directly and through its wholly-owned subsidiary) continued to provide smart grid and AMI solutions in support of public power and electric cooperative utilities in the United States, Canada and the Caribbean Basin.
- 2) Energate was formed through an amalgamation on July 24, 2017 under the *Business Corporations Act* (Ontario) and, thereafter, pursuant to a share purchase agreement effective as of July 26, 2017, Energate became a wholly-owned subsidiary of TSH. Energate was subsequently continued into the CBCA on August 15, 2017. Energate provides interactive energy management applications and products for utilities and their residential customers.

The principles of continuity of interest accounting have been applied to reflect the continuation of interest from TSC and Energate to the Company as a result of the aforementioned common control transactions.

The Company’s head and registered office is located in Burnaby, Canada. The Company’s direct and indirect operating subsidiaries have offices in Ottawa, Canada; Raleigh, North Carolina, United States and Norwalk, Connecticut, United States.

## 2. Basis of Presentation

### *Statement of Compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements were authorized for issue by the Board of Directors on December 22, 2020.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### (a) Principles of Consolidation

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The accompanying consolidated financial statements include the accounts of TSH and the following subsidiaries:

| Company Entity         | Active | Country of Incorporation | Ownership Interest 2019 | Ownership Interest 2018 |
|------------------------|--------|--------------------------|-------------------------|-------------------------|
| Tantalus Systems Corp. | Yes    | Canada                   | 100%                    | 100%                    |
| Tantalus Systems Inc.  | Yes    | U.S.                     | 100%                    | 100%                    |
| Energate Inc. (1)      | Yes    | Canada                   | 100%                    | 100%                    |
| Energate, Corp. (1)    | No     | U.S.                     | 100%                    | 100%                    |

Note (1) – Acquired by the Company on July 26, 2017.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

All intercompany balances and transactions have been eliminated on consolidation. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies of such entities so as to obtain economic benefits from their activities. The existence and effect of voting rights are considered when assessing whether the Company controls another entity.

#### (b) Going Concern

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. During the year ended December 31, 2019, the Company incurred a comprehensive loss of \$591,749 and as at December 31, 2019 a total shareholders' deficit of \$2,860,352. Management has forecasted its cash flow requirements and believes that it has sufficient cash resources to continue operations for at least the next twelve months from December 31, 2019. The Company's continuing operations and achievement of its business plan are dependent on generating additional revenues from existing and new customers, extending the maturity date of its bank loan and ultimately on achieving continued profitable operations. The continuity of the Company as a going concern is dependent on its ability to achieve positive cash flow from operations, to obtain debt or equity financing and to achieve and maintain profitable operations. The outbreak of COVID-19 towards the end of 2019 and through 2020 resulted in a change in global economic environment and may lead to further adverse changes in cash flows. These consolidated financial statements do not give effect to any adjustments to the carrying value of recorded assets and liabilities, revenue and expenses, the consolidated statements of financial position classifications used and disclosures that might be necessary should the Company be unable to continue as a going concern. Such adjustments are not reflected in these consolidated financial statements.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

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### (c) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis.

### (d) Functional and Presentation Currency

These consolidated financial statements are presented in United States dollars. The functional currency of the primary operating entities, Tantalus Systems Holding Inc., Tantalus Systems Corp. and Tantalus Systems Inc., is the U.S. dollar. The functional currency of Energate Inc. is the Canadian dollar. Transactions in foreign currencies are translated to the respective functional currency of the Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at the dates of the initial transactions.

Assets and liabilities of foreign operations are translated from its functional currency to the presentation currency at the exchange rate at the reporting date. Income and expenses of foreign operations are translated at exchange rates at the dates of the relevant transactions, with average exchange rates used when appropriate. Foreign currency differences arising from translation are recognized in other comprehensive income (loss).

### (e) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Judgment, estimates and assumptions are continuously evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

#### Judgments

Judgment is used mainly in determining how a balance or transaction should be recognized in these consolidated financial statements when there is a choice or assessment required by management. The following are critical judgments apart from those involving estimations:

#### *Going concern*

Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability and potential sources of replacement financing.

#### Estimates

Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statements of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

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### *Revenue recognition*

The allocation of total transaction price to each performance obligation is based on the relative standalone selling prices of the promised goods or services. When there is observable evidence of stand-alone sales, the Company uses the observable standalone sales to determine the standalone selling price. Where there are no observable standalone sales, the Company estimates the standalone selling price using either the adjusted market assessment approach or the expected cost plus a margin approach.

### *Investment tax credit ("ITC") receivable*

ITCs are accrued when there is reasonable assurance that the credits will be realized. Management's judgment is applied in determining the estimate of the ITC receivable, including assessing whether any provisions should be taken.

### *Warranty*

The Company generally provides a one year to eighteen months warranty on products. The Company accrues for estimated incurred but unidentified warranty issues, based on the Company's best estimate, with reference to past and expected future experience. Warranty costs are also accrued for known warranty issues if a loss is probable and can be reasonably estimated. If there is a change in these estimates, the Company adjusts the accrual accordingly.

### *Impairment of Goodwill and Intangible Assets*

Determining whether an impairment has occurred requires the valuation of the respective cash generating units ("CGU's"), which we estimate using a discounted cash flow method. In applying this methodology, we rely on a number of factors, including actual operating results, future business plans, discount rates, economic projections and market data.

### *Share-Based Compensation*

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. In estimating the fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility, risk-free rate, dividend yield and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in different outcomes.

### *Leases - Incremental Borrowing Rate*

The Company cannot readily determine the interest rate implicit in some of its leases, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as interest rate spreads for credit and other risks).

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

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### (f) Business Combinations

Acquisitions have been accounted for using the acquisition method required by IFRS 3, Business Combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. The Company uses its best estimates and assumptions to accurately value assets and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. On conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recognized in the consolidated statements of operations. Transaction costs the Company incurs in connection with a business combination are expensed as incurred.

Goodwill arising on acquisition is initially measured as the excess of the fair value of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities). If the consideration transferred is lower than the fair value of the net identifiable assets acquired, the difference is recognized immediately in the consolidated statements of operations. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

### (g) Revenues

The Company's revenues are derived through two operating segments, including:

- 1) The Connected Devices and Infrastructure Segment. This segment is responsible for the sale of TSH's proprietary edge computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, load control switches, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of TSH's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / IoT smart grid including base stations, repeaters and collectors; and
- 2) The Utility Applications and Services Segment. This segment is responsible for the sale of TSH's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services ("PCS").

Revenue from the sale of the Company's connected devices and infrastructure network products and utility software application licenses is recognized at a point in time when control of the hardware products and software is transferred to the customers, primarily upon delivery on a freight on board ("FOB") basis upon shipment or provide access to customer.

Installation services are for the installation of the Company's connected devices and infrastructure network products and utility software applications. Engineering services are primarily consulting, implementation and integration services entered into either on a time & materials or fixed fee basis. Revenue from installation and engineering services is recognized over time, using input method to measure progress towards complete satisfaction of the service.

Revenue from PCS is recognized ratably over the term of the PCS. Any unrecognized revenue is recorded in deferred revenue.

The Company recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control of its products is transferred to its customers in an amount that reflects the considerations the Company expects to receive from its customers in exchange for those products.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

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The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company's contracts often include a number of promised goods or services. Many of the Company's goods and services are distinct from other performance obligations and accounted for as separate performance obligations. When an arrangement involves multiple products and is negotiated as a package solution, the Company accounts for it as a single performance obligation. A good or service is distinct if the customer can benefit from it on its own or together with other components of the Company's products, and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. In determining the transaction price of contract with a customer, the Company considers the effects of consideration payable by the customer. If a contract has more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on estimated relative standalone selling prices of the goods and services.

### **(h) Segment Reporting**

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segment results are regularly reviewed by the Company's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance.

The Company currently has two operating segments: (a) Connected Devices and Infrastructure and (b) Utility applications and Services. The performance results for each Segment include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of operating expenses. (see note 19 – Segmented Information for description of each segment)

### **(i) Deferred Revenue**

The Company enters into annual contractual agreements with its customers for the provision of technical support and software maintenance service pertaining to products and software sold to its customers for which payment is received at the beginning of the service period commencement date and accounted for as deferred revenue which is amortized into revenue as the related period is provided by the Company. The Company also receives customer deposits and advances pertaining to the implementation services provided by the Company which are accounted for as deferred revenue and amortized as revenue as the related service obligation is fulfilled by the Company.

### **(j) Accounts Receivable and Allowance for Doubtful Accounts**

Trade receivables represent amounts due to the Company from its customers. The Company performs ongoing credit evaluations of its customers to assess the probability of trade receivables collection.

The Company records an allowance for doubtful accounts related to trade and other receivables that are considered to be uncollectible. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### (k) Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

### (l) Property and Equipment

Property and equipment are recorded initially at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss within other operating income or expenses. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Depreciation on property and equipment is provided on a straight-line basis over their estimated useful lives as follows:

| Asset                         | Years     |
|-------------------------------|-----------|
| Computer equipment            | 3.3 years |
| Furniture and fixtures        | 5 years   |
| Laboratory and test equipment | 5 years   |

The Company depreciates leasehold improvements on a straight-line basis over the shorter of their useful life or the term of the lease. Assets under construction are capitalized upon completion, under the appropriate category and depreciation starts when first put to use.

### (m) Intangible Assets

Intangible assets include externally-acquired computer software and identifiable intangible assets, including customer relationships, intellectual property, and brand name, acquired as part of a business combination. Externally-acquired computer software is initially recorded and measured at acquisition cost. Identifiable intangible assets acquired as part of a business combination are recognized and measured at the fair value of the asset at the time of acquisition.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is expensed as incurred.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of operations.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives as follows:

| Asset                  | Years   |
|------------------------|---------|
| Computer software      | 1 year  |
| Customer relationships | 4 years |
| Intellectual property  | 4 years |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

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### **(n) Impairment of Long-Lived Assets**

The Company evaluates its long-lived assets including property and equipment and intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverable amount is determined as the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the recoverable amount of the assets.

### **(o) Research and Development**

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in profit or loss as incurred.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

### **(p) Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

### **(q) Leases**

The Company accounts for its leases in accordance with IFRS 16 which provides for a single accounting model for lessees. As a lessee, we recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

#### *Right-of-use assets and lease liabilities*

Upon commencement of a lease, the Company records a right-of-use asset and a lease liability. The lease liability has been initially measured at the present value of all fixed lease payments that remain to be paid at the commencement date. The associated right-of-use asset will initially be measured at cost, consisting of:

- the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; plus
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

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The right-of-use asset will typically be depreciated on a straight-line basis over the lease term, unless the Company expects to obtain ownership of the leased asset at the end of the lease. The lease term will consist of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where we are reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where we are reasonably certain not to exercise the option.

The Company records amortization expense over the term associated with its respective lease agreements for which it has accounted for right of use assets. The Company applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases (less than one year) are recognized as expenses in the period incurred.

### **(r) Income Taxes**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **(s) Earnings per Share**

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

### **(t) Financial Instruments**

The Company's financial instruments consist of cash, accounts receivable, investment tax credits receivable, accounts payable and accrued liabilities, lease liabilities, and bank loan that the Company has assessed as financial instruments to be measured and classified.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as fair value through the profit or loss:

- (A) It is held with a business model whose objective is to hold assets to collect contractual cash flows; and

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

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(B) Its contractual term gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### *Financial Assets*

The Company may have the following non-derivative financial assets: financial assets at fair value through profit or loss, financial assets at fair value through OCI, or financial assets at amortized cost. Management determines the appropriate classification upon initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or losses, directly attributable transaction costs. All of the Company's financial assets are classified as amortized cost under IFRS 9.

### *Cash*

Cash is classified as financial assets measured at amortized cost. Cash in the consolidated statements of financial position comprise cash at banks and subject to an insignificant risk of changes in value.

### *Accounts Receivable*

Accounts receivables comprise trade and other receivables. Trade receivables are classified as financial assets measured at amortized cost. The impairment model is applicable to financial assets measured at amortized cost where any expected credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For accounts receivable excluding taxes receivable, the Company utilized a provision matrix, as permitted under the simplified approach, and has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and other factors. The carrying amount of trade receivables is reduced for any expected credit losses through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. At the point when the Company is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off. IFRS 9 offers a simplified approach in which the loss allowance for accounts receivable is equal to the life expected credit losses for trade receivables that do not contain a significant financing component. The Company establishes an allowance for doubtful accounts pertaining to potential credit risk associated with its customers.

### *Financial Liabilities*

The Company's financial liabilities are comprised of trade and other payables. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled, or expired. Trade and other payables are classified as financial liabilities to be subsequently measured at amortized cost. The Company has accounted for debentures based upon their respective fair values through profit and loss.

### *Derecognition*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets.

### **(u) Government Assistance**

The Company has access to certain Canadian federal and provincial tax incentives for qualified research and development in Canada. These investment tax credits are recorded as a reduction to the related expenditures in the fiscal year when there is reasonable assurance that such credits will be realized.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

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### (v) Stock-Based Compensation

The Company grants stock options to directors, officers and employees. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The grant date fair value of options granted to directors, officers and employees is recognized as share-based payment expense, with a corresponding increase in other capital reserves, over the period that the individual becomes unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the number of share options for which the related service is expected to be met, such that the amount ultimately recognized as an expense is based on the number of share options that do meet the related service at the vesting date.

Stock options awarded to the Company's employees and exercisable into common shares of the Company's parent companies are accounted for as employee awards in the consolidated financial statements of the Company. Compensation cost related to the grant of these stock options are recognized as a capital contribution through other capital reserves. Compensation cost and the cost of services received as consideration are measured based on the fair value of the equity instruments.

As the Company is not traded on an exchange, the Company has calculated volatility using a comparable peer group. The Company has applied the simplified method of determining the expected term of the options given limited historical information.

### (w) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, it's carrying amount is the present value of those cash flows. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### (x) Share Capital

Share capital is classified as equity to the extent that it represents a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity. Share capital is measured at the fair value of consideration received, except in common control transactions where share capital is measured at the book value of consideration received.

### (y) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when the Company has a present obligation as a result of a past result, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Legal costs incurred in connection with loss contingencies are expensed as incurred.

The Company may be subject to a variety of claims and suits that arise in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### (z) New Standards and Amendments Issued but not yet effective

Standards and amendments issued but not yet applicable to the Company's financial statements are listed below. This listing of standards and amendments issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

| Amendments and interpretations                                         | Effective dates |
|------------------------------------------------------------------------|-----------------|
| Definition of Business - Amendments to IFRS 3                          | January 1, 2020 |
| Amendments to References to the Conceptual Framework in IFRS Standards | January 1, 2020 |
| Definition to Material - Amendments to IAS 1 and IAS 8                 | January 1, 2020 |

The impact of adopting these standards or amendments is not expected to be material.

### 4. Accounts Receivable

|                                       | December 31,<br>2019 | December 31,<br>2018 |
|---------------------------------------|----------------------|----------------------|
| Accounts receivable                   | \$4,965,318          | \$5,804,789          |
| Less: Allowance for doubtful accounts | (146,152)            | (54,966)             |
| <b>Net Accounts receivable</b>        | <b>\$4,819,166</b>   | <b>\$5,749,823</b>   |

The Company did not have any accounts receivable balances from related parties as at December 31, 2019 and 2018 respectively.

The Company entered into an agreement with Export Development Canada ("EDC") whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales, up to a maximum of \$3,000,000 with certain customers excluded from this coverage.

During the years ended December 31, 2019, December 31, 2018 and December 31, 2017, the Company recorded bad debt expense of \$91,186, \$45,739 and \$9,227, respectively, in general and administrative expense.

Aging analysis of trade receivables is as follows:

|               | December 31,<br>2019 | December 31,<br>2018 |
|---------------|----------------------|----------------------|
| Not past due  | \$1,226,036          | \$2,327,896          |
| 31-90 days    | 2,816,995            | 1,438,000            |
| 91-180 days   | 173,674              | 1,505,259            |
| Over 180 days | 602,461              | 478,668              |
| <b>Total</b>  | <b>\$4,819,166</b>   | <b>\$5,749,823</b>   |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 5. Investment Tax Credits Receivable

|                                          | December 31,<br>2019 | December 31,<br>2018 |
|------------------------------------------|----------------------|----------------------|
| <b>Investment tax credits receivable</b> | <b>\$960,728</b>     | <b>\$1,439,769</b>   |

The Company has access to certain Canadian federal and provincial tax incentives for qualified research and development in Canada. Certain research and development activities and related expenditures performed by the Company qualify for funding reimbursement from the Canadian government subsidy programs inclusive of scientific research and experimental development expenditures ("SR&ED"), the National Research Council of Canada Industrial Research Assistance Program ("IRAP") and other investment tax credits. These investment tax credits are recorded as a reduction to the related expenditures in the fiscal year when there is reasonable assurance that such credits will be realized.

The impact on the Company's research and development government assistance through investment tax credits is as follows:

| Year ended December 31, 2019 | Research and<br>Development, Gross | Investment Tax<br>Credit | Research and<br>Development,<br>Net |
|------------------------------|------------------------------------|--------------------------|-------------------------------------|
| Research and Development     | \$5,951,974                        | \$982,868                | \$4,969,106                         |

| Year ended December 31, 2018 | Research and<br>Development, Gross | Investment Tax<br>Credit | Research and<br>Development,<br>Net |
|------------------------------|------------------------------------|--------------------------|-------------------------------------|
| Research and Development     | \$6,294,402                        | \$987,648                | \$5,306,754                         |

| Year ended December 31, 2017 | Research and<br>Development, Gross | Investment Tax<br>Credit | Research and<br>Development,<br>Net |
|------------------------------|------------------------------------|--------------------------|-------------------------------------|
| Research and Development     | \$4,854,192                        | \$695,300                | \$4,158,892                         |

### 6. Inventory

|                  | December 31,<br>2019 | December 31,<br>2018 |
|------------------|----------------------|----------------------|
| Finished goods   | \$3,325,763          | \$3,726,629          |
| Raw materials    | 1,712,356            | 1,748,032            |
| <b>Inventory</b> | <b>\$5,038,119</b>   | <b>\$5,474,661</b>   |

During the years ended December 31, 2019, December 31, 2018 and December 31, 2017, the Company charged \$16,492,199, \$16,702,154 and \$12,798,594, respectively, of inventory related amounts to cost of sales. The Company assesses the valuation of inventory at the end of each period resulting in valuation adjustments accounted for in the respective period based upon management estimates. During the period, inventories were reviewed for obsolescence as part of ongoing operations. Inventory adjustments for obsolescence totaled \$328,235, \$222,555 and \$163,305 during the years ended December 31, 2019, December 31, 2018 and December 31, 2017, respectively, and were recorded in cost of sales.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 7. Property & Equipment

The following table presents details of movement in the carrying value of equipment by type:

| <b>Cost</b>                   | <b>Computers<br/>and<br/>Equipment</b> | <b>Furniture<br/>and<br/>Fixtures</b> | <b>Laboratory<br/>and Test<br/>Equipment</b> | <b>Leasehold<br/>Improvement</b> | <b>Total</b> |
|-------------------------------|----------------------------------------|---------------------------------------|----------------------------------------------|----------------------------------|--------------|
| Balance,<br>December 31, 2017 | \$3,158,005                            | \$412,227                             | \$3,788,493                                  | \$1,480,535                      | \$8,839,260  |
| Additions                     | 109,112                                | 43,989                                | 138,590                                      | 80,745                           | 372,436      |
| Balance,<br>December 31, 2018 | \$3,267,117                            | \$456,216                             | \$3,927,083                                  | \$1,561,280                      | \$9,211,696  |
| Additions                     | 45,976                                 | 56,589                                | 678,641                                      | 51,122                           | 832,328      |
| Balance,<br>December 31, 2019 | \$3,313,093                            | \$512,805                             | \$4,605,724                                  | \$1,612,402                      | \$10,044,024 |

| <b>Accumulated<br/>Depreciation</b> | <b>Computers<br/>and<br/>Equipment</b> | <b>Furniture<br/>and<br/>Fixtures</b> | <b>Laboratory<br/>and Test<br/>Equipment</b> | <b>Leasehold<br/>Improvement</b> | <b>Total</b> |
|-------------------------------------|----------------------------------------|---------------------------------------|----------------------------------------------|----------------------------------|--------------|
| Balance,<br>December 31, 2017       | \$3,031,067                            | \$327,949                             | \$3,655,475                                  | \$755,884                        | \$7,770,375  |
| Depreciation                        | 95,875                                 | 34,588                                | 46,050                                       | 178,706                          | 355,219      |
| Balance,<br>December 31, 2018       | \$3,126,942                            | \$362,537                             | \$3,701,525                                  | \$ 934,590                       | \$8,125,594  |
| Depreciation                        | 60,648                                 | 50,341                                | 128,736                                      | 201,545                          | 441,270      |
| Balance,<br>December 31, 2019       | \$3,187,590                            | \$412,878                             | \$3,830,261                                  | \$1,136,135                      | \$8,566,864  |

| <b>Net Book<br/>Value</b>     | <b>Computers<br/>and<br/>Equipment</b> | <b>Furniture<br/>and<br/>Fixtures</b> | <b>Laboratory<br/>and Test<br/>Equipment</b> | <b>Leasehold<br/>Improvement</b> | <b>Total</b> |
|-------------------------------|----------------------------------------|---------------------------------------|----------------------------------------------|----------------------------------|--------------|
| Balance,<br>December 31, 2018 | \$140,175                              | \$93,679                              | \$225,558                                    | \$626,690                        | \$1,086,102  |
| Balance,<br>December 31, 2019 | \$125,503                              | \$99,927                              | \$775,463                                    | \$476,267                        | \$1,477,160  |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 8. Intangible assets

| <b>Cost</b>                   | <b>Computer Software</b> | <b>Customer Relations</b> | <b>Intellectual Property</b> | <b>Total</b> |
|-------------------------------|--------------------------|---------------------------|------------------------------|--------------|
| Balance,<br>December 31, 2017 | \$809,600                | \$677,509                 | \$962,058                    | \$2,449,167  |
| Additions                     | 190,368                  |                           |                              | 190,368      |
| Balance,<br>December 31, 2018 | \$999,968                | \$677,509                 | \$962,058                    | \$2,639,535  |
| Additions                     | 262,568                  | -                         | -                            | 262,568      |
| Balance,<br>December 31, 2019 | \$1,262,536              | \$677,509                 | \$962,058                    | \$2,902,103  |

| <b>Accumulated Depreciation</b> | <b>Computer Software</b> | <b>Customer Relations</b> | <b>Intellectual Property</b> | <b>Total</b> |
|---------------------------------|--------------------------|---------------------------|------------------------------|--------------|
| Balance,<br>December 31, 2017   | \$730,889                | \$70,600                  | \$100,250                    | \$901,739    |
| Depreciation                    | 182,379                  | 169,277                   | 239,097                      | 590,753      |
| Balance,<br>December 31, 2018   | \$913,268                | \$239,877                 | \$339,347                    | \$1,492,492  |
| Depreciation                    | 240,175                  | 169,250                   | 240,741                      | 650,166      |
| Balance,<br>December 31, 2019   | \$1,153,443              | \$409,127                 | \$580,088                    | \$2,142,658  |

| <b>Net Book Value</b>         | <b>Computer Software</b> | <b>Customer Relations</b> | <b>Intellectual Property</b> | <b>Total</b> |
|-------------------------------|--------------------------|---------------------------|------------------------------|--------------|
| Balance,<br>December 31, 2018 | \$86,700                 | \$437,632                 | \$622,711                    | \$1,147,043  |
| Balance,<br>December 31, 2019 | \$109,093                | \$268,382                 | \$381,970                    | \$759,445    |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 9. Right of Use Assets

The following table presents details of movement in the carrying value of the right-of-use asset:

|                          | December 31,<br>2019 | December 31,<br>2018 |
|--------------------------|----------------------|----------------------|
| <b>Beginning Balance</b> | <b>\$ 1,562,932</b>  | <b>\$ 1,972,989</b>  |
| Amortization for ROU     | (410,057)            | (410,057)            |
| <b>Ending Balance</b>    | <b>\$ 1,152,875</b>  | <b>\$ 1,562,932</b>  |

### 10. Accounts Payables and Accrued Liabilities

|                                    | December 31,<br>2019 | December 31,<br>2018 |
|------------------------------------|----------------------|----------------------|
| Trade payables and other payables  | \$5,958,967          | \$ 7,461,441         |
| Accrued warranty (a)               | 699,562              | 421,501              |
| Employee benefits                  | 1,621,447            | 1,796,823            |
| Vendor goods and services received | 580,113              | 847,154              |
| Professional fees                  | 376,638              | 386,912              |
| Other accrued liabilities          | 732,188              | 1,645,861            |
| <b>Total</b>                       | <b>\$9,968,915</b>   | <b>\$12,559,692</b>  |

- (a) The Company accrues product warranty costs as products are sold to provide for the repair or replacement of defective products. The accrual is based on known warranty issues when a loss is probable and can be reasonably estimated. Accrual for unidentified warranty issues are based on an assessment of historical experience.

### 11. Bank Loan

The Company entered into a loan agreement on April 12, 2012, and subsequent amendments (together the “Agreement”) with Comerica Bank (the “Bank”) to fund ongoing working capital requirements. At December 31, 2019, the line of credit facility has a maximum borrowing limit of approximately USD \$8,100,000 comprised of two line of credit facilities (which are expressed in different currencies) with respective maximum borrowing limits of USD\$7,486,000 and CND\$750,000 subject to a borrowing base in the amount equal to the aggregate of a percentage of eligible receivables, accrued investment tax credits, inventory and purchase orders. The facility bears interest at the Bank’s prime rate plus 2.00% per annum, payable monthly. The facility had a maturity date of February 26, 2020. The credit facility is secured by financial covenants, a general security agreement, and security over accounts receivable and inventory. As at December 31, 2019, the Company was in compliance with its financial covenants. As at December 31, 2019, the Company had an aggregate balance for its line of credit facilities of USD\$8,063,425 (USD\$8,044,375 as at December 31, 2018) drawn on its line of credit facility with the Bank.

During 2019, the Company entered into an amendment agreement with the Bank to add a term loan advance credit extension of up to USD\$750,000 bearing an interest rate at the bank’s prime rate plus 2.5% and with a maturity date of February 26, 2020. As at December 31, 2019, the Company has USD\$133,467 drawn on the loan.

The aggregate total bank loan, inclusive of the term loan, payable by the Company is USD\$8,196,892 and USD\$8,044,375 as at December 31, 2019 and December 31, 2018, respectively.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Subsequent to December 31, 2019, the Company entered into an amendment agreement with the Bank which extended the maturity date of the line of credit facility from February 26, 2020 to February 26, 2021. These amounts continue to be presented in the statement of financial position in accordance with the terms of the facility as they existed at the balance sheet date.

### 12. Lease Liabilities

The Company has leases with respect to its operating premises in Burnaby, British Columbia, Canada ("Burnaby"), Kanata, Ontario, Canada ("Kanata"), Raleigh, North Carolina, United States ("Raleigh") and Norwalk, Connecticut, United States ("Norwalk") in addition to equipment leases. With the exception of short-term and low-value leases, leases are reflected on the balance sheet as a right-of-use asset and a lease liability.

The Company decided to apply recognition exemptions to short-term leases of its equipment leases. Payments made under such equipment leases are expensed on a straight-line basis.

Below is a summary of the activity related to the Company's fixed minimum operating premises and short-term equipment lease liabilities:

|                                                                                       | December 31,<br>2019 | December 31,<br>2018 |
|---------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Maturity Analysis – contractual undiscounted cash flows<br/>from minimum lease</b> |                      |                      |
| Less than one year                                                                    | \$ 680,595           | \$ 670,280           |
| One to five years                                                                     | 1,125,528            | 1,730,589            |
| More than five years                                                                  | -                    | 16,279               |
| <b>Total undiscounted lease liabilities</b>                                           | <b>\$ 1,806,123</b>  | <b>\$ 2,417,148</b>  |

The following is a reconciliation of undiscounted lease liabilities at December 31, 2019 to the lease liabilities recognized at December 31, 2019:

|                                                                              |                     |
|------------------------------------------------------------------------------|---------------------|
| <b>Total undiscounted lease liabilities at December 31, 2019</b>             | <b>\$ 1,806,123</b> |
| Discounted using incremental borrowing rate                                  | (223,147)           |
| <b>Total lease liabilities recognized under IFRS 16 at December 31, 2019</b> | <b>\$ 1,582,976</b> |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

The following table presents details of movement in the carrying value of the lease liabilities:

|                            | December 31,<br>2019 | December 31,<br>2018 |
|----------------------------|----------------------|----------------------|
| <b>Beginning Balance</b>   | <b>\$ 2,036,397</b>  | <b>\$ 2,660,187</b>  |
| Add: Interest              | 155,732              | 197,313              |
| Less: Payments             | (757,160)            | (728,712)            |
| Impact of foreign exchange | 148,007              | (92,391)             |
| Ending Balance             | 1,582,976            | 2,036,397            |
| Less: Current portion      | (680,595)            | (670,280)            |
| <b>Non-current portion</b> | <b>\$ 902,381</b>    | <b>\$ 1,366,117</b>  |

| Amounts Recognized in Statements of<br>Operations               | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|-----------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Finance charge on lease liabilities                             | \$ 155,732                         | \$197,313                          | \$184,392                          |
| Variable lease payments expensed                                | 494,967                            | 490,283                            | 458,744                            |
| Expenses relating to equipment short term<br>leases             | 20,841                             | 8,818                              | 4,623                              |
| <b>Total amounts recognized in Statements of<br/>Operations</b> | <b>\$671,540</b>                   | <b>\$696,414</b>                   | <b>\$647,759</b>                   |

The aggregate of the Company's variable lease payments as at December 31, 2019 is as follows and reflect the estimated future payments of the variable operating costs of the long-term operating premises leases in Burnaby, Kanata, Raleigh and Norwalk.

|      |                    |
|------|--------------------|
| 2020 | \$502,528          |
| 2021 | 502,528            |
| 2022 | 89,362             |
| 2023 | 87,562             |
| 2024 | 87,562             |
|      | <b>\$1,269,542</b> |

### 13. Convertible Debentures

(a) Class B convertible debentures ("Class B Debentures"):

On March 31, 2017, the principal and accrued interest of all Class B Debentures were converted to 247,578,900 Class B preferred shares of TSC. The total carrying value of the Class B Debentures was recorded as Class B preferred shares of TSC at fair value in the amount of \$5,327,266. These Class B preferred shares were included in the TSC share reorganization effective April 1, 2017 (note 14(b)). The Class B Debentures and Class B preferred shares were financial liabilities designated as FVTPL.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

(b) Class D convertible debentures (“Class D Debentures”):

On March 31, 2017, the principal of all Class D Debentures was converted to 41,084,498 Class D preferred shares of TSC. The total carrying value of the Class D Debentures was recorded as Class D preferred shares of TSC at fair value in the amount of \$28,600,750. These Class D preferred shares were included in the TSC share re-organization effective April 1, 2017 (note 14(b)). The Class D Debentures and Class D preferred shares were financial liabilities designated as FVTPL.

### 14. Share Capital

(a) Authorized share capital:

Unlimited common shares, with no par value:

The holders of common shares are entitled to one vote per share, to receive dividends when declared and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to Shareholders.

TSH does not have any authorized, issued or outstanding preferred shares as of December 31, 2019, nor did it have any preferred shares authorized, issued and outstanding as of December 31, 2018.

On April 1, 2017, TSC consolidated all common and preferred shares on a 10:1 basis. The historical share information has been retrospectively restated to reflect the impact of the consolidation.

TSC had previously authorized, and had issued and outstanding, multiple classes of common and preferred shares, including multiple voting shares, which were consolidated into a separate legal entity that received common shares of TSH in 2017 as described further in Note 14(c).

