TSH Canada Inc.

(*formerly known as Tantalus Systems Holding Inc.*)

Management's Discussion and Analysis of
Financial Condition and Results of Operations

For the Three and Twelve months Ended December 31, 2020

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of TSH Canada Inc. (formerly known as Tantalus Systems Holding Inc.) (together with its subsidiaries and predecessors, the "**Company**", "**we**", "**TSHI**" or "**Tantalus**") is provided to assist our readers to assess our financial condition and our financial performance, including our liquidity and capital resources, for the three and twelve months ended December 31, 2020 compared with the three and twelve months ended December 31, 2019. The information in this MD&A is current as of April 20, 2021, and should be read in conjunction with the audited consolidated financial statements as at December 31, 2020 and 2019.

The Company's audited consolidated financial statements and notes thereto as at December 31, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"), and are presented in United States ("US") dollars which is the functional currency of the Company. Certain dollar amounts in this MD&A have been rounded to the nearest millions or thousands of dollars.

This MD&A contains non-IFRS measures, including Adjusted EBITDA[1], Adjusted EBITDA Margin[2], Gross Profit[3], Gross Profit Margin[4] and Adjusted Working Capital[5]. See section "Adjusted EBITDA" below for information on the calculation of Adjusted EBITDA. See section

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[1] Adjusted EBITDA, or Earnings before interest, taxes, depreciation and amortization expenses, is comprised as income (loss) less interest, income tax, depreciation, amortization, stock-based compensation, foreign exchange gain (loss) and other non-core business related income / expenses and is provided as a proxy for the cash earnings from the operations of the business. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers.

[2] Adjusted EBITDA Margin represents Adjusted EBITDA expressed as a percentage of the Company's revenues. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers.

[3] Gross Profit referenced here relates to revenues less cost of sales. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure is used to evaluate the operating performance of the Company.

[4] Gross Profit Margin represents Gross Profit expressed as a percentage of the Company's revenues. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers.

[5] Adjusted Working Capital as referenced herein is defined as current assets less current liabilities exclusive of the Company's bank loan. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure is used to evaluate the operating liquidity available to the Company.

"Results of Operations" for information on the calculation of Gross Profit. See section "Liquidity" for information on the calculation of Adjusted Working Capital.

This MD&A was prepared by management of the Company and approved by its Board of Directors prior to its release. Unless otherwise stated, the Company has considered all information available to it through April 20, 2021 in preparing this MD&A. Additional information relating to the Company can be found on its website.

NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking information**") within the meaning of applicable securities laws. Forward-looking information may relate to our financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate and the impact of the COVID-19 pandemic declared by the World Health Organization on March 11, 2020 (the "**COVID-19 Pandemic**") thereon is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved", the negative of these terms and similar terminology. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances based on currently available information.

This forward-looking information includes, among other things, statements relating to: expectations regarding industry trends; our growth rates and growth strategies; addressable markets for our solutions; the achievement of advances in and expansion of our offerings and markets; expectations regarding our revenue and the revenue generation potential of our products, services and other solutions; our business plans and strategies; and our competitive position in our industry.

The forward-looking information contained herein is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances based on currently available information. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to build our market share and enter new markets; our ability to retain key personnel; our ability to execute on our expansion plans; our ability to continue investing in research and development to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition;

the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the "Risk Factors" section.

If any of these risks or uncertainties materialize, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above should be considered carefully by prospective investors.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of hereof (or as of the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

DESCRIPTION OF BUSINESS

History of the Business:

The Company was founded in 1989 in Burnaby, British Columbia, Canada by a collection of individuals who sought to leverage technology to transform the delivery of data through wireless communications networks. By 1999, Tantalus had centered its focus on leveraging radio frequency ("**RF**") technology to assist electric utilities in accessing information from meters deployed across rural and challenging terrain, and to automate meter-to-cash and billing processes for residential, commercial and industrial customers. From leveraging our expertise in accessing devices and collecting data, Tantalus has evolved into a leading provider of comprehensive smart grid solutions to public power and electric cooperative utilities responsible for delivering electricity, water and gas across the United States, Canada and the Caribbean Basin.

At Tantalus, we pride ourselves on aligning our purpose with our customers' purpose:

- To support the safety, prosperity and autonomy of the local communities our public power and electric cooperative customers serve;
- To help these communities thrive by helping our customers power their economic prosperity, environmental sustainability and social progress;
- To ensure these communities are empowered to shape the future of their own smart grids as the adoption of distributed energy resources such as solar panels, distributed storage and electric vehicles transform the requirements of distribution grids; and
- To give our customers the flexibility and expandability they need to serve their communities today and well into the future.

WHO WE ARE	WHAT WE DO	WHY WE'RE DIFFERENT	HOW WE DELIVER	WHY IT MATTERS
A smart grid provider focused on the public power & electric cooperative utility market in North America and the Caribbean Basin	Deliver mission-critical solutions to help utilities make smarter decisions and prepare for the adoption of distributed energy resources	Deliver an edge-computing platform on every connected endpoint to support multiple applications and deliver data analytics	Robust R&D and customer service organizations delivering hosted, on-premise and cloud-based solutions	Improve the environment while delivering social and economic value to communities

<u>General Description of the Business:</u>

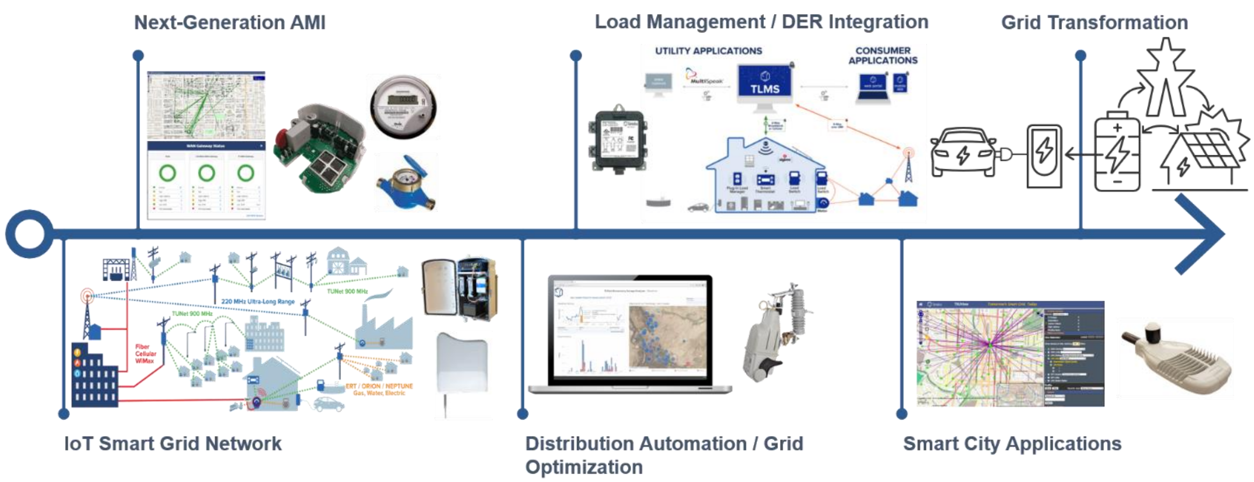
Tantalus develops and delivers technology solutions to help public power and electric cooperative utilities digitally transform and automate their distribution grids, helping make their systems more reliable, stable and efficient. Tantalus' solutions are specifically designed to help utilities transition from aging one-way distribution grids to multi-directional intelligent systems capable of supporting the deployment of new technologies and services while meeting the changing expectations of customers. Tantalus' technology solutions establish smart grids for utilities which consist of an intelligent network of connected devices that work in a coordinated manner to provide visibility to the utility of changes in the flow, consumption and quality of power. Tantalus' solutions also help water utilities identify leaks and automate the delivery and billing of water and gas. The Company's solutions include a comprehensive industrial Internet-of-Things ("**IoT**") communications network, edge-computing endpoints, a suite of software applications that are used across all departments within a utility, and data analytic tools to help utilities proactively anticipate and manage their infrastructure and professional services. By leveraging Tantalus' technology solutions, utilities are positioned to transform their distribution grids into an intelligent network that:

- safely and reliably delivers electricity, water and gas to residential, commercial and industrial customers and communities;

- prepares for the broad adoption of renewable and distributed energy resources such as solar panels, distributed storage and electric vehicles which impact the flow of power across existing one-way distribution grids;

- empowers the utility to efficiently respond to service interruptions resulting from severe storms or major events;
- enables proactive and personalized engagement with the utility's customers and members; and
- integrates on a single smart grid communication network with multiple applications creating a smarter community.

