TSH Canada Inc.

(formerly known as Tantalus Systems Holding Inc.)

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(expressed in United States dollars)

MANAGEMENT'S RESPONSIBILITY

The management of TSH Canada Inc. (formerly known as 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.

"Peter Londa"
Chief Executive Officer
April 20, 2021

"George Reznik"
Chief Financial Officer
April 20, 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of TSH Canada Inc.:

Opinion

We have audited the consolidated financial statements of TSH Canada Inc. (formerly, known as Tantalus Systems Holding Inc.) (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of operations and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholder deficit for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then in accordance with International Financial Reporting Standards ("IFRS").

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit 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 is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises of the information included in Management's Discussion and Analysis.

Our opinion on the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, included in Management's Discussion and Analysis as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' 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 IFRS, 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.

Auditors' 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 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 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 Corporation'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 Corporation'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 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 Corporation 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.

- 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 audits.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 20, 2021

TSH Canada Inc.

(FORMERLY KNOWN AS TANTALUS SYSTEMS HOLDING INC.)

Consolidated Statements of Financial Position

(Expressed in United States dollars)

	Note		December 31, 2020		December 31, 2019
Assets					
Current assets					
Cash		$	4,647,713	$	5,368,086
Accounts receivable	4		8,896,323		4,819,166
Investment tax credits receivable	5		1,207,868		960,728
Inventory	6		4,591,099		5,038,119
Prepaid expenses and other assets			1,375,263		563,035
Total current assets			20,718,266		16,749,134
Property and equipment	7		1,439,715		1,477,160
Intangible assets	8		374,673		759,445
Right of Use assets	9		992,880		1,152,875
Total assets		$	23,525,534	$	20,138,614
Liabilities and Shareholders' Deficit					
Current liabilities					
Accounts payable and accrued liabilities	10	$	12,189,613	$	9,968,915
Deferred revenue and deposits			4,259,508		3,250,183
Lease liabilities	12		730,871		680,595
Bank loan	11		8,075,050		8,196,892
Total current liabilities			25,255,042		22,096,585
Lease liabilities	12		581,598		902,381
Total liabilities			25,836,640		22,998,966
Shareholders' deficit					
Share capital	13				
Common shares			71,475,662		74,556,543
Other capital reserves			39,590,453		37,436,376
Accumulated other comprehensive income			1,917,206		1,926,003
Deficit			(115,294,427)		(116,779,274)
Total shareholders' deficit			(2,311,106)		(2,860,352)
Total liabilities and shareholders' deficit		$	23,525,534	$	20,138,614

See accompanying notes to consolidated financial statements.

Commitments and contingencies (*note 17*)

Subsequent events (*note 24*)

Approved on behalf of the Board:

Director

Director

TSH Canada Inc.

(FORMERLY KNOWN AS TANTALUS SYSTEMS HOLDING INC.)

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in United States dollars)

	Note		Year ended December 31, 2020		Year ended December 31, 2019
Revenues	***18***	$	33,049,419	$	41,588,462
Cost of sales	***6, 13(d), 18***		16,924,441		23,203,522
			16,124,978		18,384,940
Expenses					
Sales and marketing	***13(d), 19***		5,193,738		6,232,907
Research and development	***5, 13(d), 19***		3,937,637		4,969,106
General and administrative	***13(d), 19***		6,144,430		5,129,321
Depreciation and amortization	***7, 8, 9, 19***		1,714,504		1,501,493
			16,990,309		17,832,827
Operating (loss) income			(865,331)		552,113
Other earnings (expenses)					
Foreign exchange loss			(190,282)		(226,877)
Finance expenses	***14***		(708,206)		(921,206)
Other income	***20***		3,255,909		-
			2,357,421		(1,148,083)
Income (loss) before income taxes			1,492,090		(595,970)
Income tax expense	***15***		7,243		9,950
Income (loss) for the year			1,484,847		(605,920)
Foreign currency translation adjustment			(8,797)		14,171
Total comprehensive income (loss) for the year		$	1,476,050	$	(591,749)
Earnings (loss) per share (basic)	***16***	$	0.04	$	(0.02)
Earnings (loss) per share (fully diluted)	***16***	$	0.04	$	(0.02)
Weighted average number of shares outstanding (basic)	***16***		34,724,562		35,539,171
Weighted average number of shares outstanding (fully diluted)	***16***		34,729,800		35,539,171

See accompanying notes to consolidated financial statements.

TSH Canada Inc.

(FORMERLY KNOWN AS TANTALUS SYSTEMS HOLDING INC.)

