



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, 2021

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of Tantalus Systems Holding Inc. (formerly known as RiseTech Capital Corp.) (together with its subsidiaries and predecessors, the "Company", "we" 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, 2021 compared with the three and twelve months ended December 31, 2020. The information in this MD&A is current as of March 23, 2022 and should be read in conjunction with the audited consolidated financial statements as at December 31, 2021 and 2020.

The Company's audited consolidated financial statements and notes thereto as at December 31, 2021 and 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee, and are presented in United States ("US") dollars which is the functional currency of the Company ("Financial Statements"). Certain dollar amounts in this MD&A have been rounded to the nearest millions or thousands of dollars.

Non-IFRS and Other Financial Measures

This MD&A also refers to the following non-IFRS measures:

"EBITDA" is comprised as income (loss) less interest, income tax and depreciation and amortization. Management believes that EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See "Reconciliation of Net (Loss) / Income to Adjusted EBITDA" for a quantitative reconciliation of EBITDA to the most directly comparable financial measure.

"Adjusted EBITDA" is comprised as income (loss) less interest, income tax, depreciation, amortization, sharebased compensation, foreign exchange gain (loss) and other income / expenses not attributable to the operations of the Company. Management believes that EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See "Reconciliation of Net (Loss) / Income to Adjusted EBITDA" for a quantitative reconciliation of Adjusted EBITDA to the most directly comparable financial measure.

"Gross Profit" is comprised as the Company's revenues less cost of sales. Management believes that Gross Profit is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See "Selected Financial Information" for a quantitative reconciliation of Gross Profit to the most directly comparable financial measure.

“Adjusted Working Capital” is comprised as current assets less current liabilities exclusive of the Company’s bank loan. Management believes Adjusted Working Capital is a useful indicator for investors, and is used by management, for evaluating the operating liquidity to the Company. See “Selected Financial Information” and “Liquidity” for a quantitative reconciliation of Adjusted Working Capital to the most directly comparable financial measure.

This MD&A refers to “Gross Profit Margin” which is a non-IFRS ratio. Gross Profit Margin is comprised of Gross Profit expressed as a percentage of the Company’s revenues. Management believes that Gross Profit Margin is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.

This MD&A refers to “Adjusted EBITDA Margin” which is a non-IFRS ratio. Adjusted EBITDA Margin is comprised of Adjusted EBITDA expressed as a percentage of the Company’s revenues. Management believes that Adjusted EBITDA Margin is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.

Such non-IFRS measures and non-IFRS ratios do not have a standardized meaning under IFRS and may not be comparable to a similar measure disclosed by other issuers.

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 March 23, 2022 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 ongoing global supply chain constraints of semiconductors and electronic components as well as 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 and challenges; overall market growth rates and 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; our competitive position in our industry; growing revenue year-over-year by 20% - 25% in 2022, targeting approximately US\$38.5 to 40.0 million in 2022; our acquisition of Congruitive placing Tantalus at the forefront of helping utilities modernize their grids to prepare for the impact that electric vehicles and distributed energy resources will have on the resiliency and reliability of distribution grids; approximately US\$27 million in revenue backlog anticipated to be generated during the year ending December 31, 2022; demand for the Congruitive solution is expected to grow significantly as EV and DER adoption continues to expand rapidly in 2022; the Company is actively evaluating several other M&A opportunities along with additional strategic growth initiatives; the Company's continued investment in the research and development of new products as well as the continuous enhancement of the Company's existing products and software applications offering; and the earn-out payments in connection with the acquisition of Congruitive.

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

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the "Risk Factors" section of Tantalus' Annual Information Form dated March 23, 2022 included with Tantalus' continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com.

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.

2021 BUSINESS HIGHLIGHTS

- The Company delivered US\$37.5 million in orders converted from its sales pipeline, representing year-over-year growth of approximately 27.5%, an annual record for the Company.
- Tantalus grew its user community to approximately 210 by securing 25 new utilities in 2021. The Company surpassed the average number of new utilities, 20, secured on an annual basis over the last 7 years.
- The Company surpassed 2.8 million endpoints deployed, collecting more than 30 billion data points related to energy consumption and power quality. Within its existing user community, the Company has over 1.6 million available endpoints to deploy in the future that will drive revenue and additional data for its expanding software and analytics packages.
- Tantalus hosted its largest annual users conference (virtually) with over 400 attendees from more than 100 utilities and gathered valuable insight into the key challenges that will enable the Company to prioritize goals within its strategic plan and solutions roadmaps.
- Tantalus launched its first artificial intelligence (“AI”)-enabled analytics tool in September 2021. The analytics tool, called Tantalus Grid Reliability Analytics (“TGRA”), focuses on power quality data captured by Tantalus’ smart grid solution to assist utilities improve their resiliency. The Company secured 6 initial subscriptions under a software as a service (“SaaS”) model in Q4, 2021.
- The Company also launched its next-generation TRUSense™ Gateway (anticipated to be available in late 2022) to help utilities address the broadband divide and gain granular control of new technology and devices deployed inside homes and buildings.

STRONG MOMENTUM HEADING INTO 2022

- Revenue is expected to increase by 20%-25% in 2022 targeting approximately US\$38.5 million to US\$40.0 million, including revenue from the recently acquired DLC Systems Inc. d/b/a Congruitive (“Congruitive”).
- The addition of Congruitive enhances the Company’s position at the forefront of helping utilities modernize their grids to prepare for the impact of electric vehicles (“EVs”) and distributed energy resources (“DERs”) on the resiliency and reliability of distribution grids. Congruitive translates data across multiple devices and platforms, allowing utilities to operate smart grids as one intelligent system, and the demand for this solution is expected to grow significantly as EV and DER adoption continues to expand rapidly in 2022.
- Tantalus has approximately US\$27 million in revenue backlog anticipated to be generated during the year ending December 31, 2022.
- Tantalus is witnessing increased activity throughout its pipeline with improving visibility as utilities plan to modernize their grids to support enhanced resiliency and the proliferation of EVs and DERs. Tantalus is actively leading an effort (<https://www.tantalus.com/resources/funding/>) to support current and prospective utility customers with the submission of applications to access funding across a number of programs being offered by the US federal government, including the ARPA and BRIC programs.
- The Company is actively evaluating several other M&A opportunities along with additional strategic growth initiatives.

DESCRIPTION OF BUSINESS

Tantalus is a smart grid technology company that helps build sustainable utilities by modernizing distribution grids. By deploying Tantalus’ smart grid platform, utilities can transform their legacy

distribution grids into future-proofed multi-directional grids that not only improve the reliability and efficiency of the utility in the near-term, but also lay the foundation to prepare utilities for the long-term needs of society. The Company's solutions include a comprehensive industrial Internet-of-Things ("IoT") smart grid network, edge-computing endpoints, a suite of enterprise software applications that are used across all departments within a utility and artificial-intelligence ("AI") enabled data analytics to help utilities proactively anticipate and manage their grids. Tantalus' solutions also help water utilities identify leaks and automate the delivery and billing of water and gas. By leveraging Tantalus' technology solutions, utilities are positioned to transform their distribution grids into an intelligent distribution grid 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.

Tantalus is a publicly traded company listed on the Toronto Stock Exchange (TSX: GRID).

Smart Grid Platform

Over the past 30 years, Tantalus has evolved its smart grid platform to include a comprehensive smart grid network that can access, transport, translate and deliver data from multiple edge devices into mission-critical operation and engineering systems that sit behind the firewall of a utility. Tantalus is currently deploying and managing smart grid platforms to over 210 utilities that is secure, reliable and capable of supporting a growing number of applications as the needs of our customers expand over time.

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.

Deploying computing power at each device across the distribution grid creates a multi-decade relationship between Tantalus and utilities. To expand the return on investment made by utilities and expand Tantalus' existing relationships with its user community, 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. By connecting to more devices, Tantalus can access additional data to expand its software capabilities.

During 2021, Tantalus launched the TRUSense™ Fiber Gateway, which is a next-generation Fiber-to-the-Home (“FTTH”) and internet protocol (“IP”) gateway solution. The TRUSense Fiber Gateway will enable utilities to leverage investments in fiber, and other IP-related networks, to not only improve the resiliency of their distribution grids but also to deliver broadband services to consumers. Additionally, the TRUSense Fiber Gateway will enable the utility to launch applications to manage devices behind the meter.