(b) Restructuring of TSC’s share capital:

Effective April 1, 2017, TSC restructured its share capital as follows:

|                                        | <b>Common<br/>shares</b> |                       | <b>Multiple<br/>Voting Shares</b> |               |
|----------------------------------------|--------------------------|-----------------------|-----------------------------------|---------------|
|                                        | <b>Number</b>            | <b>Amount</b>         | <b>Number</b>                     | <b>Amount</b> |
| Issuance of shares<br>(i)              | -                        | \$ -                  | 1,500,000                         | \$113         |
| Repurchase of<br>common shares<br>(ii) | (903,062)                | (\$14,977,711)        | -                                 | -             |
| <b>Total (iii)</b>                     | <b>(903,062)</b>         | <b>(\$14,977,711)</b> | <b>1,500,000</b>                  | <b>\$113</b>  |

- (i) 1,500,000 voting, non-participatory Multiple Voting Shares (“MVS”) were issued for \$113 to certain existing shareholders of TSC. The MVS are entitled to 10 votes per share.
- (ii) 903,062 common shares were repurchased at \$0.001 Canadian dollars per share.
- (iii) Class B and Class D convertible debentures were converted to Class B and Class D preferred shares in conjunction with the April 1, 2017 capital restructuring, as discussed in Note 13.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### (c) Continuation of TSC:

Effective July 26, 2017, TSC exchanged all of its issued and outstanding shares for equivalent shares in TSH's parent company and became a wholly-owned subsidiary of TSH. TSH was formed by TSC in conjunction with TSC acquiring Energate.

|                                 | Common<br>shares  |                      | Class A<br>Preferred<br>Shares |                        | Multiple<br>Voting<br>Shares |                |
|---------------------------------|-------------------|----------------------|--------------------------------|------------------------|------------------------------|----------------|
|                                 | Number            | Amount               | Number                         | Amount                 | Number                       | Amount         |
| Formation of TSH (i)            | 35,192,745        | \$ 55,310,572        | (1,295,545)                    | \$ (13,106,054)        | (1,500,000)                  | (\$113)        |
| Acquisition of<br>Energate (ii) | 7,263,284         | 9,908,880            | -                              | -                      | -                            | -              |
| <b>Total</b>                    | <b>42,456,029</b> | <b>\$ 65,219,452</b> | <b>(1,295,545)</b>             | <b>\$ (13,106,054)</b> | <b>(1,500,000)</b>           | <b>(\$113)</b> |

(i) Immediately prior to the formation of TSH in July 2017, TSC had issued and outstanding share capital of 562,968 common shares, 1,295,545 Class A Preferred Shares, 24,757,890 Class B Preferred Shares, 48 Class C Preferred Shares, 4,108,450 Class D Preferred Shares, and 1,500,000 MVS. These were all exchanged into the equivalent share capital of TSH's parent company with TSH issuing 35,755,713 common shares to its parent company and TSC becoming a wholly-owned subsidiary of TSH. As a result, the carrying value of TSC's issued and outstanding preferred shares, including Class A, B and D Preferred Shares as well as MVS shares, of \$55,310,572 was transferred to the carrying value of TSH's common shares. The issuance of 35,755,713 common shares was partially offset by a decrease of 562,968 for the net share exchange of TSC common shares to TSH common shares, resulting in a net increase of 35,192,745 common shares.

(ii) TSH issued 7,263,284 common shares with a fair value at the time of issuance of \$9,908,880 to acquire Energate (note 25).

### (d) Stock option plan

The Company established an incentive stock option plan, approved by the Board of Directors on July 26, 2017, whereby the Company may grant stock options to provide incentives to eligible persons. The stock option plan allows for a maximum of 6,145,571 common shares to be available under the plan.

The stock options are settled by way of issuance of common shares. The exercise price of stock options is determined by a committee of the Board of Directors, or if no committee is appointed, the Board of Directors, and shall not be less than fair market value of a common share. The expiry date of stock options is designated on the date of grant and shall be no later than 10-years from the date of grant. Unless otherwise approved by the Board of Directors, the stock options typically vest over a 4-year term with 25% of the options vesting after 12-months and the remaining 75% of the options vesting monthly in equal amounts over the following 36-months.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Stock option activity under the stock option plan of the Company is provided below:

|                                     | Number of<br>Options | Weighted Average<br>Exercise Price |
|-------------------------------------|----------------------|------------------------------------|
| Balance at January 1, 2017          | -                    | n/a                                |
| Granted during the period           | -                    | n/a                                |
| Forfeited/expired during the period | -                    | n/a                                |
| Balance at January 1, 2018          | -                    |                                    |
| Granted during the period           | 5,143,842            | \$0.62                             |
| Forfeited/expired during the period | -                    | n/a                                |
| Balance at December 31, 2018        | 5,143,842            | \$0.62                             |
| Granted during the period           | 70,000               | \$0.62                             |
| Forfeited/expired during the period | (221,240)            | \$0.62                             |
| <b>Balance at December 31, 2019</b> | <b>4,992,602</b>     | <b>\$0.62</b>                      |

During the years ended December 31, 2019 and December 31, 2018, the fair value of options granted was \$21,171 and \$1,573,569, respectively. The fair value of the options granted was estimated on the date of grant using the Black- Scholes option-pricing model with the following assumptions:

|                          | December 31,<br>2019 | December 31,<br>2018 |
|--------------------------|----------------------|----------------------|
| Risk free interest rate  | 1.60%                | 1.95%                |
| Dividend yield           | 0%                   | 0%                   |
| Expected life (in years) | 5.05 years           | 6.04 years           |
| Forfeiture rate          | 0%                   | 0%                   |
| Volatility               | 50%                  | 50%                  |

Stock-based compensation expense recognized attributable to options granted under the Company's stock option plan was \$458,038, \$924,483 and \$44,585 during the years ended December 31, 2019, December 31, 2018 and December 31, 2017, respectively. Remaining unrecognized cost of the stock option plan of the Company as at December 31, 2019 and December 31, 2018 was \$271,745 and \$662,667, respectively.

The Company has allocated the above stock-based compensation expense by respective function of each respective employees and directors as follows:

| Year ended December 31, 2019 | Cost         | Stock-based<br>Compensation | Total        |
|------------------------------|--------------|-----------------------------|--------------|
| Cost of sales                | \$23,167,078 | \$ 36,444                   | \$23,203,522 |
| Sales and marketing          | 6,148,596    | 84,311                      | 6,232,907    |
| Research and development     | 4,848,738    | 120,368                     | 4,969,106    |
| General and administrative   | 4,912,406    | 216,915                     | 5,129,321    |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

| <b>Year ended December 31, 2018</b> | <b>Cost</b>  | <b>Stock-based Compensation</b> | <b>Total</b> |
|-------------------------------------|--------------|---------------------------------|--------------|
| Cost of sales                       | \$22,408,574 | \$ 82,419                       | \$22,490,993 |
| Sales and marketing                 | 6,500,533    | 186,953                         | 6,687,486    |
| Research and development            | 5,145,373    | 161,381                         | 5,306,754    |
| General and administrative          | 4,718,398    | 493,730                         | 5,212,128    |
| <b>Year ended December 31, 2017</b> | <b>Cost</b>  | <b>Stock-based Compensation</b> | <b>Total</b> |
| Cost of sales                       | \$16,631,742 | \$ -                            | \$16,631,742 |
| Sales and marketing                 | 6,078,947    | -                               | 6,078,947    |
| Research and development            | 4,158,892    | -                               | 4,158,892    |
| General and administrative          | 4,011,154    | 44,585                          | 4,055,739    |

### (e) Other stock-based compensation

In 2014, TSC, issued 480 Class C preferred shares that was, in substance, a stock-based compensation arrangement. It was determined to be an equity award and estimated grant-date fair value of the award was recognized as an expense in general and administration expense over the 48-month vesting period with this equity instrument being fully vested as at December 31, 2018. These Class C preferred shares were included in the TSC share re-organization in 2017 (note 14(c)). After the share re-organization, the arrangement was determined to continue to be an equity award with the compensation cost recognized as a capital contribution through other capital reserves. During the years ended December 31, 2019, December 31, 2018 and December 31, 2017, \$nil, \$13,581 and \$44,585 was credited to Other Capital Reserves and charged to general and administrative expense.

## 15. Finance Expenses

| <b>Year ended</b>                                           | <b>December 31, 2019</b> | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
|-------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| Accretion of interest on lease liability ( <i>note 12</i> ) | \$155,732                | \$197,313                | \$184,392                |
| Interest expense on bank loan ( <i>note 11</i> )            | 595,144                  | 556,779                  | 476,764                  |
| EDC insurance and other finance expenses                    | 170,330                  | 137,001                  | 232,536                  |
| <b>Total</b>                                                | <b>\$921,206</b>         | <b>\$891,093</b>         | <b>\$893,692</b>         |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 16. Income Taxes

Income tax expense differs from the amount that would be computed by applying the Canadian federal and provincial statutory income tax rates of 27.00% for the year ended December 31, 2019, 27.00% for the year ended December 31, 2018 and 26.00% for the year ended December 31, 2017 to income before income taxes due to the following:

|                                                                                                                         | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|-------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| Net loss before income taxes                                                                                            | (\$ 595,970)      | (\$1,469,393)     | (\$17,456,578)    |
| Tax expense at applicable rates                                                                                         | (160,912)         | (396,735)         | (4,538,710)       |
| Change in unrecognized deferred tax assets                                                                              | 12,774            | 117,101           | (815,063)         |
| Non-deductible expenses and other differences                                                                           | 276,215           | 388,710           | 5,282,374         |
| Effect of difference between combined Canadian statutory income rate and those rates applicable to foreign subsidiaries | (70,847)          | (95,535)          | (29,744)          |
| Other items                                                                                                             | (47,280)          | (13,541)          | 101,143           |
| <b>Income tax expense</b>                                                                                               | <b>\$9,950</b>    | <b>\$ -</b>       | <b>\$ -</b>       |

The deferred tax assets have not been recognized in these consolidated financial statements, as management does not consider it more likely than not that those assets will be realized in the carry forward period.

The Company's deferred income tax assets not recognized are:

|                                           | December 31, 2019   | December 31, 2018   | December 31, 2017   |
|-------------------------------------------|---------------------|---------------------|---------------------|
| Deferred tax assets in relation to:       |                     |                     |                     |
| Equipment                                 | \$8,170             | \$91,636            | \$124,907           |
| Non-capital losses carried forward        | 20,075,188          | 20,233,855          | 20,292,543          |
| SR&ED expenditures                        | 2,953,064           | 2,643,176           | 2,373,713           |
| Reserves and other                        | 861,557             | 933,324             | 930,992             |
| Intangible assets                         | (205,050)           | (309,702)           | (417,806)           |
| <b>Deferred tax assets not recognized</b> | <b>\$23,692,929</b> | <b>\$23,592,289</b> | <b>\$23,304,349</b> |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

As at December 31, 2019, the Company has non-capital loss carry forwards for Canadian and United States income tax purposes available to reduce taxable income otherwise payable in future years. These losses expire as follows:

| Year Loss Expires   | Canada              | United States      | Total               |
|---------------------|---------------------|--------------------|---------------------|
| 2023                | \$2,494,179         | \$ -               | \$2,494,179         |
| 2024                | 4,180,589           | -                  | 4,180,589           |
| 2025                | 8,782,873           | -                  | 8,782,873           |
| 2026                | 7,944,080           | -                  | 7,944,080           |
| 2027                | 841,043             | -                  | 841,043             |
| 2028                | 2,156,493           | -                  | 2,156,493           |
| 2029                | 5,889,673           | -                  | 5,889,673           |
| 2030                | 14,145,723          | -                  | 14,145,723          |
| 2031                | 10,934,817          | 248,141            | 11,182,958          |
| 2032                | 4,142,095           | -                  | 4,142,095           |
| 2033                | 2,776,540           | -                  | 2,776,540           |
| 2034                | 2,824,409           | 61,304             | 2,885,713           |
| 2035                | 160,255             | -                  | 160,255             |
| 2036                | 1,007,672           | 1,040,392          | 2,048,064           |
| 2037                | 1,786,169           | 316,537            | 2,102,706           |
| 2038                | 1,671,331           | 4,621              | 1,675,952           |
| 2039                | 1,540,355           | 1,538              | 1,541,893           |
| <b>Total Losses</b> | <b>\$73,278,296</b> | <b>\$1,672,533</b> | <b>\$74,950,829</b> |

As at December 31, 2019, the Company has Canadian non-capital loss carry forwards of \$73,278,296 which are available to reduce future taxable income. These non-capital loss carry forwards begin to expire in 2023. The benefit of these non-capital losses have not been recognized as their realization is not reasonably assured.

As at December 31, 2019, the Company has loss carry forwards in other jurisdictions as a result of its foreign operations. For US income tax purposes, there are non-capital loss carry forwards totalling approximately \$1,672,533 that may be carried forward indefinitely to reduce taxable income otherwise calculated in future years. These non-capital loss carryforwards begin to expire in 2031. The benefit of these non-capital losses have not been recognized as their realization is not reasonably assured.

As at December 31, 2019, the Company has Undepreciated Capital Cost ("UCC") amounts of approximately \$2,616,003 and approximately \$10,477,036 of scientific research and experimental development expenditures ("SR&ED") that may be carried forward indefinitely to be deducted against future Canadian taxable income. The Company also has federal investment tax credits of approximately \$388,048 available to offset future Canadian federal income taxes payable which expire commencing in 2024. The benefits of the UCC, the federal investment tax credits and the SR&ED expenditures have not been recognized as their realization is not reasonably assured.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 17. Loss per Share

|                                            | December 31,<br>2019 | December 31,<br>2018 | December 31,<br>2017 |
|--------------------------------------------|----------------------|----------------------|----------------------|
| Comprehensive loss                         | \$591,749            | \$1,412,472          | \$17,493,952         |
| Basic weighted average number of<br>shares | 43,018,997           | 43,018,997           | 19,166,341           |
| <b>Basic and diluted loss per share</b>    | <b>\$0.01</b>        | <b>\$0.03</b>        | <b>\$0.91</b>        |

Due to the Company having a net loss for the years ended December 31, 2019, December 31, 2018 and December 31, 2017, respectively, there are no dilutive effects of exercisable options.

### 18. Commitments and Contingencies

- (a) In the ordinary course of business, the Company may enter into performance bonds with customers as part of a sales contract. As at December 31, 2019, the Company did not have any performance bonds outstanding and one performance bond for \$1,000,000 outstanding as at December 31, 2018.
- (b) In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors.
- (c) The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.
- (d) The Company along with a shareholder of the Company, as claimants, engaged in an arbitration proceeding against a shareholder of the Company (representing the former shareholders of Energate), as respondent, regarding breaches of representations and other conduct arising from the closing of the acquisition of Energate as such relate to the consideration paid for the acquisition of Energate along with certain advances made to Energate and certain costs incurred (see Subsequent Events note 26(a)).

### 19. Segmented Information

#### Operating segments

The Company's revenues are derived through two operating segments, including:

- 1) The Connected Devices and Infrastructure Segment. This segment is responsible for the sale of TSH's proprietary edge computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, load control switches, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of TSH's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / IoT smart grid including base stations, repeaters and collectors; and

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

- 2) *The Utility Applications and Services Segment.* This segment is responsible for the sale of TSH's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services.

Corporate includes all operating expenses of the Company.

Information regarding the operations of each operating segment is included below. Performance is based on revenue less cost of sales.

A breakdown of revenues and cost of sales for each operating segment for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 is as follows:

| Year ended December 31, 2019   | Connected Devices<br>and Infrastructure | Utility<br>Applications and<br>Services | Corporate             | Total            |
|--------------------------------|-----------------------------------------|-----------------------------------------|-----------------------|------------------|
| Revenue                        | \$28,984,477                            | \$12,603,985                            | \$ -                  | \$41,588,462     |
| Cost of sales                  | \$18,271,543                            | \$4,931,979                             |                       | \$23,203,522     |
| Gross profit                   | \$10,712,934                            | \$7,672,006                             |                       | \$18,384,940     |
| Operating expenses             |                                         |                                         | \$17,832,827          | \$17,832,827     |
| <b>Operating income (loss)</b> | <b>\$10,712,934</b>                     | <b>\$7,672,006</b>                      | <b>(\$17,832,827)</b> | <b>\$552,113</b> |

| Year ended December 31, 2018   | Connected Devices<br>and Infrastructure | Utility<br>Applications and<br>Services | Corporate             | Total               |
|--------------------------------|-----------------------------------------|-----------------------------------------|-----------------------|---------------------|
| Revenue                        | \$28,548,624                            | \$11,864,197                            | \$ -                  | \$40,412,821        |
| Cost of sales                  | 17,672,173                              | 4,818,820                               | -                     | 22,490,993          |
| Gross profit                   | 10,876,451                              | 7,045,377                               | -                     | 17,921,828          |
| Operating expenses             | -                                       | -                                       | 18,562,397            | 18,562,397          |
| <b>Operating income (loss)</b> | <b>\$10,876,451</b>                     | <b>\$7,045,377</b>                      | <b>(\$18,562,397)</b> | <b>(\$ 640,569)</b> |

| Year ended December 31, 2017   | Connected Devices<br>and Infrastructure | Utility<br>Applications and<br>Services | Corporate             | Total             |
|--------------------------------|-----------------------------------------|-----------------------------------------|-----------------------|-------------------|
| Revenue                        | \$22,487,108                            | \$9,844,536                             | \$ -                  | \$32,331,644      |
| Cost of sales                  | 13,258,052                              | 3,373,690                               | -                     | 16,631,742        |
| Gross profit                   | 9,229,056                               | 6,470,846                               | -                     | 15,699,902        |
| Operating expenses             | -                                       | -                                       | 15,332,193            | 15,332,193        |
| <b>Operating income (loss)</b> | <b>\$9,229,056</b>                      | <b>\$6,470,846</b>                      | <b>(\$15,332,193)</b> | <b>\$ 367,709</b> |

The Company earned revenues attributed to the following geographic regions based on the location of the customer:

|                            | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|----------------------------|------------------------------------|------------------------------------|------------------------------------|
| United States <sup>1</sup> | \$41,352,360                       | \$40,030,786                       | 31,974,138                         |
| Canada                     | 83,587                             | 233,874                            | 277,390                            |
| Others                     | 152,515                            | 148,161                            | 80,116                             |
| <b>Total</b>               | <b>41,588,462</b>                  | <b>\$40,412,821</b>                | <b>\$32,331,644</b>                |

(1) – United States includes revenues attributed to the US Virgin Islands based in the Caribbean basin.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 20. Expenses by Nature

Total salaries and wages as well as other personnel and contractor related expenses included in Cost of Sales for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 were \$5,279,006, \$5,017,903 and \$3,626,976.

The Company's operating expenses by nature are as follows:

| <b>Year ended</b>                               | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|-------------------------------------------------|------------------------------|------------------------------|------------------------------|
| Salaries and Benefits                           | \$11,317,538                 | \$11,769,060                 | \$9,905,496                  |
| Travel and meals                                | 1,425,382                    | 1,369,478                    | 1,150,593                    |
| Depreciation and Amortization                   | 1,501,493                    | 1,356,029                    | 1,038,615                    |
| Consulting and agent services                   | 1,162,654                    | 863,265                      | 719,818                      |
| Facilities variable lease payments              | 458,744                      | 490,283                      | 494,967                      |
| Stock-based compensation                        | 458,038                      | 924,483                      | 44,585                       |
| Marketing programs                              | 384,065                      | 517,628                      | 618,044                      |
| Insurance                                       | 267,590                      | 230,456                      | 201,864                      |
| Office                                          | 207,395                      | 238,911                      | 182,251                      |
| Personnel programs and hiring costs             | 110,209                      | 247,167                      | 197,011                      |
| Information technology services and maintenance | 166,568                      | 186,987                      | 158,585                      |
| Other expenses                                  | 373,151                      | 368,650                      | 620,364                      |
| <b>Total</b>                                    | <b>\$17,832,827</b>          | <b>\$18,562,397</b>          | <b>\$15,332,193</b>          |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 21. Capital Disclosures

TSC was founded in 1989 and raised capital throughout its operating history to fund the development of technology from initial concepts to commercially viable products, to attract and retain employees and to help the Company access its target market. Over its 30-year history, the Company raised multiple rounds of capital in the form of convertible debt and equity instruments giving rise to the shareholders' deficit over the years as the valuation of the business and corresponding values ascribed to previous rounds of financing changed over a 30-year period.

The Company's capital management objective is to ensure that the Company is capitalized in a manner which appropriately supports working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position, and to that end, the Company regularly assesses its capital management practices in response to changing economic conditions. The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, business expansion and other strategic objectives.

The following schedule details the components of the Company's capital.

| <b>Deficiency and Liabilities</b>      | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|----------------------------------------|------------------------------|------------------------------|
| Other capital reserves                 | \$37,436,376                 | \$36,978,338                 |
| Accumulated other comprehensive income | \$1,926,003                  | \$1,911,832                  |
| Share capital                          | \$74,556,543                 | \$74,556,543                 |
| Deficit                                | (\$116,779,274)              | (\$116,173,354)              |
| Bank loan                              | \$8,196,892                  | \$8,044,375                  |

### 22. Financial instruments

#### (a) Financial assets and liabilities

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment.

As of December 31, 2019 and December 31, 2018, the carrying values of cash, accounts receivable, investment tax credits receivable, accounts payable and accrued liabilities and bank loan approximate their fair value due to their ability to be promptly liquidated, their short term to maturity, or their use of market rates.

Financial instruments are analyzed using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within 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).

The Company's financial assets and liabilities carried at amortized cost are considered Level 2 instruments, because while observable prices and inputs are available, they are not quoted in an active market. There has not been any transfer between fair value hierarchy levels during the years ended December 31, 2019 and December 31, 2018.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

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### (b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- interest rate risk
- credit risk
- foreign currency exchange rate risk
- liquidity risk

#### (i) Interest rate risk

All of the Company's financial assets and liabilities are non-interest bearing except for cash which generates interest income at market rates. The credit facilities bear interest at a floating rate based on the bank's prime rate and had a balance of \$8,196,892 as at December 31, 2019 and \$8,044,375 as at December 31, 2018. A potential percentage change in the bank's prime rate of 1.00% will have an impact of \$81,969 for the year ended December 31, 2019 and \$80,444 for the year ended December 31, 2018 on the Company's annual interest expense pertaining its line of credit facility.

#### (ii) Credit risk

The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash, investment tax credits receivable and accounts receivable. Credit risk pertaining to the Company's accounts receivable is the risk of financial loss if a customer fails to meet its contractual obligations, and arises from the Company's receivables. Accounts receivable primarily consist of trade accounts receivable from utilities companies which have low risk of default. With respect to accounts receivable, the Company engages EDC to perform ongoing credit evaluations of the Company's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary. The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

The ageing of the Company's accounts receivable as at December 31, 2019 and December 31, 2018 is provided in Note 4.

#### (iii) Foreign currency exchange rate risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations.

The Company maintains certain financial instruments, inclusive of a portion of its cash, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company does not have significant exposure to the impact of foreign exchange fluctuations pertaining to its financial position as at December 31, 2018 and 2019. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the U.S. dollar would have had a \$141,032 impact on net loss for the year ended December 31, 2019 and \$183,739 for the year ended December 31, 2018.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

The consolidated statements of financial position include the following amounts denominated in Canadian dollars at their equivalent US dollar amounts:

|                     | As at December 31,<br>2019 | As at December 31,<br>2018 |
|---------------------|----------------------------|----------------------------|
| Cash                | \$298,512                  | \$449,061                  |
| Accounts receivable | 150,174                    | 143,196                    |
| Accounts payable    | (521,301)                  | (1,034,459)                |
| Accrued liabilities | (587,709)                  | (670,084)                  |
| Bank loan           | (750,000)                  | (750,000)                  |
| <b>Total</b>        | <b>(\$1,410,324)</b>       | <b>(\$1,862,286)</b>       |

At present, the Company does not have any formal policy for hedging against foreign currency exchange rate risk.

### (iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company constantly monitors its operations and cash flows to ensure that current and future obligations will be met when due.

The maturities of the Company's financial liabilities are as follows:

|                                          | As at December 31, 2019 |
|------------------------------------------|-------------------------|
| Less than 90 days:                       |                         |
| Accounts payable and accrued liabilities | \$9,968,915             |
| Bank loan (note 11)                      | \$8,196,892             |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 23. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. The following table discloses the compensation amount of the Board of Directors and key management personnel in the ordinary course of their employment recognized as an expense during the reporting periods. Key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's executive officers. The remuneration of key management for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 is as follows:

|                              | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Short-term employee benefits | \$1,316,192                        | \$1,293,663                        | \$1,014,710                        |
| Share-based compensation     | 211,995                            | 422,780                            | 44,585                             |
| <b>Total</b>                 | <b>\$1,528,187</b>                 | <b>\$1,716,443</b>                 | <b>\$1,059,295</b>                 |

Compensation of the key management personnel includes salaries and non-cash benefits.

### 24. Supplemental Cash Flow Information

The following are non-cash investing and financing activities that occurred during the years ended December 31:

| Years ended                                                                        | December 31,<br>2019 | December 31,<br>2018 | December 31,<br>2017 |
|------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| Lease liabilities entered into and recorded as right-to-use assets                 | \$ -                 | \$ -                 | \$721,162            |
| Acquisition of Energate                                                            | \$ -                 | \$ -                 | \$9,908,880          |
| <u>Restructuring of Tantalus Systems Corp.</u>                                     |                      |                      |                      |
| Conversion of Class B and D debentures at fair value to preferred shares           | \$ -                 | \$ -                 | \$33,928,016         |
| Redemption of preferred shares                                                     | \$ -                 | \$ -                 | (\$14,977,711)       |
| <u>Continuation of Tantalus Systems Corp.</u>                                      |                      |                      |                      |
| Exchange of Class B and Class D preferred shares through issuance of common shares | \$ -                 | \$ -                 | \$42,204,405         |
| Exchange of Classes A preferred shares through issuance of common shares           | \$ -                 | \$ -                 | \$13,106,167         |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

### 25. Business combination

On July 26, 2017, the Company acquired 100 common shares of Energate, representing all issued and outstanding shares of Energate, in exchange for consideration payable by issuing 7,263,284 common shares of Tantalus Systems Holding Inc. Energate is a company that provides interactive load management solutions and products for utilities and residential customers. Acquisition-related costs were expensed as incurred.

The transaction has been accounted for as a business combination using the fair value at the time of the acquisition of \$9,908,880 (Canadian dollars \$12,397,290). The fair value of consideration paid has been allocated as follows:

|                                          |                    |
|------------------------------------------|--------------------|
| Identifiable assets acquired:            |                    |
| Cash                                     | \$ 168,931         |
| Accounts receivable                      | 1,068,186          |
| Inventory                                | 194,430            |
| Prepaid expenses                         | 27,847             |
| Property, plant and equipment            | 52,184             |
| Intangible assets                        | 8,538,019          |
|                                          | <hr/> 10,049,597   |
| Liabilities assumed:                     |                    |
| Accounts payable and accrued liabilities | 1,057,104          |
| Bank indebtedness                        | 12,789             |
| Debt                                     | 599,472            |
|                                          | <hr/> 1,669,365    |
| Net identifiable assets acquired         | 8,380,232          |
| Goodwill                                 | 1,528,648          |
|                                          | <hr/>              |
| Consideration paid                       | <hr/> \$ 9,908,880 |

The results of operations of Energate have been included in the consolidated financial statements of the Company from the effective date of acquisition. Subsequent to the acquisition, management of the Company determined that actual and projected revenue and financial results of Energate were significantly lower than expected. This has resulted in impairment loss on the following balances being recognized in these consolidated financial statements for the year ended December 31, 2017.

|                              |                    |
|------------------------------|--------------------|
| Goodwill impairment          | \$ 1,528,648       |
| Intangible assets impairment | 6,898,452          |
| Total impairment             | <hr/> \$ 8,427,100 |

See Note 18(d) Commitments and Contingencies and Note 26(a) Subsequent Events pertaining to the Company's acquisition of Energate.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

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### 26. Subsequent Events

(a) The Company engaged in an arbitration proceeding against the former shareholders of Energate regarding breaches of representations and other conduct arising from the acquisition of Energate. The arbitrator delivered an award in the amount of \$3,000,000 (in Canadian dollars) to the claimants to be applied by cancelling common shares of the Company held by the respondent having a value equal to such amount in accordance with the terms of the share purchase agreement pursuant to which the Company acquired Energate. The parties entered into two settlement agreements on July 8, 2020 and September 4, 2020 resulting in the cancellation of 2,258,309 outstanding shares for a litigation award in the amount of \$3,000,000 (in Canadian dollars) and cost reimbursement for litigation costs of CDN\$861,709 incurred by the Company. The Company incurred total legal costs of \$724,401 pertaining to this litigation during the year ended December 31, 2019 and \$916,562 during the year ended December 31, 2018). The Company is pursuing eventual collection of awarded costs.

(b) The Company continues to actively monitor the current international and domestic impacts of and responses to COVID-19 and its related risks, and continues to prepare accordingly. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy is not known, an estimate of the financial effect on the Company is not practicable at this time.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the group's business in various ways inclusive of a reduction in the supply of goods and materials from the Company's contract manufacturer supplier which has affected our ability to continue the production of the Company's products as well as the reduction of economic activity/requirement to close our office facilities with the requirement for the large majority of our employees to work from home which has resulted in a significant reduction in sales/productivity during the year ending December 31, 2020.

Governments in the countries in which we operate have also announced the implementation of government assistance measures which might mitigate some of the impact of the COVID-19 pandemic on our results and liquidity. To the extent appropriate, we have applied for and received such government assistance in the countries in which we operate. The details of all of the arrangements that might be available to us and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty. We are continuing to assess the implications for our business when these arrangements are no longer available. Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in future. The exact impact on our existing and future activities cannot be predicted.

(c) On September 8, 2020, the Company and RiseTech Capital Corp. ("RiseTech"), a TSX Venture Exchange-listed capital pool company, entered into a non-binding letter of intent, pursuant to which the parties agreed to complete a plan of arrangement, merger, amalgamation, share exchange and/or other similar transaction. On November 19, 2020, the Company entered into a definitive agreement with RiseTech to complete a merger of the two entities along with the closing of a concurrent financing of approximately CND \$8.8 million through a Subscription Receipt.

# **TANTALUS SYSTEMS HOLDING INC.**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **THIRD QUARTER FISCAL 2020**

**Three and Nine Months periods ended  
September 30, 2020 and September 30, 2019**

*(Expressed in United States dollars)*

*(Unaudited)*

**TANTALUS SYSTEMS HOLDING INC.**  
Interim Condensed Consolidated Statements of Financial Position  
(Unaudited)  
(Expressed in United States dollars)

|                                              | <i>Note</i> | September 30,<br>2020 | December 31,<br>2019 |
|----------------------------------------------|-------------|-----------------------|----------------------|
| <b>Assets</b>                                |             |                       |                      |
| Current assets                               |             |                       |                      |
| Cash                                         |             | \$ 3,225,478          | \$ 5,368,086         |
| Accounts receivable                          | 4           | 5,935,571             | 4,819,166            |
| Investment tax credits receivable            | 5           | 1,910,728             | 960,728              |
| Inventory                                    | 6           | 5,241,541             | 5,038,119            |
| Prepaid expenses and deposits                |             | 724,785               | 563,035              |
| Total current assets                         |             | 17,038,103            | 16,749,134           |
| Property and equipment                       | 7           | 1,386,933             | 1,477,160            |
| Intangible assets                            | 8           | 533,526               | 759,445              |
| Right of Use assets                          | 9           | 1,103,392             | 1,152,875            |
| Total assets                                 |             | \$ 20,061,954         | \$ 20,138,614        |
| <b>Liabilities and Shareholders' Deficit</b> |             |                       |                      |
| Current liabilities                          |             |                       |                      |
| Accounts payable and accrued liabilities     | 10          | \$ 9,714,062          | \$ 9,968,915         |
| Deferred revenue and deposits                |             | 1,981,902             | 3,250,183            |
| Lease liabilities                            | 12          | 720,036               | 680,595              |
| Bank loan                                    | 11          | 8,184,700             | 8,196,892            |
| Total current liabilities                    |             | 20,600,700            | 22,096,585           |
| Lease Liabilities                            | 12          | 686,287               | 902,381              |
| Total liabilities                            |             | 21,286,987            | 22,998,966           |
| Shareholders' deficit                        |             |                       |                      |
| Share capital                                | 13          |                       |                      |
| Common shares                                |             | 71,475,662            | 74,556,543           |
| Other capital reserves                       |             | 39,309,551            | 37,436,376           |
| Accumulated other comprehensive income       |             | 1,926,003             | 1,926,003            |
| Deficit                                      |             | (113,936,249)         | (116,779,274)        |
| Total Shareholders' deficit                  |             | (1,225,033)           | (2,860,352)          |
| Total liabilities and Shareholders' deficit  |             | \$ 20,061,954         | \$ 20,138,614        |

See accompanying notes to the interim condensed consolidated financial statements.