Consolidated Statements of Changes in Shareholders' Deficit

(Expressed in United States dollars)

	Note	Common Shares Number	Common Shares Amount	Other Capital Reserves	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Deficit
Balance, December 31, 2018		**35,539,171**	**$ 74,556,543**	**36,978,338**	**$ 1,911,832**	**$ (116,173,354)**	**$ (2,726,641)**
Share-based compensation		-	-	458,038	-	-	458,038
Foreign currency translation adjustment		-	-	-	14,171	-	14,171
Loss for the year		-	-	-	-	(605,920)	(605,920)
Balance, December 31, 2019		**35,539,171**	**$ 74,556,543**	**37,436,376**	**$ 1,926,003**	**$ (116,779,274)**	**$ (2,860,352)**
Share cancellation	***13 (b)***	(1,865,651)	(3,080,881)	1,851,315	-	-	(1,229,566)
Share-based compensation	***13 (d)***	-	-	302,762	-	-	302,762
Foreign currency translation adjustment		-	-	-	(8,797)	-	(8,797)
Income for the year		-	-	-	-	1,484,847	1,484,847
Balance, December 31, 2020	***13 (c)***	**33,673,520**	**$ 71,475,662**	**39,590,453**	**$ 1,917,206**	**$ (115,294,427)**	**$ (2,311,106)**

See accompanying notes to consolidated financial statements

TSH Canada Inc.

(FORMERLY KNOWN AS TANTALUS SYSTEMS HOLDING INC.)

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

	Note		Year ended December 31, 2020		Year ended December 31, 2019
Cash provided by (used in)					
Operating Activities					
Income (loss) for the year		$	1,484,847	$	(605,920)
Items Not Affecting Cash:					
Unrealized foreign exchange loss			95,795		92,584
Depreciation of equipment	*7*		538,041		441,270
Amortization of intangible assets	*8*		738,182		650,166
Amortization of right-of-use asset	*9*		438,281		410,057
Share-Based compensation	*13(d)*		302,762		458,038
Gain on lease obligation			(16,334)		-
Gain on Energate share cancelation	*13(a)*		(1,229,566)		-
Finance expenses	*14*		593,083		750,876
Changes in Non-Cash Operating Working Capital					
Accounts Receivable	*4*		(4,078,098)		930,657
Investment tax credits receivable	*5*		(247,140)		479,041
Inventories	*6*		447,020		436,542
Prepaid expenses and other assets			(812,228)		169,393
Accounts payable and accrued liabilities	*10*		2,239,833		(2,590,777)
Deferred revenue and deposits			1,009,325		2,330,741
Lease payments for interest	*12*		(130,412)		(155,732)
Interest paid on bank loan	*11*		(462,671)		(595,144)
Net Cash provided by Operating Activities			910,720		3,201,792
Investing Activities					
Purchase of equipment	*7*		(500,596)		(832,328)
Purchase of intangible assets	*8*		(353,410)		(262,568)
Net Cash used in Investing Activities			(854,006)		(1,094,896)
Financing Activities					
(Repayments) / advances of bank loan	*11*		(110,217)		152,517
Repayment of lease liabilities	*12*		(663,375)		(601,428)
Net Cash used in Financing Activities			(773,592)		(448,911)
Decrease (increase) in cash			(716,878)		1,657,985
Effect of foreign exchange on cash			(3,495)		69,594
Cash, beginning of year			5,368,086		3,640,507
Cash, end of year		**$**	**4,647,713**	**$**	**5,368,086**

See accompanying notes to consolidated financial statements.

1. Reporting Entity

TSH Canada Inc. (formerly known as Tantalus Systems Holding Inc.) ("TSH") was incorporated pursuant to the provisions of the Canada Business Corporations Act on July 26, 2017. TSH is a smart grid technology company that transforms aging one-way grids into future-proofed multi-directional grids that improve the efficiency, reliability and sustainability of public power and electric cooperative utilities and the communities they serve. TSH's business operations are in Canada and in the United States.

On January 29, 2021, Tantalus Systems Holding Inc. reverted back to its numbered company name of 1238420-5 Canada Inc. On February 24, 2021, 1238420-5 Canada Inc. changed its name to TSH Canada Inc.

The consolidated financial statements of TSH, as at, and for the years ended December 31, 2020 and December 31, 2019 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.". 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 at July 26, 2017, TSC became a wholly-owned subsidiary of TSH. TSC was subsequently continued into the Canada Business Corporations Act on August 15, 2017. TSC (both directly and through its wholly-owned subsidiary) continued to provide smart grid and advanced metering infrastructure ("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 at July 26, 2017, Energate became a wholly-owned subsidiary of TSH. Energate was subsequently continued into the Canada Business Corporations Act 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, Ontario, Canada; Raleigh, North Carolina, United States and Norwalk, Connecticut, United States.

(Expressed in United States dollars, unless otherwise indicated)

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 April 20, 2021.