<u>Purpose-Built: Solutions to Build the Sustainable Utility of the Future:</u>



Smart Grid Communications Network

Over the past 30 years, Tantalus has evolved its technology solutions from initially deploying a long-range communications network leveraging RF technology into a comprehensive industrial IoT platform leveraging a variety of communication technologies including fiber, WiMAX, cellular and RF tools. Tantalus currently delivers a network that is secure, reliable and capable of supporting a growing number of applications as the needs of our customers expand over time.

Connected Devices

In 2013, Tantalus introduced the first Linux-based edge-computing platform for utilities which was embedded on a communications module that could be integrated under the glass of residential, commercial and industrial meters. The evolution of its communication module has enabled Tantalus to deliver on-board analysis at the edge of a utility's distribution grid whereby intelligent meters, load control switches, distribution automation equipment, street and security lighting and other sensors can be controlled remotely, act autonomously based on configurable parameters and empower a utility to leverage a predictive and responsive distribution grid to improve their reliability and resiliency. The advancements in computing capability at the edge of a utility's network is also setting the foundation for the anticipated transformation of the distribution grid due to the proliferation and adoption of distributed energy resources, such as solar panels, distributed storage and electric vehicles.

Beyond metering, Tantalus is rapidly expanding the number of devices that can connect to its comprehensive IoT smart grid communications network including load control switches, lighting fixtures, distribution automation equipment and other utility sensors.

Utility Software & Analytics

By leveraging its comprehensive IoT network and edge-computing platform, Tantalus continues to expand its library of software applications and analytic tools designed to meet the specific needs and challenges of public power and electric cooperative utilities. At the heart of Tantalus' software applications and data analytics is TUNet Insight, which was launched in 2018 after successful field trials in 2017.

Grid Transformation

Tantalus is proactively working alongside its growing community of utilities to plan for the transformation of the electric, water and gas distribution grid as the introduction of affordable and reliable solar installations, distributed storage and other distributed energy resources ("DERs"). As DERs are deployed, Tantalus' IoT network, connected devices and software and analytics tools enable utilities to prepare for the changing dynamics of the electric distribution grid whereby power is generated at homes or buildings as compared to a central source of power generation.

Overview of Tantalus' Market Opportunity:

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

TSHI's Target Market

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

Industry Trends

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

- the need to transform existing distribution grids from traditional systems designed to support the one-way flow of power from a centralized source of generation delivering power through substations to homes and buildings, to a multi-directional, integrated smart grid capable of supporting two-way power flows as homes and buildings adopt distributed energy resources such as solar panels, electric vehicles, distributed storage and microgrids;

- the need for more granular and real-time information for energy forecasting, planning and trading;

- increasing expectations from customers and end-users of electricity, water and gas which require customer service representatives of the utility to have access to more granular data to explain and address monthly bill complaints and questions and addressing power quality issues;

- the need to proactively respond to power outages resulting from storms or major events, such as the recent storm that transpired across Texas; and

- changes to the traditional business model where the consumption of electricity is dropping but costs to maintain legacy infrastructure are increasing requiring better tools for maintaining that infrastructure and extending its useful life.

In addition to the broader trends outlined above, the Biden Administration's shift in environmental policy for the United States, highlighted by a goal of decarbonizing the power industry in the United States by 2050, will lead to a massive investment in both renewable sources of generation and necessary upgrades to the distribution grid to provide utilities with the ability to command and control assets from the substation to the meter and into buildings and residences. In support of the administration's environmental policy, the recent announcement of a $2 trillion stimulus package includes funding for utilities to upgrade infrastructure in conjunction with the deployment and adoption of renewable energy (such as wind and large solar installations) and distributed energy resources ("DERs") (such as electric vehicles, roof-top solar panels and battery storage). As these new renewable sources of energy are deployed, utilities will need to make upgrades to their distribution grids to plan for the variability of renewable energy, as witnessed in Texas during the winter storm earlier this year, and to fully integrate distributed energy resources.

Additionally, the stimulus package includes significant funding for investments to deliver broadband services into rural and smaller communities. Similar to building the grid infrastructure to deliver ubiquitous access to electricity across the United States commencing in the 1930's, the electric cooperative and public power utility segment will be called upon to upgrade infrastructure in providing advanced services to their members and customers to address the digital divide. Tantalus' solutions are purpose-built and well-positioned to deliver utilities the necessary tools and services to build the sustainable utility of the future. The stimulus bill and adoption of renewable energy and DERs will accelerate the transformation and modernization of the distribution grid.

Key Operating Highlights During the Period:

Considering the challenges witnessed throughout the course of 2020 due to the impact of the COVID-19 Pandemic across our utility customers and their communities, business partners and employees, Tantalus finished the year with strong revenues during the second half of the year, higher gross profits year-over-year and delivered a fourth consecutive year of positive adjusted EBITDA. The financial results delivered during Q4, 2020 and the latter portion of 2020 bode well for the Company and demonstrate management's ability to navigate through unforeseen challenges at a macro-level.

While Tantalus continues to witness disruptions to the utility sector on a regional basis across Canada, the United States and the Caribbean Basin resulting from the COVID-19 Pandemic and is subject to supply chain constraints of micro-processors in 2021, conditions are improving with increasing tailwinds to support long-term growth.

Developments through year ended December 31, 2020:

Throughout 2020, Tantalus witnessed strong growth of its user community, delivered positive Adjusted EBITDA and continued to make strides in expanding and enhancing its product offering.

1. Summary Financial Results:

   (a) Revenue: The company reported revenue of $33.0 million versus $41.6 million for the same period last year. The decline of approximately 21% was due to the impact of the COVID-19 Pandemic throughout the year which led to delays in deployments, supply chain constraints and extended decision-making by utilities. While revenue was down year-over-year, the Company generated $18.0 million of revenue during the second half of 2020 as compared to $15.0 million during the first six months of the year. The increase in revenue during the second half was attributable to utilities picking up momentum on deployments and decision-making through the later portion of Q3 and throughout Q4 of 2020.

   Annual revenue contributions from Utility Software Applications & Services continue to trend favorably and represented approximately 31% of revenue for the full year during 2020. The company continues to prioritize the development and delivery of software and services as additional connected devices are installed in the field, as demonstrated by the recent press release announcement the introduction of Tantalus' first data analytics solution with artificial intelligence (AI) capabilities focused on grid resiliency. The compounded annual growth rates (CAGR) between 2013 through 2020 of the Company's software and services revenue are as follows:

      (i) Software licenses: 31%

      (ii) Software maintenance and technical support: 24%

      (iii) Customer operations and services: 22%.

   (b) Gross Profit: Gross profit declined to $16.1 million versus $18.4 million in 2019. Gross Profit margin increased to 49% versus 44% in 2019 due to the increased revenue mix contribution from software applications and services and product mix of connected devices.

   (c) Adjusted EBITDA: The company generated Adjusted EBITDA of $2.6 million (excluding the $2.0 million in contributions from stimulus funding and wage subsidy programs received in 2020) versus $3.2 million in 2019.

2. Board of Directors: Tantalus did not make any changes to its Board of Directors through December 31, 2020. After December 31, 2020, Thomas Liston was added as a director on January 29, 2021.