Commitments and contingencies (note 16)  
Subsequent events (note 22)

Approved on behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# TANTALUS SYSTEMS HOLDING INC.

## Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

(Expressed in United States dollars)

|                                                         | Three Months<br>period ended<br>September 30,<br>2020 | Three Months<br>period ended<br>September 30,<br>2019 | Nine Months<br>period ended<br>September 30,<br>2020 | Nine Months<br>period ended<br>September 30,<br>2019 |
|---------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| Revenues (note 17)                                      | \$ 8,754,751                                          | \$ 10,680,926                                         | \$ 23,736,626                                        | \$ 31,520,166                                        |
| Cost of sales (notes 6,13,18)                           | 4,646,988                                             | 5,825,712                                             | 12,418,233                                           | 17,772,122                                           |
|                                                         | 4,107,763                                             | 4,855,214                                             | 11,318,393                                           | 13,748,044                                           |
| <b>Expenses:</b>                                        |                                                       |                                                       |                                                      |                                                      |
| Sales and marketing                                     | 1,246,216                                             | 1,450,905                                             | 4,057,070                                            | 4,846,069                                            |
| Research and development (note 5)                       | 1,109,078                                             | 1,108,032                                             | 3,043,196                                            | 3,888,434                                            |
| General and administrative                              | 936,115                                               | 1,439,840                                             | 2,980,456                                            | 3,716,948                                            |
| Depreciation and amortization (notes 7,8,9)             | 437,515                                               | 365,873                                               | 1,288,527                                            | 1,126,809                                            |
|                                                         | 3,728,924                                             | 4,364,650                                             | 11,369,249                                           | 13,578,260                                           |
| <b>Operating income (loss)</b>                          | 378,839                                               | 490,564                                               | (50,856)                                             | 169,784                                              |
| <b>Other earnings (expenses):</b>                       |                                                       |                                                       |                                                      |                                                      |
| Foreign exchange gain (loss)                            | (90,363)                                              | 932                                                   | (24,188)                                             | (147,562)                                            |
| Finance expenses (note 14)                              | (154,984)                                             | (223,399)                                             | (544,529)                                            | (692,514)                                            |
| Other income (notes 5,13)                               | 1,849,688                                             | -                                                     | 3,462,598                                            | -                                                    |
|                                                         | 1,604,341                                             | (222,467)                                             | 2,893,881                                            | (840,076)                                            |
| <b>Income (loss) before income taxes</b>                | 1,983,180                                             | 268,097                                               | 2,843,025                                            | (670,292)                                            |
| Income tax expense                                      | -                                                     | -                                                     | -                                                    | 10,000                                               |
| <b>Income (loss) for the period</b>                     | 1,983,180                                             | 268,097                                               | 2,843,025                                            | (680,292)                                            |
| <b>Total comprehensive income (loss) for the period</b> | 1,983,180                                             | 268,097                                               | 2,843,025                                            | (680,292)                                            |
| Earnings (loss) per share (basic and diluted) (note 15) | \$ 0.05                                               | \$ 0.01                                               | \$ 0.07                                              | (\$ 0.02)                                            |

See accompanying notes to interim condensed consolidated financial statements.

**TANTALUS SYSTEMS HOLDING INC.**  
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity  
(Unaudited)  
(Expressed in United States dollars)

|                                                    |           | Common Shares |               | Other<br>Capital<br>Reserves | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Deficit          | Total<br>Shareholders<br>Deficit |
|----------------------------------------------------|-----------|---------------|---------------|------------------------------|--------------------------------------------------------|------------------|----------------------------------|
|                                                    | Note      | Number        | Amount        |                              |                                                        |                  |                                  |
| <b>Balance, December 31, 2018</b>                  | <b>13</b> | 43,018,997    | \$ 74,556,543 | \$ 36,978,338                | \$ 1,911,832                                           | \$ (116,173,354) | \$ (2,726,641)                   |
| Share-based compensation                           |           | -             | -             | 377,505                      | -                                                      | -                | 377,505                          |
| Income (loss) for the period                       |           | -             | -             | -                            | -                                                      | (680,292)        | (680,292)                        |
| <b>Balance, September 30, 2019</b>                 |           | 43,018,997    | \$ 74,556,543 | \$ 37,355,843                | \$ 1,911,832                                           | \$ (116,853,647) | \$ (3,029,429)                   |
| <b>Balance, December 31, 2019</b>                  |           | 43,018,997    | \$ 74,556,543 | \$ 37,436,376                | \$ 1,926,003                                           | \$ (116,779,274) | \$ (2,860,352)                   |
| Share-based compensation                           |           | -             | -             | 230,520                      | -                                                      | -                | 230,520                          |
| Cancellation of shares from<br>Energate settlement | <b>13</b> | (2,258,309)   | (3,080,881)   | 1,642,655                    | -                                                      | -                | (1,438,226)                      |
| Income for the period                              |           | -             | -             | -                            | -                                                      | 2,843,025        | 2,843,025                        |
| <b>Balance, September 30, 2020</b>                 |           | 40,760,688    | \$ 71,475,662 | \$ 39,309,551                | \$ 1,926,003                                           | \$ (113,936,249) | \$ (1,225,033)                   |

See accompanying notes to interim condensed consolidated financial statements.

**TANTALUS SYSTEMS HOLDING INC.**  
Interim Condensed Consolidated Statements of Cash Flows  
(Unaudited)  
(Expressed in United States dollars)

|                                                            | Nine months<br>period ended<br>September 30,<br>2020 | Nine months<br>period ended<br>September 30,<br>2019 |
|------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| <b>Cash provided by (used in)</b>                          |                                                      |                                                      |
| <b>Operating Activities</b>                                |                                                      |                                                      |
| Income (loss) for the period                               | \$ 2,843,025                                         | \$ (680,292)                                         |
| Items Not Affecting Cash:                                  |                                                      |                                                      |
| Depreciation of equipment (note 7)                         | 403,433                                              | 342,273                                              |
| Amortization of intangible assets (note 8)                 | 541,780                                              | 476,993                                              |
| Amortization of right-of-use asset (note 9)                | 343,314                                              | 307,543                                              |
| Share-Based compensation (note 13)                         | 230,520                                              | 377,505                                              |
| Gain on Energate share cancellation                        | (1,438,226)                                          | -                                                    |
| Gain on lease obligation                                   | (16,334)                                             | -                                                    |
| Finance expenses                                           | 465,115                                              | 573,582                                              |
| Unrealized foreign exchange loss (gain)                    | 19,110                                               | (22,253)                                             |
| Changes in Non-Cash Operating Working Capital:             |                                                      |                                                      |
| Accounts Receivable (note 4)                               | (1,116,405)                                          | (1,037,821)                                          |
| Investment tax credits receivable (note 5)                 | (950,000)                                            | 558,106                                              |
| Inventories (note 6)                                       | (203,422)                                            | (137,709)                                            |
| Prepaid expenses and deposits                              | (161,752)                                            | (979,134)                                            |
| Accounts payable and accrued liabilities (note 10)         | (254,853)                                            | 729,399                                              |
| Deferred revenue and deposits                              | (1,268,281)                                          | 1,222,923                                            |
| Lease payments for interest (note 12)                      | (109,927)                                            | (120,911)                                            |
| Interest paid on bank loan (note 11)                       | (355,188)                                            | (452,671)                                            |
| <b>Net Cash provided by (used in) Operating Activities</b> | (1,028,091)                                          | 1,157,533                                            |
| <b>Investing Activities</b>                                |                                                      |                                                      |
| Purchase of equipment (note 7)                             | (313,206)                                            | (589,406)                                            |
| Purchase of intangible assets (note 8)                     | (315,861)                                            | (257,774)                                            |
| <b>Net Cash used in Investing Activities</b>               | (629,067)                                            | (847,180)                                            |
| <b>Financing Activities</b>                                |                                                      |                                                      |
| Advances / (repayments) of bank loan (note 11)             | 2,958                                                | 183,517                                              |
| Repayment of lease liabilities (note 12)                   | (484,564)                                            | (446,732)                                            |
| <b>Net Cash used in Financing Activities</b>               | (481,606)                                            | (263,215)                                            |
| Effect of foreign exchange on cash                         | (3,844)                                              | (4,964)                                              |
| <b>Increase (decrease) in cash</b>                         | (2,142,608)                                          | 42,174                                               |
| Cash, beginning of year                                    | 5,368,086                                            | 3,640,507                                            |
| <b>Cash, end of period</b>                                 | \$ 3,225,478                                         | \$ 3,682,681                                         |

See accompanying notes to interim condensed consolidated financial statements.

# **TANTALUS SYSTEMS HOLDING INC.**

## **Notes to Interim Condensed Consolidated Financial Statements**

*(Unaudited)*

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months ended September 30, 2020 and September 30, 2019

### **1. Reporting Entity**

Tantalus Systems Holding Inc. (“TSH”) was incorporated pursuant to the provisions of the Canada Business Corporations Act (“CBCA”) on July 26, 2017. TSH’s business operations are in Canada and in the United States. The interim condensed consolidated financial statements of TSH, as at, and for the three and nine months ended September 30, 2020 and September 30, 2019 comprise TSH and its direct and indirect subsidiaries (collectively referred to as the “Company”).

The Company’s head and registered office is located in Burnaby, Canada. The Company’s direct and indirect operating subsidiaries have offices in Kanata, Ontario, Canada (“Kanata”), Raleigh, North Carolina, United States (“Raleigh”) and Norwalk, Connecticut, United States (“Norwalk”).

#### *Going Concern*

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. During the three and nine months ended September 30, 2020, the Company incurred comprehensive income of \$1,983,180 and \$2,843,025, respectively, and as at September 30, 2020 a total shareholders’ deficit of \$1,225,032. Management has forecasted its cash flow requirements and believes that it has sufficient cash resources to continue operations for at least the next twelve months from September 30, 2020. The Company’s continuing operations and achievement of its business plan are dependent on generating additional revenues from existing and new customers, extending the maturity date of its bank loan and ultimately on continued profitable operations. The continuity of the Company as a going concern is dependent on its ability to achieve positive cash flow from operations, to obtain debt or equity financing and to achieve and maintain profitable operations. The outbreak of COVID-19 towards the end of 2019 and through 2020 resulted in a change in global economic environment and may lead to further adverse changes in cash flows. These consolidated financial statements do not give effect to any adjustments to the carrying value of recorded assets and liabilities, revenue and expenses, the consolidated statements of financial position classifications used and disclosures that might be necessary should the Company be unable to continue as a going concern. Such adjustments are not reflected in these consolidated financial statements.

### **2. Basis of Presentation**

#### *Statement of Compliance*

These interim condensed consolidated financial statements, which have been approved on January 4, 2021, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). These interim condensed consolidated financial statements have been prepared using the historical cost basis and the same accounting policies as those disclosed in the Company’s annual financial statements as at and for the year ended December 31, 2019 except as noted in note 3 for changes and impact of new accounting policies adopted effective January 1, 2020. Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the Company’s annual financial statements as at and for the year ended December 31, 2019 (which were prepared in accordance with International Financial Reporting Standards, or “IFRS”).

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 2. Basis of Presentation (continued):

#### Statement of Compliance (continued)

Selected explanatory notes are included in the interim financial statements to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These interim financial statements include the accounts of the Company and its subsidiaries with intercompany balances and transactions eliminated upon consolidation. The entities contained in the interim financial statements are as follows:

| U | Company Entity         | Active | Country of Incorporation | Ownership Interest 9/30/2020 | Ownership Interest 2019 |
|---|------------------------|--------|--------------------------|------------------------------|-------------------------|
| S | Tantalus Systems Corp. | Yes    | Canada                   | 100%                         | 100%                    |
| e | Tantalus Systems Inc.  | Yes    | U.S.                     | 100%                         | 100%                    |
|   | Energate Inc.          | Yes    | Canada                   | 100%                         | 100%                    |
| o | Energate, Corp.        | No     | U.S.                     | 100%                         | 100%                    |

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#### Judgements, Estimates and Assumptions

The preparation of these interim financial statements in accordance with IAS 34 requires management to use judgement and make estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities at the date of the interim financial statements, and the reported amounts of revenue and expenses during the reporting periods. The judgements, estimates and associated assumptions are based on historical experience and other factors that management considers to be relevant and are subject to uncertainty. Judgements, estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results could differ from these estimates due to changes in interest rates, foreign exchange rates, inflation, and economic conditions. The areas of significant judgement and estimation were identified in the Company's annual financial statements for the year ended December 31, 2019, except for judgements pertaining to the adoption of new accounting policies effective on January 1, 2020 (note 3).

### 3. Changes in Significant Accounting Policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements. The changes in accounting policies have been reflected in the Company's interim financial statements as at and for the periods ended September 30, 2020.

# **TANTALUS SYSTEMS HOLDING INC.**

## **Notes to Interim Condensed Consolidated Financial Statements (Unaudited)**

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### **3. Changes in Significant Accounting Policies (continued)**

#### *Conceptual Framework*

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting which assists entities in developing accounting policies when no IFRS Standard applies to a particular transaction and helps stakeholders to more fully understand the standards. The revised conceptual framework includes the following clarifications and updates: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions and guidance, particularly for the definition of a liability; and, (d) clarifications on important items such as the role of stewardship, prudence and measurement uncertainty in financial reporting. The revised conceptual framework is effective for annual reporting periods beginning on or after January 1, 2020 and is applicable to the Company starting January 1, 2020. The adoption of this new standard has not had any impact on the amounts recognized in the Company's interim financial statements.

#### *Definition of Material*

In October 2018, the IASB issued Definition of Material (Amendments to IAS 1 Presentation of Financial Statements and 8 Accounting Policies, Changes in Accounting Estimates and Errors) to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and are applicable to the Company starting January 1, 2020. The adoption of this new standard does not have any impact on the amounts recognized in the Company's interim financial statements.

#### *Amendments to IFRS 3 Business Combination*

In October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3 Business Combination) which: (a) clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (b) narrows the definition of a business and of outputs by focusing on goods and services provided to customers; and (c) removes certain assessments and adds guidance and illustrative examples. The amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning in or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. The adoption of this new standard has not had any impact on the amounts recognized in the Company's interim financial statements.

# **TANTALUS SYSTEMS HOLDING INC.**

## **Notes to Interim Condensed Consolidated Financial Statements**

*(Unaudited)*

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### **3. Changes in Significant Accounting Policies (continued)**

#### *Government Grants*

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as other income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. The Company adopted this accounting policy to account for the government assistance received during the three and nine months ended September 30, 2020.

#### Accounting Standards Issued but not yet Effective

Standards and amendments issued but not yet applicable to the Company's financial statements are listed below. This listing of standards and amendments issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

#### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or noncurrent. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined. There is currently a proposal outstanding that would defer the effective date until January 1, 2023.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 4. Accounts Receivable

|                                       | September 30, 2020  | December 31, 2019   |
|---------------------------------------|---------------------|---------------------|
| Accounts receivable                   | \$ 6,087,425        | \$ 4,965,318        |
| Less: Allowance for doubtful accounts | (151,854)           | (146,152)           |
| <b>Net Accounts receivable</b>        | <b>\$ 5,935,571</b> | <b>\$ 4,819,166</b> |

The Company did not have any balances receivable from related parties as at September 30, 2020 and December 31, 2019, respectively.

### 5. Investment Tax Credits Receivable and Government Assistance

The Company has access to certain Canadian federal and provincial tax incentives for qualified research and development in Canada. These investment tax credits are recorded as a reduction to the related expenditures in the fiscal year when there is reasonable assurance that such credits will be realized.

The impact on the Company's research and development government assistance through investment tax credits is as follows:

| Three months ended<br>September 30, 2020 | Research and<br>Development, Gross | Investment Tax<br>Credit | Research and<br>Development,<br>Net |
|------------------------------------------|------------------------------------|--------------------------|-------------------------------------|
| Research and Development                 | \$ 1,334,078                       | \$225,000                | \$ 1,109,078                        |

| Three months ended<br>September 30, 2019 | Research and<br>Development, Gross | Investment Tax<br>Credit | Research and<br>Development,<br>Net |
|------------------------------------------|------------------------------------|--------------------------|-------------------------------------|
| Research and Development                 | \$1,348,032                        | \$240,000                | \$1,108,032                         |

| Nine months ended<br>September 30, 2020 | Research and<br>Development, Gross | Investment Tax<br>Credit | Research and<br>Development,<br>Net |
|-----------------------------------------|------------------------------------|--------------------------|-------------------------------------|
| Research and Development                | \$ 3,993,196                       | \$950,000                | \$ 3,043,196                        |

| Nine months ended<br>September 30, 2019 | Research and<br>Development, Gross | Investment Tax<br>Credit | Research and<br>Development,<br>Net |
|-----------------------------------------|------------------------------------|--------------------------|-------------------------------------|
| Research and Development                | \$4,608,434                        | \$720,000                | \$3,888,434                         |

## **TANTALUS SYSTEMS HOLDING INC.**

### **Notes to Interim Condensed Consolidated Financial Statements**

*(Unaudited)*

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

#### **5. Investment Tax Credits Receivable and Government Assistance (continued)**

##### **(a) Government Assistance**

###### *United States Paycheck Protection Program Loan*

On May 6, 2020, Tantalus Systems Inc. ("TSI"), a subsidiary of TSH, received loan proceeds in the aggregate amount of \$914,676 from Titan Bank, N.A. (the "Loan") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The Loan was necessary to support the ongoing operations of the Company due to the economic uncertainty resulting from the COVID-19 pandemic and lack of access to alternative sources of liquidity.

The Loan is evidenced by a promissory note, dated May 4, 2020 issued by TSI, matures on May 6, 2022, bears interest at a rate of 1% per annum and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The Loan may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for certain qualifying expenses, including payroll costs, costs used to continue group health care benefits, rent and utilities, and may be partially or wholly forgiven in accordance with the requirements set forth in the CARES Act.

Since receipt of the Loan proceeds and through September 30, 2020, the Company has used all of the PPP proceeds toward qualifying expenses as required under the CARES Act and has also complied with the requirements of the CARES Act with respect to maintaining TSI's employee headcount and payroll levels. TSI submitted an application for forgiveness of the Loan to Titan Bank, N.A. on October 13, 2020. While the forgiveness applications remain pending, management believes there is reasonable assurance that TSI has met the requirements to receive forgiveness of the Loan and thus has recognized governmental grant income of \$4,629 and \$914,676 during the three and nine months ended September 30, 2020 with respect to the Loan.

###### *Canada Emergency Wage Subsidy Program*

The Company applied for and received subsidies in the aggregate amount of \$1,083,947 during the nine months ended September 30, 2020 pursuant to the Canada Emergency Wage Subsidy ("CEWS") program under the Government of Canada's COVID-19 Economic Response Plan. In order to qualify for CEWS, among other things, Canadian employers must have incurred a revenue reduction equal to or greater than certain thresholds as compared to certain periods prior to the COVID-19 crisis. Management believes there is reasonable assurance that TSC has met the eligibility requirements of CEWS and properly made claims for the subsidies received thereunder, and thus has recognized governmental grant income of \$ 390,499 and \$1,083,947 during the three and nine months ended September 30, 2020 pertaining to the CEWS wage subsidy program. The Company also received \$9,415 under the Government of Canada's 10% Temporary Wage Subsidy for Employers program. This resulted in the Company receiving aggregate amount of \$1,093,362 under Canadian wage subsidy programs pertaining to COVID-19.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 5. Investment Tax Credits Receivable and Government Assistance (continued)

#### (a) Government Assistance (continued)

##### *United States Paycheck Protection Program Loan (continued)*

The Company has accounted for the aggregate proceeds from the Loan and CEWS as governmental grant income in the period received:

| Amounts Recognized in<br>Statements of Operations | Three months<br>ended<br>September 30, 2020 | Three months<br>ended<br>September 30, 2019 | Nine months<br>ended<br>September 30, 2020 | Nine months ended<br>September 30, 2019 |
|---------------------------------------------------|---------------------------------------------|---------------------------------------------|--------------------------------------------|-----------------------------------------|
| PPP forgivable loan                               | \$ 4,629                                    | \$ -                                        | \$ 914,676                                 | \$ -                                    |
| Canadian wage subsidy<br>programs                 | 390,499                                     | -                                           | 1,093,362                                  | -                                       |
| <b>Total</b>                                      | <b>\$395,128</b>                            | <b>\$ -</b>                                 | <b>\$ 2,008,038</b>                        | <b>\$ -</b>                             |

### 6. Inventory

|                  | September 30, 2020  | December 31, 2019   |
|------------------|---------------------|---------------------|
| Finished goods   | \$ 3,690,048        | \$ 3,325,763        |
| Raw materials    | 1,551,493           | 1,712,356           |
| <b>Inventory</b> | <b>\$ 5,241,541</b> | <b>\$ 5,038,119</b> |

During the three months ended September 30, 2020 and September 30, 2019, the Company charged \$3,541,352 and \$4,119,079, respectively, of inventory related amounts to cost of sales. During the nine months ended September 30, 2020 and September 30, 2019, the Company charged \$9,273,422 and \$12,482,973, respectively, of inventory related amounts to cost of sales.

The Company assesses the valuation of inventory at the end of each period resulting in valuation adjustments accounted for in the respective period based upon management estimates. The Company assesses the valuation of inventory at the end of each period resulting in valuation adjustments accounted for in the respective period based upon management estimates. During the periods, inventories were reviewed for obsolescence as part of ongoing operations. Inventory adjustments for obsolescence were recorded in cost of sales during the three months ended September 30, 2020 and September 30, 2019 of \$103,077 and \$28,419, respectively, and during the nine months ended September 30, 2020 and September 30, 2019 of \$240,586 and \$176,823, respectively.

# TANTALUS SYSTEMS HOLDING INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

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Three and Nine Months periods ended September 30, 2020 and September 30, 2019

## 7. Property and Equipment

The following table presents details of movement in the carrying value of equipment by type:

| <b>Cost</b>                | <b>Computers<br/>and<br/>Equipment</b> | <b>Furniture<br/>and Fixtures</b> | <b>Laboratory<br/>and Test<br/>Equipment</b> | <b>Leasehold<br/>Improvement</b> | <b>Total</b> |
|----------------------------|----------------------------------------|-----------------------------------|----------------------------------------------|----------------------------------|--------------|
| Balance December 31, 2019  | 3,313,093                              | 512,805                           | 4,605,724                                    | 1,612,402                        | 10,044,024   |
| Additions                  | 50,709                                 | 10,880                            | 247,660                                      | 3,957                            | 313,206      |
| Balance September 30, 2020 | 3,363,802                              | 523,685                           | 4,853,384                                    | 1,616,359                        | 10,357,230   |

| <b>Accumulated Depreciation</b> | <b>Computers<br/>and<br/>Equipment</b> | <b>Furniture<br/>and Fixtures</b> | <b>Laboratory<br/>and Test<br/>Equipment</b> | <b>Leasehold<br/>Improvement</b> | <b>Total</b> |
|---------------------------------|----------------------------------------|-----------------------------------|----------------------------------------------|----------------------------------|--------------|
| Balance December 31, 2019       | 3,187,590                              | 412,878                           | 3,830,261                                    | 1,136,135                        | 8,566,864    |
| Depreciation                    | 57,191                                 | 25,349                            | 174,957                                      | 145,936                          | 403,433      |
| Balance September 30, 2020      | 3,244,781                              | 438,227                           | 4,005,218                                    | 1,282,071                        | 8,970,297    |

| <b>Net Book Value</b>      | <b>Computers<br/>and<br/>Equipment</b> | <b>Furniture<br/>and Fixtures</b> | <b>Laboratory<br/>and Test<br/>Equipment</b> | <b>Leasehold<br/>Improvement</b> | <b>Total</b> |
|----------------------------|----------------------------------------|-----------------------------------|----------------------------------------------|----------------------------------|--------------|
| Balance December 31, 2019  | 125,503                                | 99,927                            | 775,463                                      | 476,267                          | 1,477,160    |
| Balance September 30, 2020 | 119,021                                | 85,458                            | 848,166                                      | 334,288                          | 1,386,933    |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 8. Intangible assets

The following table presents details of movement in the carrying value of intangible asset by type:

| <b>Cost</b>                | <b>Computer Software</b> | <b>Customer Relations</b> | <b>Intellectual Property</b> | <b>Total</b> |
|----------------------------|--------------------------|---------------------------|------------------------------|--------------|
| Balance December 31, 2019  | 1,262,536                | 677,509                   | 962,058                      | 2,902,103    |
| Additions                  | 315,861                  | -                         | -                            | 315,861      |
| Balance September 30, 2020 | 1,578,397                | 677,509                   | 962,058                      | 3,217,964    |

| <b>Accumulated Depreciation</b> | <b>Computer Software</b> | <b>Customer Relations</b> | <b>Intellectual Property</b> | <b>Total</b> |
|---------------------------------|--------------------------|---------------------------|------------------------------|--------------|
| Balance December 31, 2019       | 1,153,443                | 409,127                   | 580,088                      | 2,142,658    |
| Depreciation                    | 234,361                  | 127,035                   | 180,384                      | 541,780      |
| Balance September 30, 2020      | 1,387,804                | 536,162                   | 760,472                      | 2,684,438    |

| <b>Net Book Value</b>      | <b>Computer Software</b> | <b>Customer Relations</b> | <b>Intellectual Property</b> | <b>Total</b> |
|----------------------------|--------------------------|---------------------------|------------------------------|--------------|
| Balance December 31, 2019  | 109,093                  | 268,382                   | 381,970                      | 759,445      |
| Balance September 30, 2020 | 190,593                  | 141,347                   | 201,586                      | 533,526      |

# TANTALUS SYSTEMS HOLDING INC.

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### 9. Right of Use Assets

The following table presents details of movement in the carrying value of the right-of-use asset:

|                                     | September 30, 2020  | December 31, 2019   |
|-------------------------------------|---------------------|---------------------|
| <b>Beginning Balance</b>            | <b>\$ 1,152,875</b> | <b>\$ 1,562,932</b> |
| Additions                           | 372,985             | -                   |
| Write-off due to lease cancellation | (79,154)            | -                   |
| Amortization for ROU                | (343,314)           | (410,057)           |
| <b>Ending Balance</b>               | <b>\$ 1,103,392</b> | <b>\$ 1,152,875</b> |

### 10. Accounts Payables and Accrued Liabilities

|                                    | September 30, 2020  | December 31, 2019   |
|------------------------------------|---------------------|---------------------|
| Trade payables and other payables  | \$ 5,833,871        | \$ 5,958,967        |
| Accrued warranty                   | 815,188             | 699,562             |
| Employee benefits                  | 1,354,400           | 1,621,447           |
| Vendor goods and services received | 499,938             | 580,113             |
| Professional fees                  | 500,763             | 376,638             |
| Other accrued liabilities          | 709,902             | 732,188             |
| <b>Total</b>                       | <b>\$ 9,714,062</b> | <b>\$ 9,968,915</b> |

### 11. Bank Loan

The Company entered into a loan agreement on April 12, 2012, and subsequent amendments (together the "Agreement") with Comerica Bank (the "Bank") to fund ongoing working capital requirements. At December 31, 2019, the line of credit facility has a maximum borrowing limit of approximately USD \$8,100,000 comprised of two line of credit facilities with respective maximum borrowing limits of \$7,486,000 and \$750,000 (expressed in Canadian dollars) subject to a borrowing base in the amount equal to the aggregate of a percentage of eligible receivables, accrued investment tax credits, inventory and purchase orders. The facility bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly. The facility had a maturity date of February 26, 2020. The credit facility is secured by financial covenants, a general security agreement, and security over accounts receivable and inventory. As at September 30, 2020, the Company was in compliance with its financial covenants. As at September 30, 2020, the Company had an aggregate balance for its line of credit facilities of \$8,048,275 (\$8,063,425 as at December 31, 2019) drawn on its line of credit facility with the Bank.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

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### 11. Bank Loan (continued)

During 2019, the Company entered into an amendment agreement with the Bank to add a term loan advance credit extension of up to \$750,000 bearing an interest rate at the bank's prime rate plus 2.5% and with a maturity date of February 26, 2020 which was subsequently amended to December 31, 2020. As September 30, 2020, the Company has \$136,425 drawn on the loan.

The aggregate total bank loan, inclusive of the term loan, payable by the Company is \$8,184,700 and \$8,196,892 as at September 30, 2020 and December 31, 2019, respectively.

Subsequent to December 31, 2019, the Company entered into an amendment agreement with the Bank which extended the maturity date of the line of credit facilities from February 26, 2020 to February 26, 2021. These amounts continue to be presented in the statement of financial position in accordance with the terms of the facility as they existed at the balance sheet date. After September 30, 2020, the Company has applied to renew its debt facilities for another annual term extension after the February 26, 2021 maturity date.

### 12. Lease Liabilities

The Company has leases with respect to its operating premises in Burnaby, British Columbia, Canada ("Burnaby"), Kanata, Ontario, Canada ("Kanata"), Raleigh, and Norwalk, in addition to equipment leases. With the exception of short-term and low-value leases, leases are reflected on the balance sheet as a right-of-use asset and a lease liability.

The Company decided to apply recognition exemptions to short-term leases of its equipment leases. Payments made under such equipment leases are expensed on a straight-line basis.