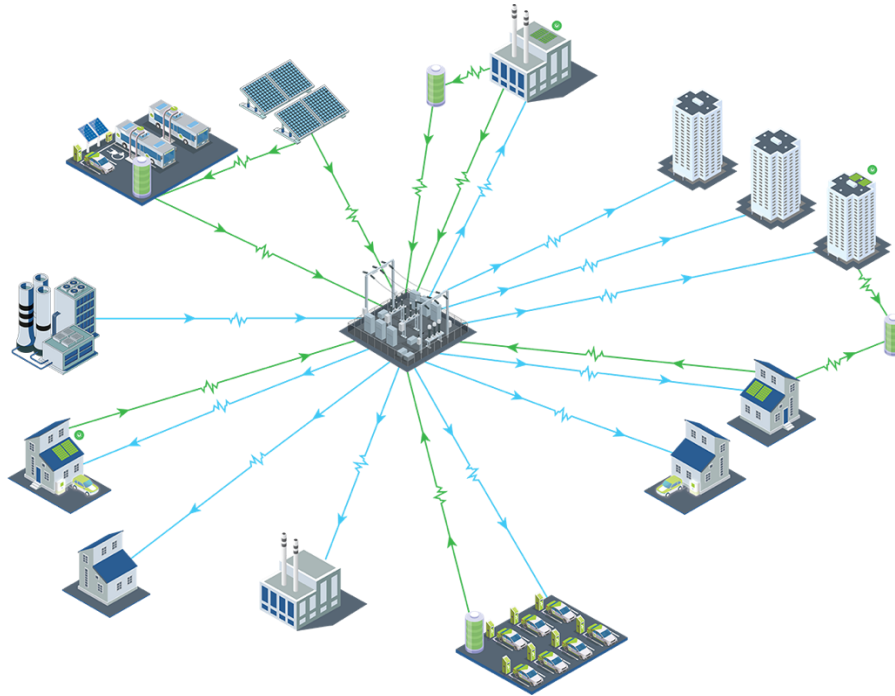
As Tantalus continues to diversify its solution portfolio, the Company is expanding the suite of enterprise software capabilities and professional services to assist utilities prepare for the adoption of EVs and DERs, such as solar panels, battery walls and other storage devices. As these new technologies are adopted by consumers, businesses and industries, the utility must be prepared to support the electrification of everything while simultaneously embracing the decarbonization of their business.

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. The Company also offers its TGRA is an artificial intelligence (“AI”)-enabled data analytics tool that utilizes algorithms to continuously monitor power-quality data accessed by TRUEdge®-enabled meters on Tantalus’ TUNet smart grid platform to provide utilities with visibility into power quality issues that lead to outages and premature failure of devices deployed across the distribution grid as a software as a service (“SaaS”). Through the end of 2021, the Company successfully secured commitments to the SaaS offering from six (6) utilities within its existing user community during the first three months of making TGRA commercially available. TGRA specifically is assisting utilities mitigate fire risks, identify failing equipment, more efficiently pinpoint locations requiring vegetation management and prioritizing investments in equipment upgrades.

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 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. By deploying the Company’s expanded software offering from its acquisition of Congruitive, which was completed on January 31, 2022, a utility's smart grid deployment can operate as one intelligent, interoperable system, with the necessary scalability and flexibility as more EVs and DERs are deployed at the edge of the grid.



Operating Segments

Tantulus has two primary operating segments that collectively deliver Tantulus’ technology solutions to utilities including:

1. The Connected Devices and Infrastructure Segment.

This segment is responsible for the sale of Tantulus’ 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 Tantulus’ 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 Tantulus’ proprietary mission-critical enterprise software applications, artificial intelligence (“AI”) enabled data analytics and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, software as a service (“SaaS”), hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services.

Supporting Environmental, Social and Governance Initiatives

Our products and services are designed to help utilities operate more sustainably, reduce climate risk and increase access to services for their communities. Through digitization of the distribution grid, improved energy and resource efficiency, enhanced workforce safety, and community resilience, Tantulus helps build the sustainable utility of the future by improving their environmental, social and governance (“ESG”) performance and decarbonizing their systems. Our company is also committed to reducing our own impacts,

as well. We are assessing our operational resource use, setting ESG goals, and improving our policies to meet the expectations of our stakeholders, employees and customers.

Improving ESG Initiatives and Building Sustainable Utilities



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.

Tantalus 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

Public power and electric cooperative utilities are dealing with forces far beyond their control. Increasing extreme weather events—such as wildfires, hurricanes, tornados, blizzards and floods—are putting stress on the components of the nation’s electrical grid. North America incurred an astonishing \$1.04 trillion damages from climate events between 2001-2021 according to a report on Physical Climate Risks for Energy Infrastructure published by Bloomberg NEF on January 5, 2022, which translated into the greatest economic loss across any region in the world¹. According to the National Centers for Environmental Information, in 2021 alone, there were 20 weather events that each cost more than \$1 billion, totalling \$145 billion and killing almost 700 people².

¹ Physical Climate Risks for Energy Infrastructure published by Bloomberg NEF (January 5, 2022).

² National Centers for Environmental Information, National Oceanic and Atmospheric Administration (2021).

Mother Nature is not the only challenge testing the grid. The everyday activities of energy consumers are rapidly changing and in ways hardly anticipated a decade ago. Today, people expect constant connectivity through a multitude of electric devices that are available at their fingertips. Our society is creating a demand for energy at home and at work that is exponentially greater than any previous generation. Simultaneously, there is a greater awareness of climate change and the need for increased energy efficiency. To address their climate concerns, many consumers and businesses are adopting new technologies such as EVs and a variety of DERs, including rooftop solar panels, battery walls, storage and microgrids.

The increasing adoption of EVs will exponentially increase the amount of electricity required to power vehicles. In 2020, roughly 4.7 terawatt hours were attributed to electric vehicle charging in the United States. According to statistics, the electric vehicle-related energy demand is expected to increase to an estimated 107 terawatt hours by 2035 in the United States³. Electrifying nearly all transportation could contribute to more than doubling the amount of electricity used in the U.S. by 2050⁴.

The early adoption of EVs and the deployment of DERs are already stressing the grid by directly changing the load profile utilities manage – both in terms of the amount of electricity consumers require at various locations and at various times of the day and by creating a multi-directional flow of power resulting from the discharging of electricity back into the grid from these devices. The changes in the amount of power being consumed and the flow of power feeding back up power lines from the very edge of the grid is not something existing distribution grids were designed to handle. Through it all, consumers expect utilities to support these new technologies, maintain reliability, and keep costs under control.

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 DERs (such as EVs, 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 where many residents have been unable to reap the benefits of high-speed internet access creating a digital divide with other areas of the United States where such access is more readily available and affordable. Similar to the effort by the Federal government in the 1930’s to deliver ubiquitous access to electricity across the United States in order to make the advantages of electrification more broadly accessible, government stimulus funding will enable the electric cooperative and public power utility segment to upgrade infrastructure and provide advanced services to their members and customers in order to help eliminate that 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.

While the growth horizon remains favorable for Tantalus and is being bolstered by the unprecedented stimulus packages in the United States centered on infrastructure upgrades and grid resiliency for the utility industry, management is mindful of the continuing impact resulting from the COVID-19 Pandemic, the ongoing worldwide disruption to the availability of electronic components, particularly with respect to

³ Statista, U.S. electric vehicle energy charging demand between 2020 and 2035.

⁴ Princeton University’s Net-Zero America, Potential Pathways, Infrastructure, and Impacts, Final Report Summary (October 29, 2021).

semiconductors and increasing costs of materials and labor resulting from inflation being witnessed across Canada and the United States. The COVID-19 Pandemic continues to impact Tantalus through delays in project deployments, delays in decision-making by utilities that are assessing modernization plans and disruptions to the global logistics and overall supply chain production. The worldwide shortage in semiconductors is leading to extended lead times, factory disruptions, raw material shortages and logistics constraints. Rising costs and wages are similarly impacting operations and requiring management to navigate through a series of challenges that may impact margin contributions and rising interest expenses.

Management continues to implement policies to prioritize the health and safety of our employees while maintaining regular interactions with customers. Similarly, management is navigating through the semiconductor shortage by implementing several strategies to mitigate the impact of supply chain constraints by building inventory of long-lead components, qualifying alternative component providers, increasing buffer stock and coordinating directly with our contract manufacturer. The Company is also working with suppliers and customers in an effort to mitigate the potential impact from inflation that may result in changes on its total revenue and related financial performance.