3. Growth of Tantalus' User Community: Tantalus added 20 new utilities during the year ended December 31, 2020 expanding the number of utilities leveraging Tantalus' solutions. The company entered into a preferred smart grid agreement with Indiana Municipal Power Authority (IMPA), a Joint-Action Agency supporting member utilities across the state of Indiana. Over the past eight years, Tantalus user community of utilities has grown by a compounded annual growth rate of 20% each year.

4. Expansion of Solutions: Tantalus continued to make substantial progress in expanding the functionality and features of its software User Interface, TUNet Insight, through December 31, 2020 while also delivering and launching several key items including:

   (a) *Energy Resource Monitor*: A software feature embedded within TUNet Insight to assist utilities combine data from meters to expand the functionality and capabilities of comprehensive load control programs.

   (b) *Integration to LED Roadway's LED Street Light Controller and Fixtures*: Tantalus diversified and expanded its integrated and connected LED street light offering in partnership with LED Roadway.

   (c) *Expanded Voltage Resolution*: A software feature providing higher resolution and visibility into voltage readings at meters located on homes, building and industrial complexes.

   (d) *Integration of Landis+Gyr module and Tantalus' Load Control Switches*: In partnership with Landis+Gyr ("L+G"), Tantalus integrated a Landis+Gyr communications module into Tantalus' suite of load control switches to be able to sell its products to utilities that have selected Landis+Gyr for smart grid communications networking.

5. Awards and Recognitions: Tantalus was recognized by Export Development Canada (EDC) as a Cleantech Export Star. Each year, EDC highlights the achievements of leading cleantech companies during their Cleantech Annual Conference. Tantalus was recognized as a proven leader whose technologies and business strategies have succeeded in getting their products beyond Canada's borders – as one of five clean technology companies that stands out as making a positive impact across North America and the Caribbean Basin.

6. Transactions: On September 8, 2020, Tantalus and RiseTech Capital Corp. ("RiseTech"), a TSX Venture Exchange-listed capital pool company, entered into a non-binding letter of intent, pursuant to which the parties agreed to complete a plan of arrangement, merger, amalgamation, share exchange and/or other similar transaction. On November 19, 2020, the Company entered into a definitive agreement with RiseTech to complete a merger of the two entities along with the closing of a concurrent financing of approximately CND$8.8 million through a Subscription Receipt. The Company subsequently closed the transaction with RiseTech on January 29, 2021 and raised additional capital in its concurrent financing, bringing the total financing to CND$9.9 million through a Subscription Receipt.

Developments Through December 31, 2019:

1. Board of Directors: Tantalus did not make any changes to its Board of Directors during the course of 2019.

2. Growth of Tantalus' User Community: Tantalus added 15 new utilities throughout the course of 2019 expanding the number of utilities leveraging Tantalus' solutions. While the total number of utilities secured during 2019 was fewer than previous years, the new utilities represented approximately 340,000 new meters to upgrade and replace over time.

3. Financial Results: Tantalus delivered $41.6 million in revenue for the calendar year as compared to $40.4 million in revenue for the previous year in 2018, an increase of 3%. Tantalus reported Gross Profit of 44% for the full year. Tantalus delivered its third consecutive year of positive Adjusted EBITDA in 2019 of $3.2 million representing an EBITDA Margin of 8%.

4. Expansion of Solutions: Tantalus continued to make substantial progress in expanding the functionality and features of its UI, TUNet Insight, throughout 2019 and the team also delivered and launched several key items including:

   (a) *Landis+Gyr Focus Axe Meter Platform Integration*: Tantalus diversified its partnerships with meter manufacturers by integrating its edge-computing module onto Landis+Gyr's residential meter platform. The integration provided additional optionality to electric utilities seeking to diversify the meters deployed across their distribution grids.

   (b) *Load Champ*: Tantalus delivered a new software feature referred to as Load Champ, which assists utilities in managing premises and buildings with high current loads to improve forecasting and resiliency of their distribution grids.

   (c) *Residential Peak Demand*: Tantalus delivered a software feature referred to as "Residential Peak Demand" which was designed to support the Itron Centron C1S residential meter platform.

   (d) *Delivery of the first 4-Relay Load Control Switch*: Further to the integration of load control switches acquired through the transaction with Energate in 2017, Tantalus delivered a first-of-its-kind direct load control switch capable of controlling four independent loads within a premise or building. The ability to manage four different loads independently while tracking event execution through two-way communications allows a utility to effectively target load management and improve the efficiency and resiliency of its electric distribution network while minimizing impact to the utility's customers.

   (e) *Integration to S&C's leading Distribution Automation Device*: In collaboration with S&C Electric Company ("S&C"), a leading distribution automation company based in the United States, Tantalus delivered the integration of S&C's TripSaver® II Cutout-Mounted Reclosers onto the Tantalus smart grid communications network. The integrated solution enables utilities to improve grid reliability while also optimizing the performance of their distribution grid by mitigating their exposure and costs resulting from sustained outages. By utilizing Tantalus' smart grid communications network as a multi-use application to access information from the TripSaver® II Cutout-Mounted Recloser, utilities gain higher reliability, better remote visibility and detailed system information.

5. Transactions: The Company signed an original equipment manufacturer agreement with Landis+Gyr to provide integrated load control switches under the L+G brand. The company did not pursue or execute any acquisitions in 2019.

Description of Tantalus' Operating Segments:

Tantalus has two primary reportable operating segments that collectively deliver TSHI's technology solutions to utilities including:

1. The Connected Devices and Infrastructure Segment. This segment is responsible for the sale of TSHI's proprietary edge-computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of TSHI's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / IoT smart grid including base stations, repeaters and collectors; and

2. The Utility Software Applications and Services Segment. This segment is responsible for the sale of TSHI'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.

SELECTED ANNUAL FINANCIAL INFORMATION

The following selected annual information of the results of operations for the year-ended December 31, 2020, 2019 and 2018:

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Revenue	$ 33,049,419	$ 41,588,462	$ 40,412,821
Cost of sales	16,924,441	23,203,522	22,490,993
Gross Profit	16,124,978	18,384,940	17,921,828
Expenses	16,990,309	17,832,827	18,562,397
Operating (loss) income	(865,331)	552,113	(640,569)
Other earnings (expenses)	2,357,421	(1,148,083)	(828,824)
Income (loss) before income taxes	1,492,090	(595,970)	(1,469,393)
Income tax expense	7,243	9,950	-
Income (loss) for the year	1,484,847	(605,920)	(1,469,393)
Earnings (loss) per share (basic and diluted)	0.04	(0.02)	(0.04)
Adjusted EBITDA	$ 2,630,239	$ 3,236,045	$ 2,556,505

The Company had total assets as follows as at December 31, 2020, 2019 and 2018:

	December 31, 2020	December 31, 2019	December 31, 2018
Total Assets	$ 23,525,534	$ 20,138,614	$ 20,833,266

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Net income (loss) for the year	$ 1,484,847	$ (605,920)	$ (1,469,393)
Foreign exchange	190,282	226,877	(62,269)
Finance expense[(a)]	708,206	921,206	891,093
Depreciation and amortization	1,714,504	1,501,493	1,356,029
Income taxes	7,243	9,950	-
Stock-based compensation	302,762	458,038	924,483
Gain on Energate Arbitration share cancellation	(1,229,566)	-	-
Gain on lease obligation	(16,334)	-	-
Non-core business expenses[(b)]	1,478,304	724,401	916,562
Government assistance benefit[(c)]	(2,010,009)		
Adjusted EBITDA	$ 2,630,239	$ 3,236,045	$ 2,556,505

(a) Finance expense comprised of interest expense on bank loan and lease liabilities in addition to EDC fees required for the Company's bank loan.

(b) Non-core business expenses are comprised of fees and expenses related to the Company's arbitration arising from the acquisition of Energate in addition to costs incurred during the year ended December 31, 2020 pertaining to the Company's merger with RiseTech Capital Corp. on January 29, 2021 (see Subsequent Events).