Below is a summary of the activity related to the Company's fixed minimum operating premises and short-term equipment lease liabilities:

|                                                                                           | September 30, 2020 | December 31, 2019  |
|-------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>Maturity Analysis –<br/>contractual undiscounted cash flows from minimum<br/>lease</b> |                    |                    |
| Less than one year                                                                        | \$720,036          | \$680,595          |
| One to five years                                                                         | 952,391            | 1,125,528          |
| More than five years                                                                      |                    | -                  |
| <b>Total undiscounted lease liabilities</b>                                               | <b>\$1,672,427</b> | <b>\$1,806,123</b> |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

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### 12. Lease Liabilities (continued)

The following is a reconciliation of undiscounted lease liabilities at September 30, 2020 to the lease liabilities recognized at September 30, 2020:

|                                                                   |                     |
|-------------------------------------------------------------------|---------------------|
| <b>Total undiscounted lease liabilities at September 30, 2020</b> | <b>\$ 1,672,427</b> |
| Discounted using incremental borrowing rate                       | (266,104)           |

|                                                      |                     |
|------------------------------------------------------|---------------------|
| <b>Total lease liabilities at September 30, 2020</b> | <b>\$ 1,406,323</b> |
|------------------------------------------------------|---------------------|

The following table presents details of movement in the carrying value of the lease liabilities:

|                                     | September 30, 2020  | December 31, 2019   |
|-------------------------------------|---------------------|---------------------|
| <b>Beginning Balance</b>            | <b>\$ 1,582,976</b> | <b>\$ 2,036,397</b> |
| Additions                           | 372,985             | -                   |
| Add: Interest                       | 109,927             | 155,732             |
| Less: Payments                      | (594,491)           | (757,160)           |
| Write-off due to lease cancellation | (79,154)            | -                   |
| Impact of foreign exchange          | 14,080              | 148,007             |
| Ending Balance                      | 1,406,323           | 1,582,976           |
| Less: Current portion               | (720,036)           | (680,595)           |
| <b>Non-current portion</b>          | <b>\$ 686,287</b>   | <b>\$ 902,381</b>   |

| Amounts Recognized in Statements<br>of Operations               | Three months<br>ended<br>September 30,<br>2020 | Three months<br>ended<br>September 30,<br>2019 | Nine months<br>ended<br>September 30,<br>2020 | Nine months<br>ended<br>September 30,<br>2019 |
|-----------------------------------------------------------------|------------------------------------------------|------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Accretion of interest on lease liability                        | \$ 34,647                                      | \$ 37,597                                      | \$ 109,927                                    | \$ 120,911                                    |
| Variable lease payments expensed                                | 124,192                                        | 123,742                                        | 372,575                                       | 371,225                                       |
| Short-term lease payments expensed                              | 3,743                                          | 5,210                                          | 11,230                                        | 15,631                                        |
| <b>Total amounts recognized in<br/>Statements of Operations</b> | <b>\$ 162,582</b>                              | <b>\$ 166,549</b>                              | <b>\$ 493,732</b>                             | <b>\$ 507,767</b>                             |

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### 12. Lease Liabilities (continued)

The aggregate of the Company's variable lease payments as at September 30, 2020 is as follows and reflect the estimated future payments of the variable operating costs of the long-term operating premises leases in Burnaby, Kanata, Raleigh and Norwalk:

|                  |                  |
|------------------|------------------|
| 2020 (remainder) | \$124,192        |
| 2021             | 504,328          |
| 2022             | 91,162           |
| 2023             | 91,306           |
| 2024             | 91,455           |
| 2025             | 4,050            |
|                  | <hr/>            |
|                  | <b>\$906,493</b> |

### 13. Share Capital

(a) Authorized share capital:

Unlimited common shares, with no par value:

The holders of common shares are entitled to one vote per share, to receive dividends when declared and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to Shareholders.

(b) Energate Arbitration

(a) The Company (along with Tantalus Systems Shareholders Inc., collectively, the "claimants") engaged in an arbitration proceeding against the former shareholders of Energate (the "respondent") regarding breaches of representations and other conduct relating to the Company's acquisition of Energate on July 26, 2017. Two events occurred which resulted in the cancellation of 2,258,309 outstanding common shares of the Company:

1) The arbitrator delivered an award in the amount of CAD\$3,000,000 to the claimants to be applied by cancelling common shares of the Company held by the respondent having a value equal to such amount in accordance with the terms of the share purchase agreement pursuant to which the Company acquired Energate. Accordingly, the Company cancelled 1,754,386 common shares of the Company pursuant to a supplementary consent award executed by the arbitrator and effective as of July 8, 2020.

2) The arbitrator issued a costs award in favor of the Company for reimbursement of costs incurred in connection with the arbitration in the amount of CAD\$861,709. The parties agreed that the Company would cancel an additional 503,923 common shares of the Company held by the former shareholders of Energate as settlement of the costs award.

The Company recognized a total gain of US\$1,438,226 in other income, representing the current value of the cancelled shares during the three months ended September 30, 2020 and a corresponding impact on Share Capital and Other Capital Reserves within Shareholders' Deficit resulting from the share cancellation.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

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Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 13. Share Capital (continued)

#### (c) Common Shares

The Company has 40,760,688 common shares outstanding as at September 30, 2020 as indicated below:

|                                        | Number of<br>common shares | Amount               |
|----------------------------------------|----------------------------|----------------------|
| <b>Outstanding, January 1, 2019</b>    | <b>43,018,997</b>          | <b>\$74,556,543</b>  |
| Issued during period                   | -                          | -                    |
| <b>Outstanding, December 31, 2019</b>  | <b>43,018,997</b>          | <b>\$74,556,543</b>  |
| Cancellation of shares from settlement | (2,258,309)                | (3,080,881)          |
| Issued during period                   | -                          | -                    |
| <b>Outstanding, September 30, 2020</b> | <b>40,760,688</b>          | <b>\$ 71,475,662</b> |

#### (d) Stock Option Plan

The Company established an incentive stock option plan, approved by the Board of Directors on July 26, 2017, whereby the Company may grant stock options to provide incentives to eligible persons. The stock option plan allows for a maximum of 6,145,571 common shares to be available under the plan. Stock options that become unexercisable, including expiry of the option or surrender of the option, become available for future grants under the plan.

The stock options are settled by way of issuance of common shares. The exercise price of stock options is determined by a committee of the Board of Directors, or if no committee is appointed, the Board of Directors. The expiry date of stock options is designated on the date of grant and shall be no later than 10-years from the date of grant. Unless otherwise approved by the Board of Directors, the stock options typically vest over a 4-year term with 25% of the options vesting after 12-months and the remaining 75% of the options vesting monthly in equal amounts over the following 36-months.

Stock option activity under the stock option plan of the Company is provided below:

|                                      | Number of Options | Weighted Average<br>Exercise Price |
|--------------------------------------|-------------------|------------------------------------|
| <b>Balance at January 1, 2019</b>    | <b>5,143,842</b>  | <b>\$0.62</b>                      |
| Granted during the period            | 70,000            | \$0.62                             |
| Forfeited/expired during the period  | (221,240)         | \$0.62                             |
| <b>Balance at December 31, 2019</b>  | <b>4,992,602</b>  | <b>\$0.62</b>                      |
| Granted during the period            | 941,545           | \$0.62                             |
| Forfeited/expired during the period  | (73,747)          | \$0.62                             |
| <b>Balance at September 30, 2020</b> | <b>5,860,400</b>  | <b>\$0.62</b>                      |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 13. Share Capital (continued)

#### (e) Stock Option Plan

During the three and nine months ended September 30, 2020, the fair value of options granted was \$142,002 and \$266,683, respectively. The fair value of the options granted was estimated on the date of grant using the Black- Scholes option-pricing model with the following assumptions:

|                          | Nine months<br>ended<br>September 30,<br>2020 | Nine months<br>ended<br>September 30,<br>2019 |
|--------------------------|-----------------------------------------------|-----------------------------------------------|
| Expected life (in years) | 4.3                                           | 5.3                                           |
| Risk-free interest rate  | 1.78%                                         | 1.94%                                         |
| Volatility               | 50.0%                                         | 50.0%                                         |
| Forfeiture rate          | 4.79%                                         | 0.00%                                         |
| Dividend yield           | 0.00%                                         | 0.00%                                         |

Stock-based compensation expense recognized attributable to options granted under the Company's stock option plan was \$230,520 and \$377,505 during the nine months ended September 30, 2020 and September 30, 2019, respectively. Remaining unrecognized cost of the stock option plan of the Company as at September 30, 2020 and December 31, 2019 was \$ 307,104 and \$ 271,745, respectively.

### 14. Finance Expenses

| Amounts Recognized in Statements of<br>Operations  | Three months<br>ended<br>September 30,<br>2020 | Three months<br>ended<br>September 30,<br>2019 | Nine months<br>ended<br>September 30,<br>2020 | Nine months<br>ended<br>September 30,<br>2019 |
|----------------------------------------------------|------------------------------------------------|------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Accretion of interest on lease liability (note 12) | 34,647                                         | 37,597                                         | 109,927                                       | 120,911                                       |
| Interest expense on bank loan                      | 109,538                                        | 151,709                                        | 355,122                                       | 452,426                                       |
| EDC insurance and other finance expenses           | 10,799                                         | 34,093                                         | 79,480                                        | 119,177                                       |
| <b>Total</b>                                       | <b>154,984</b>                                 | <b>223,399</b>                                 | <b>544,529</b>                                | <b>692,514</b>                                |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 15. Earnings (Loss) per Share

| Amounts Recognized in<br>Statements of Operations       | Three months<br>ended<br>September 30,<br>2020 | Three months<br>ended<br>September 30,<br>2019 | Nine months<br>ended<br>September 30,<br>2020 | Nine months<br>ended<br>September 30,<br>2019 |
|---------------------------------------------------------|------------------------------------------------|------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Income (loss) for the period                            | \$1,983,180                                    | \$268,097                                      | \$2,843,025                                   | (\$680,292)                                   |
| Weighted average shares outstanding – basic and diluted | 41,365,232                                     | 43,018,997                                     | 42,461,684                                    | 43,018,997                                    |
| Earnings (loss) per share:                              |                                                |                                                |                                               |                                               |
| Basic and diluted                                       | \$ 0.05                                        | \$ 0.01                                        | \$ 0.07                                       | (\$ 0.02)                                     |

### 16. Commitments and Contingencies

- (a) In the ordinary course of business, the Company may enter into performance bonds with customers as part of a sales contract. As at September 30, 2020 and December 31, 2019, the Company did not have any performance bonds outstanding. After September 30, 2020, the Company entered into one performance bond for \$1,138,012.
- (b) In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors.
- (c) The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

# TANTALUS SYSTEMS HOLDING INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

## 17. Segmented Information

### Operating segments

The Company currently has the following two operating segments:

- (a) *The Connected Devices and Infrastructure Segment:* This segment is responsible for the sale of TSH's proprietary edge computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, load control switches, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of TSH's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / IoT smart grid including base stations, repeaters and collectors; and
- (b) *The Utility Applications and Services Segment.* This segment is responsible for the sale of TSH's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services.

Corporate includes all operating expenses of the Company.

Information regarding the operations of each operating segment is included below. Performance is based on revenue less cost of sales.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 17. Segmented Information (continued)

#### Operating segments (continued)

A breakdown of revenues and cost of sales for each operating segment for the three and nine months ended September 30, 2020 and September 30, 2019 is as follows:

| Three months ended<br>September 30, 2020 | Connected<br>Devices and<br>Infrastructure | Utility<br>Applications and<br>Services | Corporate          | Total          |
|------------------------------------------|--------------------------------------------|-----------------------------------------|--------------------|----------------|
| Revenue                                  | 6,299,479                                  | 2,455,272                               | -                  | 8,754,751      |
| Cost of sales                            | 3,541,352                                  | 1,105,636                               | -                  | 4,646,988      |
| Gross profit                             | 2,758,127                                  | 1,349,636                               | -                  | 4,107,763      |
| Operating expenses                       | -                                          | -                                       | 3,728,924          | 3,728,924      |
| <b>Operating profit (loss)</b>           | <b>2,758,127</b>                           | <b>1,349,636</b>                        | <b>(3,728,924)</b> | <b>378,839</b> |

| Three months ended<br>September 30, 2019 | Connected<br>Devices and<br>Infrastructure | Utility<br>Applications and<br>Services | Corporate          | Total          |
|------------------------------------------|--------------------------------------------|-----------------------------------------|--------------------|----------------|
| Revenue                                  | 7,204,121                                  | 3,476,805                               | -                  | 10,680,926     |
| Cost of sales                            | 4,119,079                                  | 1,706,633                               | -                  | 5,825,712      |
| Gross profit                             | 3,085,042                                  | 1,770,172                               | -                  | 4,855,214      |
| Operating expenses                       | -                                          | -                                       | 4,364,650          | 4,364,650      |
| <b>Operating profit (loss)</b>           | <b>3,085,042</b>                           | <b>1,770,172</b>                        | <b>(4,364,650)</b> | <b>490,564</b> |

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 17. Segmented Information (continued)

#### Operating segments (continued)

| Nine months ended<br>September 30, 2020 | Connected<br>Devices and<br>Infrastructure | Utility<br>Applications and<br>Services | Corporate           | Total           |
|-----------------------------------------|--------------------------------------------|-----------------------------------------|---------------------|-----------------|
| Revenue                                 | 16,113,048                                 | 7,623,578                               | -                   | 23,736,626      |
| Cost of sales                           | 9,273,423                                  | 3,144,810                               | -                   | 12,418,233      |
| Gross profit                            | 6,839,625                                  | 4,478,768                               | -                   | 11,318,393      |
| Operating expenses                      | -                                          | -                                       | 11,369,249          | 11,369,249      |
| <b>Operating profit (loss)</b>          | <b>6,839,625</b>                           | <b>4,478,768</b>                        | <b>(11,369,249)</b> | <b>(50,856)</b> |

| Nine months ended<br>September 30, 2019 | Connected<br>Devices and<br>Infrastructure | Utility<br>Applications and<br>Services | Corporate           | Total          |
|-----------------------------------------|--------------------------------------------|-----------------------------------------|---------------------|----------------|
| Revenue                                 | 21,874,046                                 | 9,646,120                               | -                   | 31,520,166     |
| Cost of sales                           | 12,482,974                                 | 5,289,148                               | -                   | 17,772,122     |
| Gross profit                            | 9,391,072                                  | 4,356,972                               | -                   | 13,748,044     |
| Operating expenses                      | -                                          | -                                       | 13,578,260          | 13,578,260     |
| <b>Operating profit (loss)</b>          | <b>9,391,072</b>                           | <b>4,356,972</b>                        | <b>(13,578,260)</b> | <b>169,784</b> |

The Company earned revenues attributed to the following geographic regions based on the location of the customer:

|                            | Three months ended<br>September 30, 2020 | Three months ended<br>September 30, 2019 | Nine months ended<br>September 30, 2020 | Nine months ended<br>September 30, 2019 |
|----------------------------|------------------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------------|
| United States <sup>1</sup> | 8,735,731                                | 10,665,843                               | 23,699,758                              | 31,351,252                              |
| Canada                     | 4,075                                    | 11,079                                   | 19,923                                  | 46,186                                  |
| Others                     | 14,945                                   | 4,004                                    | 16,945                                  | 122,728                                 |
| <b>Total</b>               | <b>8,754,751</b>                         | <b>10,680,926</b>                        | <b>23,736,626</b>                       | <b>31,520,166</b>                       |

(1) United States includes revenues attributed to the US Virgin Islands based in the Caribbean basin.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 18. Expenses by Nature

Total salaries and wages as well as other personnel and contractor related expenses included in Cost of Sales for the three months ended September 30, 2020 and September 30, 2019, respectively, were \$818,623 and \$1,488,215, and for the nine months ended September 30, 2020 and September 30, 2019, respectively, were \$2,454,227 and \$4,315,531.

The Company's operating expenses by nature are as follows:

| Period Ended                                    | Three Months<br>September 2020 | Three Months<br>September 2019 | Nine Months<br>September 2020 | Nine Months<br>September 2019 |
|-------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|-------------------------------|
| Salaries and Benefits                           | \$2,475,011                    | \$2,475,297                    | \$7,301,646                   | \$8,016,222                   |
| Travel and meals                                | 17,692                         | 264,681                        | 213,133                       | 1,071,511                     |
| Depreciation and Amortization                   | 437,515                        | 365,873                        | 1,288,527                     | 1,126,809                     |
| Consulting and agent services                   | 227,963                        | 226,296                        | 683,745                       | 677,392                       |
| Facilities variable lease payments              | 124,192                        | 123,742                        | 372,575                       | 371,225                       |
| Stock-based compensation                        | 70,573                         | 94,423                         | 230,520                       | 377,505                       |
| Marketing programs                              | 105,642                        | 84,039                         | 408,537                       | 271,646                       |
| Insurance                                       | 74,078                         | 68,154                         | 220,151                       | 199,436                       |
| Office                                          | 53,690                         | 56,594                         | 204,058                       | 133,032                       |
| Personnel programs and hiring costs             | 1,721                          | 9,022                          | 9,475                         | 106,305                       |
| Information technology services and maintenance | 46,249                         | 42,311                         | 142,482                       | 153,542                       |
| Other expenses                                  | 94,598                         | 554,218                        | 294,400                       | 1,073,635                     |
| <b>Total</b>                                    | <b>\$3,728,924</b>             | <b>\$4,364,650</b>             | <b>\$11,369,249</b>           | <b>\$13,578,260</b>           |

### 19. Financial instruments

#### (a) Financial assets and liabilities

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment.

As of September 30, 2020, and December 31, 2019, the carrying values of cash, accounts receivable, investment tax credits receivable, accounts payable and accrued liabilities and bank loan approximate their fair value due to their ability to be promptly liquidated, their short term to maturity, or their use of market rates.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 19. Financial instruments (continued)

#### (a) Financial assets and liabilities (continued)

Financial instruments are analyzed using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within 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).

The Company's financial assets and liabilities carried at amortized cost are considered Level 2 instruments, because while observable prices and inputs are available, they are not quoted in an active market. There has not been any transfer between fair value hierarchy levels during the years ended December 31, 2019 and December 31, 2018.

#### (b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- interest rate risk
- credit risk
- foreign currency exchange rate risk
- liquidity risk

##### (i) Interest rate risk

All of the Company's financial assets and liabilities are non-interest bearing except for cash which generates interest income at market rates. The line of credit facility, exclusive of the Company's term loan, bears interest at a floating rate based on the bank's prime rate and had a balance of \$8,184,700 as at September 30, 2020 and \$8,196,892 as at December 31, 2019. A potential percentage change in the bank's prime rate of 1.00% will have an impact of \$81,847 as at September 30, 2020 and \$81,969 as at December 31, 2019 on the Company's annual interest expense pertaining its line of credit facility.

##### (ii) Credit risk

The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash, investment tax credits receivable and accounts receivable. Credit risk pertaining to the Company's accounts receivable is the risk of financial loss if a customer fails to meet its contractual obligations, and arises from the Company's receivables. Accounts receivable primarily consist of trade accounts receivable from utilities companies which have low risk of default. With respect to accounts receivable, the Company engages EDC to perform ongoing credit evaluations of the Company's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 19. Financial instruments (continued)

#### (b) Financial risk management (continued)

##### (ii) Credit risk (continued)

The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

##### *Foreign currency exchange rate risk*

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations.

The Company maintains certain financial instruments, inclusive of a portion of its cash, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company does not have significant exposure to the impact of foreign exchange fluctuations pertaining to its financial position as at September 30, 2020 and December 31, 2019. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the U.S. dollar would have had an impact on net loss of \$152,575 as at September 30, 2020 and \$141,032 as at December 31, 2019.

The consolidated statements of financial position include the following amounts denominated in Canadian dollars at their equivalent US dollar amounts:

|                                          | September 30, 2020   | December 31, 2019    |
|------------------------------------------|----------------------|----------------------|
| Cash                                     | \$166,254            | \$298,512            |
| Accounts receivable                      | 27,710               | 150,174              |
| Accounts payable and accrued liabilities | (289,953)            | (521,301)            |
| Accrued liabilities                      | (679,757)            | (587,709)            |
| Bank loan                                | (750,000)            | (750,000)            |
| <b>Total</b>                             | <b>(\$1,525,746)</b> | <b>(\$1,410,324)</b> |

At present, the Company does not have any formal policy for hedging against foreign currency exchange rate risk.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 19. Financial instruments (continued)

#### (b) Financial risk management (continued)

##### (iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company constantly monitors its operations and cash flows to ensure that current and future obligations will be met when due.

The maturities of the Company's financial liabilities are as follows:

|                                          | September 30, 2020 |
|------------------------------------------|--------------------|
| Less than 90 days:                       |                    |
| Accounts payable and accrued liabilities | \$ 9,714,062       |
| Bank loan                                | \$8,184,700        |

### 20. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. The following table discloses the compensation amount of the Board of Directors and key management personnel in the ordinary course of their employment recognized as an expense during the reporting periods. Key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's executive officers. The remuneration of key management for the three and nine months ended September 30, 2020 and September 30, 2019 is as follows:

| Amounts Recognized in<br>Statements of Operations | Three months<br>ended<br>September 30, 2020 | Three months<br>ended<br>September 30, 2019 | Nine months<br>ended<br>September 30, 2020 | Nine months<br>ended<br>September 30, 2019 |
|---------------------------------------------------|---------------------------------------------|---------------------------------------------|--------------------------------------------|--------------------------------------------|
| Short-term employee benefits                      | \$470,800                                   | \$243,769                                   | \$1,007,671                                | \$1,071,249                                |
| Share-based compensation                          | 34,677                                      | 43,276                                      | 97,744                                     | 173,017                                    |
| <b>Total</b>                                      | <b>\$505,477</b>                            | <b>\$287,045</b>                            | <b>\$1,105,415</b>                         | <b>\$1,244,266</b>                         |

Compensation of the key management personnel includes salaries and non-cash benefits.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

### 21. Supplemental Cash Flow Information

The following are non-cash investing and financing activities that occurred during the periods ended September 30:

|                                                                    | Three months<br>ended<br>September 30,<br>2020 | Three months<br>ended<br>September 30,<br>2019 | Nine months<br>ended<br>September 30,<br>2020 | Nine months<br>ended<br>September 30,<br>2019 |
|--------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Lease liabilities entered into and recorded as right-to-use assets | \$ -                                           | \$ -                                           | \$ 372,985                                    | \$ -                                          |
| Write-off due to lease cancellation                                | -                                              | -                                              | (79,154)                                      | -                                             |
| Energate arbitration share cancellation                            | \$ (1,438,226)                                 | \$ -                                           | \$ (1,438,226)                                | \$ -                                          |

### 22. Subsequent Event

- (a) On November 19, 2020, the Company entered into a definitive agreement with RiseTech to complete a merger of the two entities and closed a concurrent financing of approximately CND\$8.8 million through a subscription receipt offering (the proceeds from which shall be released to the Company upon the satisfaction of certain conditions, namely the approval of the Company for public listing on the TSX-V exchange).
- (b) The Company continues to actively monitor the current international and domestic impacts of and responses to COVID-19 and its related risks, and continues to prepare accordingly. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy is not known, an estimate of the financial effect on the Company is not practicable at this time.
- (c) The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the Company's business in various ways inclusive of a reduction in the supply of goods and materials from the Company's contract manufacturer supplier which has affected its ability to continue the production of the Company's products as well as the reduction of economic activity/requirement to close its office facilities with the requirement for the large majority of its employees to work from home which has resulted in a significant reduction in sales/productivity during the year ended December 31, 2020.

# **TANTALUS SYSTEMS HOLDING INC.**

Notes to Interim Condensed Consolidated Financial Statements

*(Unaudited)*

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Nine Months periods ended September 30, 2020 and September 30, 2019

## **22. Subsequent Event (continued)**

(c) (continued)

Governments in the countries in which the Company operates have also announced the implementation of government assistance measures which might mitigate some of the impact of the COVID-19 pandemic on its results and liquidity. To the extent appropriate the Company has applied for and received such government assistance in the countries in which the Company operates. The details of all of the arrangements that might be available to us and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty. The Company is continuing to assess the implications for its business when these arrangements are no longer available. Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Company might experience further negative results, and liquidity restraints and incur additional impairments on its assets in future. The exact impact on its existing and future activities cannot be predicted.

## **SCHEDULE “D”**

Management’s Discussion and Analysis of TSHI for the years ended December 31, 2019, December 31, 2018, and December 31, 2017, and for the three and nine month periods ended September 30, 2020 and September 30, 2019.

(See attached.)

# TANTALUS SYSTEMS HOLDING INC.

## **Management's Discussion and Analysis of Financial Condition and Results of Operations** *For the Years Ended December 31, 2019, 2018 and 2017*

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of Tantalus Systems Holding Inc (the "Company", "we", "TSHI" or "Tantalus") is provided to assist our readers to assess our financial condition and our financial performance, including our liquidity and capital resources, for the year ended December 31, 2019 compared with the years ended December 31, 2018 and December 31, 2017. The information in this MD&A is current as of January 4, 2021, and should be read in conjunction with the audited consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017.

The Company's audited consolidated financial statements and notes thereto as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), and are presented in United States ("US") dollars which is the functional currency of the Company. Certain dollar amounts in this MD&A have been rounded to the nearest millions or thousands of dollars.

This MD&A contains non-IFRS measures, including Adjusted EBITDA<sup>1</sup>, Adjusted EBITDA Margin<sup>2</sup>, Gross Profit<sup>3</sup> and Adjusted Working Capital<sup>4</sup>. See section "Adjusted EBITDA" below for information on the calculation of Adjusted EBITDA. See section "Results of Operations" for information on the calculation of Gross Profit. See section "Liquidity" for information on the calculation of Adjusted Working Capital.

This MD&A was prepared by management of the Company and was approved by its Board of Directors prior to its release. Unless otherwise stated, the Company has considered all information available to it through January 3, 2021 in preparing this MD&A. Additional information relating to the Company can be found on its website.

<sup>1</sup> Adjusted EBITDA or Earnings before Finance expenses are comprised of interest expense on bank loan and lease liabilities in addition to EDC fees required for the Company's bank loan., Taxes, Depreciation and Amortization, Stock-based Compensation, change in fair value of FVTPL instruments, loss on disposal and non-recurring business expenses. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure is used by the Company to manage and evaluate operating income (loss) of the business.

<sup>2</sup> Adjusted EBITDA Margin represents Adjusted EBITDA expressed as a percentage of the Company's revenues. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers.

<sup>3</sup> Gross Profit referenced here relates to revenues less cost of sales. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the Company.

<sup>4</sup> Adjusted Working Capital as referenced herein is defined as current assets less current liabilities exclusive of the Company's bank loan. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable IFRS measure. The Company believes that the inclusion of this non-IFRS financial measure provides investors with an alternative presentation useful to investors' understanding of the Company's core operating results and trends.

## NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking information”) within the meaning of applicable securities laws. Forward-looking information may relate to our financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate and the impact of the COVID-19 pandemic declared by the World Health Organization on March 11, 2020 (the “COVID-19 Pandemic”) thereon is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”, the negative of these terms and similar terminology. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances based on currently available information.

This forward-looking information includes, among other things, statements relating to: expectations regarding industry trends; our growth rates and growth strategies; addressable markets for our solutions; the achievement of advances in and expansion of our offerings and markets; expectations regarding our revenue and the revenue generation potential of our products, services and other solutions; our business plans and strategies; and our competitive position in our industry.

The forward-looking information contained herein is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances based on currently available information. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to build our market share and enter new markets; our ability to retain key personnel; our ability to execute on our expansion plans; our ability to continue investing in research and development to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management’s expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that

may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the “Risk Factors” section of the Filing Statement to which this MD&A is attached (the “Filing Statement”).

If any of these risks or uncertainties materialize, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above should be considered carefully by prospective investors.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of hereof (or as of the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

***All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.***

## DESCRIPTION OF BUSINESS

### History of the Business:

Tantulus Systems, Corp. (“TSC”) was founded in 1989 in Burnaby, British Columbia, Canada by a collection of individuals who sought to leverage technology to transform the delivery of data through wireless communications networks. By 1999, TSC had centered its focus on leveraging radio frequency (“RF”) technology to assist electric utilities in accessing information from meters deployed across rural and challenging terrain, and to automate meter-to-cash and billing processes for residential, commercial and industrial customers. From leveraging our expertise in accessing devices and collecting data, Tantulus has evolved into a leading provider of smart grid technology solutions to public power and electric cooperative utilities responsible for delivering electricity, water and gas across the United States, Canada and the Caribbean Basin.

At Tantulus, we pride ourselves on aligning our purpose with our customers’ purpose . . .

- To support the safety, prosperity and autonomy of the local communities our public power and electric cooperative customers serve;
- To help these communities thrive by helping our customers power their economic prosperity, environmental sustainability and social progress;
- To ensure these communities are empowered to shape the future of their own smart grids as the adoption of distributed energy resources such as solar panels, distributed storage and electric vehicles transform distribution grids; and
- To give our customers the flexibility and expandability they need to serve their communities today and well into the future.



#### **WHO WE ARE**

A smart grid provider focused on the public power & electric cooperative utility market in North America and the Caribbean Basin



#### **WHAT WE DO**

Deliver mission-critical solutions to help utilities make smarter decisions and prepare for the adoption of distributed energy resources



#### **WHY WE’RE DIFFERENT**

Deliver an edge-computing platform on every connected endpoint to support multiple applications and deliver data analytics



#### **HOW WE DELIVER**

Robust R&D and customer service organizations delivering hosted, on-premise and cloud-based solutions



#### **WHY IT MATTERS**

Improve the environment while delivering social and economic value to communities

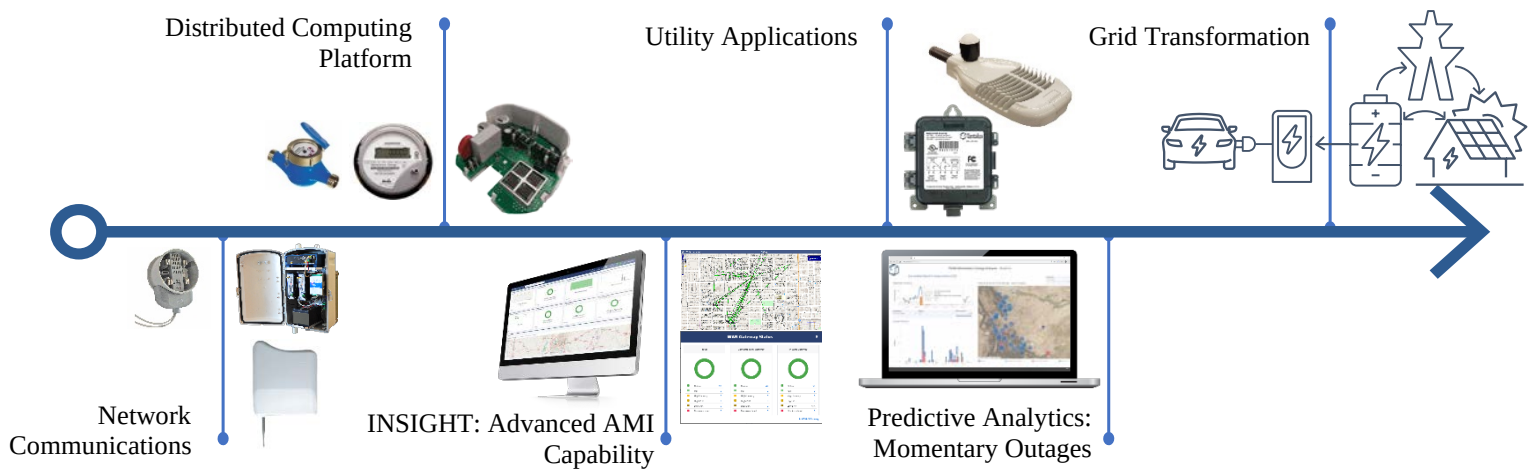
As described in the Filing Statement, through a series of common control transactions commencing in 2017, Tantalus Systems, Corp. became Tantalus Systems Holding Inc., which was incorporated pursuant to the provisions of the CBCA on July 26, 2017. TSHI operates as a holding company with operating subsidiaries, collectively referred to as “Tantalus” or the “Company” within this MD&A. The Company’s business operations are in Canada and in the United States. The Company’s registered office is at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada. TSHI is not a “reporting issuer” under applicable securities legislation and its securities are not listed for trading on any stock exchange as of the date of this MD&A.

### **General Description of the Business:**

Tantalus develops and delivers technology solutions to help public power and electric cooperative utilities digitally transform and automate their distribution grids, helping make their systems more reliable, stable and efficient. Tantalus’ solutions are specifically designed to help utilities transition from aging one-way distribution grids to multi-directional intelligent systems capable of supporting the deployment of new technologies and services while meeting the changing expectations of customers. TSHI’s technology solutions establish smart grids for utilities which consist of an intelligent network of connected devices that work in a coordinated manner to provide visibility to the utility of changes in the flow, consumption and quality of power. TSHI’s solutions also help water utilities identify leaks and automate the delivery and billing of water and gas. TSHI’s solutions include a comprehensive industrial Internet-of-Things (“IoT”) communications network, edge-computing endpoints, a suite of software applications that are used across all departments within a utility, and data analytic tools to help utilities proactively anticipate and manage their infrastructure and professional services. By leveraging Tantalus’ technology solutions, utilities are positioned to transform their distribution grids into an intelligent network that:

- safely and reliably delivers electricity, water and gas to residential, commercial and industrial customers and communities;
- prepares for the broad adoption of renewable and distributed energy resources such as solar panels, distributed storage and electric vehicles which impact the flow of power across existing one-way distribution grids;
- empowers the utility to efficiently respond to service interruptions resulting from severe storms or major events;
- enables proactive and personalized engagement with the utility’s customers and members; and
- integrates on a single smart grid communication network with multiple applications creating a smarter community.