Key Operating Highlights

Financial Summary for the Three-Month Period Ended December 31, 2021:

- a. **Revenue:** During the three months ended December 31, 2021, the Company generated revenue of \$7.6 million which decreased by 18% from \$9.3 million in the same period in 2020. The decline in revenue was primarily due to supply chain constraints that caused the delay of shipping approximately \$1.2 million of products that were scheduled to be delivered within the quarter. The Company experienced a 26% decrease in revenue from the Company's Connected Devices and Infrastructure products of \$4.8 million during the three months ended December 31, 2021 over the prior year quarter revenue of \$6.6 million. Revenue from the Utility Software Applications and Services segment increased by 1% during the fourth quarter of 2021 to \$2.8 million as compared to \$2.7 million in the prior year quarter. Revenue contributions from Utility Software Applications and Services represented 36% of revenue for the three months ended December 31, 2021 compared to 29% of revenue for the prior year.
- b. **Gross Profit:** Gross Profit decreased to \$3.4 million during the three months ended December 31, 2021 compared to \$4.8 million for the same period in 2020. Gross Profit Margin decreased to 44% during the three months ended December 31, 2021 versus 52% during the same period in 2020. The decrease in Gross Profit Margin was primarily due to inflationary pricing pressure across the Company's supply chain in addition to the revenue mix of products shipped within the quarter.
- c. **Operating Expenses:** Operating expenses for the three months ended December 31, 2021 decreased to \$5.3 million versus \$5.6 million for the same period in 2020. The Company's operating expenses for the three months ended December 31, 2021 include share-based compensation expense of \$138,434, depreciation and amortization expense of \$282,658, costs attributable to the Company's acquisition of Congruitive of \$275,000 and legal professional fees of \$152,206. The Company's operating expenses for the three months ended December 31, 2020 include share-based compensation expense of \$67,033, depreciation and amortization of \$425,977 and approximately \$1.2 million of costs attributable to the Company's reverse acquisition with RiseTech Capital Corp. ("RiseTech") going public transaction. Operating expenses expressed net of the above items were \$4.5 million and \$4.0 million for the three months ended December 31, 2021 and December 31, 2020, respectively.

Prior to going public, the Company accessed to the Canadian government's research and development assistance program referred to as the Scientific Research and Experimental Development ("SR&ED"), which is a tax program made available to Canadian-controlled private companies. The SR&ED program enables Canadian-controlled private companies to receive cash reimbursements for qualified research

and development (“R&D”) initiatives as an offset to expenses incurred during each year. By becoming a publicly traded company as of February 9, 2021, Tantalus was no longer able to access the SR&ED program cash reimbursements. On a comparative basis, the Company absorbed the loss of the R&D expense offset through the SR&ED program throughout 2021. Operating expenses during the three months ended December 31, 2021 and December 31, 2020 are recorded net of nil and \$0.4 million, respectively, of funding attributable to the SR&ED program offset against research and development costs in the periods.

Total operating expenses decreased during the three months ended December 31, 2021 over the prior year period due primarily to expenses attributable to the Company’s reverse acquisition with RiseTech going public transaction incurred in the prior 2020 year period. During the three months ended December 31, 2021, the Company increased expenditures in sales and marketing and research and development, inclusive of the impact of the loss of government assistance cash-based funding from the Canadian SR&ED program arising from the Company no longer being a Canadian-controlled private corporation as a result of the going public transaction, increased general and administrative expense associated with becoming a public company, increased headcount and the impact of foreign exchange arising from the strengthened Canadian dollar on the Company’s Canadian denominated operating expenses compared to the prior year period.

- d. Adjusted EBITDA: Adjusted EBITDA for the three months ended December 31, 2021 decreased to (\$1,272,109) versus \$817,363 for the same period in 2020 as the result of the above factors (see reconciliation of net loss / income to Adjusted EBITDA).

Financial Summary for the Twelve-Month Period Ended December 31, 2021:

- a. Revenue: During the year ended December 31, 2021, the Company generated revenue of \$32.2 million compared to \$33.0 million for the same period in 2020, reflecting a decline of approximately 2.7% year-over-year. The decrease in revenue was attributable to supply chain constraints that caused significant delays in the shipment of products that were scheduled to be shipped within the calendar year. Revenue from the Company’s Connected Devices and Infrastructure products in 2021 declined by approximately 4% to \$21.7 million compared to \$22.7 million in the prior year. The decline in revenue was specifically tied to supply chain constraints. Revenue generated from the Utility Software Applications and Services segment was \$10.5 million for the year ended December 31, 2021 compared to \$10.4 million in the prior year. Revenue contributions from the Utility Software Applications & Services segment represented approximately 33% of revenue for the year ended December 31, 2021 which increased from 31% in the prior year.
- b. Gross Profit: Gross Profit decreased to \$14.4 million during the year ended December 31, 2021 compared to \$16.1 million for the prior year. Gross Profit Margin decreased to 45% during the year ended December 31, 2021 compared to 49% during 2020 which is due primarily to supply chain constraints and inflationary pricing pressures impacting the cost associated with building the Company’s products.
- c. Operating Expenses: Operating expenses for the year ended December 31, 2021 increased to \$20.6 million versus \$17.0 million for prior year. Operating expenses during the year ended December 31, 2021 and December 31, 2020 are recorded net of \$80,000 and \$1.3 million, respectively, of funding attributable to the SR&ED program offset against research and development costs in the periods. Total operating expenses increased during the year ended December 31, 2021 over the prior year due primarily to expenses incurred in connection with the Company’s reverse acquisition with the RiseTech going public transaction. Total expenses also increased during the twelve months ended December 31, 2021 over the prior year due to incremental costs in connection with becoming a public company in 2021, a reduction in government assistance funding from the SR&ED program, foreign exchange impact arising from the strengthened Canadian dollar on the Company’s Canadian denominated

operating expenses in 2021 relative to the prior year and incremental operating expenses, inclusive of headcount, as the Company transitions from the impact of COVID-19.

The Company's operating expenses for the year ended December 31, 2021 included:

- i. share-based compensation expense of \$455,068;
- ii. depreciation and amortization of \$1,545,737;
- iii. expenses attributable to the Company's acquisition of Congruitive of \$350,000;
- iv. legal professional fees of \$152,206; and
- v. approximately \$2.2 million of costs attributable to the Company's go-public transaction through the reverse acquisition of RiseTech, inclusive of a \$1.2 million non-cash listing expense.

The Company's operating expenses for the year ended December 31, 2020 included:

- i. share-based compensation expense of \$281,708;
- ii. depreciation and amortization of \$1,714,504;
- iii. approximately \$1.2 million of costs attributable to the Company's reverse acquisition with RiseTech going public transaction; and
- iv. \$296,455 of costs pertaining to the Energate arbitration.

Operating expenses expressed net of the above items were \$16.0 million and \$13.5 million for the years ended December 31, 2021 and December 31, 2020, respectively.

- d. Adjusted EBITDA: Adjusted EBITDA for the year ended December 31, 2021 decreased to (\$1,731,819) versus \$2,630,239 for the 2020 year due to the above factors (see reconciliation of net loss / income to Adjusted EBITDA).

Financial Position as at December 31, 2021: The Company had total assets of \$31.0 million as at December 31, 2021 compared to \$23.5 million as at December 31, 2020, with Adjusted Working Capital as at December 31, 2021 of \$13.6 million, inclusive of cash of \$14.2 million, compared to Adjusted Working Capital of \$3.5 million, inclusive of cash of \$4.6 million, as at December 31, 2020 (see reconciliation for Adjusted Working Capital).

Bookings, Backlog and Annual Technical Support Agreements: Bookings for a reported period represent customer contracts and purchase orders received during the period for hardware, software, and services that have met certain conditions, such as regulatory and/or contractual approval. Total backlog represents committed but undelivered products and services for contracts and purchase orders at period-end. Annual Technical Support Agreements reflect contracts that are renewed at the commencement of each year and are tied to ongoing support provided by Tantalus to its customers. The Company witnessed record growth in Orders during 2021, which grew by 27.5% year-over-year to just over US\$37 million. The Company entered the 2022 calendar year with approximately \$27 million of revenue backlog that is scheduled to be delivered in the calendar year.

Growth of Tantalus' User Community: Tantalus added 7 new utilities during Q4 of 2021 for a total of 25 new utilities added during the twelve months of 2021, continuing to demonstrate an ability to expand the number of utilities leveraging Tantalus' smart grid solutions. Tantalus' user community now stands at over 210 utilities across the United States, Canada and the Caribbean Basin.