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 2020	Ownership Interest 2019
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, 2020, the Company generated comprehensive income of $1,476,050 and as at December 31, 2020 a total shareholders' deficit of $2,311,106. Management has forecasted its cash flow requirements and believes that it has sufficient cash resources which includes a recently completed private placement for aggregate gross proceeds of CND$9,940,973 (Note 24), to support operations for at least the next twelve months from December 31, 2020.

3. Significant Accounting Policies (continued)

(b) Going Concern (continued)

The continuity of the Company as a going concern is dependent on its ability to achieve positive cash flow from operations, to maintain or obtain additional 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.

(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, TSH Canada Inc. (formerly known as 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 ("CND"). 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.

<u>Judgments</u>

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.

3. Significant Accounting Policies (continued)

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:

(e) Use of Estimates and Judgments (continued)

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 warranty on products between one year and eighteen months. 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.

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).

3. Significant Accounting Policies (continued)

Share Cancellation pertaining to the Energate Arbitration

The Company has estimated the value of shares cancelled in connection with the Energate arbitration based upon valuation analysis prepared on a non-marketable and minority interest basis (see Note 13 (b)). In estimating the fair value, management is required to make certain assumptions and estimates such as the estimated risk-free interest rate, incremental borrowing rate and business risk at the respective share cancellation dates. Changes in assumptions used to estimate fair value could result in different outcomes.

(f) 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, 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 Software Applications and Services Segment.**

   This segment is responsible for the sale of TSH's proprietary mission-critical software applications and a suite or 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 access to customer is provided.

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.

3. Significant Accounting Policies (continued)

(f) Revenues (continued)

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.

(g) 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 Software 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 18 – *Segmented Information* for description of each segment)

(h) 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.

(i) Accounts Receivable and Allowance for Expected Credit Loss

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.

3. Significant Accounting Policies (continued)

(i) Accounts Receivable and Allowance for Expected Credit Loss (continued)

The Company records an allowance for expected credit loss 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 credit loss.

(j) 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.

(k) 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.

(l) 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.

3. Significant Accounting Policies (continued)

(l) Intangible Assets (continued)

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

(m) 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. The 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.

(n) 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.

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.

(o) 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.

(p) Leases

The Company accounts for its leases in accordance with IFRS 16 which provides for a single accounting model for lessees. As a lessee, the Company recognizes 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.

3. Significant Accounting Policies (continued)

(p) Leases (continued)

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.

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.

(q) 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.

3. Significant Accounting Policies (continued)

(r) 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.

(s) Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, investment tax credits receivable, accounts payable and accrued liabilities, lease liabilities, and the 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

(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 lifetime 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. The Company has elected to apply this simplified approach.

3. Significant Accounting Policies (continued)

(s) Financial Instruments (continued)

Financial Liabilities

The Company's financial liabilities are comprised of trade and other payables. 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 asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which either:

- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

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.

(t) Government Assistance

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.

(u) 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.

3. Significant Accounting Policies (continued)

(u) Stock-Based Compensation (continued)

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.

(v) 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.

(w) 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.

(x) 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.

(Expressed in United States dollars, unless otherwise indicated)

3. Significant Accounting Policies (continued)

(y) New 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.

4. Accounts Receivable

		December 31, 2020		December 31, 2019
Accounts receivable	$	9,172,927	$	4,965,318
Less: allowance for doubtful accounts		(276,604)		(146,152)
Net Accounts receivable	**$**	**8,896,323**	**$**	**4,819,166**

The Company did not have any accounts receivable balances from related parties as at December 31, 2020 and 2019, 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, 2020 and December 31, 2019, the Company recorded credit losses of $130,452 and $91,186, respectively, in general and administrative expense.

(Expressed in United States dollars, unless otherwise indicated)

4. Accounts Receivable (continued)

Aging analysis of trade receivables is as follows:

		December 31, 2020		December 31, 2019
Not past due	$	3,700,327	$	1,226,036
31-90 days		4,112,489		2,816,995
91-180 days		626,047		173,674
Over 180 days		457,460		602,461
Total	**$**	**8,896,323**	**$**	**4,819,166**

5. Investment Tax Credits Receivable and Government Assistance

		December 31, 2020		December 31, 2019
Investment tax credits receivable	**$**	**1,207,868**	**$**	**960,728**

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, 2020		**Research and Development, Gross**		**Investment Tax Credit**		**Research and Development, Net**
Research and Development	$	5,287,192	$	1,349,555	$	3,937,637

Year ended December 31, 2019		**Research and Development, Gross**		**Investment Tax Credit**		**Research and Development, Net**
Research and Development	$	5,951,974	$	982,868	$	4,969,106

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 December 31, 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 $914,676 during the year ended December 31, 2020 with respect to the Loan.