## **Evolution of Tantalus' Technology Solutions:**



### *Communications Network*

Over the past 30 years, Tantalus has evolved its technology solutions from initially deploying a long-range communications network leveraging RF technology into a comprehensive industrial IoT platform leveraging a variety of communication technologies including fiber, WiMAX, cellular and RF tools. Tantalus currently delivers a network that is secure, reliable and capable of supporting a growing number of applications as the needs of our customers expand over time.

### *Connected Devices*

In 2013, Tantalus introduced the first Linux-based edge-computing platform for utilities which was embedded on a communications module that could be integrated under the glass of residential, commercial and industrial meters. The evolution of its communication module has enabled Tantalus to deliver on-board analysis at the edge of a utility's distribution grid whereby intelligent meters, load control switches, distribution automation equipment, street and security lighting and other sensors can be controlled remotely, act autonomously based on configurable parameters and empower a utility to leverage a predictive and responsive distribution grid to improve their reliability and resiliency. The advancements in computing capability at the edge of a utility's network is also setting the foundation for the anticipated transformation of the distribution grid due to the proliferation and adoption of distributed energy resources, such as solar panels, distributed storage and electric vehicles.

Beyond metering, Tantalus is rapidly expanding the number of devices that can connect to its comprehensive IoT smart grid communications network including load control switches, lighting fixtures, distribution automation equipment and other utility sensors.

## *Software & Analytics*

By leveraging its comprehensive IoT network and edge-computing platform, Tantalus continues to expand its library of software applications and analytic tools designed to meet the specific needs and challenges of public power and electric cooperative utilities. At the heart of Tantalus' software applications and data analytics is TUNet Insight, which was launched in 2018 after successful field trials in 2017.

## *Grid Transformation*

Tantalus is proactively working alongside its growing community of utilities to plan for the transformation of the electric, water and gas distribution grid as the introduction of affordable and reliable solar installations, distributed storage and other distributed energy resources ("DERs"). As DERs are deployed, Tantalus' IoT network, connected devices and software and analytics tools enable utilities to prepare for the changing dynamics of the electric distribution grid whereby power is generated at homes or buildings as compared to a central source of power generation.

## **Overview of Tantalus' Market Opportunity:**

TSHI deploys its technology solutions to the utility market across North America and the Caribbean Basin. Specifically, TSHI is focused on electric and multi-commodity utilities. Multi-commodity utilities are responsible for the delivery of electricity and/or water and gas. Across North America, the electric utility industry is further segmented into several categories including larger, investor-owned utilities, referred to as "IOUs", public power utilities (including municipal and public district utilities) and electric cooperative utilities.

## *TSHI's Target Market*

TSHI centers its focus on public power and electric cooperative utilities. By focusing attention on this segment of the utility industry and delivering solutions that meet the specific needs of this market segment, TSHI expects to be able to establish clear differentiation from a technical, operational and cultural perspective.

## *Industry Trends*

Within the public power and electric cooperative utility segment, there are a number of industry trends that are motivating utilities to purchase TSHI's smart grid solutions, including:

- the need to transform existing distribution grids from traditional systems designed to support the one-way flow of power from a centralized source of generation delivering power through substations to homes and buildings, to a multi-directional, integrated smart grid capable of supporting two-way power flows as homes and buildings adopt distributed energy resources such as solar panels, electric vehicles, distributed storage and microgrids;
- the need for more granular and real-time information for energy forecasting, planning and trading;

- increasing expectations from customers and end-users of electricity, water and gas which require customer service representatives of the utility to have access to more granular data to explain and address monthly bill complaints and questions and addressing power quality issues;
- the need to proactively respond to power outages resulting from storms or major events; and
- changes to the traditional business model where the consumption of electricity is dropping but costs to maintain legacy infrastructure are increasing requiring better tools for maintaining that infrastructure and extending its useful life.

TSHI's solutions are designed to provide our public power and electric cooperative customers with the necessary tools and services to address these trends.

## **Key Operating Highlights During the Period:**

### *Operating Highlights Through December 31, 2017:*

Throughout 2017, Tantalus witnessed strong growth of its customer roster (its “User Community”), delivered positive Adjusted EBITDA for the full calendar year, qualified as a Canadian-controlled private company (“CCPC”) and acquired Energate Inc., a company focused on delivering demand response solutions to electric utilities in Canada and the United States.

- 1) Expansion of our Board of Directors: In 2017, Tantalus added a veteran of the utility industry by naming Ms. Laura Formusa to its Board of Directors. Prior to joining the Board of Tantalus, Ms. Formusa served as the President & CEO of Hydro One, one of the largest electric utilities within Canada. Ms. Formusa joined Hydro One in 1980, holding several leadership roles including Vice President and General Counsel prior to being named CEO. Ms. Formusa brings more than 30 years of experience in the utilities industry including deep expertise in energy management technologies to the Board of Tantalus.
- 2) Growth of Tantalus’ User Community: Tantalus signed AMI/Smart Grid contracts with 24 new utilities over the course of 2017, further cementing its market-leading position in the public power and electric cooperative market segment. Tantalus focused on developing partnerships with utility joint action agencies and entered into a preferred smart grid provider agreement with ElectriCities of Georgia. Tantalus expanded its sales channel partner network across the United States with both manufacturer’s representative and reseller agreements.
- 3) Financial Results: As outlined in more detail below, Tantalus delivered \$32.3 million in revenue for the calendar year while reporting Gross Profit of approximately 49% for the full year. Tantalus generated positive Adjusted EBITDA in 2017 of \$1.2 million representing an Adjusted EBITDA Margin of 4%.
- 4) CCPC Qualification: Through a series of common control transactions during the first half of 2017, Tantalus qualified as a CCPC. In so doing, Tantalus was able to begin submitting claims for Scientific Research & Experimental Development tax credits to expand its investment in research and development initiatives.
- 5) Research & Development: During the course of 2017, Tantalus delivered a number of enhanced software features and connected devices including:
  - a. *TUNet Insight User Interface (“UI”)*: Tantalus delivered its first field trial of a new user interface to provide improved visibility, management and control of smart grid applications to utilities. The transformative UI replaced Tantalus’ legacy system with cutting-edge web-based tools to assist utility personnel navigate to any data available through Tantalus’ smart grid solutions in an efficient and comprehensive manner. The UI delivered customizable screens and leveraged a series of widgets to allow users to configure the data and analytic tools most appropriate for their day-to-day responsibilities. Insight was designed and developed after gathering direct input from Tantalus’ existing utility customers.

- b. *Service Limiting*: Tantalus delivered its service limiting software-configurable feature (“Service Limiting”) to enable utilities to remotely disconnect and reconnect power through the Tantalus UI on a 30-minute basis (30 minutes on / 30 minutes off) to incentivize their customers to pay utility bills. Rather than completely turn off power to homes and customers who failed to remain current with their utility bills, utilities are able to leverage this Service Limiting feature to maintain basic services, particularly during cold winter months or hot summer months when disconnecting power to homes could threaten the lives of their customers.
  - c. *Street Light Controller*: Tantalus delivered its first street light control to enable utilities to connect, network and automate the management of new LED street lighting fixtures. The automation of street lighting infrastructure enables utilities to identify lighting fixtures that are malfunctioning or not illuminating during the evening hours.
- 6) Customer Operations: Over the course of 2017, Tantalus initiated a number of key initiatives to improve customer service to support utilities in an efficient and proactive manner. Specifically, Tantalus launched an effort to deploy a customer portal through a Salesforce.com tool, referred to as Community, to help utilities track frequently asked questions, engage with other utilities, gain access to Tantalus’ technical support team, warehouse solution documentation, establish an event calendar and enable utilities to automate the submission for RMAs.
- 7) Awards and Recognitions: Tantalus was recognized as one of the Top 10 Best Smart Grid Solution Providers by Energy CIO Insights magazine. Energy CIO Insights ranked Tantalus based on its ability to deliver long-term value to all utility stakeholders through a differentiated and secure communications networks which include powerful and intelligent computing power to the edge of the distribution grid.
- 8) Transactions: On July 26, 2017, Tantalus completed an acquisition of Energate Inc., a company that was based in Ottawa, Ontario with a history of delivering demand response solutions to electric utilities in Canada and the United States. After completing the acquisition in 2017, the Energate office was moved to Kanata, Ontario to support its employees and gain access to a broader set of software developers and engineers. Additional details regarding the acquisition are included in the Company’s accompanying audited financial statements and the Filing Statement. The acquisition enabled Tantalus to diversify its product offering to support its broader strategic roadmap to assist utility customers in planning for the adoption of distributed energy resources such as solar panels, distributed storage and electric vehicles.

### *Developments Through December 31, 2018:*

Throughout 2018, Tantalus witnessed continued growth of its User Community, delivered a second consecutive year of positive Adjusted EBITDA for the full calendar year and continued to expand its solution offering.

- 1) Board of Directors: In 2018, the Board of Tantalus elected Ms. Laura Formusa to serve as Chairperson of the Board of Directors of the Company. Ms. Formusa continues to serve as the Chairperson of the Board of Directors of Tantalus.
- 2) Growth of Tantalus' User Community: Tantalus signed AMI/Smart Grid contracts with 25 new utilities over the course of 2017, further cementing its market leading position in the public power and electric cooperative market segment.
- 3) Financial Results: As outlined in more detail below, Tantalus delivered \$40.4 million in revenue for the calendar year as compared to \$32.3 million in revenue for the previous year in 2017, an increase of 25%. Tantalus also reported Gross Profit of 44% for the full year. Tantalus delivered its second consecutive year of positive Adjusted EBITDA in 2018 reporting \$2.6 million, representing an Adjusted EBITDA Margin of 6%.
- 4) Research & Development: During the course of 2017, Tantalus delivered a number of enhanced software features and connected devices including:
  - a. *TUNet Insight User Interface*: After successfully delivering and tracking the progress of field trials initiated in 2017, Tantalus' new UI became commercially available to all of its existing and new customers in 2018. The commercially available offering delivered a comprehensive UI designed to meet the specific needs of public power and electric cooperative utilities. Insight was a major redesign of the Company's legacy User Interface leveraging new software technologies and a robust architecture to support multiple capabilities, including analytics. Since launching TUNet Insight, Tantalus has successfully transitioned all of its utility customers to the new UI.
  - b. *Energate Load Control Switch Integration*: Following the acquisition of Energate in 2017, Tantalus successfully delivered a fully integrated load control switch onto Tantalus' smart grid communications network to enable utilities to manage, monitor and control specific appliances within a home, such as air conditioning units to offset peak demand charges and balance a utility's load profile.
  - c. *Expansion of Devices Connected to Tantalus' Communications Network*: In partnership with Itron Inc., a publicly-listed company on NASDAQ, Tantalus successfully delivered the integration of Itron's R400 electric encoder receiver transmitter ("ERT") device to support existing infrastructure and assist utilities commence the migration from legacy drive-by meter reading systems to an automated system through Tantalus' smart grid capabilities.
- 5) Expansion of Tantalus' Supply Chain and Manufacturing Locations: Tantalus has historically relied on a contract manufacturer ("CM") to build and ship its connected devices and infrastructure products to utilities. The CM maintained operations and factories in China, where

Tantalus' products were built. In 2018, Tantalus worked with its CM to diversify its supply chain by commencing production, final assembly and testing of products in one of the CM's factories located in Laguna, Philippines. Tantalus migrated volume production throughout the second half of 2018.

- 6) Customer Operations: Tantalus continued to expand its automation and tools to improve customer service to its growing User Community of utilities by enhancing Community, its online support application and implemented Financial Force Service for the project planning and tracking. Network design tools and processes were also enhanced.
- 7) Transactions: The company did not pursue or execute any acquisitions in 2018 and instead focused on the integration of the Energate team and its technology into Tantalus.

*Developments Through December 31, 2019:*

- 1) Board of Directors: Tantalus did not make any changes to its Board of Directors during the course of 2019.
- 2) Growth of Tantalus' User Community: Tantalus added 15 new utilities throughout the course of 2019 expanding the number of utilities leveraging Tantalus' solutions. While the total number of utilities secured during 2019 was fewer than previous years, the new utilities represented approximately 340,000 new meters to upgrade and replace over time.
- 3) Financial Results: Tantalus delivered \$41.6 million in revenue for the calendar year as compared to \$40.4 million in revenue for the previous year in 2018, an increase of 3%. Tantalus reported Gross Profit of 44% for the full year. Tantalus delivered its third consecutive year of positive Adjusted EBITDA in 2019 of \$3.0 million representing an EBITDA Margin of 7%.
- 4) Research & Development: Tantalus continued to make substantial progress in expanding the functionality and features of its UI, TUNet Insight, throughout 2019 and the team also delivered and launched several key items including:
  - a. *Landis+Gyr Focus Axe Meter Platform Integration*: Tantalus diversified its partnerships with meter manufacturers by integrating its edge-computing module onto Landis+Gyr's residential meter platform. The integration provided additional optionality to electric utilities seeking to diversify the meters deployed across their distribution grids.
  - b. *Load Champ*: Tantalus delivered a new software feature referred to as Load Champ, which assists utilities in managing premises and buildings with high current loads to improve forecasting and resiliency of their distribution grids.
  - c. *Residential Peak Demand*: Tantalus delivered a software feature referred to as "Residential Peak Demand" which was designed to support the Itron Centron C1S residential meter platform.
  - d. *Delivery of the first 4-Relay Load Control Switch*: Further to the integration of load control switches acquired through the transaction with Energate in 2017, Tantalus delivered a first-

of-its-kind direct load control switch capable of controlling four independent loads within a premise or building. The ability to manage four different loads independently while tracking event execution through two-way communications allows a utility to effectively target load management and improve the efficiency and resiliency of its electric distribution network while minimizing impact to the utility's customers.

- e. *Integration to S&C's leading Distribution Automation Device:* In collaboration with S&C Electric Company ("S&C"), a leading distribution automation company based in the United States, Tantalus delivered the integration of S&C's TripSaver® II Cutout-Mounted Reclosers onto the Tantalus smart grid communications network. The integrated solution enables utilities to improve grid reliability while also optimizing the performance of their distribution grid by mitigating their exposure and costs resulting from sustained outages. By utilizing Tantalus' smart grid communications network as a multi-use application to access information from the TripSaver® II Cutout-Mounted Recloser, utilities gain higher reliability, better remote visibility and detailed system information.
- 5) Customer Operations: Tantalus further enhanced technical support and customer service with the addition of online chat capability.
- 6) Supply Chain and Manufacturing: Tantalus completed the migration of production of lower volume devices to our CM's factory in the Philippines.
- 7) Transactions: The Company signed an original equipment manufacturer agreement with Landis+Gyr ("L+G") to provide integrated load control switches under the L+G brand. The company did not pursue or execute any acquisitions in 2019.

### **Description of Tantalus' Operating Segments:**

Tantalus has two primary reportable operating segments that collectively deliver TSHI's technology solutions to utilities including:

- 1) The Connected Devices and Infrastructure Segment. This segment is responsible for the sale of TSHI's proprietary edge-computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, load control switches, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of TSHI's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / IoT smart grid including base stations, repeaters and collectors; and
- 2) The Utility Applications and Services Segment. This segment is responsible for the sale of TSHI's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services.

## SELECTED ANNUAL FINANCIAL INFORMATION

The following selected annual information of the results of operations for the year-ended December 31, 2019 includes comparisons to the years-ended December 31, 2018 and 2017, respectively:

|                                    | Year ended December<br>31, 2019 | Year ended December<br>31, 2018 | Year ended December<br>31, 2017 |
|------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Revenue                            | \$41,588,462                    | \$40,412,821                    | \$32,331,644                    |
| Cost of sales                      | 23,203,522                      | 22,490,993                      | 16,631,742                      |
| Gross Profit                       | 18,384,940                      | 17,921,828                      | 15,699,902                      |
| Expenses                           | 17,832,827                      | 18,562,397                      | 15,332,193                      |
| Operating income / (loss)          | \$552,113                       | (\$640,569)                     | \$367,709                       |
| Other earnings (expenses)          | (1,148,083)                     | (828,824)                       | (17,824,287)                    |
| Loss before income taxes           | (595,970)                       | (1,469,393)                     | (17,456,578)                    |
| Income tax expense                 | 9,950                           | -                               | -                               |
| Loss for the year                  | (605,920)                       | (1,469,393)                     | (17,456,578)                    |
| Loss per share (basic and diluted) | (\$0.01)                        | (\$0.03)                        | (\$0.91)                        |
| Adjusted EBITDA                    | \$3,009,168                     | \$2,618,774                     | \$1,223,803                     |

The Company had total assets as follows as at December 31, 2019 and December 31, 2018:

|                     | December 31,<br>2019 | December 31,<br>2018 |
|---------------------|----------------------|----------------------|
| <b>Total Assets</b> | \$20,138,614         | \$20,833,266         |

## RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

|                                           | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|-------------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Net loss for the year                     | (\$605,920)                        | (\$1,469,393)                      | (\$17,456,578)                     |
| Finance expense <sup>(a)</sup>            | 921,206                            | 891,093                            | 893,692                            |
| Depreciation and amortization             | 1,501,493                          | 1,356,029                          | 1,038,615                          |
| Income taxes                              | 9,950                              | -                                  | -                                  |
| Stock-based compensation                  | 458,038                            | 924,483                            | 44,585                             |
| Non-recurring expenses <sup>(b)</sup>     | 724,401                            | 916,562                            | -                                  |
| Change of fair value of FVTPL instruments | -                                  | -                                  | 8,276,389                          |
| Impairment loss <sup>(c)</sup>            | -                                  | -                                  | 8,427,100                          |
| <b>Adjusted EBITDA</b>                    | <b>\$3,009,168</b>                 | <b>\$2,618,774</b>                 | <b>\$1,223,803</b>                 |

(a) Finance expense comprised of interest expense on bank loan and lease liabilities in addition to EDC fees required for the Company's bank loan.

(b) Non-recurring expenses are comprised of fees and expenses related to the Company's arbitration arising from the acquisition of Energate (see Subsequent Events).

(c) Impairment loss attributable to the Energate acquisition (see Subsequent Events).

Selected quarterly information of the results of the Company's operations is as follows:

|                                       | Three months<br>ended<br>December 31,<br>2019 | Three months<br>ended<br>September<br>30,<br>2019 | Three months<br>ended<br>June 30,<br>2019 | Three months<br>ended<br>March 31,<br>2019 | Three months<br>ended<br>December 31,<br>2018 | Three months<br>ended<br>September<br>30,<br>2018 | Three months<br>ended<br>June 30,<br>2018 | Three months<br>ended<br>March 31,<br>2018 |
|---------------------------------------|-----------------------------------------------|---------------------------------------------------|-------------------------------------------|--------------------------------------------|-----------------------------------------------|---------------------------------------------------|-------------------------------------------|--------------------------------------------|
| Revenue                               | \$10,068,296                                  | \$10,680,926                                      | \$11,196,308                              | \$9,642,932                                | \$9,675,392                                   | \$10,590,043                                      | \$10,870,000                              | \$9,277,385                                |
| Cost of sales                         | 5,431,400                                     | 5,825,712                                         | 6,758,399                                 | 5,188,011                                  | 5,626,719                                     | 6,214,770                                         | 5,860,575                                 | 4,788,929                                  |
| Gross Profit                          | 4,636,896                                     | 4,855,214                                         | 4,437,909                                 | 4,454,921                                  | 4,048,673                                     | 4,375,273                                         | 5,009,425                                 | 4,488,457                                  |
| Expenses                              | 4,254,567                                     | 4,364,650                                         | 4,728,818                                 | 4,484,792                                  | 4,759,095                                     | 4,549,602                                         | 4,967,761                                 | 4,285,939                                  |
| Operating income (loss)               | 382,329                                       | 490,564                                           | (290,909)                                 | (29,871)                                   | (710,422)                                     | (174,328)                                         | 41,664                                    | 202,518                                    |
| Other earnings<br>(expenses)          | (308,006)                                     | (222,467)                                         | (375,817)                                 | (241,792)                                  | (166,297)                                     | (262,461)                                         | (226,293)                                 | (173,772)                                  |
| Loss before income<br>taxes           | 74,323                                        | 268,097                                           | (666,727)                                 | (271,663)                                  | (876,719)                                     | (436,790)                                         | (184,629)                                 | 28,746                                     |
| Income tax expense                    | (\$50)                                        | -                                                 | -                                         | 10,000                                     | -                                             | -                                                 | -                                         | -                                          |
| Income (loss) for the<br>period       | \$74,373                                      | \$268,097                                         | (\$666,727)                               | (\$281,663)                                | (\$876,719)                                   | (\$436,790)                                       | (\$184,629)                               | \$28,746                                   |
| Loss per share (basic<br>and diluted) | \$0.00                                        | \$0.01                                            | (\$0.03)                                  | (\$0.01)                                   | (\$0.02)                                      | (\$0.02)                                          | (\$0.01)                                  | \$0.00                                     |
| Adjusted EBITDA                       | \$697,185                                     | \$1,360,327                                       | \$492,513                                 | \$459,143                                  | \$335,756                                     | \$830,622                                         | \$789,788                                 | \$662,609                                  |

Selected quarterly excerpts from the Company's statement of financial position are as follows:

|                             | December 31,<br>2019 | September 30,<br>2019 | June 30,<br>2019 | March 31,<br>2019 | December 31,<br>2018 | September 30,<br>2018 | June 30,<br>2018 | March 31,<br>2018 |
|-----------------------------|----------------------|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| Cash                        | \$5,368,086          | \$3,682,681           | \$3,231,206      | \$3,883,085       | \$3,640,507          | \$6,592,273           | \$3,866,503      | \$4,660,935       |
| Adjusted Working<br>Capital | \$2,849,441          | \$2,574,767           | \$3,171,232      | \$3,168,032       | \$2,887,774          | \$3,300,995           | \$3,592,078      | \$3,573,682       |
| Total assets                | \$20,138,614         | \$22,170,831          | \$19,513,273     | \$22,999,445      | \$20,833,266         | \$24,717,010          | \$20,808,528     | \$21,077,705      |
| Shareholders' deficit       | (\$2,860,352)        | (\$3,029,427)         | (\$3,038,521)    | (\$2,922,320)     | (\$2,726,641)        | (\$900,254)           | (\$1,298,712)    | (\$1,990,174)     |

## **Results of Operations for the Years Ended December 31, 2019, 2018 and 2017**

### **Revenue**

| <i><b>Revenue by Source</b></i>         | <b>Year ended<br/>ended<br/>December 31,<br/>2019</b> | <b>%</b>    | <b>Year ended<br/>ended<br/>December 31,<br/>2018</b> | <b>%</b>    | <b>Year ended<br/>ended<br/>December 31,<br/>2017</b> | <b>%</b>    |
|-----------------------------------------|-------------------------------------------------------|-------------|-------------------------------------------------------|-------------|-------------------------------------------------------|-------------|
| Connected Devices<br>and Infrastructure | \$28,984,477                                          | 70%         | \$28,548,624                                          | 71%         | \$22,487,108                                          | 70%         |
| Utility Applications<br>and Services    | 12,603,985                                            | 30%         | 11,864,197                                            | 29%         | 9,844,536                                             | 30%         |
| <b>Total revenue</b>                    | <b>\$41,588,462</b>                                   | <b>100%</b> | <b>\$40,412,821</b>                                   | <b>100%</b> | <b>\$32,331,644</b>                                   | <b>100%</b> |

Revenue increased by 3% in the year ended December 31, 2019 from the year ended December 31, 2018 and by 25% from the year ended December 31, 2017. The increase over the prior comparable periods was due to the continued growth of the business in expanding deployments with existing customers and continuing to win new utility accounts.

Connected Devices and Infrastructure revenue was approximately \$29.0 million during the year ended December 31, 2019 as compared to approximately \$28.5 million for the year ended December 31, 2018 and approximately \$22.5 million for the year ended December 31, 2017. This increase over the comparative periods was due to higher sales of the Company's Connected Devices and Infrastructure products. There were several large customer deployments during the years ended December 31, 2019 and December 31, 2018 which resulted in increased revenue compared to the year ended December 31, 2017.

Utility Applications and Services revenue was approximately \$12.6 million during the year ended December 31, 2019 as compared to approximately \$11.9 million for the year ended December 31, 2018 and approximately \$9.8 million for the year ended December 31, 2017. This increase over the comparative periods was due to higher sales of the Company's Utility Applications software and related services as well as several large customer deployments during the years ended December 31, 2019 and December 31, 2018 which resulted in increased revenue compared to the year ended December 31, 2017.

The Company earned revenues attributed to the following geographical regions based on the location of the customer, a majority of which is generated from the United States market:

|                   | <b>Year ended<br/>December 31,<br/>2019</b> | <b>%</b>    | <b>Year ended<br/>December 31,<br/>2018</b> | <b>%</b>    | <b>Year ended<br/>December 31,<br/>2017</b> | <b>%</b>    |
|-------------------|---------------------------------------------|-------------|---------------------------------------------|-------------|---------------------------------------------|-------------|
| United States (1) | \$41,352,360                                | 99%         | \$40,030,786                                | 99%         | \$31,974,138                                | 99%         |
| Canada            | 83,587                                      | <1%         | 233,874                                     | <1%         | 277,390                                     | <1%         |
| Other             | 152,515                                     | <1%         | 148,161                                     | <1%         | 80,116                                      | <1%         |
|                   | <b>\$41,588,462</b>                         | <b>100%</b> | <b>\$40,412,821</b>                         | <b>100%</b> | <b>\$32,331,644</b>                         | <b>100%</b> |

(1) – United States includes revenues attributed to the US Virgin Islands based in the Caribbean Basin.

## Gross Profit

The Company reports its Gross Profit on a blended basis.

|                     | Year ended<br>December 31,<br>2019 |            | Year ended<br>December 31,<br>2018 |            | Year ended<br>December 31,<br>2017 |            |
|---------------------|------------------------------------|------------|------------------------------------|------------|------------------------------------|------------|
|                     |                                    | %          |                                    | %          |                                    | %          |
| Revenues            | \$41,588,462                       | 100%       | \$40,412,821                       | 100%       | \$32,331,644                       | 100%       |
| Cost of sales       | \$23,203,522                       | 56%        | \$22,490,993                       | 56%        | 16,631,742                         | 51%        |
| <b>Gross Profit</b> | <b>\$18,384,940</b>                | <b>44%</b> | <b>\$17,921,828</b>                | <b>44%</b> | <b>\$15,699,902</b>                | <b>49%</b> |

Gross Profit as a percentage of revenues for the years ended December 31, 2019 and December 31, 2018 was 44% which was lower than the 49% Gross Profit as a percentage of revenue for the year ended December 31, 2017. The Company experienced lower Gross Profits as a percentage of revenue during the years ended December 31, 2019 and December 31, 2018 as compared to the year ended December 31, 2017 due to increased installation service revenue in such years for which the Company generally earned a lower Gross Profit and product mix.

## Expenses

|                                         | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|-----------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Sales and marketing                     | \$6,232,907                        | \$6,687,486                        | \$6,078,947                        |
| Research and development                | 4,969,106                          | 5,306,754                          | 4,158,892                          |
| General and administrative              | 5,129,321                          | 5,212,128                          | 4,055,739                          |
| Depreciation and amortization           | 1,501,493                          | 1,356,029                          | 1,038,615                          |
| <b>Total expenses</b>                   | <b>\$17,832,827</b>                | <b>\$18,562,397</b>                | <b>\$15,332,193</b>                |
| <b>As a percentage of total revenue</b> | <b>43%</b>                         | <b>46%</b>                         | <b>47%</b>                         |

TSHI has centralized its sales and marketing functions, product development and research and development functions, corporate management and corporate development. TSHI has developed and continues to enhance the vision and concepts of its products and services, and develops products and software applications through its employees and contractors. TSHI relies on third-party contract manufacturers to build and assemble its hardware products.

The Company's total expenses include non-cash share-based compensation of \$458,038, \$924,483 and \$44,585 for the above years ended December 31, 2019, 2018 and 2017, respectively. Expenses during the year ended December 31, 2019 were lower than the year ended December 31, 2018 due to a decrease in employee-related costs, product development costs, stock-based compensation expense and lower marketing expenses which were partially offset by increased consulting and agent fees.

Expenses during the year ended December 31, 2018 were higher than the year ended December 31, 2017. This was due to increased product development and technical support expenses, commissions, professional fees and employee-related costs attributable to the Company's acquisition of Energate during the year ended December 31, 2017 and an increase in stock-based compensation.

## Sales and Marketing

|                                         | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|-----------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Sales and marketing                     | \$6,232,907                        | \$6,687,486                        | \$6,078,947                        |
| <b>As a percentage of total revenue</b> | 15%                                | 17%                                | 19%                                |

The Company's sales and marketing expenses include non-cash share-based compensation of \$84,311, \$186,953 and \$nil for the above years ended December 31, 2019, 2018 and 2017, respectively.

Sales and marketing expenses consist primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, marketing collateral, advertising costs and facilities. The decrease in such expenses during the year ended December 31, 2019 over the prior year ended December 31, 2018 is primarily attributable to reduced personnel expense and lower stock-based compensation. The increase during the year ended December 31, 2018 over the prior year ended December 31, 2017 is due to increased variable sales compensation expense arising from increased revenue experienced by the Company as well as increased stock-based compensation during the year ended December 31, 2018 over the prior year.

## Research and Development

|                                         | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|-----------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Research and development                | \$4,969,106                        | \$5,306,754                        | \$4,158,892                        |
| <b>As a percentage of total revenue</b> | 12%                                | 13%                                | 13%                                |

The Company's research and development expenses include non-cash stock-based compensation of \$120,368, \$161,381 and \$nil for the above years ended December 31, 2019, 2018 and 2017, respectively. Research and development expenses relate primarily to salaries and related benefit costs, and also include materials related to the development of the Company's embedded computing products.

Research and development costs for the year-ended December 31, 2019 were lower than the prior year-ended December 31, 2018 due to reduced product development costs but was higher than the year-ended December 31, 2017 due to the Company increasing its research and development activities after this date through the acquisition of Energate during the year ended December 31, 2017. The Company has access to certain Canadian federal and provincial tax incentives for qualified research and development in Canada. Additionally, certain research and development activities and related expenditures performed by the Company qualify for funding reimbursement from the Canadian government subsidy programs inclusive of scientific research and experimental development expenditures, the National Research Council of Canada Industrial Research Assistance Program ("IRAP") and other investment tax credits. These investment tax credits are recorded as a reduction to the related expenditures in the fiscal year when there is reasonable assurance that such credits will be realized. The Company's research and development expenses are expressed net of \$982,868, \$987,648 and \$695,300 of accrued investment tax credits during the years ended December 31, 2019, 2018 and 2017, respectively.

## General and Administrative

|                                         | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|-----------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| General and administrative              | \$5,129,321                        | \$5,212,128                        | \$4,055,739                        |
| <b>As a percentage of total revenue</b> | 12%                                | 13%                                | 13%                                |

The Company's general and administrative expenses include non-cash stock-based compensation of \$216,915, \$493,730 and \$44,585 for the above years ended December 31, 2019, 2018 and 2017, respectively. General and administrative expenses include executive and administrative staff salaries and benefit costs, facilities, insurance, corporate variable compensation accruals, accounting, legal and strategic consulting fees as well as various general administrative costs.