Expansion of Solutions: Tantalus made substantial progress in expanding the functionality and features of its solutions during 2021 and announced the introduction of several key initiatives aimed at increasing the Company's revenue contributions from recurring revenue generated from software and services, including:

- (a) *Measurement Canada Approval with Aclara Kv2C Meter:* Tantalus TRUEdge Intelligent Endpoint Module received Measurement Canada Certification with the Aclara Kv2C commercial and industrial electric meter. With this factory-integrated meter, utilities across Canada will be able to gain the benefit from Tantalus' proven TRUEdge communications and edge-computing capabilities, industry-leading grid reliability data analytic tools and robust energy management solutions. The Aclara Kv2C meter has a recognized and established track record of leading functionality and reliability in the Canadian market.
- (b) *Measurement Canada Approval with Landis+Gyr Meter:* Tantalus TRUEdge Intelligent Endpoint Module Receives Measurement Canada Certification with Landis+Gyr FOCUS AXe residential meter. With this factory-integrated meter, which incorporates a motor-driven, cam-action switch that provides safe and reliable remote service disconnect and reconnect capabilities, utilities across Canada will be able to gain the benefit from core metering capabilities available in the FOCUS Axe, including net metering, on-request reads, demand reset data and management, programmable rolling and block demand, interval voltage readings, sags and swells, as well as robust outage and restoration reporting. The FOCUS AXe meter has a recognized and established track record of leading functionality and reliability in the Canadian market.
- (c) *Introduction of a Next-Generation Fiber Gateway:* TRUSense™ Fiber Gateway, a next-generation FTTH solution allows utilities to leverage investments in fiber to not only improve the resiliency of their distribution grids but also to deliver broadband services to consumers. The solution enables utilities to access granular power quality and consumption data in real time to make their grid more resilient as well as gain access to and control of distributed energy resources deployed at buildings and homes, including electric vehicles, roof-top solar panels, battery walls, and smart appliances. In the fourth quarter of 2021, Tantalus announced a partnership with Irby Utilities that provides full scope fiber network solutions through its Technology and Communications business group offering utilities command and control of distributed energy resources over their fiber networks through TRUSense™ Fiber Gateway.
- (d) *Tantalus Grid Reliability Analytics:* The TGRA solution utilizes algorithms to continuously monitor power-quality data accessed by TRUEdge®-enabled meters on Tantalus' TUNet® smart grid platform. By detecting anomalies in power quality, the tool identifies symptoms of failing transformers, corroded meter sockets and splices, cracked insulators and other latent equipment problems. The analytics solution leverages data from Tantalus' AMI to provide utilities with visibility into power quality issues that lead to outages and premature failure of devices deployed across the distribution grid. After launching the first commercial version of TGRA in September, 2021, the Company has quickly secured its first six utilities from the existing user community that have subscribed to a Software-as-a-Service (SaaS) offering.
- (e) *Release of Tantalus' Energy Resource Monitor:* The Energy Resource Monitor software functionality shows utilities the total demand managed by their various Tantalus Load Management System programs in real time, by aggregating TUNet AMI data. With it, utilities can avoid over-controlling (which impacts revenue) and under-controlling (which results in unnecessary demand charges). It also helps utilities plan upcoming load reductions by reviewing historical performance.
- (f) *License Agreement with Neptune Technology Group:* Tantalus entered into a technology license agreement with Neptune Technology Group to integrate Neptune's R900® System water endpoint onto Tantalus' smart grid network (TUNet®). The integration of Neptune's R900 water endpoint onto Tantalus' communication network is another example of how Tantalus' TRUScan™

technology provides increasing flexibility to multi-commodity utilities by leveraging one smart grid platform that is capable of accessing data from a variety of electric, water and gas meters with differing communication protocols. Through the combined offering, utilities will gain access to daily water consumption data and critical alarms from Neptune R900 devices to improve the efficiency and reliability of delivering water through a utility's distribution system. Additionally, utilities will be able to access water meter data from R900 endpoints through their existing TUNet head-end and CIS systems driving further operating synergies across multiple departments within a utility.

- (g) *Acquisition of Congruitive:* On January 31, 2022, the Company completed its acquisition of DLC Systems Inc. d/b/a Congruitive. Congruitive's signature software solution, Congruence.IQ™ ("C.IQ™"), is a software platform that enables the interoperability of a wide range of devices through an emerging Institute of Electrical and Electronics Engineers ("IEEE") standard. By deploying C.IQ, a utility's smart grid deployment can operate as one intelligent, interoperable system, with the necessary scalability and flexibility as more EVs and DERs are deployed at the edge of the grid. Congruitive is currently selling its C.IQ software to investor-owned utilities ("IOUs"), smart meter vendors and renewable power integrators. The addition of Congruitive enhances the Company's position at the forefront of helping utilities modernize their grids to prepare for the impact of EVs and DERs on the resiliency and reliability of distribution grids. Congruitive translates data across multiple devices and platforms, allowing utilities to operate smart grids as one intelligent system, and the demand for this solution is expected to grow significantly as EV and DER adoption continues to expand rapidly in 2022.

Transactions:

- (a) On January 29, 2021, TSH Canada Inc. (formerly Tantalus Systems Holding Inc.) and RiseTech, a TSX Venture Exchange-listed capital pool company, closed a reverse-takeover acquisition transaction (pursuant to which RiseTech acquired all of the outstanding shares of TSH Canada Inc. in accordance with a plan of arrangement and changed its name to Tantalus Systems Holding Inc.) and a concurrent financing of approximately CND\$10 million. As a result of the transaction, Tantalus commenced trading on the TSX Venture Exchange under the ticker symbol "GRID". Tantalus graduated to the Toronto Stock Exchange ("TSX") on May 10, 2021 and continues to trade under the GRID ticker symbol.

Prior to closing of the plan of arrangement, the following transactions occurred on January 29, 2021:

- TSH Canada Inc. amalgamated with its parent company, TSSI, culminating in an amalgamated legal entity ("Amalco"). In conjunction with the amalgamation, shares of TSH Canada Inc. held by TSSI were allocated to the shareholders of TSSI. TSH Canada Inc. maintained continuity of interest of Amalco. In addition, the options of TSH Canada Inc. were transferred to Amalco in exchange for an equal amount of stock options of Amalco with the same terms.
- TSH Canada Inc. 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.
- TSH Canada Inc. closed a concurrent financing resulting in aggregate gross proceeds of CND\$9,940,973 by issuing a total of 4,418,210 common shares at a per share price of CND\$2.25.

- RiseTech consolidated its outstanding shares prior to closing the transaction with the Company on a 0.06094549 basis resulting in a consolidated total of 767,320 common shares.
- RiseTech adopted an omnibus long term incentive plan (the “LTIP”) and subsequently (upon the closing of the plan of arrangement), each outstanding Amalco stock option and each outstanding RiseTech stock option were deemed cancelled and exchanged for stock options of RiseTech to be governed by the LTIP with terms and conditions of such options effectively identical to the terms and conditions in effect for such stock options immediately prior to the closing of the plan of arrangement.
- On January 29, 2021 upon culmination of the above transactions, RiseTech acquired all of the outstanding shares of Amalco and changed its name to Tantalus Systems Holding Inc. resulting in total common shares issued and outstanding shares of 38,859,050.

Upon completion of the transactions on January 29, 2021, the shareholders of RiseTech held less than 2% of the issued and outstanding shares of TSH Canada Inc. Under IFRS, RiseTech does not meet the definition of a business, as such the share exchange is considered to be a share-based payment in accordance with IFRS 2 *Share based Payments*. That is, the share exchange is measured at the fair value of the company acquired. Accordingly, the accounting for the share exchange is identical to that resulting from a reverse acquisition, except no goodwill is recorded. Under reverse acquisitions, the post reverse acquisition comparative historical financial statements of the legal acquirer, RiseTech, are those of the legal acquiree, TSH Canada Inc., which is considered to be the accounting acquirer.

- (b) On May 10, 2021, the Company completed the graduation listing of its common shares from the TSX-V to the TSX. The Company’s shares commenced trading on the TSX at opening of markets on May 10, 2021 under the Company’s stock ticker symbol “GRID”.
- (c) On June 28, 2021, the Company filed a short form base shelf prospectus, which provides the flexibility to make offerings of securities during the effective period of the prospectus, until July 2023 (the “Prospectus”). The Prospectus has been filed in each of the provinces and territories of Canada with the exception of Quebec. The filing will enable offerings of securities up to an aggregate initial offering price of CND\$50 million at any time during the 25-month period that the Prospectus remains effective. Copies of the Prospectus and the Registration Statement are available at www.sedar.com. If any securities are offered under the Prospectus, the terms of any such securities and the intended use of the net proceeds resulting from such offering would be established at the time of any offering and would be described in a supplement to the Prospectus filed with applicable Canadian securities regulators.
- (d) On August 12, 2021, the Company closed an equity financing offering of 4.7 million common shares of the Company (the “Common Shares”) at a price of CND\$2.25 per Common Share for gross proceeds of CND\$10,597,748 (the "Offering") with net proceeds of CND\$9,443,694. Share issuance costs related to this transaction totaled CND\$1,049,396 inclusive of 124,982 finders’ warrants valued at CND\$0.626 each (totaling CND\$176,857 or US\$141,910), which have been recorded as share issuance costs and charged against share capital. The Common Shares were offered by way of short form prospectus.
- (e) On January 31, 2022, the Company completed its acquisition of Congruitive for a purchase price that includes \$8 million of closing consideration and up to \$5 million through a two-year earn-out. The Company agreed to acquire 100% of the issued and outstanding common shares of Congruitive

pursuant to the terms of a stock purchase agreement. The purchase price was comprised of \$8 million of closing consideration in the form of approximately \$3.5 million in cash, 869,565 common shares of Tantalus based on a share price of CDN\$1.76 (US\$1.38) and the assumption of certain debt on Congruitive's balance sheet at the time of closing. In addition, Tantalus agreed to include an earn-out provision of up to an additional \$5 million of consideration in the form of cash and common shares of Tantalus. The earn-out is tied to Congruitive increasing its annual revenue up to US\$6.9 million by 2023.