Canada Emergency Wage Subsidy Program

The Company applied for and received subsidies in the aggregate amount of $1,085,918 during the year ended December 31, 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 1,085,918 during the year ended December 31, 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. As a result, the Company received an aggregate amount of $1,095,333 under Canadian wage subsidy programs pertaining to COVID-19.

(Expressed in United States dollars, unless otherwise indicated)

6. Inventory

		December 31, 2020		December 31, 2019
Finished goods	$	2,929,154	$	3,325,763
Raw materials		1,661,945		1,712,356
Inventory	**$**	**4,591,099**	**$**	**5,038,119**

During the years ended December 31, 2020 and December 31, 2019, the Company charged $12,465,257 and $16,492,199, 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 $555,267 and $328,235 during the years ended December 31, 2020 and December 31, 2019, respectively, and were recorded in cost of sales. The Company also recorded an inventory obsolescence reserve of $150,000 in 2020 ($0 in 2019).

7. Property & Equipment

The following table presents details of movement in the carrying value of equipment by type:

Cost		Computers and Equipment		Furniture and Fixtures		Laboratory and Test Equipment		Leasehold Improvement		Total
Balance, 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, December 31, 2019	$	3,313,093	$	512,805	$	4,605,724	$	1,612,402	$	10,044,024
Additions		61,641		13,250		419,993		5,712		500,596
Balance, December 31, 2020	$	3,374,734	$	526,055	$	5,025,717	$	1,618,114	$	10,544,620

Accumulated Depreciation		Computers and Equipment		Furniture and Fixtures		Laboratory and Test Equipment		Leasehold Improvement		Total
Balance, December 31, 2018	$	3,126,942	$	362,537	$	3,701,525	$	934,590	$	8,125,594
Additions		60,648		50,341		128,736		201,545		441,270
Balance, December 31, 2019	$	3,187,590	$	412,878	$	3,830,261	$	1,136,135	$	8,566,864
Additions		75,329		32,352		235,064		195,296		538,041
Balance, December 31, 2020	$	3,262,919	$	445,230	$	4,065,325	$	1,331,431	$	9,104,905

Net Book Value		Computers and Equipment		Furniture and Fixtures		Laboratory and Test Equipment		Leasehold Improvement		Total
Balance, December 31, 2019	$	125,503	$	99,927	$	775,463	$	476,267	$	1,477,160
Balance, December 31, 2020	$	111,815	$	80,825	$	960,392	$	286,683	$	1,439,715

(Expressed in United States dollars, unless otherwise indicated)

8. Intangible assets

Cost	Computer Software	Customer Relations	Intellectual Property	Total
Balance, December 31, 2018	$ 999,968	$ 677,509	$ 962,058	$ 2,639,535
Additions	262,568	-	-	262,568
Balance, December 31, 2019	$ 1,262,536	$ 677,509	$ 962,058	$ 2,902,103
Additions	353,410	-	-	353,410
Balance, December 31, 2020	$ 1,615,946	$ 677,509	$ 962,058	$ 3,255,513

Accumulated Amortization	Computer Software	Customer Relations	Intellectual Property	Total
Balance, December 31, 2018	$ 913,268	$ 239,877	$ 339,347	$ 1,492,492
Additions	240,175	169,250	240,741	650,166
Balance, December 31, 2019	$ 1,153,443	$ 409,127	$ 580,088	$ 2,142,658
Additions	328,289	168,056	241,837	738,182
Balance, December 31, 2020	$ 1,481,732	$ 577,183	$ 821,925	$ 2,880,840

Net Book Value	Computer Software	Customer Relations	Intellectual Property	Total
Balance, December 31, 2019	$ 109,093	$ 268,382	$ 381,970	$ 759,445
Balance, December 31, 2020	$ 134,214	$ 100,326	$ 140,133	$ 374,673

(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, 2020	December 31, 2019
Beginning Balance	$ 1,152,875	$ 1,562,932
Additions	357,441	-
Write-off due to lease cancellation	(79,155)	-
Amortization of ROU	(438,281)	(410,057)
Ending Balance	**$ 992,880**	**$ 1,152,875**

10. Accounts Payables and Accrued Liabilities

	December 31, 2020	December 31, 2019
Trade payables and other payables	$ 7,125,739	$ 5,958,967
Accrued warranty (a)	575,660	699,562
Employee benefits	1,551,137	1,621,447
Vendor goods and services received	736,418	580,113
Professional fees	387,773	376,638
Other accrued liabilities	1,812,886	732,188
Total	**$ 12,189,613**	**$ 9,968,915**

(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 with Comerica Bank (the "Bank") to fund ongoing working capital requirements. At December 31, 2019, the line of credit facility had a maximum borrowing limit of approximately $8,100,000 comprised of two line of credit facilities (which are expressed in different currencies) with respective maximum borrowing limits of $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 has a maturity date of February 28, 2022. The credit facility is secured by financial covenants, a general security agreement, and security over accounts receivable and inventory. As at December 31, 2020, the Company was in compliance with its financial covenants. As at December 31, 2020, the Company had an aggregate balance for its line of credit facilities of $8,075,050 ($8,063,425 as at December 31, 2019) 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 $750,000 bearing an interest rate at the bank's prime rate plus 2.5% and with a maturity date of February 26, 2021. As at December 31, 2019, the Company has $133,467 drawn on the loan. The loan was fully repaid as at December 31, 2020.