The decrease during the year ended December 31, 2019 over the year ended December 31, 2018 is attributable to lower stock-based compensation recorded in the year ended December 31, 2019 over the prior year period offset by increased consulting fees. The increase during the year ended December 31, 2018 over the year ended December 31, 2017 is attributable to increased stock-based compensation expense and insurance and other administrative expenses to support the growth of the Company over the year ended December 31, 2017 as well as increased professional fees incurred pertaining to the Company's arbitration arising from its acquisition of Energate (see Subsequent Events).

## Depreciation and Amortization

|                                       | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|---------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Depreciation of equipment             | \$441,270                          | \$355,219                          | \$428,128                          |
| Amortization of intangible assets     | 650,166                            | 590,753                            | 290,012                            |
| Amortization of right-of-use assets   | 410,057                            | 410,057                            | 320,475                            |
| <b>Total other operating expenses</b> | <b>\$1,501,493</b>                 | <b>\$1,356,029</b>                 | <b>\$1,038,615</b>                 |

The Company's depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use asset pertaining to its facility leases. The increase in the depreciation and amortization during the year ended December 31, 2019 over the prior year ended December 31, 2018 is due to the Company's incremental investment in computer and test equipment as well as business software. The increase in the amortization of intangible assets during the year ended December 31, 2018 over the prior year ended December 31, 2017 is primarily attributable to the Company's acquisition of Energate in the year ended December 31, 2017.

## Other Earnings (Expenses)

|                                              | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|----------------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Foreign exchange gain (loss)                 | (\$226,877)                        | \$62,269                           | (\$227,106)                        |
| Finance expenses                             | (921,206)                          | (891,093)                          | (893,692)                          |
| Change in fair value of FVTPL<br>instruments |                                    |                                    | (8,276,389)                        |
| Impairment loss                              |                                    |                                    | (8,427,100)                        |
| <b>Total other earnings (expenses)</b>       | <b>(\$1,148,083)</b>               | <b>(\$828,824)</b>                 | <b>(\$17,824,287)</b>              |

Other expenses for the year ended December 31, 2019 were attributable to a foreign exchange loss of \$226,877 and finance expenses of \$921,206 compared to a foreign exchange gain of \$62,269 offset by finance expenses of \$891,093 for the year ended December 31, 2018 and a foreign exchange loss of \$227,106, finance expenses of \$893,692, an impairment loss pertaining to intangible assets obtained through the Company's acquisition of Energate of \$8.4 million and a loss of \$8.3 million attributable to the change in fair value of the Company's Class B and D convertible debentures and preferred shares financial instruments designated as FVPTL for the year ended December 31, 2017.

Finance expenses are comprised of interest expense on bank loan and lease liabilities in addition to EDC fees required for the Company's bank loan and were relatively consistent between the years ended December 31, 2019 2018 and 2017.

The Company maintains certain assets and has liabilities in Canadian dollars which are translated into its US dollar functional currency which accounted for the majority of the foreign exchange loss reported above due to the weakening of the Canadian dollar as at December 31, 2019 over the year prior period.

## Total Comprehensive Loss

|                                                     | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|-----------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Operating income (loss)                             | \$552,113                          | (\$640,569)                        | \$367,709                          |
| Total other earnings (expenses)                     | (1,148,083)                        | (828,824)                          | (17,824,287)                       |
| Income tax expense                                  | (9,950)                            | -                                  | -                                  |
| Loss for the year                                   | (605,920)                          | (1,469,393)                        | (17,456,578)                       |
| Foreign currency translation adjustment             | 14,171                             | 56,921                             | (37,374)                           |
| <b>Total comprehensive loss</b>                     | <b>(\$591,749)</b>                 | <b>(\$1,412,472)</b>               | <b>(\$17,493,952)</b>              |
| <b>Loss per share (basic and fully<br/>diluted)</b> | <b>(\$0.01)</b>                    | <b>(\$0.03)</b>                    | <b>(\$0.91)</b>                    |

The Company experienced a loss for the year ended December 31, 2019 of \$591,749 or \$0.01 loss per share compared to a loss for the year ended December 31, 2018 of \$1,412,472 or \$0.03 loss per share and a loss of \$17,493,952 or loss per share of \$0.91 for the year ended December 31, 2017.

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Management

The Company's capital management objective is to ensure that the Company is capitalized in a manner which appropriately supports working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position, and to that end, the Company regularly assesses its capital management practices in response to changing economic conditions. The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, business expansion and other strategic objectives.

### Cash and Adjusted Working Capital

As at December 31, 2019, the Company had cash totaling approximately \$5.4 million as compared to cash of approximately \$3.6 million as at December 31, 2018. The Company is required to classify its long-standing bank loan as a current liability under IFRS. Adjusted Working Capital excludes the Company's long-standing bank loan with Comerica which it has renewed on a continuous annual basis since 2012. As at December 31, 2019, the Company had Adjusted Working Capital of approximately \$2.8 million, exclusive of the bank loan of \$8.2 million, as compared to Adjusted Working Capital of approximately \$2.9 million, exclusive of the bank loan of \$8.0 million, as at December 31, 2018.

### Cash Flows

|                                    | Year ended December<br>31, 2019 | Year ended December<br>31, 2018 | Year ended December<br>31, 2017 |
|------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Cash provided by (used in):</b> |                                 |                                 |                                 |
| Operating activities               | \$3,201,792                     | \$1,822,503                     | (\$535,818)                     |
| Investing activities               | (1,094,896)                     | (562,804)                       | (122,190)                       |
| Financing activities               | (448,911)                       | (560,274)                       | (393,807)                       |
| Effect of foreign exchange on cash | 69,594                          | (111,209)                       | 16,062                          |
| <b>Increase (decrease) in cash</b> | <b>\$1,727,579</b>              | <b>\$588,216</b>                | <b>(\$1,035,753)</b>            |

Cash provided by (used in) operating activities for comparable periods was attributable to the Company's financial performance. Cash provided by (used in) investing activities for comparable periods was attributable to the Company's investment in property and equipment as well as intangibles. Cash provided by (used in) financing activities for comparable periods was attributable to the Company's lease liability payments in addition to the net change in its bank loan facility.

The Company generated positive cash flows from its operating activities during the years ended December 31, 2019 and December 31, 2018 which is attributable to the increased revenues and Adjusted EBITDA in addition to working capital movements during these periods over the year ended December 31, 2017. The Company increased its investment in computer, testing and other business equipment as well as business software during the years ended December 31, 2019 and December 31, 2018, respectively over the year ended December 31, 2017 to accommodate the Company's business growth during this period. The Company invested at an increased level in its

business equipment, primarily comprised of computing related equipment and software, during the year ended December 31, 2019 over the prior year ended December 31, 2018.

## Commitments

| Contractual Obligations                  |                     |                     |                    |               |
|------------------------------------------|---------------------|---------------------|--------------------|---------------|
|                                          | Total               | Less than 1 year    | 1 - 5 years        | After 5 years |
| Accounts Payable and accrued liabilities | \$9,968,915         | \$9,968,915         | \$ -               | \$ -          |
| Bank loan <sup>(a)</sup>                 | 8,196,892           | 8,196,892           | -                  | -             |
| Lease liabilities                        | 3,075,665           | 1,183,123           | 1,892,542          | -             |
| <b>Total Contractual Obligations</b>     | <b>\$21,241,472</b> | <b>\$19,348,930</b> | <b>\$1,892,542</b> | <b>\$ -</b>   |

(a) See Bank Loan.

In the ordinary course of business, the Company may enter into performance bonds with customers as part of a sales contract. As at December 31, 2019, the Company did not have any performance bonds outstanding.

In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors.

### Bank Loan

The Company entered into a loan agreement on April 12, 2012, and subsequent amendments (together the “Agreement”) with Comerica Bank (the “Bank”) to fund ongoing Adjusted Working Capital requirements. The bank loan which is comprised of two line of credit facilities and a term loan had an aggregate total payable by the Company of USD\$8,196,892 as at December 31, 2019. Subsequent to December 31, 2019, the Company entered into an amendment agreement with the Bank which extended the maturity date of the line of credit facility from February 26, 2020 to February 26, 2021.

### Facilities

TSHI maintains four office locations across North America, including:

- Burnaby, British Columbia, Canada (headquarters) (“Burnaby”);
- Kanata, Ontario, Canada (“Kanata”);
- Norwalk, Connecticut, United States of America (“Norwalk”); and
- Raleigh, North Carolina, United States of America (“Raleigh”).

Each office is based on a lease with a third-party building manager or landlord. TSHI’s Burnaby office lease, of approximately 32,000 square feet was entered into on August 1, 2014 and is expected to expire on January 31, 2022. TSHI’s Kanata office lease, of approximately 8,200 square feet was entered into on November 1, 2017 and is expected to expire on February 1, 2025. TSHI’s Norwalk office lease, of approximately 800 square feet was entered into on March 1, 2018 and has been renegotiated to expand the office space to 2,350 and which is now expected to expire on

February 1, 2025. TSHI's Raleigh office lease, of approximately 5,602 square feet was entered into on February 1, 2016 and is expected to expire on May 1, 2022. All of TSHI's office leases are with arm's length parties.

## FINANCIAL POSITION

The following table shares the variance that have occurred in the Company's financial position for the years ended December 31, 2019 and December 31, 2018:

|                                          | December 31,<br>2019 | December 31,<br>2018 | Variance           |
|------------------------------------------|----------------------|----------------------|--------------------|
| <b>Assets</b>                            |                      |                      |                    |
| Cash                                     | \$5,368,086          | \$3,640,507          | \$1,727,579        |
| Accounts receivable                      | 4,819,166            | 5,749,823            | (930,657)          |
| Investment tax credits receivable        | 960,728              | 1,439,769            | (479,041)          |
| Inventory                                | 5,038,119            | 5,474,661            | (436,542)          |
| Prepaid expenses and deposits            | 563,035              | 732,429              | (169,394)          |
| <b>Total current assets</b>              | <b>\$16,749,134</b>  | <b>\$17,037,189</b>  | <b>(\$288,055)</b> |
| Property and equipment                   | 1,477,160            | 1,086,102            | 391,058            |
| Intangible assets                        | 759,445              | 1,147,043            | (387,598)          |
| Right of Use assets                      | 1,152,875            | 1,562,932            | (410,057)          |
| <b>Total assets</b>                      | <b>\$20,138,614</b>  | <b>\$20,833,266</b>  | <b>(\$694,652)</b> |
| <b>Liabilities</b>                       |                      |                      |                    |
| Accounts payable and accrued liabilities | 9,968,915            | 12,559,692           | (2,590,777)        |
| Deferred revenue and deposits            | 3,250,183            | 919,443              | 2,330,740          |
| Lease liabilities                        | 680,595              | 670,280              | 10,315             |
| Bank loan                                | 8,196,892            | 8,044,375            | 152,517            |
| <b>Total current liabilities</b>         | <b>\$22,096,585</b>  | <b>\$22,193,790</b>  | <b>(\$97,205)</b>  |
| Lease Liabilities                        | 902,381              | 1,366,117            | (463,736)          |
| <b>Total liabilities</b>                 | <b>\$22,998,966</b>  | <b>\$23,559,907</b>  | <b>(\$560,941)</b> |

## Accounts Receivable Insurance

The Company entered into an agreement with Export Development Canada ("EDC") whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales up to a maximum of \$3,000,000 with certain customers excluded from this coverage.

## OTHER ITEMS

### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company's consolidated financial statements for the year ended December 31, 2019.

### Transactions with Related Parties

Related parties include key management includes the Company's senior management.

The remuneration of key management of the Company for the years ended December 31, 2019, 2018 and 2017 are as follows:

|                         | <b>Year ended<br/>December 31,<br/>2019</b> | <b>Year ended<br/>December 31,<br/>2018</b> | <b>Year ended<br/>December 31,<br/>2017</b> |
|-------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Short-term compensation | \$1,316,192                                 | \$1,293,663                                 | \$1,014,710                                 |
| Share-based payments    | 211,995                                     | 422,780                                     | 44,585                                      |
|                         | <b>\$1,528,187</b>                          | <b>\$1,716,443</b>                          | <b>\$1,059,295</b>                          |

Short-term compensation for the years ended December 31, 2019, 2018 and 2017 included the Company's annual performance corporate bonus totalling an amount of \$386,195, \$407,609 and \$167,617, respectively, which was paid to its management.

There were no amounts owing to related parties as at December 31, 2019, 2018 and 2017, respectively.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The following financial instruments are all measured at amortized cost. The fair value of each approximates the carrying value due to their short-term nature.

|                                          | <b><u>December 31, 2019</u></b> |                       | <b><u>December 31, 2018</u></b> |                       |
|------------------------------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|
|                                          | <b>Carrying<br/>Value</b>       | <b>Fair<br/>Value</b> | <b>Carrying<br/>Value</b>       | <b>Fair<br/>Value</b> |
| <b><u>Financial Assets</u></b>           |                                 |                       |                                 |                       |
| Cash                                     | \$5,368,086                     | \$5,368,086           | \$3,640,507                     | \$3,640,507           |
| Accounts receivable                      | \$4,819,166                     | \$4,819,166           | \$5,749,823                     | \$5,749,823           |
| Investment tax credits receivable        | \$960,728                       | \$960,728             | \$1,439,769                     | \$1,439,769           |
| <b><u>Financial Liabilities</u></b>      |                                 |                       |                                 |                       |
| Accounts payable and accrued liabilities | \$9,968,915                     | \$9,968,915           | \$12,559,692                    | \$12,559,692          |
| Bank loan                                | \$8,196,892                     | \$8,196,892           | \$8,044,375                     | \$8,044,375           |

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, and interest rate risk are provided below.

## Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, short-term investments and trade and other receivables. With respect to trade and other receivables, the Company engages EDC to perform ongoing credit evaluations of the Company's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

Aging analysis of trade receivables is as follows:

|               | December 31,<br>2019 | December 31,<br>2018 |
|---------------|----------------------|----------------------|
| Not past due  | \$1,226,036          | \$2,327,896          |
| 31-90 days    | 2,816,995            | 1,438,000            |
| 91-180 days   | 173,674              | 1,505,259            |
| Over 180 days | 602,461              | 478,668              |
| <b>Total</b>  | <b>\$4,819,166</b>   | <b>\$5,749,823</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's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within one month.

## Foreign Currency Risk

Although substantially all of the Company's revenues are received in US dollars, the Company incurs operating costs primarily attributable to its research & development and manufacturing in Canadian dollars. Fluctuations in the exchange rates between the US dollar and Canadian dollar could have an effect on the business, financial condition and results of operations. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated to its US dollar functional currency resulting in an unrealized foreign exchange gain or loss. With all other variables remaining constant, the table below reflects the impact of a 10% fluctuation of the Canadian dollar versus the US dollar:

| <i>Source of net earnings/loss<br/>variability from changes in<br/>foreign exchange rates</i> | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|-----------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Statement of Financial Position<br>exposure                                                   | \$ 141,032                         | \$ 183,739                         | \$ 158,986                         |
| Cost of Sales/Operating Expenses (net<br>exposure)                                            | 1,347,863                          | 1,307,536                          | 1,212,142                          |
| <b>Net exposure</b>                                                                           | <b>\$1,488,895</b>                 | <b>\$1,491,275</b>                 | <b>\$1,371,128</b>                 |

## **Interest Rate Risk**

All of the Company's financial assets and liabilities are non-interest bearing except for cash which generates interest income at market rates. The credit facilities bear interest at a floating rate based on the bank's prime rate and had a balance of \$8,196,892 as at December 31, 2019 and \$8,044,375 as at December 31, 2018. A potential percentage change in the bank's prime rate of 100 basis points will have an impact of \$81,969 for the year ended December 31, 2019 and \$80,444 for the year ended December 31, 2018 on the Company's annual interest expense pertaining its line of credit facility. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares. As of December 31, 2019, the Company has 43,018,997 common shares issued and outstanding.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"). See Note 3 in the Company's audited financial statements for the years ended December 31, 2019, 2018 and 2017.

### **Revenue Recognition**

The Company's revenues are derived through two operating segments, including:

- 1) The Connected Devices and Infrastructure Segment. This segment is responsible for the sale of TSH's proprietary edge computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, load control switches, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of TSH's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / IoT smart grid including base stations, repeaters and collectors; and
- 2) The Utility Applications and Services Segment. This segment is responsible for the sale of TSH's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services ("PCS").

Revenue from the sale of the Company's connected devices and infrastructure network products and utility software application licenses is recognized at a point in time when control of the

hardware products and software is transferred to the customers, primarily upon delivery on a freight on board (“FOB”) basis upon shipment or providing access to customer.

Installation services are for the installation of the Company’s connected devices and infrastructure network products and utility software applications. Engineering services are primarily consulting, implementation and integration services entered into either on a time & materials or fixed fee basis. Revenue from installation and engineering services is recognized over time, using input method to measure progress towards complete satisfaction of the service.

Revenue from PCS is recognized ratably over the term of the PCS. Any unrecognized revenue is recorded in deferred revenue.

The Company recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control of its products is transferred to its customers in an amount that reflects the considerations the Company expects to receive from its customers in exchange for those products.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company’s contracts often include a number of promised goods or services. Many of the Company’s goods and services are distinct from other performance obligations and accounted for as separate performance obligations. When an arrangement involves multiple products and is negotiated as a package solution, the Company accounts for it as a single performance obligation. A good or service is distinct if the customer can benefit from it on its own or together with other components of the Company’s products, and the Company’s promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. In determining the transaction price of contract with a customer, the Company considers the effects of consideration payable by the customer. If a contract has more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on estimated relative standalone selling prices of the goods and services.

### **New Standards and Interpretations Not Yet Adopted**

Standards and amendments issued but not yet applicable to the Company’s financial statements are listed below. This listing of standards and amendments issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

| <u>Amendments and interpretations</u>                                  | <u>Effective dates</u> |
|------------------------------------------------------------------------|------------------------|
| Definition of a Business - Amendments to IFRS 3                        | January 1, 2020        |
| Amendments to References to the Conceptual Framework in IFRS Standards | January 1, 2020        |
| Definition to Material - Amendments to IAS 1 and IAS 8                 | January 1, 2020        |

The impact of adopting these standards or amendments is not expected to be material.

## **RISK FACTORS**

Please refer to the risk factors described in the “Risk Factors” section of the Filing Statement.

## **SUBSEQUENT EVENTS**

The Company engaged in an arbitration proceeding against the former shareholders of Energate regarding breaches of representations and other conduct arising from the acquisition of Energate. The arbitrator delivered an award in the amount of CDN\$3,000,000 to the claimants to be applied by cancelling common shares of the Company held by the respondent having a value equal to such amount in accordance with the terms of the share purchase agreement pursuant to which the Company acquired Energate. Accordingly, the Company cancelled 1,754,386 common shares of the Company pursuant to a supplementary consent award executed by the arbitrator and effective as of July 8, 2020. The arbitrator issued a costs award in favor of the Company for reimbursement of costs incurred in connection with the arbitration in the amount of CDN\$861,709 and the parties entered into a settlement agreement effective as of September 25, 2020 pursuant to which the parties agreed that the Company would cancel an additional 503,923 common shares of the Company held by the former shareholders of Energate as settlement of the costs award. The Company incurred total legal costs of US\$724,401 pertaining to this arbitration during the year ended December 31, 2019 and US\$916,562 during the year ended December 31, 2018.

The Company continues to actively monitor the current international and domestic impacts of and responses to the COVID-19 Pandemic and its related risks, and continues to prepare accordingly. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy is not known, an estimate of the financial effect on the Company is not practicable at this time.

The COVID-19 Pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the group’s business in various ways inclusive of a reduction in the supply of goods and materials from the Company’s contract manufacturer supplier which has affected our ability to continue the production of the Company’s products as well as the reduction of economic activity/requirement to close our office facilities with the requirement for the large majority of our employees to work from home which has resulted in a significant reduction in sales/productivity during the year ending December 31, 2020.

Governments in the countries in which we operate have also announced the implementation of government assistance measures which might mitigate some of the impact of the COVID-19

Pandemic on our results and liquidity. To the extent appropriate, we have applied for and received such government assistance in the countries in which we operate. The details of all of the arrangements that might be available to us and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty. We are continuing to assess the implications for our business when these arrangements are no longer available. Depending on the duration of the COVID-19 Pandemic and continued negative impact on economic activity, the group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in future. The exact impact on our existing and future activities cannot be predicted.

On September 8, 2020, TSHI and RiseTech Capital Corp., a TSX Venture Exchange-listed capital pool company, entered into a non-binding letter of intent, pursuant to which the parties agreed to complete a plan of arrangement, merger, amalgamation, share exchange and/or other similar transaction. On November 19, 2020, the Company entered into a definitive agreement with RiseTech to complete a merger of the two entities and closed a concurrent financing of approximately CND\$8.8 million through a subscription receipt offering (the proceeds from which shall be released to the Company upon the satisfaction of certain conditions, namely the approval of the Company for public listing on the TSX-V exchange).

# **TANTALUS SYSTEMS HOLDING INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Months ended September 30, 2019**

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of Tantalus Systems Holding Inc (the "Company", "we", "TSHI" or "Tantalus") is provided to assist our readers to assess our financial condition and our financial performance, including our liquidity and capital resources, for the three and nine months ended September 30, 2020 compared with the three and nine months ended September 30, 2019, and should be read in conjunction with the three and nine months ended September 30, 2020 and September 30, 2019 unaudited condensed consolidated interim financial statements.

The Company's unaudited condensed consolidated interim financial statements and notes thereto for the three and nine months ended September 30, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), applicable to the preparation of interim financial statements as set out in International Accounting Standard 34 Interim Financial Reporting ("IAS 34"), and are presented in United States ("US") dollars. Certain dollar amounts in this MD&A have been rounded to the nearest thousands of dollars.

This MD&A contains non-IFRS measures, including Adjusted EBITDA<sup>1</sup>, Adjusted EBITDA Margin<sup>2</sup>, Gross Profit<sup>3</sup> and Adjusted Working Capital<sup>4</sup>. See section "Adjusted EBITDA" below for information on the calculation of Adjusted EBITDA. See section "Results of Operations" for information on the calculation of Gross Profit. See section "Liquidity" for information on the calculation of Adjusted Working Capital.

This MD&A was prepared by Management of the Company and was approved by its Board of Directors prior to its release. Unless otherwise stated, the Company has considered all information available to it through January 3, 2021 in preparing this MD&A. Additional information relating to Tantalus can be found on its web site.

<sup>1</sup> Adjusted EBITDA or Earnings before Finance expenses are comprised of interest expense on bank loan and lease liabilities in addition to EDC fees required for the Company's bank loan., Taxes, Depreciation and Amortization, Stock-based Compensation, change in fair value of FVTPL instruments resulting in gain on Energate arbitration share cancellation, gain on lease obligation and non-recurring business expenses. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure is used by the Company to manage and evaluate operating income (loss) of the business.

<sup>2</sup> Adjusted EBITDA Margin represents Adjusted EBITDA expressed as a percentage of the Company's revenues. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers.

<sup>3</sup> Gross Profit referenced here relates to revenues less cost of sales. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the Company.

<sup>4</sup> Adjusted Working Capital as referenced herein is defined as current assets less current liabilities exclusive of the Company's bank loan. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable IFRS measure. The Company believes that the inclusion of this non-IFRS financial measure provides investors with an alternative presentation useful to investors' understanding of the Company's core operating results and trends.

## NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking information”) within the meaning of applicable securities laws. Forward-looking information may relate to our financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate and the impact of the COVID-19 pandemic declared by the World Health Organization on March 11, 2020 (the “COVID-19 Pandemic”) thereon is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”, the negative of these terms and similar terminology. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances based on currently available information.

This forward-looking information includes, among other things, statements relating to: expectations regarding industry trends; our growth rates and growth strategies; addressable markets for our solutions; the achievement of advances in and expansion of our offerings and markets; expectations regarding our revenue and the revenue generation potential of our products, services and other solutions; our business plans and strategies; and our competitive position in our industry.

The forward-looking information contained herein is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances based on currently available information. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to build our market share and enter new markets; our ability to retain key personnel; our ability to execute on our expansion plans; our ability to continue investing in research and development to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management’s expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that

may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the “Risk Factors” section of the Filing Statement to which this MD&A is attached (the “Filing Statement”).

If any of these risks or uncertainties materialize, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above should be considered carefully by prospective investors.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of hereof (or as of the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

***All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.***

## DESCRIPTION OF BUSINESS

### History of the Business:

Tantalus Systems, Corp. (“TSC”) was founded in 1989 in Burnaby, British Columbia, Canada by a collection of individuals who sought to leverage technology to transform the delivery of data through wireless communications networks. By 1999, TSC had centered its focus on leveraging radio frequency (“RF”) technology to assist electric utilities in accessing information from meters deployed across rural and challenging terrain, and to automate meter-to-cash and billing processes for residential, commercial and industrial customers. From leveraging our expertise in accessing devices and collecting data, Tantalus has evolved into a leading provider of smart grid technology solutions to public power and electric cooperative utilities responsible for delivering electricity, water and gas across the United States, Canada and the Caribbean Basin.

At Tantalus, we pride ourselves on aligning our purpose with our customers’ purpose . . .

- To support the safety, prosperity and autonomy of the local communities our public power and electric cooperative customers serve;
- To help these communities thrive by helping our customers power their economic prosperity, environmental sustainability and social progress;
- To ensure these communities are empowered to shape the future of their own smart grids as the adoption of distributed energy resources such as solar panels, distributed storage and electric vehicles transform distribution grids; and
- To give our customers the flexibility and expandability they need to serve their communities today and well into the future.



#### WHO WE ARE

A smart grid provider focused on the public power & electric cooperative utility market in North America and the Caribbean Basin



#### WHAT WE DO

Deliver mission-critical solutions to help utilities make smarter decisions and prepare for the adoption of distributed energy resources



#### WHY WE'RE DIFFERENT

Deliver an edge-computing platform on every connected endpoint to support multiple applications and deliver data analytics



#### HOW WE DELIVER

Robust R&D and customer service organizations delivering hosted, on-premise and cloud-based solutions



#### WHY IT MATTERS

Improve the environment while delivering social and economic value to communities

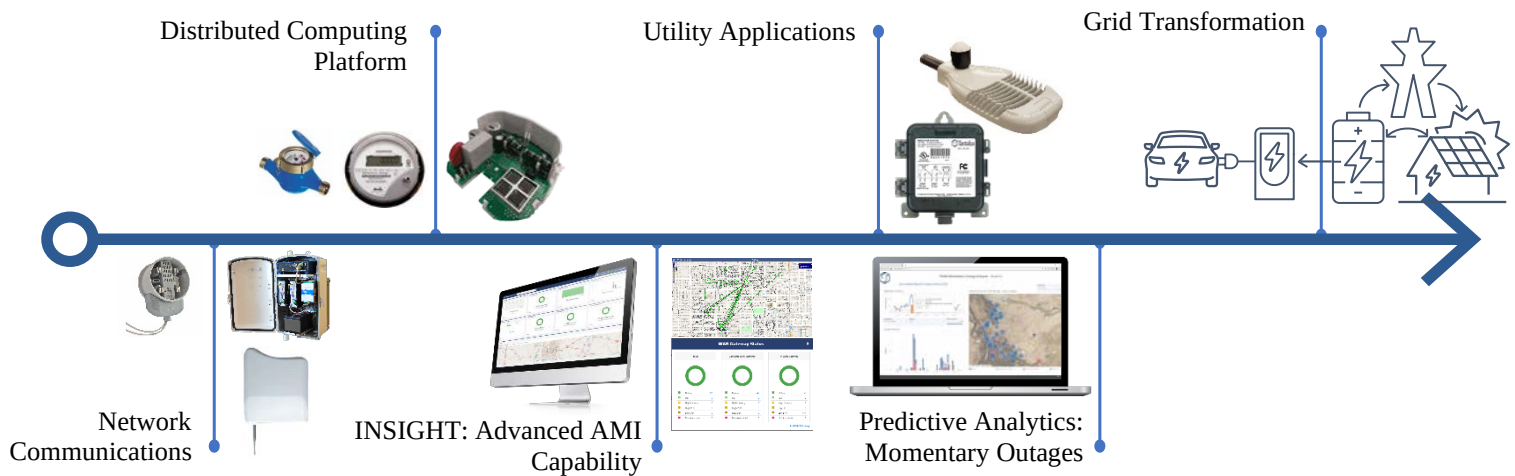
As described in the Filing Statement, through a series of common control transactions commencing in 2017, Tantalus Systems, Corp. became Tantalus Systems Holding Inc., which was incorporated pursuant to the provisions of the CBCA on July 26, 2017. TSHI operates as a holding company with operating subsidiaries, collectively referred to as “Tantalus” or the “Company” within this MD&A. The Company’s business operations are in Canada and in the United States. The Company’s registered office is at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada. TSHI is not a “reporting issuer” under applicable securities legislation and its securities are not listed for trading on any stock exchange as of the date of this MD&A.

### **General Description of the Business:**

Tantalus develops and delivers technology solutions to help public power and electric cooperative utilities digitally transform and automate their distribution grids, helping make their systems more reliable, stable and efficient. Tantalus’ solutions are specifically designed to help utilities transition from aging one-way distribution grids to multi-directional intelligent systems capable of supporting the deployment of new technologies and services while meeting the changing expectations of customers. TSHI’s technology solutions establish smart grids for utilities which consist of an intelligent network of connected devices that work in a coordinated manner to provide visibility to the utility of changes in the flow, consumption and quality of power. TSHI’s solutions also help water utilities identify leaks and automate the delivery and billing of water and gas. TSHI’s solutions include a comprehensive industrial Internet-of-Things (“IoT”) communications network, edge-computing endpoints, a suite of software applications that are used across all departments within a utility, and data analytic tools to help utilities proactively anticipate and manage their infrastructure and professional services. By leveraging Tantalus’ technology solutions, utilities are positioned to transform their distribution grids into an intelligent network that:

- safely and reliably delivers electricity, water and gas to residential, commercial and industrial customers and communities;
- prepares for the broad adoption of renewable and distributed energy resources such as solar panels, distributed storage and electric vehicles which impact the flow of power across existing one-way distribution grids;
- empowers the utility to efficiently respond to service interruptions resulting from severe storms or major events;
- enables proactive and personalized engagement with the utility’s customers and members; and
- integrates on a single smart grid communication network with multiple applications creating a smarter community.

## **Evolution of Tantalus' Technology Solutions:**



### *Communications Network*

Over the past 30 years, Tantalus has evolved its technology solutions from initially deploying a long-range communications network leveraging RF technology into a comprehensive industrial IoT platform leveraging a variety of communication technologies including fiber, WiMAX, cellular and RF tools. Tantalus currently delivers a network that is secure, reliable and capable of supporting a growing number of applications as the needs of our customers expand over time.

### *Connected Devices*

In 2013, Tantalus introduced the first Linux-based edge-computing platform for utilities which was embedded on a communications module that could be integrated under the glass of residential, commercial and industrial meters. The evolution of its communication module has enabled Tantalus to deliver on-board analysis at the edge of a utility's distribution grid whereby intelligent meters, load control switches, distribution automation equipment, street and security lighting and other sensors can be controlled remotely, act autonomously based on configurable parameters and empower a utility to leverage a predictive and responsive distribution grid to improve their reliability and resiliency. The advancements in computing capability at the edge of a utility's network is also setting the foundation for the anticipated transformation of the distribution grid due to the proliferation and adoption of distributed energy resources, such as solar panels, distributed storage and electric vehicles.

Beyond metering, Tantalus is rapidly expanding the number of devices that can connect to its comprehensive IoT smart grid communications network including load control switches, lighting fixtures, distribution automation equipment and other utility sensors.

## *Software & Analytics*

By leveraging its comprehensive IoT network and edge-computing platform, Tantalus continues to expand its library of software applications and analytic tools designed to meet the specific needs and challenges of public power and electric cooperative utilities. At the heart of Tantalus' software applications and data analytics is TUNet Insight, which was launched in 2018 after successful field trials in 2017.