SELECTED FINANCIAL INFORMATION

The following selected information of the results of operations for the three and twelve months ended December 31, 2021 and December 31, 2020:

	Three months ended December 31, 2021	Three months ended December 31, 2020	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020
Revenue	\$ 7,610,356	\$ 9,312,793	32,171,771	\$ 33,049,419
Cost of sales	4,256,855	4,506,208	17,819,570	16,924,441
Gross Profit	3,353,501	4,806,585	14,352,201	16,124,978
Gross Profit Margin	44%	52%	45%	49%
Expenses	5,322,418	5,621,060	20,594,496	16,990,309
Operating (loss)	(1,968,917)	(814,475)	(6,242,295)	(865,331)
Other (expenses) earnings	(155,122)	(536,460)	(737,141)	2,357,421
(Loss) income before income taxes	(2,124,039)	(1,350,935)	(6,979,436)	1,492,090
Income tax expense	40,717	7,243	40,717	7,243
(Loss) income for the period	(2,164,756)	(1,358,178)	(7,020,153)	1,484,847
(Loss) income per share (basic and diluted)	(0.05)	(0.04)	(0.17)	0.04

The Company had total assets as follows as at December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Total Assets	\$ 31,025,747	\$ 23,525,534

The Company had Adjusted Working Capital as follows as at December 31, 2021 and December 31, 2020 as follows:

	December 31, 2021	December 31, 2020
Adjusted Working Capital		
Total current assets	\$ 26,427,657	\$ 20,718,266
Less current liabilities	(20,953,001)	(25,255,042)
	5,474,656	(4,536,776)
Add Bank loan	8,100,000	8,075,050
Adjusted Working Capital	\$ 13,574,656	\$ 3,538,274

RECONCILIATION OF NET (LOSS) INCOME TO ADJUSTED EBITDA

	Three months ended December 31, 2021	Three months ended December 31, 2020	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020
(Loss) income for the period	\$ (2,164,756)	\$ (1,358,178)	\$ (7,020,153)	\$ 1,484,847
Finance expense (a)	145,383	163,677	628,200	708,206
Income taxes	40,717	7,243	40,717	7,243
Depreciation and amortization	282,658	425,977	1,545,737	1,714,504
EBITDA	(1,695,998)	(761,281)	(4,805,499)	3,914,800
Stock-based compensation (b)	139,150	72,242	462,080	302,762
Foreign exchange (c)	9,739	166,094	108,941	190,282
Other Income (d)	-	206,689	-	(3,255,909)
Congruitive acquisition related costs (e)	275,000	-	350,000	-
Energate arbitration related costs (f)	-	(48,230)	-	296,455
RiseTech reverse acquisition listing expense (g)	-	-	1,188,175	-
Reverse acquisition legal, professional and related costs (h)	-	1,181,849	964,484	1,181,849
Adjusted EBITDA	\$ (1,272,109)	\$ 817,363	\$ (1,731,819)	\$ 2,630,239

- (a) Finance expense comprised of interest and related finance expense on bank loan and lease liabilities (see Financial Statements).
- (b) Share-based compensation expense comprised of non-cash compensation (see Financial Statements).
- (c) Foreign exchange comprised of unrealized loss from non-functional currency assets and liabilities (see Financial Statements).
- (d) Other income comprised of the gain on Energate Inc. (“Energate”) acquisition arbitration share cancellation and government assistance benefit received pertaining to the COVID-19 Pandemic (see Financial Statements inclusive of note 21).
- (e) General and administrative expenses pertaining to the Company’s acquisition of Congruitive completed on 31, 2022 (see notes 20 and 25 to the Financial Statements).
- (f) General and administrative expenses pertaining to the Company’s acquisition of Energate arbitration (see notes 14(g) and 20 of the Financial Statements).
- (g) Reverse acquisition listing expense comprised of excess purchase price over RiseTech net assets acquired (see notes 4 and 20 in the Financial Statements).
- (h) Reverse acquisition costs comprised of legal and professional fees (see notes 4 and 20 in the Financial Statements).

The Company's quarterly operating results have varied substantially in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter. Selected quarterly information of the results of the Company's operations is as follows:

	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021	Three months ended March 31, 2021	Three months ended December 31, 2020	Three months ended September 30, 2020	Three months ended June 30, 2020	Three months ended March 31, 2020
Revenue	\$ 7,610,356	8,536,822	\$ 8,013,262	\$ 8,011,331	\$ 9,312,793	\$ 8,754,751	\$ 7,754,934	\$ 7,226,941
Cost of sales	4,256,855	4,932,219	4,221,177	4,409,319	4,506,208	4,646,988	3,920,843	3,850,402
Gross Profit	3,353,501	3,604,603	3,792,085	3,602,012	4,806,585	4,107,763	3,834,091	3,376,539
Expenses	5,322,418	4,706,067	4,235,964	6,330,047	5,621,060	3,728,924	3,709,657	3,930,668
Operating (loss) income	(1,968,917)	(1,101,464)	(443,879)	(2,728,035)	(814,475)	378,839	124,434	(554,129)
Other (expenses) earnings	(155,122)	(238,275)	(163,347)	(180,397)	(536,460)	1,604,341	1,136,560	152,980
(Loss) income before income taxes	(2,124,039)	(1,339,739)	(607,226)	(2,908,432)	(1,350,935)	1,983,180	1,260,994	(401,149)
Income tax expense	40,717	-	-	-	7,243	-	-	-
(Loss) income for the period	(2,164,756)	(1,339,739)	(607,226)	(2,908,432)	(1,358,178)	1,983,180	1,260,994	(401,149)
(Loss) earnings per share (basic and diluted)	(0.05)	(0.03)	(0.02)	(0.08)	(0.04)	0.06	0.04	(0.01)

Basic and fully diluted shares have been retroactively adjusted for impact of the share consolidation by the Company on January 29, 2021 commensurate with the reverse acquisition with RiseTech.

Reconciliation of Quarterly Net (Loss) Income to Adjusted EBITDA

	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021	Three months ended March 31, 2021	Three months ended December 31, 2020	Three months ended September 30, 2020	Three months ended June 30, 2020	Three months ended March 31, 2020
(Loss) income for the period	\$ (2,164,756)	\$ (1,339,739)	\$ (607,226)	\$ (2,908,432)	\$ (1,358,178)	\$ 1,983,180	\$ 1,260,994	\$ (401,149)
Finance expense (a)	145,383	142,999	173,489	166,329	163,677	154,984	179,664	209,881
Income taxes	40,717	-	-	-	7,243	-	-	-
Depreciation and amortization	282,658	381,475	446,647	434,957	425,977	437,515	433,894	417,118
EBITDA	(1,695,998)	(815,265)	12,910	(2,307,146)	(761,281)	2,575,679	1,874,552	225,850
Stock-based compensation (b)	139,150	64,454	62,707	195,769	72,242	70,573	73,829	86,118
Foreign exchange (c)	9,739	95,276	(10,142)	14,068	166,094	90,363	115,831	(182,006)
Other Income (d)	-	-	-	-	206,689	(1,849,688)	(1,432,055)	(180,855)
Congruitive acquisition related costs (e)	275,000	75,000	-	-	-	-	-	-
Energate arbitration related costs (f)	-	-	-	-	(48,230)	65,000	105,508	174,177
RiseTech reverse acquisition listing expense (g)	-	-	-	1,188,175	-	-	-	-
Reverse acquisition legal, professional and related costs (h)	-	-	-	964,484	1,181,849	-	-	-
Adjusted EBITDA	\$ (1,272,109)	\$ (580,535)	\$ 65,475	\$ 55,350	\$ 817,363	\$ 951,927	\$ 737,665	\$ 123,284

- (a) Finance expense comprised of interest and related finance expense on bank loan and lease liabilities.
- (b) Share-based compensation expense comprised of non-cash compensation.
- (c) Foreign exchange comprised of unrealized loss from non-functional currency assets and liabilities.
- (d) Other income comprised of the gain on Energate acquisition arbitration share cancellation and government assistance benefit received pertaining to the COVID-19 Pandemic.
- (e) General and administrative expenses pertaining to the Company's acquisition of Congruitive completed on January 31, 2022.
- (f) General and administrative expenses pertaining to the Company's acquisition of Energate arbitration.
- (g) Reverse acquisition listing expense comprised of excess purchase price over RiseTech net assets acquired.
- (h) Reverse acquisition costs comprised of legal and professional fees.