(c) Adjusted EBITDA is exclusive of government assistance benefit received by the Company attributable to the United States payroll protection plan ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program implemented due to the COVID-19 Pandemic of $2,010,009 during the year ended December 31, 2020.

Selected quarterly information of the results of the Company’s operations is as follows:

	Three months ended December 31, 2020	Three months ended September 30, 2020	Three months ended June 30, 2020	Three months ended March 31, 2020	Three months ended December 31, 2019	Three months ended September 30, 2019	Three months ended June 30, 2019	Three months ended March 31, 2019
Revenue	$ 9,312,793	$ 8,754,751	$ 7,754,934	$ 7,226,941	$ 10,068,296	$ 10,680,926	$ 11,196,308	$ 9,642,932
Cost of sales	4,506,208	4,646,988	3,920,843	3,850,402	5,431,400	5,825,712	6,758,399	5,188,011
Gross Profit	4,806,585	4,107,763	3,834,091	3,376,539	4,636,896	4,855,214	4,437,909	4,454,921
Expenses	5,621,060	3,728,924	3,709,657	3,930,668	4,254,567	4,364,650	4,728,818	4,484,792
Operating income (loss)	(814,475)	378,839	124,434	(554,129)	382,329	490,564	(290,909)	(29,871)
Other earnings (expenses)	(536,460)	1,604,341	1,136,560	152,980	(308,006)	(222,467)	(375,817)	(241,792)
Loss before income taxes	(1,350,935)	1,983,180	1,260,994	(401,149)	74,323	268,097	(666,727)	(271,663)
Income tax expense	7,243	-	-	-	(50)	-	-	10,000
Income (loss) for the period	(1,358,178)	1,983,180	1,260,994	(401,149)	74,373	268,097	(666,727)	(281,663)
Loss per share (basic and diluted)	(0.04)	0.06	0.04	(0.01)	0.00	0.01	(0.03)	(0.01)
Adjusted EBITDA	$ 817,363	$ 951,927	$ 737,665	$ 123,284	$ 776,500	$ 1,359,395	$ 592,184	$ 507,966

Selected quarterly excerpts from the Company's statement of financial position are as follows:

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Cash	$ 4,647,713	$ 3,225,477	$ 4,798,628	$ 4,241,972	$ 5,368,086	$ 3,682,681	$ 3,231,206	$ 3,883,085
Adjusted Working Capital	$ 3,538,274	$ 4,622,104	$ 4,051,270	$ 2,656,857	$ 2,849,441	$ 2,574,767	$ 3,171,232	$ 3,168,032
Total assets	$ 23,525,534	$ 20,061,955	$ 17,714,501	$ 16,717,780	$ 20,138,614	$ 22,170,831	$ 19,513,273	$ 22,999,445
Shareholders' deficit	$ (2,311,106)	$ (1,225,032)	$ (1,835,740)	$ (3,172,349)	$ (2,860,352)	$ (3,029,427)	$ (3,038,521)	$ (2,922,320)

Basic and fully diluted shares have been retroactively adjusted for impact of the share consolidation by the Company after December 31, 2020 (see Subsequent Events). Adjusted EBITDA for prior periods has been restated for consistency with the Adjusted EBITDA presented for the three and twelve months ended December 31, 2020 and 2019, respectively.

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

Revenue

Revenue by Source		Year ended December 31, 2020	%		Year ended December 31, 2019	%
Connected Devices and Infrastructure	$	22,684,439	69%	$	28,984,477	70%
Utility Software Applications and Services		10,364,980	31%		12,603,985	30%
Total revenue	$	33,049,419	100%	$	41,588,462	100%

Revenue decreased twenty one percent for the year ended December 31, 2020. This decrease over the comparative period was due to the impact of the COVID-19 Pandemic on the Company’s business which caused delayed project deployments with existing utility customers, disruptions to the Company’s supply chain and delays in decision-making by prospective utility customers.

Connected Devices and Infrastructure revenue declined by twenty two percent to approximately $22.7 million during the year ended December 31, 2020 from approximately $29.0 million for the year ended December 31, 2019.

Utility Software Applications and Services revenue declined by seventeen percent to approximately $10.4 million during the year ended December 31, 2020 from approximately $12.6 million for the year ended December 31, 2019.

The Company generated revenues attributed to the following geographical regions based on the location of the customer:

		Year ended December 31, 2020	%		Year ended December 31, 2019	%
United States (1)	$	32,780,379	99%	$	41,352,360	99%
Canada		227,905	<1%		83,587	<1%
Other		41,135	<1%		152,515	<1%
	$	33,049,419	100%	$	41,588,462	100%

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

The Company continues to generate the majority of its revenue from the United States market.

Gross Profit

The Company reports its Gross Profit on a blended basis.

Year ended December 31, 2020		Connected Devices and Infrastructure	%	Utility Software Applications and Services	%		Total	%
Revenue	$	22,684,439	100%	10,364,980	100%	$	33,049,419	100%
Cost of sales		13,956,492	62%	2,967,949	29%		16,924,441	51%
Gross Profit	$	8,727,947	38%	7,397,031	71%	$	16,124,978	49%

Year ended December 31, 2019		Connected Devices and Infrastructure	%	Utility Software Applications and Services	%		Total	%
Revenue	$	28,984,477	100%	12,603,985	100%	$	41,588,462	100%
Cost of sales		18,271,543	63%	4,931,979	39%		23,203,522	56%
Gross Profit	$	10,712,934	37%	7,672,006	61%	$	18,384,940	44%

Gross Profit for the year ended December 31, 2020 was 49% which was higher than the Gross Profit of 44% for the year ended December 31, 2019. The increase in Gross Profit margin percentage was due to the mix of the Company's connected devices products and contributions from Utility Software Applications and Services between the year ended December 31, 2020 and December 31, 2019, respectively.

The Company generated Gross Profit pertaining to revenue generated from its Connected Devices and Infrastructure products for the year ended December 31, 2020 of 38% compared to Gross Profit of 37% for the prior year which is attributable to the product mix with increased contribution from product that have a higher gross profit in fiscal 2020.

The Company generated Gross Profit pertaining to revenue generated from its Utility Software Applications and Services for the year ended December 31, 2020 of 71% compared to Gross Profit of 61% for the prior year which is attributable to increased revenue contribution from software license revenue, increased annual software maintenance and technical support services and lower installation service revenue generated by the Company at lower gross margin during the year ended December 31, 2020 relative to the prior year.

Expenses

		Year ended December 31, 2020		Year ended December 31, 2019
Sales and marketing	$	5,193,738	$	6,232,907
Research and development		3,937,637		4,969,106
General and administrative		6,144,430		5,129,321
Depreciation and amortization		1,714,504		1,501,493
Total expenses	$	16,990,309	$	17,832,827
As a percentage of total revenue		51%		43%

Tantalus has centralized its sales and marketing functions, product development and research and development functions, corporate management and corporate development. Tantalus currently develops products and software applications through its employees and contractors. Tantalus relies on third-party contract manufacturers to build and assemble its hardware products.

During the year ended December 31, 2020, the Company actively managed its operating expenses due to the impact on the Company's business from the COVID-19 Pandemic particularly with respect to a reduction in expenses arising from participating in sales and marketing trade show which were cancelled throughout the year, a reduction in travel expenses and related costs and lower sales commissions due to reduced revenue experienced. The Company witnessed an increase in depreciation and amortization expense arising from increased investments in computing equipment and related software, investments in new tools and computing equipment to support staff working remotely and increased protection equipment to address the impact of the COVID-19 Pandemic.

Sales and Marketing

		Year ended December 31, 2020		Year ended December 31, 2019
Sales and marketing	$	5,193,738	$	6,232,907
As a percentage of total revenue		16%		15%

Sales and marketing expense consist primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, marketing collateral, advertising costs and facilities.