## *Grid Transformation*

Tantalus is proactively working alongside its growing community of utilities to plan for the transformation of the electric, water and gas distribution grid as the introduction of affordable and reliable solar installations, distributed storage and other distributed energy resources ("DERs"). As DERs are deployed, Tantalus' IoT network, connected devices and software and analytics tools enable utilities to prepare for the changing dynamics of the electric distribution grid whereby power is generated at homes or buildings as compared to a central source of power generation.

## **Overview of Tantalus' Market Opportunity:**

TSHI deploys its technology solutions to the utility market across North America and the Caribbean Basin. Specifically, TSHI is focused on electric and multi-commodity utilities. Multi-commodity utilities are responsible for the delivery of electricity and/or water and gas. Across North America, the electric utility industry is further segmented into several categories including larger, investor-owned utilities, referred to as "IOUs", public power utilities (including municipal and public district utilities) and electric cooperative utilities.

## *TSHI's Target Market*

TSHI centers its focus on public power and electric cooperative utilities. By focusing attention on this segment of the utility industry and delivering solutions that meet the specific needs of this market segment, TSHI expects to be able to establish clear differentiation from a technical, operational and cultural perspective.

## *Industry Trends*

Within the public power and electric cooperative utility segment, there are a number of industry trends that are motivating utilities to purchase TSHI's smart grid solutions, including:

- the need to transform existing distribution grids from traditional systems designed to support the one-way flow of power from a centralized source of generation delivering power through substations to homes and buildings, to a multi-directional, integrated smart grid capable of supporting two-way power flows as homes and buildings adopt distributed energy resources such as solar panels, electric vehicles, distributed storage and microgrids;
- the need for more granular and real-time information for energy forecasting, planning and trading;

- increasing expectations from customers and end-users of electricity, water and gas which require customer service representatives of the utility to have access to more granular data to explain and address monthly bill complaints and questions and addressing power quality issues;
- the need to proactively respond to power outages resulting from storms or major events; and
- changes to the traditional business model where the consumption of electricity is dropping but costs to maintain legacy infrastructure are increasing requiring better tools for maintaining that infrastructure and extending its useful life.

TSHI's solutions are designed to provide our public power and electric cooperative customers with the necessary tools and services to address these trends.

## **Key Operating Highlights During the Period:**

*Developments through the nine months period ended September 30, 2020:*

Throughout the first nine months of 2020, Tantalus witnessed strong growth of its customer roster (its “User Community”), delivered positive Adjusted EBITDA and continued to make strides in expanding and enhancing its product offering.

- 1) Board of Directors: Tantalus did not make any changes to its Board of Directors through September 30, 2020.
- 2) Growth of Tantalus’ User Community: Tantalus added 17 new utilities during the nine months ended September 30, 2020 expanding the number of utilities leveraging Tantalus’ solutions. The company entered into a preferred smart grid agreement with JAA, Indiana Municipal Power Authority (IMPA) to supply member utilities with Tantalus solutions
- 3) Financial Results: Tantalus delivered \$23.7 million in revenue for the nine months period ended September 30, 2020 as compared to \$31.5 million in revenue for same period in 2019, a decline of 25%. The decline in revenue was attributable to the impact of COVID-19 on Tantalus’ business, which caused significant disruptions to the Company’s supply chain starting in January of 2020, delays of active deployments with utilities located in states across the United States which implement stay-at-home orders or restrictions and the delay or postponement of decision-making by prospective utilities. Tantalus reported Gross Profit of 48% for nine months period ended September 30, 2020. Tantalus continued to deliver positive Adjusted EBITDA of \$3.8 million through the nine months period ended September 30, 2020, representing an Adjusted EBITDA Margin of 16%.
- 4) Research & Development: Tantalus continued to make substantial progress in expanding the functionality and features of its new User Interface, TUNet Insight, through September 30, 2020 while also delivering and launching several key items including:
  - a. *Energy Resource Monitoring*: A software feature embedded within TUNet Insight to assist utilities combine data from meters to expand the functionality and capabilities of comprehensive load control programs.
  - b. *Integration to LED Roadway’s LED Street Light Controller and Fixtures*: Tantalus diversified and expanded its integrated and connected LED street light offering in partnership with LED Roadway.
  - c. *Expanded Voltage Resolution*: A software feature providing higher resolution and visibility into voltage readings at meters located on homes, building and industrial complexes.
  - d. *Integration of Landis+Gyr module and Tantalus’ Load Control Switches*: In partnership with Landis+Gyr, Tantalus integrated a Landis+Gyr communications module into Tantalus’ suite of load control switches to be able to sell its products to utilities that have selected Landis+Gyr for smart grid communications networking.

- 5) Customer Operations: Developed Rapid Deployment Process (RDP) and associated hardware package to reduce pilot project deployment timeline and accelerate customer decision process.
- 6) Supply Chain and Manufacturing: Identified and contracted with a new third-party US- based repair service agent to provide broader set of warranty and out-of-warranty repair services.
- 7) Awards and Recognitions: Tantalus was recognized by Export Development Canada (EDC) as a Cleantech Export Star. Each year, EDC highlights the achievements of leading cleantech companies during their Cleantech Annual Conference. Tantalus was recognized as a proven leader whose technologies and business strategies have succeeded in getting their products beyond Canada's borders – as one of five clean technology companies that stands out as making a positive impact across North America and the Caribbean Basin.
- 8) Transactions: On September 8, 2020, TSHI and RiseTech Capital Corp., a TSX Venture Exchange-listed capital pool company, entered into a non-binding letter of intent, pursuant to which the parties agreed to complete a plan of arrangement, merger, amalgamation, share exchange and/or other similar transaction. On November 19, 2020, the Company entered into a definitive agreement with RiseTech to complete a merger of the two entities along with the closing of a concurrent financing of approximately CND\$8.8 million through a Subscription Receipt.

#### **Description of Tantalus' Operating Segments:**

Tantalus has two primary reportable operating segments that collectively deliver TSHI's technology solutions to utilities including:

- 1) The Connected Devices and Infrastructure Segment. This segment is responsible for the sale of TSHI's proprietary edge-computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, load control switches, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of TSHI's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / IoT smart grid including base stations, repeaters and collectors; and
- 2) The Utility Applications and Services Segment. This segment is responsible for the sale of TSHI's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services.

## SELECTED FINANCIAL INFORMATION

The following selected information of the results of operations for the three and nine months ended September 30, 2020 includes comparisons to the three and nine months ended September 30, 2019, respectively:

|                                                  | Three months<br>ended September<br>30, 2020 | Three months<br>ended September<br>30, 2019 | Nine months ended<br>September 30, 2020 | Nine months ended<br>September 30, 2019 |
|--------------------------------------------------|---------------------------------------------|---------------------------------------------|-----------------------------------------|-----------------------------------------|
| Revenue                                          | \$8,754,751                                 | \$10,680,926                                | \$23,736,626                            | \$31,520,166                            |
| Cost of sales                                    | 4,646,988                                   | 5,825,712                                   | 12,418,233                              | 17,772,122                              |
| Gross Profit                                     | 4,107,763                                   | 4,855,214                                   | 11,318,393                              | 13,748,044                              |
| Expenses                                         | 3,728,924                                   | 4,364,650                                   | 11,369,249                              | 13,578,260                              |
| Operating income (loss)                          | 378,839                                     | 490,564                                     | (50,856)                                | 169,784                                 |
| Other income (expenses)                          | 1,604,341                                   | (222,467)                                   | 2,893,881                               | (840,076)                               |
| Income (loss) before<br>income taxes             | 1,983,180                                   | 268,097                                     | 2,843,025                               | (670,292)                               |
| Income tax expense                               | -                                           | -                                           | -                                       | 10,000                                  |
| Income (loss) for the<br>period                  | \$1,983,180                                 | \$268,097                                   | 2,843,025                               | (680,292)                               |
| Earnings (Loss) per share<br>(basic and diluted) | \$ 0.05                                     | \$ 0.01                                     | \$0.07                                  | (\$0.02)                                |
| Adjusted EBITDA                                  | \$1,256,692                                 | \$1,360,327                                 | \$3,796,726                             | \$2,311,985                             |

The Company had total assets as follows as at September 30, 2020 and December 31, 2019:

|                     | September 30,<br>2020 | December 31,<br>2019 |
|---------------------|-----------------------|----------------------|
| <b>Total Assets</b> | \$20,061,955          | \$20,138,614         |

## RECONCILIATION OF INCOME (LOSS) TO ADJUSTED EBITDA

|                                                                | Three months ended<br>September 30,<br>2020 | Three months ended<br>September 30,<br>2019 | Nine months ended<br>September 30,<br>2020 | Nine months ended<br>September 30,<br>2019 |
|----------------------------------------------------------------|---------------------------------------------|---------------------------------------------|--------------------------------------------|--------------------------------------------|
| Income (loss) for the period                                   | \$1,983,180                                 | \$268,097                                   | \$2,843,025                                | (\$680,292)                                |
| Finance expense <sup>(a)</sup>                                 | 154,984                                     | 223,399                                     | 544,529                                    | 692,514                                    |
| Depreciation and amortization                                  | 437,515                                     | 365,873                                     | 1,288,527                                  | 1,126,809                                  |
| Income taxes                                                   | -                                           | -                                           | -                                          | 10,000                                     |
| Stock-based compensation                                       | 70,573                                      | 94,423                                      | 230,520                                    | 377,505                                    |
| Gain on Energate Arbitration share <sup>(b)</sup> cancellation | (1,438,226)                                 | -                                           | (1,438,226)                                | -                                          |
| Gain on lease obligation                                       | (16,334)                                    | -                                           | (16,334)                                   | -                                          |
| Non-core business expenses <sup>(c)</sup>                      | 65,000                                      | 408,535                                     | 344,685                                    | 785,449                                    |
| <b>Adjusted EBITDA</b>                                         | <b>\$1,256,692</b>                          | <b>\$1,360,327</b>                          | <b>\$3,796,726</b>                         | <b>\$2,311,985</b>                         |

(a) Finance expense comprised of interest expense on bank loan and lease liabilities in addition to EDC fees required for the Company's bank loan.

(b) The Company (along with Tantalus Systems Shareholders Inc., collectively, the "claimants") engaged in an arbitration proceeding against the former shareholders of Energate (the "respondent") regarding breaches of representations and other conduct relating to the Company's acquisition of Energate on July 26, 2017. Two events occurred which resulted in the cancellation of 2,258,309 outstanding common shares of the Company:

1) The arbitrator delivered an award in the amount of CAD\$3,000,000 to the claimants to be applied by cancelling common shares of the Company held by the respondent having a value equal to such amount in accordance with the terms of the share purchase agreement pursuant to which the Company acquired Energate. Accordingly, the Company cancelled 1,754,386 common shares of the Company pursuant to a supplementary consent award executed by the arbitrator and effective as of July 8, 2020.

2) The arbitrator issued a costs award in favor of the Company for reimbursement of costs incurred in connection with the arbitration in the amount of CAD\$861,709. The parties agreed that the Company would cancel an additional 503,923 common shares of the Company held by the former shareholders of Energate as settlement of the costs award, which became effective as of September 25, 2020.

The Company recognized a total gain of US\$1,438,226 in other income during the three- and nine-months ended September 30, 2020 resulting from the share cancellation, representing the current value of the cancelled shares.

(c) Non-recurring expenses are comprised of fees and expenses related to the Company's arbitration arising from the acquisition of Energate (see Subsequent Events).

## FINANCIAL RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

### Revenue

| <i>Revenue by Source</i>             | Three months ended<br>September 30,<br>2020 | %           | Three months ended<br>September 30,<br>2019 | %           |
|--------------------------------------|---------------------------------------------|-------------|---------------------------------------------|-------------|
| Connected Devices and Infrastructure | \$6,299,479                                 | 72%         | \$7,204,121                                 | 67%         |
| Utility Applications and Services    | 2,455,272                                   | 28%         | 3,476,805                                   | 33%         |
| <b>Total revenue</b>                 | <b>\$8,754,751</b>                          | <b>100%</b> | <b>\$10,680,926</b>                         | <b>100%</b> |

Revenue decreased 18% for the three months ended September 30, 2020. The decrease in revenue over the three-month ended September 30, 2019 was due to the adverse impact on the Company's sales and production activities from the COVID-19 Pandemic.

Connected Devices and Infrastructure revenue was approximately \$6.3 million during the three months ended September 30, 2020 as compared to approximately \$7.2 million for the three months ended September 30, 2019. This decrease over the comparative period was due to the impact of the COVID-19 Pandemic on the Company's business which caused delayed project deployments with existing utility customers, disruptions to the Company's supply chain and delays in decision-making by prospective utility customers.

Utility Applications and Services revenue was approximately \$2.5 million during the three months ended September 30, 2010 as compared to approximately \$3.5 million for the three months ended September 20, 2019. This decrease over the comparative period was due to the impact of the COVID-19 Pandemic on the Company's business which caused delayed deployments with existing utility customers and delays in decision-making by prospective utility customers.

The Company earned revenues attributed to the following geographical regions based on the location of the customer:

|                              | Three months ended<br>September 30,<br>2020 | %    | Three months ended<br>September 30,<br>2019 | %    |
|------------------------------|---------------------------------------------|------|---------------------------------------------|------|
| United States <sup>(1)</sup> | \$ 8,735,731                                | 99%  | \$ 10,665,843                               | 99%  |
| Canada                       | 4,075                                       | <1%  | 11,079                                      | <1%  |
| Other                        | 14,945                                      | <1%  | 4,004                                       | <1%  |
|                              | \$ 8,754,751                                | 100% | \$ 10,680,926                               | 100% |

(1) – United States includes revenues attributed to the US Virgin Islands based in the Caribbean basin.

The Company continues to generate the majority of its revenue from the United States market.

## Gross Profit

The Company reports its Gross Profit on a blended basis.

|                     | Three months<br>ended<br>September 30,<br>2020 | %          | Three months ended<br>September 30,<br>2019 | %          |
|---------------------|------------------------------------------------|------------|---------------------------------------------|------------|
| Revenues            | \$8,754,751                                    | 100%       | \$10,680,926                                | 100%       |
| Cost of sales       | 4,646,988                                      | 53%        | 5,825,712                                   | 54%        |
| <b>Gross Profit</b> | <b>\$4,107,763</b>                             | <b>47%</b> | <b>\$4,855,214</b>                          | <b>46%</b> |

Gross Profit for the three months ended September 30, 2020 was 47% which was higher than the Gross Profit of 46% for the three months ended September 30, 2019. The increase in Gross Profit margin percentage was due to the mix of the Company's products, software and services provided between the three months ended September 30, 2020 and September 30, 2019, respectively.

## Expenses

|                                         | Three months ended<br>September 30,<br>2020 | Three months ended<br>September 30,<br>2019 |
|-----------------------------------------|---------------------------------------------|---------------------------------------------|
| Sales and marketing                     | \$1,246,216                                 | \$1,450,905                                 |
| Research and development                | 1,109,078                                   | 1,108,032                                   |
| General and administrative              | 936,115                                     | 1,439,840                                   |
| Depreciation and amortization           | 437,515                                     | 365,873                                     |
| <b>Total expenses</b>                   | <b>\$3,728,924</b>                          | <b>\$4,364,650</b>                          |
| <b>As a percentage of total revenue</b> | <b>43%</b>                                  | <b>41%</b>                                  |

TSHI has centralized its sales and marketing functions, product development and research and development functions, corporate management and corporate development. TSHI has developed and continues to enhance the vision and concepts of its products and services.

TSHI currently develops products and software applications through its employees and contractors. TSHI relies on third-party contract manufacturers to build and assemble its hardware products.

The Company actively managed its operating expenses due to the impact on the Company's business from the COVID-19 Pandemic particularly with respect to a reduction in expenses arising from participating in sales and marketing trade show which were cancelled throughout the year, a reduction in travel expenses and related costs, lower sales commissions due to reduced revenue and the weakness of the Canadian dollar during the period. The Company witnessed an increase in depreciation and amortization expense arising from increased investments in computing equipment and related software, investments in new tools and computing equipment to support staff working remotely and increased protection equipment to address the impact of COVID-19 Pandemic.

## Sales and Marketing

|                                         | Three months ended<br>September 30,<br>2020 | Three months ended<br>September 30,<br>2019 |
|-----------------------------------------|---------------------------------------------|---------------------------------------------|
| Sales and marketing                     | \$1,246,216                                 | \$1,450,905                                 |
| <b>As a percentage of total revenue</b> | <b>14%</b>                                  | <b>14%</b>                                  |

Sales and marketing expense consist primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, marketing collateral, advertising costs and facilities.

The decrease in sales and marketing expense over the three months period ended September 30, 2020 is attributable to reduced travel and related expenses, the cancellation of trade shows and other marketing events, lower sales commission expense arising from a lower revenue profile and reduced stock-based compensation over the prior year period.

## Research and Development

|                                         | Three months ended<br>September 30,<br>2020 | Three months ended<br>September 30,<br>2019 |
|-----------------------------------------|---------------------------------------------|---------------------------------------------|
| Research and development                | \$1,109,078                                 | \$1,108,032                                 |
| <b>As a percentage of total revenue</b> | 13%                                         | 10%                                         |

Research and development expenses relate primarily to salaries and related benefit costs as well as materials related to the development of the Company's embedded computing products.

Research and development costs for the three months period ended September 30, 2020 were consistent with the prior year period. The Company continues to invest in the research and development of new products as well as the continuous enhancement of its existing product and software offering.

## General and Administrative

|                                         | Three months ended<br>September 30,<br>2020 | Three months ended<br>September 30,<br>2019 |
|-----------------------------------------|---------------------------------------------|---------------------------------------------|
| General and administrative              | \$936,115                                   | \$1,439,840                                 |
| <b>As a percentage of total revenue</b> | 11%                                         | 13%                                         |

General and administrative expenses include executive and administrative staff, insurance, corporate variable compensation accruals, accounting, legal and strategic consulting fees as well as various general administrative costs.

The decrease over the three-month period ended September 30, 2020 over the prior period is primarily due to travel restrictions put in place due to the COVID-19 Pandemic and the cancellation of in-person training and planning meetings for the Company. The savings associated with restrictions put in place by the Company due to the COVID-19 Pandemic were offset by increases in additional tools and computing equipment to support remote employees, investments in protective equipment to limit the exposure of key personnel working in our offices from potentially getting exposed to COVID-19 and an increase in salary expenses arising from increased headcount.

## Depreciation and Amortization

|                                            | Three months ended<br>September 30,<br>2020 | Three months ended<br>September 30,<br>2019 |
|--------------------------------------------|---------------------------------------------|---------------------------------------------|
| Depreciation of equipment                  | \$133,208                                   | \$109,350                                   |
| Amortization of intangible assets          | 188,481                                     | \$154,009                                   |
| Amortization of right-of-use assets        | 115,826                                     | 102,514                                     |
| <b>Total depreciation and amortization</b> | <b>\$437,515</b>                            | <b>\$365,873</b>                            |

The Company's depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use asset pertaining to its facility leases. The increase in depreciation and amortization during the three months period ended September 30, 2020 is attributable to the increased investment in computer equipment and software with the full period of amortization being accounted for by the Company during the three months period ended September 30, 2020.

The Company also increased its right-of-use assets in early 2020 resulting in increased amortization attributable to the incremental right-of-use asset during the three months ended September 30, 2020 over the prior year period.

### Other Earnings (Expenses)

|                              | Three months ended<br>September 30,<br>2020 | Three months ended<br>September 30,<br>2019 |
|------------------------------|---------------------------------------------|---------------------------------------------|
| Foreign exchange gain (loss) | (\$90,363)                                  | \$932                                       |
| Finance expenses             | (154,984)                                   | (223,399)                                   |
| Other income <sup>(a)</sup>  | 1,849,688                                   | -                                           |
| Other earnings (expenses)    | \$1,604,341                                 | (\$222,467)                                 |

(a) Other income includes a gain resulting from a cancellation of shares held by Energate Shareholders Holding resulting from the resolution of an arbitration and government assistance attributable to the United States and Canadian COVID-19 wage subsidy programs.

Finance expense is comprised of interest expense and fees to EDC on the Company's bank loan and lease liabilities.

Other earnings during the three months ended September 30, 2020 is comprised of the following items:

(a) The Company (along with Tantalus Systems Shareholders Inc., collectively, the "claimants") engaged in an arbitration proceeding against the former shareholders of Energate (the "respondent") regarding breaches of representations and other conduct relating to the Company's acquisition of Energate on July 26, 2017. Two events occurred which resulted in the cancellation of 2,258,309 outstanding common shares of the Company:

1) The arbitrator delivered an award in the amount of CAD\$3,000,000 to the claimants to be applied by cancelling common shares of the Company held by the respondent having a value equal to such amount in accordance with the terms of the share purchase agreement pursuant to which the Company acquired Energate. Accordingly, the Company cancelled 1,754,386 common shares of the Company pursuant to a supplementary consent award executed by the arbitrator and effective as of July 8, 2020.

2) The arbitrator issued a costs award in favor of the Company for reimbursement of costs incurred in connection with the arbitration in the amount of CAD\$861,709. The parties agreed that the Company would cancel an additional 503,923 common shares of the Company held by the former shareholders of Energate as settlement of the costs award.

The Company recognized a total gain of US\$1,438,226 in other income, representing the current value of the cancelled shares during the three months ended September 30, 2020 and a corresponding impact on Share Capital and Other Capital Reserves within Shareholders' Deficit resulting from the share cancellation.

(b) government assistance benefit received by the Company attributable to the United States payroll protection plan ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program implemented due to COVID-19 of \$395,128; and

(c) a gain on lease obligation of \$16,334.

The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency which accounted for the majority of the foreign exchange loss reported. The Company experienced a foreign exchange loss of \$90,363 during the three months period ended September 30, 2020 compared to a foreign exchange gain of \$932 in the prior year period.

### Total Comprehensive Income

|                                                     | Three months ended<br>September 30,<br>2020 | Three months ended<br>September 30,<br>2019 |
|-----------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Operating income (loss)                             | \$378,839                                   | \$490,564                                   |
| Total other earnings(expenses)                      | 1,604,341                                   | (222,467)                                   |
| Income tax expense                                  | -                                           | -                                           |
| Income for the period                               | \$1,983,180                                 | \$ 268,097                                  |
| Foreign currency translation adjustment             | -                                           | -                                           |
| <b>Total comprehensive income</b>                   | <b>\$1,983,180</b>                          | <b>\$268,097</b>                            |
| <b>Earnings per share (basic and fully diluted)</b> | <b>\$0.05</b>                               | <b>\$0.01</b>                               |

Income for the three months ended September 30, 2020 was \$1,983,180 or \$0.05 earnings per share compared income for the three months ended September 30, 2019 of \$268,097 or \$0.01 earnings per share.

### FINANCIAL RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

#### Revenue

| <i>Revenue by Source</i>             | Nine months ended<br>September 30,<br>2020 | %           | Nine months ended<br>September 30,<br>2019 | %           |
|--------------------------------------|--------------------------------------------|-------------|--------------------------------------------|-------------|
| Connected Devices and Infrastructure | \$16,113,048                               | 68%         | \$21,874,046                               | 69%         |
| Utility Applications and Services    | 7,623,578                                  | 32%         | 9,646,120                                  | 31%         |
| <b>Total revenue</b>                 | <b>\$23,736,626</b>                        | <b>100%</b> | <b>\$31,520,166</b>                        | <b>100%</b> |

Revenue decreased by 25% from the nine months ended September 30, 2020. The decrease in revenue over the nine-month period ended September 30, 2019 was due to the adverse impact on the Company's sales and production activities from the COVID-19 Pandemic.

Connected Devices and Infrastructure revenue was approximately \$16.1 million during the nine months ended September 30, 2020 as compared to approximately \$21.9 million for the nine months ended September 30, 2019.

This decrease over the comparative period was due to the impact of the COVID-19 Pandemic on the Company's business which caused delayed project deployments with existing utility customers, disruptions to the Company's supply chain and delays in decision-making by prospective utility customers.

Utility Applications and Services revenue was approximately \$7.6 million during the nine months ended September 30, 2020 as compared to approximately \$9.6 million for the nine months ended September 30, 2019. This decrease over the comparative period was due to the impact of the

COVID-19 Pandemic on the Company's business which caused delayed deployments with existing utility customers and delays in decision-making by prospective utility customers. The Company earned revenues attributed to the following geographical regions based on the location of the customer:

|                              | Nine months ended<br>September 30,<br>2020 | %           | Nine months ended<br>September 30,<br>2019 | %           |
|------------------------------|--------------------------------------------|-------------|--------------------------------------------|-------------|
| United States <sup>(1)</sup> | \$23,699,758                               | 99%         | \$31,351,252                               | 99%         |
| Canada                       | 19,923                                     | <1%         | 46,186                                     | <1%         |
| Other                        | 16,945                                     | <1%         | 122,728                                    | <1%         |
| <b>Total revenue</b>         | <b>\$23,736,626</b>                        | <b>100%</b> | <b>\$31,520,166</b>                        | <b>100%</b> |

(1)– United States includes revenues attributed to the US Virgin Islands based in the Caribbean basin.

The Company generates the majority of its revenue from the United States market.

## Gross Profit

The Company reports its Gross Profit on a blended basis.

|                     | Nine months ended<br>September 30,<br>2020 | %          | Nine months ended<br>September 30,<br>2019 | %          |
|---------------------|--------------------------------------------|------------|--------------------------------------------|------------|
| Revenues            | \$23,736,626                               | 100%       | \$31,520,166                               | 100%       |
| Cost of sales       | 12,418,233                                 | 52%        | 17,772,122                                 | 56%        |
| <b>Gross Profit</b> | <b>\$11,318,393</b>                        | <b>48%</b> | <b>\$13,748,044</b>                        | <b>44%</b> |

Gross Profit for the nine months ended September 30, 2020 was 48%, which was higher than the 44% Gross Profit for the nine months ended September 30, 2019. The increase in Gross Profit margin percentage was due to the mix of the Company's products, software and services provided with increased revenue contribution from the Company's Utility Applications and Services segment relative to its Connected Devices and Infrastructure products during the three months ended September 30, 2020 compared to the three months ended September 30, 2019.

## Expenses

|                                         | Nine months ended September<br>30,<br>2020 | Nine months ended<br>September 30,<br>2019 |
|-----------------------------------------|--------------------------------------------|--------------------------------------------|
| Sales and marketing                     | \$4,057,070                                | \$4,846,069                                |
| Research and development                | 3,043,196                                  | 3,888,434                                  |
| General and administrative              | 2,980,456                                  | 3,716,948                                  |
| Depreciation and amortization           | 1,288,527                                  | 1,126,809                                  |
| <b>Total expenses</b>                   | <b>\$11,369,249</b>                        | <b>\$13,578,260</b>                        |
| <b>As a percentage of total revenue</b> | <b>48%</b>                                 | <b>43%</b>                                 |

The Company actively managed its operating expenses due to the impact on the Company's business from the COVID-19 Pandemic particularly with respect to a reduction in expenses arising from participating in sales and marketing trade show which were cancelled throughout the year, a reduction in travel expenses and related costs, lower sales commissions due to reduced revenue and the weakness of the Canadian dollar during the period. The Company witnessed an increase

in depreciation and amortization expense arising from increased investments in computing equipment and related software, investments in new tools and computing equipment to support staff working remotely and increased protection equipment to address the impact of COVID-19 Pandemic.

### Sales and Marketing

|                                         | Nine months ended<br>September 30,<br>2020 | Nine months ended<br>September 30,<br>2019 |
|-----------------------------------------|--------------------------------------------|--------------------------------------------|
| Sales and marketing                     | \$4,057,070                                | \$4,846,069                                |
| <b>As a percentage of total revenue</b> | <b>13%</b>                                 | <b>12%</b>                                 |

The decrease in sales and marketing expense over the nine months period ended September 30, 2020 is attributable to reduced travel and related expenses, the cancellation of trade shows and other marketing events, lower sales commission expense arising from a lower revenue profile and reduced stock-based compensation over the prior year period.

### Research and Development

|                                         | Nine months ended<br>September 30,<br>2020 | Nine months ended<br>September 30,<br>2019 |
|-----------------------------------------|--------------------------------------------|--------------------------------------------|
| Research and development                | \$3,043,196                                | \$3,888,434                                |
| <b>As a percentage of total revenue</b> | <b>13%</b>                                 | <b>12%</b>                                 |

Research and development costs for the nine months period ended September 30, 2020 were lower than the prior year period due primarily to travel restrictions put in place due to the COVID-19 Pandemic and lower stock-based compensation over the prior year period and lower personnel costs. The Company continues to invest in the research and development of new products as well as the continuous enhancement of its existing product and software offering.

### General and Administrative

|                                         | Nine months ended<br>September 30,<br>2020 | Nine months ended<br>September 30,<br>2019 |
|-----------------------------------------|--------------------------------------------|--------------------------------------------|
| General and Administration              | \$2,980,456                                | \$3,716,948                                |
| <b>As a percentage of total revenue</b> | <b>13%</b>                                 | <b>12%</b>                                 |

General and administrative expenses include executive and administrative staff, facilities, public company costs, insurance, corporate variable compensation accruals, accounting, legal and strategic consulting fees as well as various general administrative costs.

The decrease over the nine-month period ended September 30, 2020 over the prior period is primarily due to travel restrictions put in place due to the COVID-19 Pandemic and the cancellation of in-person training and planning meetings for the Company. The savings associated with restrictions put in place by the Company due to the COVID-19 Pandemic were offset by increases in additional tools and computing equipment to support remote employees, investments in protective equipment to limit the exposure of key personnel working in our offices from potentially getting exposed to COVID-19.

## Depreciation and Amortization

|                                            | Nine months ended<br>September 30,<br>2020 | Nine months ended<br>September 30,<br>2019 |
|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| Depreciation of equipment                  | \$403,433                                  | \$342,273                                  |
| Amortization of intangible assets          | 541,780                                    | 476,993                                    |
| Amortization of right-of-use asset         | 343,314                                    | 307,543                                    |
| <b>Total depreciation and amortization</b> | <b>\$1,288,527</b>                         | <b>\$1,126,809</b>                         |

The Company's depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use asset pertaining to its facility leases. The increase in depreciation and amortization during the nine months period ended September 30, 2020 is attributable to the increased investment during the prior year ended December 31, 2019 by the Company in computer equipment and software with the full period of amortization being accounted for by the Company during the nine months period ended September 30, 2020. The Company also increased its right-of-use assets in early 2020 resulting in increased amortization attributable to the incremental right-of-use asset during the nine months ended September 30, 2020 over the prior year period.

## Other Earnings (Expenses)

|                                        | Nine months ended<br>September 30,<br>2020 | Nine months ended<br>September 30,<br>2019 |
|----------------------------------------|--------------------------------------------|--------------------------------------------|
| Foreign exchange gain (loss)           | (24,188)                                   | (147,562)                                  |
| Finance expenses                       | (544,529)                                  | (692,514)                                  |
| Other Income <sup>(a)</sup>            | 3,462,598                                  | -                                          |
| <b>Total other expenses (earnings)</b> | <b>\$2,893,881</b>                         | <b>(\$840,076)</b>                         |

(a) Other income includes a gain resulting from a cancellation of shares held by Energate Shareholders Holding resulting from the resolution of an arbitration and government assistance attributable to the United States and Canadian COVID-19 wage subsidy programs.

Finance expense is comprised of interest expense and fees to EDC on the Company's bank loan and lease liabilities.

Other earnings during the nine months ended September 30, 2020 is comprised of the following items:

(a) The Company (along with Tantalus Systems Shareholders Inc., collectively, the "claimants") engaged in an arbitration proceeding against the former shareholders of Energate (the "respondent") regarding breaches of representations and other conduct relating to the Company's acquisition of Energate on July 26, 2017. Two events occurred which resulted in the cancellation of 2,258,309 outstanding common shares of the Company:

- 1) The arbitrator delivered an award in the amount of CAD\$3,000,000 to the claimants to be applied by cancelling common shares of the Company held by the respondent having a value equal to such amount in accordance with the terms of the share purchase agreement pursuant to which the Company acquired Energate. Accordingly, the Company cancelled 1,754,386 common shares of the Company pursuant to a supplementary consent award executed by the arbitrator and effective as of July 8, 2020.