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

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Cash	\$ 14,203,794	\$ 14,627,772	\$ 10,682,722	\$ 12,174,985	\$ 4,647,713	\$ 3,225,477	\$ 4,798,628	\$ 4,241,972
Total assets	\$ 31,025,747	\$ 32,865,703	\$ 29,925,425	\$ 27,193,349	\$ 23,525,534	\$ 20,061,955	\$ 17,714,501	\$ 16,717,780
Shareholders' earnings (deficit)	\$ 6,790,603	\$ 8,812,085	\$ 2,444,361	\$ 2,988,077	\$ (2,311,106)	\$ (1,225,032)	\$ (1,835,740)	\$ (3,172,349)

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2021

Revenue

<i>Revenue by Source</i>	Three months ended December 31, 2021		Three months ended December 31, 2020	
	\$	%	\$	%
Connected Devices and Infrastructure	\$ 4,849,091	64%	\$ 6,571,391	71%
Utility Software Applications and Services	2,761,265	36%	2,741,402	29%
Total revenue	\$ 7,610,356	100%	\$ 9,312,793	100%

Revenue decreased by 18% for the three months ended December 31, 2021 compared to the same period in the prior year. This decrease was attributable to 26% lower revenue from the Company's Connected Devices and Infrastructure products of \$4.8 million during the three months ended December 31, 2021 compared to \$6.6 million in the prior year due primarily to customer orders of approximately \$1.2 million experiencing delay in deliveries scheduled in 2021 resulting in related revenue deferred to future periods from supply chain constraints. The Company generated increased revenue from the Utility Software Applications and Services segment of \$2.8 million for the fourth quarter of fiscal 2021 compared to \$2.7 million in the prior year.

Revenue contribution from the Company's Utility Software Applications and Services was 36% of total revenue for the three months ended December 31, 2021 which increased from 29% in the prior year period. 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 announcement of the introduction of Tantalus' data analytics solution with AI capabilities focused on grid resiliency in 2021 and the addition of C.IQ software to enable utilities manage the emergence of DER's, and in particular electric vehicles, with its acquisition of Congruitive completed on January 31, 2022.

The COVID-19 Pandemic has had global economic impacts including disrupting customer demand and global supply chains resulting in significant impact on the Company's operations. New variants of the COVID-19 Pandemic virus may cause previously lifted restrictions to be reinstated, which could result in more disruptions. As economies have reopened, global supply chains have struggled to keep pace with rapidly changing demand. The resulting supply constraints have manifested across a variety of areas of the supply chain which has impacted the ability to ship products in a timely manner and to service recovering customer demand. While the current imbalance in supply and demand is anticipated to be temporary, the timeline to recovery is uncertain. Efforts are ongoing with suppliers to increase supply, including the approval of alternate sources.

No single customer represented more than 10% of total revenues for the three months ended December 31, 2021 and 2020.

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

	Three months ended December 31, 2021			Three months ended December 31, 2020		
	\$		%	\$		%
United States (1)	\$	7,460,358	98%	\$	9,247,832	99%
Canada		123,565	2%		40,771	<1%
Other		26,433	<1%		24,190	<1%
	\$	7,610,356	100%	\$	9,312,793	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's Gross Profit during the three months ended December 31, 2021 is as follows:

Three months ended December 31, 2021	Connected Devices and Infrastructure		Utility Software Applications and Services		Total			
	\$	%	\$	%	\$	%		
Revenue	\$	4,849,091	100%	2,761,265	100%	\$	7,610,356	100%
Cost of sales		3,407,780	70%	849,075	31%		4,256,855	56%
Gross Profit	\$	1,441,311	30%	1,912,190	69%	\$	3,353,501	44%

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%

Gross profit decreased to \$3.4 million during the three months ended December 31, 2021 versus \$4.8 million for the same period in 2020. Gross Profit margin percentage decreased to 44% during the three months ended December 31, 2021 versus 52% during December 31, 2020 due primarily to supply chain constraints and related costs incurred and inflationary pressures in addition to the revenue mix experienced.

Gross Profit margin generated from Connected Devices and Infrastructure revenue decreased to 30% for the three months ended December 31, 2021 compared to the same period in the prior year of 42% due primarily to supply chain constraints and inflationary pressures during the fourth quarter of fiscal 2021. Recently, inflation in raw materials and component costs, freight charges, and labor costs have increased above historical levels, due to, among other things, the continuing impacts of the COVID-19 Pandemic and uncertain economic environment. The Company may or may not be able to fully recover these increased costs through pricing actions with its customers. Gross Profit margin generated from Utility Software Applications and Services revenue was 69% for the three months ended December 31, 2021 compared with 75% for the same period in the prior year due to the revenue mix.

Expenses

	Three months ended December 31, 2021	Three months ended December 31, 2020
Sales and marketing	\$ 1,447,475	\$ 1,136,668
Research and development	1,280,288	894,441
General and administrative	2,311,997	3,163,974
Depreciation and amortization	282,658	425,977
Total expenses	\$ 5,322,418	\$ 5,621,060
As a percentage of total revenue	70%	60%

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.

Total expenses decreased during the three months ended December 31, 2021 over the prior year period due primarily to expenses incurred in connection with the Company's reverse acquisition with RiseTech going public transaction incurred in the prior 2020 year period. The Company increased expenditures in sales and marketing and research and development, inclusive of the impact of the reduction in government assistance cash-based funding from the Canadian SR&ED program arising from the Company no longer being a Canadian-controlled private corporation as a result of the going public transaction, increased general and administrative expense associated with becoming a public company, increased headcount and the impact of foreign exchange arising from the strengthened Canadian dollar on the Company's Canadian denominated operating expenses during the three months ended December 31, 2021 compared to the prior year period. Operating expenses during the three months ended December 31, 2021 and December 31, 2020 are recorded net of nil and \$0.4 million, respectively, of funding attributable to the SR&ED program offset against research and development costs in the periods.

The Company's operating expenses for the three months ended December 31, 2021 included:

- i. share-based compensation expense of \$138,434;
- ii. depreciation and amortization expense of \$282,658;
- iii. Congruitive acquisition costs of \$275,000; and
- iv. legal fees of \$152,206 pertaining to the Company's acquisition of Energate.

The Company's operating expenses for the three months ended December 31, 2021 included:

- i. share-based compensation expense of \$67,033;
- ii. depreciation and amortization expense of \$425,977; and
- iii. approximately \$1.2 million of costs attributable to the Company's reverse acquisition with RiseTech going public transaction.

Operating expenses expressed net of the above items were \$4.5 million and \$4.0 million for the three months ended December 31, 2021 and December 31, 2020, respectively.

Sales and Marketing

	Three months ended December 31, 2021	Three months ended December 31, 2020
Sales and marketing expense	\$ 1,447,475	\$ 1,136,668
As a percentage of total revenue	19%	12%

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.

Sales and marketing expense included share-based compensation expense of \$35,905 and \$5,400 for the three months ended December 31, 2021 and December 31, 2020, respectively. The increase in sales and marketing expense over the three months ended December 31, 2021 is primarily attributable to incremental operating expenses, inclusive of headcount, travel and related expenses over the prior year. Sales and marketing expenses increased as a percentage of revenue during the three months ended December 31, 2021 compared to the prior fiscal 2020 period.

Research and Development

	Three months ended December 31, 2021	Three months ended December 31, 2020
Research and development expense, gross	\$ 1,340,288	\$ 1,293,996
As a percentage of total revenue	18%	14%

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 expense included share-based compensation expense of \$17,133 and \$12,739 for the three months ended December 31, 2021 and December 31, 2020, respectively. Research and development expenses increased during the three months ended December 31, 2021 over the prior year primarily due to the loss of Canadian government assistance funding offset against research and development expenses through the aforementioned SR&ED program and the strengthened Canadian dollar relative to the US dollar as the majority of the Company's research and development activities are incurred in Canadian dollars. As a publicly-traded company, Tantalus may no longer access the cash-based benefits through the SR&ED program as the Company is no longer a Canadian-controlled private corporation. During the three months ended December 31, 2021, the Company did not record any SR&ED funding compared to \$399,555 SR&ED funding recorded in the prior year. The Company recorded \$60,000 attributable to IRAP funding applied as an offset to the Research and Development expenses during the three months ended December 31, 2021 with nil recorded in the prior year period. Research and development expenses increased as a percentage of revenue during the three months ended December 31, 2021 compared to the prior year period due to the net increase in research and development expenses incurred, inclusive of the impact of the loss of SR&ED funding in 2021. The Company continues to invest in the research and development of new products as well as the continuous enhancement of its existing products and software applications offering.

General and Administrative

	Three months ended December 31, 2021	Three months ended December 31, 2020
General and administrative expense	\$ 2,311,997	\$ 3,163,974
As a percentage of total revenue	30%	34%

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

General and administrative expense included share-based compensation expense of \$85,396 and \$48,894 for the three months ended December 31, 2021 and December 31, 2020, respectively. General and administrative expense for the three months ended December 31, 2021 also included expenses of \$275,000 attributable to the Company's acquisition of Congruitive and \$152,206 of legal professional fees. General and administrative expense include approximately \$1.2 million of costs attributable to the Company's reverse acquisition with RiseTech going public transaction during the three months ended December 31, 2020.