The decrease in sales and marketing expense over the year ended December 31, 2020 is attributable to reduced travel and related expenses, the cancellation of trade shows and other marketing events, Tantalus held its User's Conference virtually in 2020 which historically has been held in person on an annual basis, lower sales commission expense arising from a lower revenue profile and reduced stock-based compensation over the prior year. Sales and marketing expenses increased as a percentage of revenue due to the decrease in revenue experienced by the Company during the year ended December 31, 2020 attributable to the impact of the COVID-19 Pandemic compared to the prior fiscal 2019 year.

Research and Development

		Year ended December 31, 2020		Year ended December 31, 2019
Research and development	$	3,937,637	$	4,969,106
As a percentage of total revenue		12%		12%

Research and development expenses relate primarily to salaries and related benefit costs as well as materials related to the development of the Company's embedded computing products.

Research and development costs for the year ended December 31, 2020 decreased from the prior year due to lower in person meetings with reduced travel and related expenses, reduced headcount and lower stock-based compensation in addition to increased government funding from the Canadian government pertaining to qualifying research expenses over the prior year. Research and development expenses was consistent as a percentage of revenue due to the decrease in revenue experienced by the Company during the year ended December 31, 2020 attributable to the impact of the COVID-19 Pandemic compared to the prior fiscal 2019 year. The Company continues to invest in the research and development of new products as well as the continuous enhancement of its existing product and software offering.

General and Administrative

		Year ended December 31, 2020		Year ended December 31, 2019
General and administrative	$	6,144,430	$	5,129,321
As a percentage of total revenue		19%		12%

General and administrative expenses include executive and administrative staff, insurance, corporate variable compensation accruals, accounting, legal and strategic consulting fees as well as various general administrative costs.

General and administrative expenses for the year ended December 31, 2020 increased over the prior year due to costs pertaining to the merger with RiseTech Capital Corp. of $1,181,949 included in the general and administrative expense, increases in additional tools and computing equipment to support remote employees, investments in protective equipment to limit the exposure of key personnel working in our offices from potentially getting exposed to the COVID-19 Pandemic and an increase in salary expenses arising from increased headcount. These additional costs were partially offset by cost reductions due to travel restrictions put in place due to the COVID-19 Pandemic, the cancellation of in-person training and planning meetings for the Company and a reduction in stock-based compensation expense during the year ended December 31, 2020. General and administrative expenses increased as a percentage of revenue due to the decrease in revenue experienced by the Company during the year ended December 31, 2020 attributable to the impact of the COVID-19 Pandemic compared to the prior fiscal 2019 year in conjunction with the incremental expenses incurred above.

Depreciation and Amortization

		Year ended December 31, 2020		Year ended December 31, 2019
Depreciation and amortization	$	538,041	$	441,270
Amortization of intangible assets		738,182		650,166
Amortization of right-of-use assets		438,281		410,057
Total other operating expenses	$	1,714,504	$	1,501,493

The Company's depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use asset pertaining to its facility leases. The increase in depreciation and amortization during the year ended December 31, 2020 is attributable to the increased investment in computer equipment and software with the full period of amortization being accounted for by the Company during the year ended December 31, 2020. The Company also increased its right-of-use assets in early 2020 resulting in increased amortization attributable to the incremental right-of-use asset during the year ended December 31, 2020 over the prior year.

Other Earnings (Expenses)

		Year ended December 31, 2020		Year ended December 31, 2019
Foreign exchange gain (loss)	$	(190,282)	$	(226,877)
Finance expense		(708,206)		(921,206)
Covid-19 government assistance		2,010,009		-
Gain on Energate Arbitration share cancellation		1,229,566		-
Other		16,334		-
Total other operating expenses	$	2,357,421	$	(1,148,083)

Finance expense is comprised of interest expense and fees to EDC on the Company's bank loan and lease liabilities.

Other earnings during the year ended December 31, 2020 is comprised of the following items:

(a) The Company (along with Tantalus Systems Shareholders Inc., collectively, the "claimants") engaged in an arbitration proceeding against the former shareholders of Energate (the "respondent") regarding breaches of representations and other conduct relating to the Company's acquisition of Energate on July 26, 2017. Two events occurred which resulted in the cancellation of 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) 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.

The Company recognized a total gain of US$1,229,566 in other income, representing the current estimated value of the cancelled shares during the year ended December 31, 2020 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, 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.

(b) government assistance benefit received by the Company attributable to the United States payroll protection plan ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program implemented due to the COVID-19 Pandemic of $2,010,009; and

(c) a gain on lease obligation of $16,334 due to extinguishment of a lease facility commitment.

The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency which accounted for the majority of the foreign exchange loss reported. The Company experienced a foreign exchange loss of $190,282 during the year ended December 31, 2020 compared to a foreign exchange loss of $226,877 in the prior year.

Total Comprehensive Income

		Year ended December 31, 2020		**Year ended December 31, 2019**
Operating (loss) income	$	(865,331)	$	552,113
Total other earnings (expenses)		2,357,421		(1,148,083)
Income tax expense		(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)	$	1,476,050	$	(591,749)
Income (loss) per share (basic and fully diluted)	$	0.04	$	(0.02)

Income for the year ended December 31, 2020 was $1,484,847 or $0.04 earnings per share compared loss for the year ended December 31, 2019 of $605,920 or $0.02 loss per share. Basic and fully diluted shares have been retroactively adjusted for the impact of the share consolidation by the Company after December 31, 2020 (see Subsequent Events).

Adjusted EBITDA

The Company experienced increased Adjusted EBITDA during the year ended December 31, 2020 over the prior year as follows:

		Year ended December 31, 2020		Year ended December 31, 2019
Net income (loss) for the year	$	1,484,847	$	(605,920)
Foreign exchange		190,282		226,877
Finance expense[(a)]		708,206		921,206
Depreciation and amortization		1,714,504		1,501,493
Income taxes		7,243		9,950
Stock-based compensation		302,762		458,038
Gain on Energate Arbitration share cancellation		(1,229,566)		-
Gain on lease obligation		(16,334)		-
Non-core business expenses[(b)]		1,478,304		724,401
Government assistance benefit[(c)]		(2,010,009)		
Adjusted EBITDA	$	2,630,239	$	3,236,045

(a) Finance expense comprised of interest expense on bank loan and lease liabilities in addition to EDC fees required for the Company's bank loan.

(b) Non-recurring expenses are comprised of fees and expenses related to the Company's arbitration arising from the acquisition of Energate.in addition to costs incurred during the year ended December 31, 2020 pertaining to the Company's merger with RiseTech Capital Corp. on January 29, 2021 (see Subsequent Events).

(c) Adjusted EBITDA is exclusive of government assistance benefit received by the Company attributable to the United States payroll protection plan ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program implemented due to the COVID-19 Pandemic of $2,010,009 during the year ended December 31, 2020.

The Company generated Adjusted EBITDA of approximately $2.6 million representing eight percent of revenue during the year ended December 31, 2020 compared to Adjusted EBITDA of approximately $3.2 million representing eight percent of revenue in the period year.

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

Revenue

Revenue by Source		Three months ended December 31, 2020	%		Three months ended December 31, 2019	%
Connected Devices and Infrastructure	$	6,571,391	71%	$	7,110,431	71%
Utility Software Applications and Services		2,741,402	29%		2,957,865	29%
Total revenue	$	9,312,793	100%	$	10,068,296	100%

Revenue decreased by eight percent from the three months ended December 31, 2020 compared to the three months ended December 31, 2019. This decrease over the comparative period was due to the impact of the COVID-19 Pandemic on the Company's business which caused delayed project deployments with existing utility customers, disruptions to the Company's supply chain and delays in decision-making by prospective utility customers.

Revenue attributable to the Company's Connected Devices and Infrastructure products was approximately $6.6 million during the three months ended December 31, 2020 which decreased by eight percent from the approximately $7.1 million for the three months ended December 31, 2019.

Revenue attributable to the Company's Utility Software Applications and Services was approximately $2.7 million during the three months ended December 31, 2020 decreased by seven percent as compared to approximately $3.0 million for the three months ended December 31, 2019.