2) The arbitrator issued a costs award in favor of the Company for reimbursement of costs incurred in connection with the arbitration in the amount of CAD\$861,709. The parties agreed that the Company would cancel an additional 503,923 common shares of the Company held by the former shareholders of Energate as settlement of the costs award.

The Company recognized a total gain of US\$1,438,226 in other income, representing the current value of the cancelled shares during the nine-months ended September 30, 2020 and a corresponding impact on Share Capital and Other Capital Reserves within Shareholders' Deficit resulting from the share cancellation.

(b) government assistance benefit received by the Company attributable to the PPP and CEWS programs implemented due to COVID-19 of \$1,998,623; and

(c) a gain on lease obligation of \$16,334.

The Company also experienced a foreign exchange loss of \$24,188 for the nine months period ended September 30, 2019 compared to a foreign exchange loss of \$147,563 in the prior year period.

### **Total Comprehensive Income (Loss)**

|                                                     | <b>Nine months ended<br/>September 30,<br/>2020</b> | <b>Nine months ended<br/>September 30,<br/>2019</b> |
|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Operating income (loss)                             | (\$50,856)                                          | \$169,784                                           |
| Total other earnings(expenses)                      | 2,893,881                                           | (840,076)                                           |
| Income tax expense                                  | -                                                   | (10,000)                                            |
| Income (loss) for the period                        | \$2,843,025                                         | (\$680,292)                                         |
| Foreign currency translation adjustment             | -                                                   | -                                                   |
| <b>Total comprehensive income (loss)</b>            | <b>\$2,843,025</b>                                  | <b>(\$680,292)</b>                                  |
| <b>Earnings per share (basic and fully diluted)</b> | <b>\$0.07</b>                                       | <b>(\$0.02)</b>                                     |

Income for the nine months ended September 30, 2020 was \$2,843,025 or \$0.07 earnings per share compared to a loss for the nine months ended September 30, 2019 which was \$680,293 or \$0.02 loss per share.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Capital Management**

The Company's capital management objective is to ensure that the Company is capitalized in a manner which appropriately supports working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position, and to that end, the Company regularly assesses its capital management practices in response to changing economic conditions. The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, business expansion and other strategic objectives.

## Cash and Adjusted Working Capital

As at September 30, 2020, the Company had cash totaling approximately \$3.2 million as compared to cash of approximately \$5.4 million as at December 31, 2019. The Company is required to classify its long-standing bank loan as a current liability under IFRS. Adjusted Working Capital excludes the Company's long-standing bank loan with Comerica which it has renewed on a continuous annual basis since 2012. As at September 30, 2020, the Company had Adjusted Working Capital of approximately \$4.6 million, exclusive of the bank loan of \$8.2 million, as compared to Adjusted Working Capital of approximately \$2.8 million, exclusive of the bank loan of \$8.2 million, as at December 31, 2019.

## Cash Flows

|                                    | Nine months ended<br>September 30,<br>2020 | Nine months ended<br>September 30,<br>2019 |
|------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Cash provided by (used in):</b> |                                            |                                            |
| Operating activities               | (\$1,028,091)                              | \$1,157,533                                |
| Investing activities               | (629,067)                                  | (847,180)                                  |
| Financing activities               | (481,606)                                  | (263,215)                                  |
| Effect of foreign exchange on cash | (3,844)                                    | (4,964)                                    |
| <b>Increase (decrease) in cash</b> | <b>(\$2,142,608)</b>                       | <b>\$42,174</b>                            |

Cash provided by (used in) operating activities for comparable periods was attributable to the Company's financial performance. Cash provided by (used in) investing activities for comparable periods was attributable to the Company's investment in property and equipment as well as intangibles. Cash provided by (used in) financing activities for comparable periods was attributable to the Company's financing activities inclusive of its bank loan facility.

The Company generated negative cash flows from its operating activities during the nine months ended September 30, 2020 of approximately \$1.0 million which is attributable to the net change in the Company's working capital items offset by positive Adjusted EBITDA generated in the period, inclusive of the impact of the government assistance received. The Company generated positive cash flow of approximately \$1.2 million from operations in the prior nine months period ended September 30, 2019 which is attributable to positive Adjusted EBITDA generated offset by the net change of working capital items. The Company had lower investment in and other business equipment as well as business software during the nine months period ended September 30, 2020 than over the prior year period.

## Commitments

The Company has the following commitments as at September 30, 2020:

| Contractual Obligations                  | Total               | Less than<br>1 year | 1 - 5<br>years     | After<br>5 years |
|------------------------------------------|---------------------|---------------------|--------------------|------------------|
| Accounts Payable and accrued liabilities | \$9,714,062         | \$9,714,062         | \$ -               | \$ -             |
| Bank loan <sup>(a)</sup>                 | \$8,184,700         | 8,184,700           | \$ -               | \$ -             |
| Lease liabilities                        | \$2,578,920         | \$844,527           | \$1,734,393        | \$ -             |
| <b>Total Contractual Obligations</b>     | <b>\$20,477,682</b> | <b>\$18,743,289</b> | <b>\$1,734,393</b> | <b>\$ -</b>      |

(a) – See bank loan below.

In the ordinary course of business, the Company may enter into performance bonds with customers as part of a sales contract. After September 30, 2020, the Company entered into one performance bond for \$1,138,012.

In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors.

#### *Bank Loan*

The Company entered into a loan agreement on April 12, 2012, and subsequent amendments (together the “Agreement”) with Comerica Bank (the “Bank”) to fund ongoing Adjusted Working Capital requirements. The bank loan which is comprised of two line of credit facilities and a term loan had an aggregate total payable by the Company of USD\$8,184,700 as at September 30, 2020. The Company entered into an amendment agreement with the Bank which extended the maturity date of the line of credit facility from February 26, 2020 to February 26, 2021. After September 30, 2020, the Company received confirmation from the Bank that the maturity date of the line of credit facility would be extended from February 26, 2021 to February 28, 2022.

#### *Facilities*

TSHI maintains four office locations across North America, including:

- Burnaby, British Columbia, Canada (headquarters) (“Burnaby”);
- Kanata, Ontario, Canada (“Kanata”);
- Norwalk, Connecticut, United States of America (“Norwalk”); and
- Raleigh, North Carolina, United States of America (“Raleigh”).

Each office is based on a lease with a third-party building manager or landlord. TSHI’s Burnaby office lease, of approximately 32,000 square feet was entered into on August 1, 2014 and is expected to expire on January 31, 2022. TSHI’s Kanata office lease, of approximately 8,200 square feet was entered into on November 1, 2017 and is expected to expire on February 1, 2025. TSHI’s Norwalk office lease, of approximately 800 square feet was entered into on March 1, 2018 and has been expanded to a new office facility space in the building increasing to approximately 2,350 square feet to expire on February 1, 2025. TSHI’s Raleigh office lease, of approximately 5,602 square feet was entered into on February 1, 2016 and is expected to expire on May 1, 2022. All of TSHI’s office leases are with arm’s length parties.

## FINANCIAL POSITION

The following table shares the variance that have occurred in the Company's financial position as at September 30, 2020 and December 31, 2019:

|                                          | September 30,<br>2020 | December 31,<br>2019 | Variance             |
|------------------------------------------|-----------------------|----------------------|----------------------|
| <b>Assets</b>                            |                       |                      |                      |
| Cash                                     | \$3,225,478           | \$5,368,086          | (\$2,142,609)        |
| Accounts receivable                      | 5,935,571             | 4,819,166            | 1,116,405            |
| Investment tax credits receivable        | 1,910,728             | 960,728              | 950,000              |
| Inventory                                | 5,241,541             | 5,038,119            | 203,422              |
| Prepaid expenses and deposits            | 724,785               | 563,035              | 161,752              |
| <b>Total current assets</b>              | <b>\$17,038,103</b>   | <b>\$16,749,134</b>  | <b>\$288,970</b>     |
| Property and equipment                   | 1,386,933             | 1,477,160            | (90,227)             |
| Intangible assets                        | 533,526               | 759,445              | (225,919)            |
| Right of Use assets                      | 1,103,392             | 1,152,875            | (49,483)             |
| <b>Total assets</b>                      | <b>\$20,061,954</b>   | <b>\$20,138,614</b>  | <b>(\$76,659)</b>    |
| <b>Liabilities</b>                       |                       |                      |                      |
| Accounts payable and accrued liabilities | \$9,714,062           | \$9,968,915          | (254,853)            |
| Deferred revenue and deposits            | 1,981,902             | 3,250,183            | (1,268,281)          |
| Lease liabilities                        | 720,036               | 680,595              | 39,441               |
| Bank loan                                | 8,184,700             | 8,196,892            | (12,192)             |
| <b>Total current liabilities</b>         | <b>\$20,600,700</b>   | <b>\$22,096,585</b>  | <b>(\$1,495,885)</b> |
| Lease Liabilities                        | 686,287               | 902,381              | (216,094)            |
| <b>Total liabilities</b>                 | <b>\$21,286,987</b>   | <b>\$22,998,966</b>  | <b>(\$1,711,979)</b> |

## Accounts Receivable Insurance

The Company entered into an agreement with Export Development Canada ("EDC") whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales up to a maximum of \$3,000,000 with certain customers excluded from this coverage.

## OTHER ITEMS

### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company's interim consolidated financial statements as at September 30, 2020.

### Transactions with Related Parties

Related parties include key management which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of key management of the Company for the three months and nine months ended September 30, 2020 and 2019 are as follows:

|                         | Three months<br>ended September<br>30, 2020 | Three months<br>ended September<br>30, 2019 | Nine months<br>ended September<br>30, 2020 | Nine months<br>ended September<br>30,<br>2019 |
|-------------------------|---------------------------------------------|---------------------------------------------|--------------------------------------------|-----------------------------------------------|
| Short-term compensation | \$470,800                                   | \$243,769                                   | \$1,007,671                                | \$1,071,249                                   |
| Share-based payments    | 34,677                                      | 43,276                                      | 97,744                                     | 173,017                                       |
| <b>Total</b>            | <b>\$505,477</b>                            | <b>\$287,045</b>                            | <b>\$1,105,415</b>                         | <b>\$1,244,266</b>                            |

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The following financial instruments are all measured at amortized cost. The fair value of each approximates the carrying value due to their short-term nature.

|                                          | <u>September 30, 2020</u> |               | <u>December 31, 2019</u> |               |
|------------------------------------------|---------------------------|---------------|--------------------------|---------------|
|                                          | Carrying<br>Value         | Fair<br>Value | Carrying<br>Value        | Fair<br>Value |
| <b><u>Financial Assets</u></b>           |                           |               |                          |               |
| Cash                                     | \$3,225,478               | \$3,225,478   | \$5,368,086              | \$5,368,086   |
| Accounts receivable                      | \$5,935,571               | \$5,935,571   | \$4,819,166              | \$4,819,166   |
| Investment tax credits receivable        | \$1,910,728               | \$1,910,728   | \$960,728                | \$960,728     |
| <b><u>Financial Liabilities</u></b>      |                           |               |                          |               |
| Accounts payable and accrued liabilities | \$9,714,062               | \$9,714,062   | \$9,968,915              | \$9,968,915   |
| Bank loan                                | \$8,184,700               | \$8,184,700   | \$8,196,892              | \$8,196,892   |

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, and interest rate risk are provided below.

### Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash trade receivables and investment tax credits receivable. With respect to trade and other receivables, the Company engages EDC to perform ongoing credit evaluations of the Company's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

### 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's approach to managing liquidity risk is to ensure, as far as possible, that it

will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within one month.

### **Foreign Currency Risk**

Although substantially all of the Company's revenues are received in US dollars, the Company incurs operating costs primarily attributable to its research & development in Canadian dollars. Fluctuations in the exchange rates between the US dollar and Canadian dollar could have an effect on the business, financial condition and results of operations. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated to its US dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company does not have significant exposure to the impact of foreign exchange fluctuations pertaining to its financial position as at September 30, 2020 and December 31, 2019. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the US dollar would have had an impact on net loss of \$152,575 as at September 30, 2020 and \$141,324 as at December 31, 2019.

### **Interest Rate Risk**

All of the Company's financial assets and liabilities are non-interest bearing except for cash which generates interest income at market rates. The credit facilities bear interest at a floating rate based on the bank's prime rate and had a balance of \$8,184,700 as at September 30, 2020 and \$8,196,892 as at December 31, 2019. A potential percentage change in the bank's prime rate of 1.00% will have an impact of \$81,847 as at September 30, 2020 and \$81,969 as at December 31, 2019 on the Company's annual interest expense pertaining its line of credit facility.

### **DISCLOSURE OF OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares. As of September 30, 2020, the Company has 40,760,688 common shares issued and outstanding.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"). See Note 3 in the Company's unaudited condensed consolidated interim financial statements for the three and nine month ended September 30, 2020 and September 30, 2019.

## **RISK FACTORS**

Please refer to the risk factors described in the “Risk Factors” section of the Filing Statement.

## **SUBSEQUENT EVENTS**

The Company continues to actively monitor the current international and domestic impacts of and responses to the COVID-19 Pandemic and its related risks, and continues to prepare accordingly. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy is not known, an estimate of the financial effect on the Company is not practicable at this time. The COVID-19 Pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the group’s business in various ways inclusive of a reduction in the supply of goods and materials from the Company’s contract manufacturer supplier which has affected our ability to continue the production of the Company’s products as well as the reduction of economic activity/requirement to close our office facilities with the requirement for the large majority of our employees to work from home which has resulted in a significant reduction in sales/productivity during the year ending December 31, 2020.

Governments in the countries in which we operate have also announced the implementation of government assistance measures which might mitigate some of the impact of the COVID-19 Pandemic on our results and liquidity. To the extent appropriate, we have applied for and received such government assistance in the countries in which we operate. The details of all of the arrangements that might be available to us and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty. We are continuing to assess the implications for our business when these arrangements are no longer available. Depending on the duration of the COVID-19 Pandemic and continued negative impact on economic activity, the group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in future. The exact impact on our existing and future activities cannot be predicted.

On November 19, 2020, the Company entered into a definitive agreement with RiseTech to complete a merger of the two entities and closed a concurrent financing of approximately CND\$8.8 million through a subscription receipt offering (the proceeds from which shall be released to the Company upon the satisfaction of certain conditions, namely the approval of the Company for public listing on the TSX-V exchange).

After September 30, 2020, the Company received confirmation from the Bank that the maturity date of the line of credit facility would be extended from February 26, 2021 to February 28, 2022.

## **SCHEDULE “E”**

Unaudited pro forma statement of financial position for the Resulting Issuer as at September 30, 2020 to give effect to the Plan of Arrangement as if it had taken place as of September 30, 2020.

(See attached.)

# **TANTALUS SYSTEMS HOLDING INC.**

## **PRO FORMA STATEMENT OF FINANCIAL POSITION** *(expressed in United States dollars)*

**As at September 30, 2020**

*(unaudited)*

**TANTALUS SYSTEMS HOLDING INC.**  
**Pro forma Interim Condensed Consolidated Statements of Financial Position**  
*(Unaudited and Expressed in United States Dollars)*

| As at September 30, 2020                              | RiseTech<br>Capital Corp. | Tantalus<br>Systems<br>Holding Inc. | Pro forma<br>Adjustments | Pro forma<br>Consolidated |
|-------------------------------------------------------|---------------------------|-------------------------------------|--------------------------|---------------------------|
| <b>Assets</b>                                         |                           |                                     |                          |                           |
| Current assets                                        |                           |                                     |                          |                           |
| Cash (note 3(c))                                      | \$ 365,546                | \$ 3,225,478                        | \$5,717,615              | \$ 9,308,639              |
| Accounts receivable                                   | 5,040                     | 5,935,571                           | -                        | 5,940,611                 |
| Investment tax credits receivable                     | -                         | 1,910,728                           | -                        | 1,910,728                 |
| Inventory                                             | -                         | 5,241,541                           | -                        | 5,241,541                 |
| Prepaid expenses and deposits                         | -                         | 724,785                             | -                        | 724,785                   |
| Total current assets                                  | 370,586                   | 17,038,103                          | \$5,717,615              | 23,126,304                |
| Property and equipment                                | -                         | 1,386,933                           | -                        | 1,386,933                 |
| Intangible assets                                     | -                         | 533,526                             | -                        | 533,526                   |
| Right of Use assets                                   | -                         | 1,103,392                           | -                        | 1,103,392                 |
| Total assets                                          | \$ 370,586                | \$20,061,954                        | \$5,717,615              | \$ 26,150,155             |
| <b>Liabilities and Shareholders' Deficit / Equity</b> |                           |                                     |                          |                           |
| Current liabilities                                   |                           |                                     |                          |                           |
| Accounts payable and accrued liabilities              | \$ 75,196                 | \$ 9,714,062                        | \$ -                     | \$ 9,789,258              |
| Deferred revenue and deposits                         | -                         | 1,981,902                           | -                        | 1,981,902                 |
| Lease liabilities                                     | -                         | 720,036                             | -                        | 720,036                   |
| Bank loan (note 3(g))                                 | -                         | 8,184,700                           | (8,184,700)              | -                         |
| Total current liabilities                             | 75,196                    | 20,600,700                          | (8,184,700)              | 12,491,196                |
| Bank Loan (note 3(g))                                 | -                         | -                                   | 8,184,700                | 8,184,700                 |
| Lease Liabilities                                     | -                         | 686,287                             | -                        | 686,287                   |
| Total liabilities                                     | \$75,196                  | \$ 21,286,987                       | \$ -                     | \$ 21,362,183             |
| Shareholders' deficit / equity                        |                           |                                     |                          |                           |
| Share capital                                         |                           |                                     |                          |                           |
| Common shares (note 3(d))                             | 523,986                   | 71,475,662                          | \$7,370,286              | 79,369,935                |
| Other capital reserves (note 3(e))                    | 30,178                    | 39,309,551                          | 28,883                   | 39,368,612                |
| Accumulated other comprehensive income                | -                         | 1,926,003                           | -                        | 1,926,003                 |
| Deficit (note 3(f))                                   | (258,774)                 | (113,936,249)                       | (1,681,554)              | (115,876,578)             |
| Total Shareholders' deficit / equity                  | 295,390                   | (1,225,033)                         | 5,715,615                | 4,787,972                 |
| Total liabilities and Shareholders' deficit           | \$ 370,586                | \$ 20,061,954                       | \$ 5,715,615             | \$ 26,150,155             |

See accompanying notes to pro forma consolidated financial statements.

## 1. Pro forma Transactions

On November 19, 2020, Tantalus Systems Holding Inc. (“TSHI” or the “Company”), Tantalus Systems Shareholder Inc. (“TSSI”), a holding company that holds 87.72% of the issued and outstanding shares of TSHI, and RiseTech Capital Corp. (“RiseTech”), a TSX Venture Exchange listed capital pool company entered into an arrangement agreement (the “Arrangement Agreement”) to complete a plan of arrangement under Section 192 of the *Canada Business Corporations Act* (the “Arrangement”).

Pursuant to the Arrangement, certain of the issued and outstanding shares of TSHI and TSSI will be exchanged for common shares in the capital of RiseTech. Following the completion of the Arrangement and related qualifying transaction pursuant to the policies of the TSX Venture Exchange, the former shareholders of TSHI and TSSI will hold a combined 98% of the issued and outstanding shares in the capital of RiseTech (the “Transaction”).

Prior to the Arrangement, RiseTech will consolidate its issued and outstanding common shares on the basis of one (1) existing common share in the capital of RiseTech for 0.06094549 new common shares in the capital of RiseTech.

Concurrently with the entering into of the Arrangement Agreement, TSHI completed a private placement offering (the “Private Placement”) of 4,418,210 subscription receipts (the “Subscription Receipts”) at an issue price of \$2.25 per Subscription Receipt for aggregate gross proceeds of CDN\$9,940,973 (a USD equivalent value of \$7,506,586 based on an exchange rate of 0.7551 as of September 30, 2020). The proceeds from the Private Placement will be released to TSHI upon the satisfaction of certain conditions, namely the closing of the Transaction and the approval of the Company for public listing on the TSX Venture Exchange. In connection with the completion of the Transaction, RiseTech will change its name to “Tantalus Systems Holding Inc.”.

For the purposes of these pro forma consolidated financial statements, RiseTech is not considered a business.

The following pro forma transactions have been recognized in the pro forma consolidated statement of financial position:

- The Arrangement and the corresponding share capital reorganization of TSHI and TSSI, including the cancellation, consolidation, split and conversion, respectively, of certain shares in the capital of TSHI and TSSI, as further detailed above in the Filing Statement to which these pro forma consolidated financial statements are attached.
- The acquisition by RiseTech of all issued and outstanding shares of TSHI, following the amalgamation of TSHI and TSSI pursuant to the Arrangement, by the issuance of one (1) common share of RiseTech for one (1) common share of TSHI.
- The issuance of 4,418,210 common shares at a price of CDN\$2.25 per common share for gross proceeds of CDN\$9,940,973 (a USD equivalent value of \$7,506,586 based on an exchange rate of 0.7551 as of September 30, 2020); and
- The incurrence of share issuance, transaction and reorganization costs related to the Private Placement and the Transaction.

## 2. Basis of presentation

(a) Pro forma consolidated statement of financial position:

The unaudited pro forma consolidated statement of financial position of TSHI as at September 30, 2020 has been prepared, for illustrative purposes only, to give effect to the transactions described above pursuant to the assumptions and adjustments described in Note 3 to the unaudited pro forma consolidated statement of financial position. All balances are expressed in United States dollars unless otherwise stated.

For the purposes of preparing the consolidated statement of financial position for TSHI as at September 30, 2020, the statement of financial position of RiseTech as at September 30, 2020 has been translated from the Canadian dollar currency to United States dollars at the foreign exchange rate as at September 30, 2020 and is consolidated with the statement of financial position of TSHI as at September 30, 2020.

This unaudited pro forma consolidated statement of financial position has been prepared based on the following financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board:

- Interim condensed financial statements of RiseTech for the nine-month periods ended September 30, 2020 and 2019; and
- interim condensed consolidated financial statements of TSHI as at September 30, 2020 and for the three-month and the nine-month periods ended September 30, 2020 and 2019.

The unaudited pro forma consolidated statement of financial position has been prepared on a basis consistent with TSHI's significant accounting policies detailed in Note 3 of TSHI's audited consolidated financial statements for the year ended December 31, 2019. The pro forma consolidated statement of financial position as at September 30, 2020 has been prepared as if the transactions described in Note 3 had occurred on September 30, 2020.

The pro forma adjustments presented herein are preliminary and are based on available financial information and certain estimates and assumptions. Management believes that such assumptions provide a reasonable basis for presenting all the significant effects of the contemplated transactions, and that the pro forma adjustments give appropriate effect to those assumptions, and are properly applied to the unaudited pro forma consolidated financial statements. The actual adjustments to the consolidated financial statements of TSHI will differ from the pro forma adjustments herein.

The unaudited pro forma consolidated financial statements are not intended to reflect the financial performance or the financial position of TSHI, which would have resulted had the transactions occurred on the date indicated. The pro forma financial information is not necessarily indicative of financial performance that may be obtained in the future. The unaudited pro forma consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements of RiseTech for the year ended December 31, 2019, the audited financial statements of TSHI for the year ended December 31, 2019, the unaudited interim condensed consolidated financial statements of RiseTech for the three-month and nine-month periods ended September 30, 2020 and 2019 and the unaudited interim condensed consolidated financial statements of TSHI for the three-month and nine-month periods ended September 30, 2020 and 2019, and the notes thereto.

(b) Reverse acquisition for accounting purposes:

A reverse acquisition occurs when the entity that issues securities (the legal acquirer or RiseTech) is identified as the acquiree for accounting purposes. The entity whose interests are acquired (the legal acquiree or TSHI) is the acquirer for accounting purposes in a reverse acquisition. It has been determined that RiseTech is the accounting acquiree and that TSHI is the accounting acquirer based upon the guidance in IFRS 10, *Consolidated Financial Statements*, and IFRS 3, *Business Combinations*.

The acquisition date fair value of the consideration transferred by the accounting acquirer, TSHI, for its interest in the accounting acquiree, RiseTech, is based on the equity interests that TSHI would have had to issue to provide the owners of RiseTech before the transaction, with the same percentage equity interest in the combined entity that results from the reverse acquisition.

This pro forma consolidated statement of financial position has been prepared as a continuation of the financial statements of TSHI, reflecting the equity instruments of RiseTech.

### 3. Pro forma assumptions and adjustment to the consolidated statement of financial position

The pro forma adjustments to prepare the pro forma consolidated statement of financial position are as follows:

(a) Issuance of common shares:

TSHI will issue 4,418,210 common shares at CDN\$2.25 per share (on a post-consolidation basis) for gross proceeds of CDN\$9,940,973 (a USD equivalent value of \$7,506,586 based on an exchange rate of 0.7551 as of September 30, 2020). Share issuance costs and transaction costs estimated as US\$1,848,033, including the fair value of compensation options to the agents for an amount of US\$59,061, have been recorded as an offset to common shares for an amount of US\$938,314 and in deficit for an amount of US\$909,719. The actual costs incurred will differ from this estimate.

The compensation options to the agents in the financing to be issued to the Company's were valued using the Black-Scholes model and the following assumptions:

|                                  |           |
|----------------------------------|-----------|
| Expected life (in years)         | 2         |
| Risk-free interest rate          | 0.25%     |
| Volatility                       | 50.0%     |
| Forfeiture rate                  | 0.0%      |
| Dividend yield                   | 0.0%      |
| Common share value at grant date | CDN\$2.25 |
| Exercise price                   | CDN\$2.25 |

(b) Reverse acquisition of RiseTech for accounting purposes:

As of the date of closing of the Transaction, RiseTech will not meet the definition of a business and the transaction will be accounted for pursuant to IFRS 2, *Share-based payment*.

As a result of the reverse acquisition of RiseTech, the assets and liabilities of TSHI will be recognized at their carrying amount and the assets and liabilities of RiseTech will be recognized at fair value. The fair value of the assumed consideration paid by TSHI amounts to \$1,326,000, representing the assumed issuance of 767,321 common shares to the existing shareholders of RiseTech at the date of the reverse acquisition after considering a consolidation of 1 share for each 0.06094549 share of RiseTech and assuming a fair value per share post consolidation of CDN\$2.25, being the price of the common shares in the Private Placement. The excess of the fair value of the assumed consideration paid by TSHI over the fair value of the net assets assumed of RiseTech of \$295,390 has been recognized as listing expenses and recorded in deficit for an amount of \$1,030,610.

For the purposes of the pro forma consolidated statement of financial position, the fair value of assets acquired and liabilities assumed are assumed to be recognized at their carrying value of \$295,390 in the historical statement of financial position of RiseTech as at September 30, 2020.

The reverse acquisition of RiseTech is recognized as follows:

|                                                      |             |
|------------------------------------------------------|-------------|
| Consideration paid in shares                         | \$1,326,000 |
| Less: Net assets of RiseTech assumed                 | (295,390)   |
| Excess of consideration paid over net assets assumed | \$1,030,610 |

The actual consideration and net assets of RiseTech assumed are dependent on the balances at the date of the transaction.

For the purposes of the pro forma consolidated statement of financial position, the common shares of RiseTech of \$523,986, the other capital reserves of \$30,178 and the deficit of \$258,774 have been eliminated to reflect reverse acquisition accounting.

(c) Impact on cash:

|                                                                                                          |                    |
|----------------------------------------------------------------------------------------------------------|--------------------|
| Gross proceeds of Private Placement (note 3(a)) <sup>1</sup>                                             | \$7,506,586        |
| Less: Share issuance and transaction costs, excluding compensation options (note 3(a))                   | (1,788,972)        |
| <b>Impact on cash</b>                                                                                    | <b>\$5,717,615</b> |
| (1) USD equivalent value of CDN\$9,940,973 based on an exchange rate of 0.7551 as of September 30, 2020. |                    |

(d) Impact on share capital:

The following table sets forth the calculation of the pro forma number of common shares outstanding as at September 30, 2020:

|                                                               |                   |
|---------------------------------------------------------------|-------------------|
| Common shares of TSHI before reverse stock split              | 40,760,688        |
| Reverse stock split on a 0.82620377 for 1 basis               | (7,087,168)       |
| Common shares of TSHI after stock split                       | 33,673,520        |
| Issuance of common shares under Private Placement (note 3(a)) | 4,418,210         |
| Reverse acquisition of RiseTech (note (b))                    | 767,321           |
| <b>Common shares of TSHI</b>                                  | <b>38,859,051</b> |

The following table sets forth the pro forma impact on common shares as at September 30, 2020:

|                                                                                                          |                    |
|----------------------------------------------------------------------------------------------------------|--------------------|
| Gross proceeds of Private Placement <sup>1</sup>                                                         | \$7,506,586        |
| Share issuance costs (note 3(a))                                                                         | (938,314)          |
| Value of shares issued on reverse acquisition (note 3(b))                                                | 1,326,000          |
| Elimination of RiseTech common shares (note 3(b))                                                        | (523,986)          |
|                                                                                                          | <b>\$7,370,286</b> |
| (1) USD equivalent value of CDN\$9,940,973 based on an exchange rate of 0.7551 as of September 30, 2020. |                    |

The following table sets forth the pro forma impact on Share Capital as at September 30, 2020:

|                                                                                     |                     |
|-------------------------------------------------------------------------------------|---------------------|
| TSHI share capital at September 30, 2020 prior to Private Placement and Transaction | \$71,475,662        |
| RiseTech share capital                                                              | 523,986             |
| Gross proceeds of Private Placement                                                 | 7,506,586           |
| Share issuance costs (note 3(a))                                                    | (938,314)           |
| Value of shares issued on reverse acquisition (note 3(b))                           | 1,326,000           |
| Elimination of RiseTech common shares (note 3(b))                                   | (523,986)           |
| <b>TSHI Share Capital after Private Placement and Transaction</b>                   | <b>\$79,369,935</b> |

(e) Impact on contributed surplus:

The following table sets forth the pro forma impact on other capital reserves as at September 30, 2020:

|                                                            |                 |
|------------------------------------------------------------|-----------------|
| Compensation warrants to agents (note 3(a))                | \$59,061        |
| Elimination of RiseTech other capital reserves (note 3(b)) | (30,178)        |
|                                                            | <u>\$28,883</u> |

(f) Impact on deficit:

The following table sets forth the pro forma impact on deficit as at September 30, 2020:

|                                                     |                      |
|-----------------------------------------------------|----------------------|
| Transaction costs (note 3(a))                       | (\$909,719)          |
| Elimination of RiseTech deficit (note 3(b))         | 258,774              |
| Listing expenses on reverse acquisition (note 3(b)) | (1,030,610)          |
|                                                     | <u>(\$1,681,554)</u> |

(g) Bank Loan:

The Company maintains a bank loan with Comerica Bank. The Company first entered into its loan agreement with Comerica Bank on April 12, 2012 and has since entered into subsequent amendments with Comerica Bank to fund ongoing Adjusted Working Capital requirements. The bank loan provided by Comerica Bank is comprised of two lines of credit facilities and a term loan that has an aggregate total payable by the Company of US\$8,184,700 as at September 30, 2020. The Company entered into an amendment agreement with Comerica Bank on January 19, 2021 which extended the maturity date of the line of credit facility under the bank loan from February 26, 2021 to February 28, 2022 resulting in the pro forma classification adjustment as a long-term liability.

#### **4. Pro forma effective income tax rate applicable to Tantalus Systems Holding Inc.**

On a pro forma basis, the pro forma statutory tax rate applicable to the income before income taxes in British Columbia from the consolidated operations of TSHI would have been expected to be 27%.