The aggregate total bank loan, inclusive of the term loan, payable by the Company is $8,075,050 and $8,196,892 as at December 31, 2020 and December 31, 2019, respectively.

(Expressed in United States dollars, unless otherwise indicated)

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, 2020		December 31, 2019
Maturity Analysis – contractual undiscounted cash flows from minimum lease				
Less than one year	$	730,871	$	680,595
One to five years		751,693		1,125,528
Total undiscounted lease liabilities	**$**	**1,482,564**	**$**	**1,806,123**

The following is a reconciliation of undiscounted lease liabilities at December 31, 2020 to the lease liabilities recognized at December 31, 2020:

Total undiscounted lease liabilities at December 31, 2020	**$**	**1,482,564**
Discounted using incremental borrowing rate		(170,095)
Total lease liabilities recognized under IFRS 16 at December 31, 2020	**$**	**1,312,469**

The following table presents details of movement in the carrying value of the lease liabilities:

		December 31, 2020		December 31, 2019
Beginning Balance	$	**1,582,976**	$	**2,036,397**
Additions		357,441		-
Add: Interest		130,412		155,732
Less: Payments		(793,788)		(757,160)
Write-off due to lease cancellation		(95,489)		-
Impact of foreign exchange		130,917		148,007
Ending Balance		1,312,469		1,582,976
Less: Current portion		(730,871)		(680,595)
Non-current portion	**$**	**581,598**	**$**	**902,381**

(Expressed in United States dollars, unless otherwise indicated)

12. Lease Liabilities (continued)

The following table presents details of movement in the carrying value of the lease liabilities (continued):

Amounts Recognized in Statements of Operations		Year Ended December 31, 2020		Year Ended December 31, 2019
Finance charge on lease liabilities	$	130,412	$	155,732
Variable lease payments expensed		496,767		494,967
Expenses relating to equipment short term leases		15,631		20,841
Total amounts recognized in Statements of Operations	**$**	**642,810**	**$**	**671,540**

The aggregate of the Company's variable lease payments as at December 31, 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.

2021	$	526,346
2022		95,142
2023		95,292
2024		95,448
2025		4,226
	$	**816,454**

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 1,865,651 (2,258,309 on a pre-share consolidation basis) outstanding common shares of the Company:

(1) The arbitrator delivered an award in the amount of CND$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 1,449,346 (1,754,386 on a pre-share consolidation basis) common shares of the Company pursuant to a supplementary consent award executed by the arbitrator and effective as at 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 CND$861,709. The parties agreed that the Company would cancel an additional 416,305 (503,923 on a pre-share consolidation basis) common shares of the Company held by the former shareholders of Energate as settlement of the costs award executed by the arbitrator and effective as at September 25, 2020.

(Expressed in United States dollars, unless otherwise indicated)

13. Share Capital (continued)

(b) Energate Arbitration (continued)

(a) (continued)

The Company recognized a total gain of US$1,229,566 in other income, representing the estimated value of the cancelled shares at the cancellation date and a corresponding impact on Share Capital and Other Capital Reserves within Shareholders' Deficit resulting from the share cancellation. The fair value of the shares cancelled by the Company was estimated to be US$0.45 per share and US$0.46 per share at July 8, 2020 and September 25, 2020, respectively, on a pre-share consolidation basis (US$0.54 per share and US$0.56 per share on a post-share consolidated basis at July 8, 2020 and September 25, 2020, respectively) based upon valuation analysis prepared on a nonmarketable and minority interest basis. In estimating the fair value, certain assumptions such as the estimated the risk-free interest rate, incremental borrowing rate and business risk at the respective share cancellation dates were made.

(c) Common Shares

The Company has 33,673,520 (40,760,688 pre-share consolidation) common shares outstanding as at December 31, 2020 as indicated below:

	Number of common shares	Amount
Outstanding, January 1, 2019	**35,539,171**	**$74,556,543**
Issued during period	-	-
Outstanding, December 31, 2019	**35,539,171**	**$74,556,543**
Cancellation of shares from settlement	(1,865,651)	(3,080,881)
Outstanding, December 31, 2020	**33,673,520**	**$71,475,662**

The common shares have been retroactively adjusted for impact of the share consolidation by the Company after December 31, 2020 (see Note 24 (b) Subsequent Events).