The Company generated revenues attributed to the following geographical regions based on the location of the customer:

		Three months ended December 31, 2020	%		Three months ended December 31, 2019	%
United States (1)	$	9,080,621	98%	$	10,001,108	99%
Canada		207,982	2%		37,401	<1%
Other		24,190	<1%		29,787	<1%
	$	9,312,793	100%	$	10,068,296	100%

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

The Company generates the majority of its revenue from the United States market.

Gross Profit

The Company reports its Gross Profit on a blended basis.

Three months ended December 31, 2020		Connected Devices and Infrastructure	%	Utility Software Applications and Services	%		Total	%
Revenue	$	6,571,391	100%	2,741,402	100%	$	9,312,793	100%
Cost of sales		3,812,031	58%	694,177	25%		4,506,208	48%
Gross Profit	$	2,759,360	42%	2,047,225	75%	$	4,806,585	52%

Three months ended December 31, 2019		Connected Devices and Infrastructure	%	Utility Software Applications and Services	%		Total	%
Revenue	$	7,110,431	100%	2,957,865	100%	$	10,068,296	100%
Cost of sales		4,498,131	63%	933,269	32%		5,431,400	54%
Gross Profit	$	2,612,300	37%	2,024,596	68%	$	4,636,896	46%

Gross Profit for the three months ended December 31, 2020 was 52%, which was higher than the 46% Gross Profit for the three months ended December 31, 2019. The increase in Gross Profit margin percentage was due to the mix of the Company's connected devices products and revenue contributions from the Company's Utility Software Applications and Services segment. The Company also experienced lower installation service revenue during fiscal 2020 as compared to the prior fiscal 2019 period. Revenue generated from third-party installation services is at a lower gross margin.

The Company generated Gross Profit pertaining to revenue generated from its Connected Devices and Infrastructure products for the three months ended December 31, 2020 of 42% compared to Gross Profit of 37% for the prior three months ended December 31, 2019 period which is attributable to the product mix with increased contribution from product that have a higher gross profit in the three months ended December 31, 2020.

The Company generated Gross Profit pertaining to revenue generated from its Utility Software Applications and Services for the year ended December 31, 2020 of 75% compared to Gross Profit of 68% for the prior year which is attributable to increased revenue contribution from software license revenue, increased annual software maintenance and technical support services in addition to lower third-party installation service revenue generated by the Company at lower gross margin during the year ended December 31, 2020 relative to the prior year.

Expenses

		Three months ended December 31, 2020		Three months ended December 31, 2019
Sales and marketing	$	1,136,668	$	1,386,838
Research and development		894,441		1,080,672
General and administrative		3,163,974		1,412,373
Depreciation and amortization		425,977		374,684
Total expenses	$	5,621,060	$	4,254,567
As a percentage of total revenue		60%		42%

The Company actively managed its operating expenses due to the impact on the Company's business from the COVID-19 Pandemic particularly with respect to a reduction in expenses arising from participating in sales and marketing trade show which were cancelled throughout the quarter, a reduction in travel expenses and related costs and lower sales commissions due to reduced revenue. The Company witnessed an increase in depreciation and amortization expense arising from increased investments in computing equipment and related software, investments in new tools and computing equipment to support staff working remotely and increased protection equipment to address the impact of the COVID-19 Pandemic.

Sales and Marketing

		Three months ended December 31, 2020		Three months ended December 31, 2019
Sales and marketing	$	1,136,668	$	1,386,838
As a percentage of total revenue		12%		14%

The decrease in sales and marketing expense over the three months period ended December 31, 2020 of approximately $1.1 million is attributable to reduced travel and related expenses, the cancellation of trade shows and other marketing events, lower sales commission expense arising from a lower revenue profile and reduced stock-based compensation over the three months ended December 31, 2019 of approximately $1.4 million. Sales and marketing expenses decreased as a percentage of revenue during the three months ended December 31, 2020 compared to the three months ended December 31, 2019 due to reduced sales and marketing activities and related costs in relation to the decrease in revenue experienced by the Company attributable to the impact of the COVID-19 Pandemic.

Research and Development

		Three months ended December 31, 2020		Three months ended December 31, 2019
Research and development	$	894,441	$	1,080,672
As a percentage of total revenue		10%		11%

Research and development costs for the three months period ended December 31, 2020 of approximately $0.9 million were lower than the three months ended December 31, 2019 of approximately $1.1 million due to reduced travel and meeting costs primarily to travel restrictions put in place due to the COVID-19 Pandemic in addition to lower stock-based compensation over the prior year partially offset by increased headcount during late 2020 and investment in the Company's new products. The Company continues to invest in the research and development of new products as well as the continuous enhancement of its existing product and software offering. Research and development expenses decreased as a percentage of revenue during the three months ended December 31, 2020 compared to the three months ended December 31, 2019 due to the above factors impacting the Company's Research and development activities and related costs during fiscal 2020.

General and Administrative

		Three months ended December 31, 2020		Three months ended December 31, 2019
General and administrative	$	3,163,974	$	1,412,373
As a percentage of total revenue		34%		14%

General and administrative expenses include executive and administrative staff, facilities, public company costs, insurance, corporate variable compensation accruals, accounting, legal and strategic consulting fees as well as various general administrative costs.

The decrease over the three-month period ended December 31, 2020 of approximately $3.2 million over the three months ended December 31, 2019 of approximately $1.4 million is primarily due to costs pertaining to the merger with RiseTech Capital Corp. of $1,181,949 which are included in the general and administrative expense for this period, increased cost regarding infrastructure tools and computing equipment to support remote employees, increased bad debt expense with related incremental allowance for doubtful accounts, investments in protective equipment to limit the exposure of key personnel working in our offices from potentially getting exposed to the COVID-19 Pandemic, increased professional fees and an increase in salary expenses arising from increased headcount. These additional costs were partially offset by cost reductions due to travel restrictions put in place due to the COVID-19 Pandemic and the cancellation of in-person training and planning meetings for the Company in addition to reduced stock-based compensation. General and administrative expenses increased as a percentage of revenue during the three months ended December 31, 2020 compared to the three months ended December 31, 2019 due to the above increased costs incurred during the three months ended December 31, 2020.

Depreciation and Amortization

		Three months ended December 31, 2020		Three months ended December 31, 2019
Depreciation and amortization	$	134,608	$	98,997
Amortization of intangible assets		196,402		173,173
Amortization of right-of-use assets		94,967		102,514
Total other operating expenses	$	425,977	$	374,684

The Company’s depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use asset pertaining to its facility leases. The increase in depreciation and amortization during the three months period ended December 31, 2020 is attributable to the increased investment during the prior year ended December 31, 2019 by the Company in computer equipment and software with the full period of amortization being accounted for by the Company during the three months period ended December 31, 2020.

Other Earnings (Expenses)

		Three months ended December 31, 2020		Three months ended December 31, 2019
Foreign exchange gain (loss)	$	(166,094)	$	(79,315)
Finance expense		(163,677)		(228,691)
Covid-19 government assistance		1,971		-
Other		(208,660)		-
Total other operating expenses	$	(536,460)	$	(308,006)

Finance expense is comprised of interest expense and fees to EDC on the Company's bank loan and lease liabilities. The balance of $163,677 for the three months ended December 31, 2020 is lower than the prior year period due to lower interest rate experienced during 2020. The $208,660 during the three months ended December 31, 2020 is attributable to the revised estimated fair value of the shares cancelled prior to this period in connection with the Energate arbitration.

Total Comprehensive Income (Loss)

		Three months ended December 31, 2020		Three months ended December 31, 2019
Operating (loss) income	$	(814,475)	$	382,329
Total other (expenses) earnings		(536,460)		(308,006)
Income tax expense		(7,243)		(50)
Income (loss) for the period		(1,358,178)		74,273
Foreign currency translation adjustment		(8,797)		14,171
Total comprehensive (loss) income	$	(1,366,975)	$	88,444
Loss per share (basic and fully diluted)	$	(0.04)	$	0.00

Loss for the three months ended December 31, 2020 was $1,358,178 or $0.04 loss per share compared to a loss for the three months ended December 31, 2019 which was $74,273 or $0.00 loss per share with the loss for the three months ended December 31, 2020 primarily attributable to costs pertaining to the merger with RiseTech Capital Corp. of $1,181,949 which are included in the general and administrative expense for this period. Basic and fully diluted shares have been retroactively adjusted for the impact of the share consolidation by the Company after December 31, 2020 (see Subsequent Events).