General and administrative expenses decreased during the three months ended December 31, 2021 compared to the prior year period primarily due to expenses pertaining to the Company's reverse acquisition with RiseTech going public transaction incurred during the prior three months ended December 31, 2020 period offset by increased expenses attributable to the Company's transition to a public company in addition to costs incurred pertaining to the Company's acquisition of Congruitive. General and administrative expenses decreased as a percentage of revenue due to the above factors for the three months ended December 31, 2021 compared to the prior three months period in 2020.

Depreciation and Amortization

	Three months ended December 31, 2021	Three months ended December 31, 2020
Depreciation and amortization	\$ 142,338	\$ 134,608
Amortization of intangible assets	94,680	196,402
Amortization of right-of-use assets	45,640	94,967
Total depreciation and amortization	\$ 282,658	\$ 425,977

The Company's depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use assets pertaining to its facility leases. The decrease in depreciation and amortization during the three months ended December 31, 2021 over the prior year is attributable to the lower amortization of intangible assets and right of use assets offset by increased depreciation and amortization on the Company's ongoing investment in computer equipment and software.

Other (Expenses) Earnings

	Three months ended December 31, 2021	Three months ended December 31, 2020
Foreign exchange (loss)	\$ (9,739)	\$ (166,094)
Finance expense	(145,383)	(163,677)
Energate arbitration share cancellation	-	(208,660)
Covid-19 government assistance	-	1,971
Total other (expenses)	\$ (155,122)	\$ (536,460)

Finance expense is comprised of interest expense and fees to Export Development Canada (“EDC”) on the Company’s bank loan and lease liabilities.

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 most of the foreign exchange loss reported. The Company experienced a foreign exchange loss of \$9,739 during the three months ended December 31, 2021 compared to a foreign exchange loss of \$166,094 in the prior year.

The Company recognized a gain attributable to the value of the cancelled shares during the period ended December 31, 2020 attributable to the arbitration pertaining to the Company’s acquisition of Energate which was partially accounted for during the three months ended December 31, 2020.

Total Comprehensive (Loss)

	Three months ended December 31, 2021	Three months ended December 31, 2020
Operating (loss)	\$ (1,968,917)	\$ (814,475)
Total other (expenses)	(155,122)	(536,460)
Income tax expense	(40,717)	(7,243)
(Loss) for the period	(2,164,756)	(1,358,178)
Foreign currency translation adjustment	215	(8,797)
Total comprehensive (loss)	\$ (2,164,541)	\$ (1,366,975)
(Loss) per share (basic and fully diluted)	\$ (0.05)	\$ (0.04)

Loss for the three months ended December 31, 2021 was \$2,164,756 or \$0.05 loss per share compared to earnings for the three months ended December 31, 2020 of \$1,358,178 or \$0.04 earning per share. Basic and fully diluted shares have been retroactively adjusted for the impact of the share consolidation by the Company on January 29, 2021.

Adjusted EBITDA

During the three months ended December 31, 2021, the Company generated negative Adjusted EBITDA of (\$1,272,109) representing negative 17% of revenue compared to Adjusted EBITDA of \$817,363 representing 9% of revenue for the three months ended December 31, 2020. The Adjusted EBITDA during the three months ended December 31, 2021 decreased from the prior year due to decreased revenue and Gross Profit partially offset by increased expenses in 2021 based upon the above factors.

FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

Revenue

<i>Revenue by Source</i>	Year ended December 31, 2021		Year ended December 31, 2020	
	\$	%	\$	%
Connected Devices and Infrastructure	\$ 21,665,994	67%	\$ 22,684,439	69%
Utility Software Applications and Services	10,505,777	33%	10,364,980	31%
Total revenue	\$ 32,171,771	100%	\$ 33,049,419	100%

During the year ended December 31, 2021, the Company generated revenue of \$32.2 million compared to \$33.0 million for 2020. This decrease was attributable to 4% lower revenue from the Company's Connected Devices and Infrastructure products in 2021 of \$21.7 million compared to \$22.7 million in the prior year due primarily to customer orders of approximately \$3.0 million experiencing delay in deliveries scheduled in 2021 resulting in related revenue deferred to future periods from supply chain constraints. The Company generated increased revenue from the Utility Software Applications and Services segment revenue of \$10.5 million for the year ended December 31, 2021 compared to \$10.4 million in the prior year primarily due to the increased annual recurring software maintenance and technical support services from the Company's increased customer base.

Revenue contribution from the Company's Utility Software Applications and Services was 33% of total revenue for the three months ended December 31, 2021 which increased from 31% in the prior year period.

No single customer represented more than 10% of total revenues for the years ended December 31, 2021 and 2020.

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

	Year ended December 31, 2021		Year ended December 31, 2020	
	\$	%	\$	%
United States (1)	\$ 31,740,808	99%	\$ 32,780,379	99%
Canada	345,074	1%	227,905	1%
Other	85,889	<1%	41,135	<1%
	\$ 32,171,771	100%	\$ 33,049,419	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's Gross Profit during the twelve months ended December 31, 2021 is as follows:

Year ended December 31, 2021	Connected Devices and Infrastructure		Utility Software Applications and Services		Total	
	\$	%	\$	%	\$	%
Revenue	21,665,994	100%	10,505,777	100%	32,171,771	100%
Cost of sales	14,830,569	68%	2,989,001	28%	17,819,570	55%
Gross Profit	\$ 6,835,425	32%	7,516,776	72%	\$ 14,352,201	45%

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%

Gross profit decreased to \$14.4 million during the twelve months ended December 31, 2021 versus \$16.1 million for 2020. Gross Profit margin percentage decreased to 45% during the twelve months ended December 31, 2021 versus 49% during December 31, 2020 due primarily to increased costs attributable to supply chain constraints in addition to the revenue mix experienced. Gross Profit margin generated from Connected Devices and Infrastructure revenue decreased to 32% for the twelve months ended December 31, 2021 compared to the prior year of 38% due to the product mix experienced with increased revenue contribution from lower Gross Profit related products in conjunction with increased costs of sales due to supply chain management, inclusive of increased component and shipping costs, during 2021. The Company experienced significant sales volume at initial lower gross margin attributable to the commencement of its strategic partnership with Landis & Gyr during 2021 which is anticipated to further expand its load management market opportunity. Gross Profit margin generated from Utility Software Applications and Services revenue increased to 72% for the twelve months ended December 31, 2021 compared to the prior year of 71% due primarily to increased annual software maintenance and technical support services in the twelve months ended December 31, 2021 resulting from the Company's utility customer base growth.

Expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Sales and marketing	\$ 5,474,260	\$ 5,193,738
Research and development	5,429,695	3,937,637
General and administrative	8,144,804	6,144,430
Depreciation and amortization	1,545,737	1,714,504
Total expenses	\$ 20,594,496	\$ 16,990,309
As a percentage of total revenue	64%	51%

Total operating expenses increased during the year ended December 31, 2021 over the prior year due primarily to expenses incurred in connection with the Company's reverse acquisition with the RiseTech going public transaction. Total expenses also increased during the twelve months ended December 31, 2021 over the prior year due to incremental costs in connection with becoming a public company in 2021, a

reduction in government assistance funding from the SR&ED program, foreign exchange impact arising from the strengthened Canadian dollar on the Company's Canadian denominated operating expenses in 2021 relative to the prior year and incremental operating expenses, inclusive of headcount, as the Company transitions from the impact of COVID-19. Operating expenses during the year ended December 31, 2021 and December 31, 2020 are recorded net of \$80,000 and \$1.3 million, respectively, of funding attributable to the SR&ED program offset against research and development costs in the periods.

The Company's operating expenses for the year ended December 31, 2021 included:

- i. share-based compensation expense of \$455,068;
- ii. depreciation and amortization of \$1,545,737;
- iii. expenses attributable to the Company's acquisition of Congruitive of \$350,000;
- iv. legal professional fees of \$152,206; and
- v. approximately \$2.2 million of costs attributable to the Company's go-public transaction through the reverse acquisition of RiseTech, inclusive of a \$1.2 million non-cash listing expense.

The Company's operating expenses for the year ended December 31, 2020 included:

- i. share-based compensation expense of \$281,708;
- ii. depreciation and amortization of \$1,714,504;
- iii. approximately \$1.2 million of costs attributable to the Company's reverse acquisition with RiseTech going public transaction; and
- iv. \$296,455 of costs pertaining to the Energate arbitration.

Operating expenses expressed net of the above items were \$16.0 million and \$13.5 million for the years ended December 31, 2021 and December 31, 2020, respectively.

Sales and Marketing

	Year ended December 31, 2021	Year ended December 31, 2020
Sales and marketing expense	\$ 5,474,260	\$ 5,193,738
As a percentage of total revenue	17%	16%

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 with increased investment during 2021 primarily from incremental head count and marketing activities. Sales and marketing expense included share-based compensation expense of \$70,792 and \$40,098 for the years ended December 31, 2021 and December 31, 2020, respectively. Sales and marketing expense during the twelve months ended December 31, 2021 increased compared with the prior year and increased as expressed as a percentage of revenue.