(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 5,077,024 (6,145,571 pre-share consolidation) 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.

(Expressed in United States dollars, unless otherwise indicated)

13. Share Capital (continued)

(d) Stock Option Plan (continued)

Stock option activity under the stock option plan of the Company is provided below:

	Number of Options	Weighted Average Exercise Price	
Balance at January 1, 2019	4,249,468	$	0.75
Granted during the period	57,829	$	0.75
Forfeited/expired during the period	(182,772)	$	0.75
Balance at December 31, 2019	4,124,525	$	0.75
Granted during the period	777,836	$	0.75
Forfeited/expired during the period	(60,924)	$	0.75
Balance at December 31, 2020	**4,841,437**	**$**	**0.75**

During the years ended December 31, 2020 and December 31, 2019, the fair value of options granted was $266,683 and $21,171, 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, 2020	December 31, 2019
Risk free interest rate	0.39%	1.60%
Dividend yield	0%	0%
Expected life (in years)	5.5 to 7 years	5.5 to 7 years
Forfeiture rate	4.79%	0%
Volatility	50%	50%

Stock-based compensation expense recognized attributable to options granted under the Company's stock option plan was $302,762 and $458,038 during the years ended December 31, 2020 and December 31, 2019, respectively. Remaining unrecognized cost of the stock option plan of the Company as at December 31, 2020 and December 31, 2019 was $246,701 and $271,745, respectively. The weighted average remaining life expressed in years of outstanding options was 4.06 years as at December 31, 2020 and 5.05 years as at December 31, 2019.

As at December 31, 2020, the Company had total vested options of 3,093,360 with a weighted average price of $0.75 and total vested options of 2,015,503 with a weighted average price of $0.75 as at December 31, 2019. The stock options have been retroactively adjusted for impact of the share consolidation by the Company after December 31, 2020 (see Note 24 (b) Subsequent Events).

(Expressed in United States dollars, unless otherwise indicated)

13. Share Capital (continued)

(d) Stock Option Plan (continued)

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, 2020		Cost		Stock-based Compensation		Total
Cost of sales	$	16,903,387	$	21,054	$	16,924,441
Sales and marketing		5,153,640		40,098		5,193,738
Research and development		3,891,062		46,575		3,937,637
General and administrative		5,949,396		195,034		6,144,430

Year ended December 31, 2019		Cost		Stock-based 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

14. Finance Expenses

Year ended		December 31, 2020		December 31, 2019
Accretion of interest on lease liability (*note 12*)	$	130,412	$	155,732
Interest expense on bank loan (*note 11*)		462,671		595,144
EDC insurance and other finance expenses		115,123		170,330
Total	**$**	**708,206**	**$**	**921,206**

(Expressed in United States dollars, unless otherwise indicated)

15. 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 years ended December 31, 2020 and December 31, 2019 to income before income taxes due to the following:

		December 31, 2020		December 31, 2019
Net income (loss) before income taxes	$	1,492,090	$	(595,970)
Tax expense at applicable rates		441,514		(160,912)
Change in unrecognized deferred tax assets		(46,747)		12,774
Non-deductible expenses and other differences		(433,965)		276,215
Effect of difference between combined Canadian statutory income rate and those rates applicable to foreign subsidiaries		(60,145)		(70,847)
Other items		106,586		(47,280)
Income tax expense	**$**	**7,243**	**$**	**9,950**

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, 2020		December 31, 2019
Deferred tax assets in relation to:				
Equipment	$	49,410	$	8,170
Non-capital losses carried forward		19,240,213		20,075,188
SR&ED expenditures		3,561,757		2,953,064
Reserves and other		863,678		861,557
Intangible assets		(101,162)		(205,050)
Deferred tax assets not recognized	**$**	**23,613,896**	**$**	**23,692,929**

(Expressed in United States dollars, unless otherwise indicated)

15. Income Taxes (continued)

As at December 31, 2020, 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
2024	4,103,399	-	4,103,399
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	299,504	1,307,176
2037	1,786,169	316,537	2,102,706
2038	1,671,331	4,621	1,675,952
2039	1,540,355	942	1,541,297
2040	717,907	-	717,907
Total Losses	**$71,424,833**	**$931,049**	**$72,355,882**

The Company has Canadian non-capital loss carryforwards of $71,424,833 which are available to reduce future taxable income. These non-capital loss carryforwards begin to expire in 2024. The benefit of these non-capital losses has not been recognized as their realization is not reasonably assured.

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 $931,049 that may be carried forward indefinitely to reduce taxable income otherwise calculated in future years. These non-capital loss carry forwards begin to expire in 2031. The benefit of these non-capital losses has not been recognized as their realization is not reasonably assured.