Adjusted EBITDA

		Three months ended December 31, 2020		Three months ended December 31, 2019
Net income (loss) for the period	$	(1,358,178)	$	74,373
Foreign exchange		166,094		79,315
Finance expense[(a)]		163,677		228,692
Depreciation and amortization		425,977		374,684
Income taxes		7,243		(50)
Stock-based compensation		72,242		80,533
Gain on Energate Arbitration share cancellation		208,660		-
Non-core business expenses[(b)]		1,133,619		(61,047)
Government assistance benefit[(c)]		(1,971)		
Adjusted EBITDA	$	817,363	$	776,500

(a) Finance expense comprised of interest expense on bank loan and lease liabilities in addition to EDC fees required for the Company's bank loan.

(b) Non-core business expenses are comprised of fees and expenses related to the Company's arbitration arising from the acquisition of Energate.in addition to costs incurred during the three months ended December 31, 2020 pertaining to the Company's merger with RiseTech Capital Corp. on January 29, 2021 (see Subsequent Events).

(c) Adjusted EBITDA is exclusive of government assistance benefit received by the Company attributable to the United States payroll protection plan ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program implemented due to the COVID-19 Pandemic of $390,499 during the three months ended December 31, 2020.

During the three months ended December 31, 2020, the Company generated Adjusted EBITDA of approximately $0.8 million representing nine percent of revenue which was consistent with the Adjusted EBITDA of approx. $0.8 million representing eight percent of revenue for the three months ended December 31, 2019. The Adjusted EBITDA during the three months ended December 31, 2020 decreased from the prior fiscal 2019 period is due to reduced revenue and related Gross Profit offset by reduced expenses primarily attributable to the impact of the COVID-19 Pandemic during fiscal 2020.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

The Company's capital management objective is to ensure that the Company is capitalized in a manner which appropriately supports working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position, and to that end, the Company regularly assesses its capital management practices in response to changing economic conditions. The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, business expansion and other strategic objectives.

Cash and Adjusted Working Capital

As at December 31, 2020, the Company had cash totaling approximately $4.6 million as compared to cash of approximately $5.4 million as at December 31, 2019 which had a maturity date of February 28, 2021. The cash balance does not reflect the proceeds from the concurrent financing associated with the transaction with RiseTech Capital Corp., as the money was held in escrow until the closing of the transaction in January, 2021 (see Subsequent Events). The Company is required to classify its long-standing bank loan as a current liability under IFRS. Subsequent to December 31, 2020, the Company extended the term and related maturity date of its long-standing bank loan to February 28, 2022. Adjusted Working Capital excludes the Company's long-standing bank loan with Comerica which it has renewed on a continuous annual basis since 2012. As at December 31, 2020, the Company had Adjusted Working Capital of approximately $3.5 million, exclusive of the bank loan of $8.1 million, as compared to Adjusted Working Capital of approximately $2.8 million, exclusive of the bank loan of $8.2 million, as at December 31, 2019.

Cash Flows

Cash provided by (used in):		**Year ended December 31, 2020**		**Year ended December 31, 2019**
Operating activities	$	910,720	$	3,201,792
Investing activities		(854,006)		(1,094,896)
Financing activities		(773,592)		(448,911)
Effect of foreign exchange on cash		(3,495)		69,594
Increase (decrease) in cash	**$**	**(720,373)**	**$**	**1,727,579**

The Company generated positive cash flows from its operating activities during the year ended December 31, 2020 of approximately $0.9 million which is attributable to the net change in the Company's working capital items and positive Adjusted EBITDA generated in the period, inclusive of the impact of the government assistance received. The decrease in the Company's operating cash flow during the year ended December 31, 2020 over the prior year is primarily attributable to changes in the Company's working capital items as at December 31, 2020 relative to as at December 31, 2019 with an increase of $4.1 million in accounts receivable (see Accounts Receivable) and an increase of $0.8 million in prepaid expenses and other assets (see Subsequent Events) offset by an increase of $2.2 million in accounts payable and accrued liabilities and an increase of $1.0 million in deferred revenue and deposits primarily pertaining to the Company's annual software maintenance and technical support services. The Company generated positive cash flow of approximately $3.2 million from operations in the prior year ended December 31, 2019 which is attributable to positive Adjusted EBITDA generated offset by the net change of working capital items. The Company had lower investment in and other business equipment as well as business software during the year ended December 31, 2020 than over the prior year.

Commitments

The Company has the following commitments as at December 31, 2020:

Contractual Obligations		**Total**		**Less than 1 year**		**1 - 5 years**		**After 5 years**
Accounts Payable and accrued liabilities	$	12,189,613	$	12,189,613	$	-	$	-
Bank loan[(a)]		8,075,050		8,075,050		-		-
Lease liabilities		2,299,018		1,257,217		1,041,801		-
Total Contractual Obligations	**$**	**22,563,681**	**$**	**21,521,880**	**$**	**1,041,801**	**$**	**-**

(a) – See bank loan below.

In the ordinary course of business, the Company may enter into performance bonds with customers as part of a sales contract. As at December 31, 2020, the Company had one performance bond for $1,138,012.

In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors. As at December 31, 2020, the Company had outstanding purchase order commitments of $5,645,119.

Bank Loan

The Company entered into a loan agreement on April 12, 2012, and subsequent amendments with Comerica Bank (the “Bank”) to fund ongoing Adjusted Working Capital requirements. The bank loan which is comprised of two line of credit facilities and a term loan had an aggregate total payable by the Company of $8,184,700 as at December 31, 2020. The Company entered into an amendment agreement with the Bank which extended the maturity date of the line of credit facility from February 26, 2020 to February 26, 2021. Subsequent to December 31, 2020, the maturity date of the line of credit facility was extended from February 26, 2021 to February 28, 2022.

Facilities

Tantalus maintains four office locations across North America, including:

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

Each office is based on a lease with a third-party building manager or landlord. Tantalus’ Burnaby office lease, of approximately 32,000 square feet was entered into on August 1, 2014 and is expected to expire on January 31, 2022. Tantalus’ Kanata office lease, of approximately 8,200 square feet was entered into on November 1, 2017 and is expected to expire on February 1, 2025. Tantalus’ Norwalk office lease, of approximately 800 square feet was entered into on March 1, 2018 and has been expanded to a new office facility space in the building increasing to approximately 2,350 square feet to expire on February 1, 2025. Tantalus’ Raleigh office lease, of approximately 5,602 square feet was entered into on February 1, 2016 and is expected to expire on May 1, 2022. All of Tantalus’ office leases are with arm’s length parties.

FINANCIAL POSITION

The following table shares the variance that have occurred in the Company’s financial position as at December 31, 2020 and December 31, 2019:

Assets		December 31, 2020		December 31, 2019		Variance
Cash	$	4,647,713	$	5,368,086	$	(720,373)
Accounts receivable		8,896,323		4,819,166		4,077,157
Investment tax credits receivable		1,207,868		960,728		247,140
Inventory		4,591,099		5,038,119		(447,020)
Prepaid expenses and deposits		1,375,263		563,035		812,228
Total current assets	$	20,718,266	$	16,749,134	$	3,969,132
Property and equipment		1,439,715		1,477,160		(37,445)
Intangible assets		374,673		759,445		(384,772)
Right of Use assets		992,880		1,152,875		(159,995)
Total assets	**$**	**23,525,534**	**$**	**20,138,614**	**$**	**3,386,920**
Liabilities						
Accounts payable and accrued liabilities		12,189,613		9,968,915		2,220,698
Deferred revenue and deposits		4,259,508		3,250,183		1,009,325
Lease liabilities		730,871		680,595		50,276
Bank loan		8,075,050		8,196,892		(121,842)
Total current liabilities	$	25,255,042	$	22,096,585	$	3,158,457
Lease liabilities		581,598		902,381		(320,783)
Total liabilities	**$**	**25,836,640**	**$**	**22,998,966**	**$**	**2,837,674**

Accounts Receivable

The Company had accounts receivable as at December 31, 2021 of $8.9 million compared to $4.8 million as at December 31, 2019 which increased due to significantly higher revenue generated in late fiscal 2020 relative to the prior year. The Company entered into an agreement with Export Development Canada (“EDC”) whereby EDC agreed to provide 90% insurance coverage for the Company’s invoiced sales up to a maximum of $3,000,000 with certain customers excluded from this coverage.

OTHER ITEMS

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company’s consolidated financial statements as at December 31, 2020.

Transactions with Related Parties

Related parties include key management which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of key management of the Company for the years ended December 31, 2020 and 2019 are as follows:

		Year ended December 31, 2020		Year ended December 31, 2019
Short-term compensation	$	1,506,088	$	1,316,192
Share-based payments		146,783		211,995
	$	1,652,871	$	1,528,187

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The following financial instruments are all measured at amortized cost. The fair value of each approximates the carrying value due to their short-term nature.

	December 31, 2020				December 31, 2019			
		Carrying Value		Fair Value		Carrying Value		Fair Value
Financial Assets								
Cash	$	4,647,713	$	4,647,713	$	5,368,086	$	5,368,086
Accounts receivable	$	8,896,323	$	8,896,323	$	4,819,166	$	4,819,166
Investment tax credits receivable	$	1,207,868	$	1,207,868	$	960,728	$	960,728
Financial Liabilities								
Accounts payable and accrued liabilities	$	12,189,613	$	12,189,613	$	9,968,915	$	9,968,915
Bank loan	$	8,075,050	$	8,075,050	$	8,196,892	$	8,196,892

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash trade receivables and investment tax credits receivable. With respect to trade and other receivables, the Company engages EDC to perform ongoing credit evaluations of the Company's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within one month.

Foreign Currency Risk

Although substantially all of the Company's revenues are received in 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.

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.

DISCLOSURE OF OUTSTANDING SHARE DATA

As December 31, 2020 and at the date of this report, the following securities were outstanding:

	Year ended December 31, 2020	**Report date April 20, 2021**
Shares	33,673,520	38,859,051
Stock options	4,841,437	4,953,437
Restricted stock units	-	74,074
Warrants	-	124,982

Shares and stock options have been retroactively adjusted for the impact of the share consolidation by the Company after December 31, 2020 (see Subsequent Events).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

The Company's revenues are derived through two operating segments, including:

1. The Connected Devices and Infrastructure Segment. This segment is responsible for the sale of TSH's proprietary edge computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, 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 providing access to customer.

Installation services are for the installation of the Company's connected devices and infrastructure network products and utility software applications. Engineering services are primarily consulting, implementation and integration services entered into either on a time & materials or fixed fee basis. Revenue from installation and engineering services is recognized over time, using input method to measure progress towards complete satisfaction of the service.

Revenue from PCS is recognized ratably over the term of the PCS. Any unrecognized revenue is recorded in deferred revenue.

The Company recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control of its products is transferred to its customers in an amount that reflects the considerations the Company expects to receive from its customers in exchange for those products.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.
- The Company's contracts often include a number of promised goods or services. Many of the Company's goods and services are distinct from other performance obligations and accounted for as separate performance obligations. When an arrangement involves multiple products and is negotiated as a package solution, the Company accounts for it as a single performance obligation. A good or service is

distinct if the customer can benefit from it on its own or together with other components of the Company's products, and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. In determining the transaction price of contract with a customer, the Company considers the effects of consideration payable by the customer. If a contract has more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on estimated relative standalone selling prices of the goods and services.

New Standards and Interpretations Not Yet Adopted

Standards and amendments issued but not yet applicable to the Company's financial statements are listed below. This listing of standards and amendments issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

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.

RISK FACTORS

The following is a summary of certain risk factors applicable to the Company. The risks presented in this section should not be considered to be exhaustive and may not be all of the risks that the Company may face.

The impacts of the COVID-19 Pandemic are unpredictable and could have significant impacts on Tantalus' financial performance.

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

- A significant decline in revenue as customer spending slows due to an economic downturn and/or as customer demand otherwise decreases. This decline in revenue could persist through and beyond a recessionary period.

- Adverse impacts to Tantalus' growth rates, cash flows and margins - particularly if expenses do not decrease across its business at the same pace as revenue declines. Many of TSHI's expenses are less variable in nature and may not correlate to changes in revenues, such as depreciation and other costs associated with its office facilities and infrastructure maintenance costs. As such, Tantalus may not be able to decrease them significantly in the short-term, or Tantalus may choose not to significantly reduce them in an effort to remain focused on its long-term outlook and opportunities.

- Major disruptions to the respective businesses of Tantalus' principal customers and suppliers which could have a material impact on Tantalus' business, operations, prospects and revenues and accordingly Tantalus' financial position. For example, in certain jurisdictions governments have, in response to the COVID-19 Pandemic, implemented regulations that prevent or limit the ability of a utility to stop providing services to a customer that has not paid its electricity bill. Such legislation may have an adverse impact on the financial position of utilities that are Tantalus' customers and, in turn, reduce the demand for Tantalus' products and services.

- The COVID-19 Pandemic has caused organizations globally to rapidly and broadly shift to remote working, which has resulted in certain inherent productivity, connectivity and oversight challenges. Continued and/or new governmental lockdowns, restrictions, or regulations arising from the COVID-19 Pandemic which restrict the movement of people in the jurisdictions in which Tantalus operates could significantly impact the ability of its employees, partners, customers and vendors to work productively. Governmental restrictions have been globally inconsistent and it is not clear if and when a full return to worksite locations or travel will be permitted or for how long or what restrictions will be in place in these jurisdictions at any given time. The extent and/or duration of ongoing workforce restrictions and limitations could impact Tantalus' ability to enhance, develop and support existing products and services, hold sales, marketing and employee events, and generate new sales leads, among others.

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

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

Tantalus' revenue expectations are highly dependent upon retaining existing customers and adding new customers. New customers may require significant time to integrate Tantalus' products into their existing infrastructure. Tantalus may incur significant costs in making proposals to prospective customers who do not ultimately become customers of Tantalus. New projects by new customers, as well as existing customers, may be canceled or delayed, which can adversely impact

Tantalus' anticipated revenue and profitability. Project delays or cancellations could be more frequent during times of meaningful economic downturn. Cancellations, reductions or delays by a significant customer, or by a group of customers, could seriously harm Tantalus' operating results and negatively affect its working capital levels. Such cancellations, reductions or delays have occurred from time to time and may continue to occur.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- economic, regulatory and political conditions in the markets where TSHI operate or anticipate operating.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TSHI relies on certain internal processes, infrastructure and information technology systems, including infrastructure and systems operated by third parties, to efficiently operate its business in a secure manner. The inability to continue to enhance or prevent a failure of these internal processes, infrastructure or information technology systems could negatively impact TSHI's ability to operate its business. TSHI’s products and services depend on very high levels of network reliability and availability in order to provide its customers with the ability to monitor and receive data from their devices.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUBSEQUENT EVENTS

The Company continues to actively monitor the current international and domestic impacts of and responses to the COVID-19 Pandemic and its related risks, and continues to prepare accordingly. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy is not known, an estimate of the financial effect on the Company is not practicable at this time.

The COVID-19 Pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the group's business in various ways inclusive of a reduction in the supply of goods and materials from the Company's contract manufacturer supplier which has affected 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.

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.

On November 19, 2020, (i) TSHI, with Tantalus Systems Shareholders Inc. ("**TSSI**"), entered into a definitive agreement with 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.