The Company has Undepreciated Capital Cost (“UCC”) amounts of approximately $2,439,012 and approximately $11,441,219 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 has $1,094,664 of reserves that may be deducted against future Canadian taxable income. The Company also has federal investment tax credits of approximately $521,217 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.

(Expressed in United States dollars, unless otherwise indicated)

16. Earnings per Share

Earnings (loss) per common share represents income (loss) for the year divided by the weighted average number of common shares outstanding during the year. The weighted average number of common shares is as follows:

	December 31, 2020	December 31, 2019
Beginning balance, shares outstanding	35,539,171	35,539,171
Effect of share cancellation (Note 13 (a))	(814,609)	-
Weighted average number of shares (basic)	**34,724,562**	**35,539,171**

Diluted earnings (loss) per share is calculated by dividing the applicable income (loss) by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year. The diluted weighted average number of common shares is as follows:

	December 31, 2020	December 31, 2019
Weighted average number of shares (basic)	34,724,562	35,539,171
Effect of stock options on issue (Note 13 (d))	5,238	-
Weighted average number of shares (diluted)	**34,729,800**	**35,539,171**

Earnings (loss) per common share and diluted income (loss) per share are as follows:

		December 31, 2020		December 31, 2019
Comprehensive income (loss)	$	1,476,050	$	(591,749)
Basic weighted average number of shares		34,724,562		35,539,171
Basic and diluted earnings (loss) per share	$	0.04	$	(0.02)
Diluted weighted average number of shares		34,729,800		35,539,171
Diluted earnings (loss) per share	$	0.04	$	(0.02)

Basic and fully diluted shares have been retroactively adjusted for impact of the share consolidation by the Company after December 31, 2020 (see Note 24 (b) Subsequent Events).

(Expressed in United States dollars, unless otherwise indicated)

17. 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, 2020, the Company had one performance bond for $1,138,012 outstanding. The Company did not have any performance bonds outstanding as at December 31, 2019.

(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. As at December 31, 2020, the Company had outstanding purchase order commitments of $5,645,119.

(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.

18. 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, 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 Software Applications and Services Segment.* This segment is responsible for the sale of TSH's proprietary mission-critical software applications and a suite or 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, 2020 and December 31, 2019 is as follows:

Year ended December 31, 2020		**Connected Devices and Infrastructure**		**Utility Software Applications and Services**		**Corporate**		**Total**
Revenues	$	22,684,439	$	10,364,980	$	-	$	33,049,419
Cost of sales		13,956,492		2,967,949		-		16,924,441
Gross profit		8,727,947		7,397,031		-		16,124,978
Operating expenses		-		-		16,990,309		16,990,309
Operating income (loss)	**$**	**8,727,947**	**$**	**7,397,031**	**$**	**(16,990,309)**	**$**	**(865,331)**

(Expressed in United States dollars, unless otherwise indicated)

18. Segmented Information (continued)

Year ended December 31, 2019		Connected Devices and Infrastructure		Utility Software Applications and 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
Operating income (loss)	**$**	**10,712,934**	**$**	**7,672,006**	**$**	**(17,832,827)**	**$**	**552,113**

The Company earned revenues attributed to the following geographic regions based on the location of the customer:

		December 31, 2020		December 31, 2019
United States[1]	$	32,780,379	$	41,352,360
Canada		227,905		83,587
Others		41,135		152,515
Total	**$**	**33,049,419**	**$**	**41,588,462**

(1) – United States includes revenues attributed to the US Virgin Islands based in the Caribbean basin.

19. 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, 2020 and December 31, 2019 and were $3,237,218 and $5,279,006.

The Company's operating expenses by nature are as follows:

Year ended		December 31, 2020		December 31, 2019
Salaries and Benefits	$	9,764,355	$	11,317,538
Travel and meals		245,369		1,425,382
Depreciation and Amortization		1,714,504		1,501,493
Consulting and agent services		1,039,891		1,162,654
Facilities variable lease payments		566,679		458,744
Stock-based compensation		281,708		458,038
Marketing programs		364,350		384,065
Insurance		319,040		267,590
Office		310,328		207,395
Personnel programs and hiring costs		53,371		110,209
Information technology services and maintenance		151,397		166,568
Re-organization costs		1,478,304		-
Other expenses		701,013		373,151
Total	**$**	**16,990,309**	**$**	**17,832,827**

(Expressed in United States dollars, unless otherwise indicated)

20. Other Income

		Year ended December 31, 2020		Year ended December 31, 2019		Year ended December 31, 2018
Foreign exchange gain (loss)	$	(190,282)	$	(226,877)	$	62,269
Finance expense		(708,206)		(921,206)		(891,093)
Covid-19 government assistance (Note 5)		2,010,009		-		-
Energate Settlement gain and related legal costs (Note 13)		1,229,566		-		-
Other		16,334		-		-
Total other operating expenses	$	2,357,421	$	(1,148,083)	$	(828,824)

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.

Deficiency and Liabilities		December 31, 2020		December 31, 2019
Other capital reserves	$	39,590,453	$	37,436,376
Accumulated other comprehensive income	$	1,917,206	$	1,926,003
Share capital	$	71,475,662	$	74,556,543
Deficit	$	(115,294,427)	$	(116,779,274)
Bank loan	$	8,075,050	$	8,196,892

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 at December 31, 2020 and December 31, 2019, the carrying values of cash, accounts receivable, investment tax credits receivable, accounts payable and accrued liabilities and the 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, 2020 and December 31, 2019.

(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; and
- 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 $8,075,050 as at December 31, 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 $80,750 for the year ended December 31, 2020 and $81,969 for the year ended December 31, 2019 on the Company's annual interest expense pertaining its line of credit facility.

22. Financial instruments (continued)

(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 aging of the Company’s accounts receivable as at December 31, 2020 and December 31, 2019 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, 2019 and 2020. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the U.S. dollar would have had a $169,831 impact on net loss for the year ended December 31, 2020 and $141,032 for the year ended December 31, 2019.

The consolidated statements of financial position include the following amounts denominated in Canadian dollars at their equivalent US dollar amounts:

		December 31, 2020		December 31, 2019
Cash	$	225,516	$	298,512
Accounts receivable		60,724		150,174
Accounts payable		(534,012)		(521,301)
Accrued liabilities		(700,533)		(587,709)
Bank loan		(750,000)		(750,000)
Total	**$**	**(1,698,305)**	**$**	**(1,410,324)**

At present, the Company does not have any formal policy for hedging against foreign currency exchange rate risk.

(Expressed in United States dollars, unless otherwise indicated)

22. Financial instruments (continued)

(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, 2020
Less than 90 days:		
Accounts payable and accrued liabilities	$	12,189,613
Bank loan (note 11)	$	8,075,050

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, 2020 and December 31, 2019 is as follows:

	December 31, 2020	December 31, 2019
Short-term employee benefits	$1,506,088	$1,316,192
Share-based compensation	146,783	211,995
Total	**$1,652,871**	**$1,528,187**

Compensation of the key management personnel includes salaries and non-cash benefits.

24. Subsequent Events

(a) 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 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 ending December 31, 2020.

24. Subsequent Events (Continued)

(a) (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 it operates. The details of all of the arrangements that might be available to the Company and the period throughout which such arrangements 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 the Company's existing and future activities cannot be predicted.

(b) On November 19, 2020, (i) TSH, with Tantalus Systems Shareholders Inc. ("TSSI"), entered into a definitive agreement with RiseTech Capital Corporation ("RiseTech"), a public company trading on the TSX Venture Exchange ("TSXV"), pursuant to which RiseTech was to acquire all of the issued and outstanding shares of TSH (following the amalgamation of TSH with TSSI in accordance with a plan of arrangement and resulting in TSH becoming a wholly-owned subsidiary of RiseTech) and (ii) the Company closed an initial concurrent financing. The transaction contemplated by the definitive agreement with RiseTech closed on January 29, 2021. The Company consolidated its outstanding shares prior to closing the transaction with RiseTech on a 0.826127371 basis resulting in a consolidated total of 33,673,520 common shares. RiseTech consolidated its outstanding shares prior to closing the transaction with the Company on a 0.06094549 basis resulting in a consolidated total of 767,321 common shares. The Company closed a second round of the concurrent financing on January 22, 2021 resulting in aggregate gross proceeds, together with the initial concurrent financing, of CND$9,940,973. As a result of the closing of the transaction with RiseTech on January 29, 2021, a total of 4,418,210 common shares of the Company were issued to the concurrent financing investors. As a result of the transaction with RiseTech and related concurrent financing, the resulting issuer, which changed its name to Tantalus Systems Holding Inc. as of January 29, 2021 and remains a public company trading on the TSXV, has total common shares issued and outstanding of 38,859,050 as at January 29, 2021. The Company incurred capitalized costs pertaining to the transaction with RiseTech of $374,286 during the year ended December 31, 2020, which are included in prepaid expenses during the year ended December 31, 2020. The Company incurred other costs pertaining to the transaction with RiseTech of $1,181,849, which are included in the general and administrative expense for the year ended December 31, 2020. On January 29, 2021, prior to the closing of the transaction with RiseTech and pursuant to a plan of arrangement, the Company amalgamated with its parent company, TSSI, and its name reverted to 1238420-5 Canada Inc. On February 24, 2021, the Company changed its name to TSH Canada Inc.