Research and Development

	Year ended December 31, 2021		Year ended December 31, 2020	
Research and development expense, gross	\$	5,619,695	\$	5,287,192
As a percentage of total revenue		17%		16%

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 expense included share-based compensation of \$52,680 and \$46,575 for the years ended December 31, 2021 and December 31, 2020, respectively. Research and development expenses increased during the twelve months ended December 31, 2021 over the prior year due primarily to the loss of Canadian government assistance funding offset against research and development expenses through the aforementioned SR&ED program in addition to the impact of the strengthened Canadian dollar relative to the US dollar as the majority of the Company's research and development activities are incurred in Canadian dollars. During the twelve months ended December 31, 2021, the Company recorded \$80,000 reflecting the benefits afforded to the Company prior to becoming a publicly-traded company on February 9, 2021 in addition to funding of \$110,000 attributable to IRAP applied as an offset to the Research and Development expenses. This balance is compared to \$1,349,555 of SR&ED benefits for the year ended December 31, 2020. Research and development expenses increased as a percentage of revenue during the twelve months ended December 31, 2021 compared to the prior year period.

General and Administrative

	Year ended December 31, 2021		Year ended December 31, 2020	
General and administrative expense	\$	8,144,804	\$	6,144,430
As a percentage of total revenue		25%		19%

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

General and administrative expense included share-based compensation expense of \$331,596 and \$195,035 for the years ended December 31, 2021 and December 31, 2020, respectively. General and administrative expense for the year ended December 31, 2021 also included \$350,000 of costs attributable to the Company's acquisition of Congruitive, \$152,206 of legal professional fees and approximately \$2.2 million of costs attributable to the Company's reverse acquisition with RiseTech going public transaction, inclusive of a \$1.2 million non-cash listing expense. General and administrative expense for the year ended December 31, 2020 included approximately \$1.2 million of costs attributable to the Company's reverse acquisition with RiseTech going public transaction and costs of \$296,455 pertaining to the Energate arbitration.

General and administrative expenses for the twelve months ended December 31, 2021 increased over the prior year due primarily to approximately \$2.2 million costs related to the going public reverse acquisition transaction in 2021 in addition to costs incurred pertaining to the acquisition of Congruitive and incremental costs attributable to its transition to a publicly-listed company. General and administrative expenses increased for the year ended December 31, 2021 as a percentage of revenue due to the above factors compared to the prior year.

Depreciation and Amortization

	Year ended December 31, 2021	Year ended December 31, 2020
Depreciation and amortization	\$ 567,438	\$ 538,041
Amortization of intangible assets	596,804	738,182
Amortization of right-of-use assets	381,495	438,281
Total other operating expenses	\$ 1,545,737	\$ 1,714,504

The Company's depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use assets pertaining to its facility leases. The decrease in depreciation and amortization during the twelve months ended December 31, 2021 over the prior year is attributable to the lower amortization of intangible assets and right of use assets offset by increased depreciation and amortization on the Company's ongoing investment in computer equipment and software.

Other (Expenses) Earnings

	Year ended December 31, 2021	Year ended December 31, 2020
Foreign exchange (loss)	\$ (108,941)	\$ (190,282)
Finance expense	(628,200)	(708,206)
Covid-19 government assistance	-	2,010,009
Energate Settlement gain and related legal costs	-	1,229,566
Other	-	16,334
Total other (expenses) earnings	\$ (737,141)	\$ 2,357,421

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

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 \$108,941 during the twelve months ended December 31, 2021 compared to a foreign exchange loss of \$190,282 in the prior year.

Other earnings during the twelve months ended December 31, 2020 includes government assistance benefit received by the Company attributable to government assistance programs, inclusive of the United States Paycheck Protection Program ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program, implemented due to the COVID-19 Pandemic of \$2,010,009 as well as the gain on share cancellation as a result of Energate arbitration of \$1,229,566 and gain on extinguishment of lease obligations of \$16,334.

Total Comprehensive (Loss) Income

	Year ended December 31, 2021	Year ended December 31, 2020
Operating (loss)	\$ (6,242,295)	\$ (865,331)
Total other (expenses) earnings	(737,141)	2,357,421
Income tax expense	(40,717)	(7,243)
(Loss) income for the period	(7,020,153)	1,484,847
Foreign currency translation adjustment	299	(8,797)
Total comprehensive (loss) income	\$ (7,019,854)	\$ 1,476,050
(Loss) earnings per share (basic and fully diluted)	\$ (0.17)	\$ 0.04

Loss for the twelve months ended December 31, 2021 was \$7,020,153 or \$0.17 loss per share compared to income for the twelve months ended December 31, 2020 of \$1,484,847 or \$0.04 earnings per share. Basic and fully diluted shares have been retroactively adjusted for the impact of the share consolidation by the Company on January 29, 2021.

Adjusted EBITDA

During the year ended December 31, 2021, the Company generated negative Adjusted EBITDA of \$1,731,819 representing approximately negative 5% of revenue compared to Adjusted EBITDA of \$2,630,239 representing 8% of revenue for the year ended December 31, 2020. The Adjusted EBITDA during the year ended December 31, 2021 decreased from the prior year due to decreased revenue and Gross Profit partially offset by increased expenses in 2021 based upon the above factors.

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, 2021, the Company had cash totaling approximately \$14.2 million as compared to cash of approximately \$4.6 million as at December 31, 2020. During the twelve months ended December 31, 2021, the Company completed a private placement concurrent with going public on January 29, 2021 for gross proceeds of \$7,778,539 (CND\$9,940,973) and a private placement on August 12, 2021 for gross proceeds of \$8,503,633 (CND\$10,597,748) (See reconciliation for Adjusted Working Capital).

The Company also extended the term and related maturity date of its long-standing bank loan from February 26, 2021 to February 28, 2022. The Company is required to classify its long-standing bank loan as a current liability under IFRS. Adjusted Working Capital excludes the Company's long-standing bank loan with Comerica which it has renewed on a continuous annual basis since 2012. As at December 31, 2021, the Company had Adjusted Working Capital of approximately \$13.6 million, exclusive of the bank loan of \$8.1

million, as compared to Adjusted Working Capital of approximately \$3.5 million, exclusive of the bank loan of \$8.1 million, as at December 31, 2020.

Cash Flows

Cash provided by (used in):	Year ended December 31, 2021	Year ended December 31, 2020
Operating activities	\$ (4,014,211)	\$ 910,720
Investing activities	(188,139)	(854,006)
Financing activities	13,747,946	(773,592)
Effect of foreign exchange on cash	10,485	(3,495)
Increase (decrease) in cash	\$ 9,556,081	\$ (720,373)

The Company generated negative cash flows from its operating activities during the twelve months ended December 31, 2021 of approximately \$4.0 million which is attributable to the net change in the Company's working capital items and negative Adjusted EBITDA generated in the period compared to the same period in the prior year. The increase in the Company's negative operating cash flow during the twelve months ended December 31, 2021 over the prior year is primarily attributable to the net loss incurred during the period in conjunction with changes in the Company's working capital items as at December 31, 2021 relative to as at December 31, 2020. In the twelve months ended December 31, 2021, the Company saw a decrease of \$3.5 million in accounts payable and accrued liabilities which is net of \$0.2 million of accounts payable and accrued liabilities assumed in the reverse takeover acquisition of RiseTech on January 29, 2021 and increase of \$0.7 million in prepaid expenses and other assets, offset by a decrease of \$1.1 million in inventories, a \$1.1 million decrease in deferred revenue and deposits primarily pertaining to the Company's annual software maintenance and technical support services, an increase of \$3.6 million in accounts receivable and a offset by \$0.4 million of leasehold improvements receivable on the Burnaby lease extension.

The Company had investment in the purchase of equipment and intangible assets of approximately \$530,000 which was offset by cash of approximately \$342,000 acquired from RiseTech in the reverse acquisition on January 29, 2021 during the twelve months ended December 31, 2021 compared to purchases of equipment and business software of approximately \$854,000 in the prior year.

The Company generated positive cash flows from financing activities of \$13.7 million during the twelve months ended December 31, 2021 which is primarily attributable to two equity financings completed during such period. The first financing in January 2021 for gross proceeds of \$7,778,539 (CND\$9,940,973) and the second financing in August 2021 for gross proceeds of \$8,503,633 (CND\$10,597,748), offset by share issuance costs, generating \$14.3 million from financing activities as indicated in the table below. Financing activities were offset by lease payments of \$0.4 million.

	January 2021 Financing	August 2021 Financing	Total
Gross financing proceeds (CND\$ 9,940,973 and CND\$ 10,597,748 respectively)	\$ 7,778,539	\$ 8,503,633	\$ 16,282,172
Capitalized costs	(1,092,853)	(907,486)	(2,000,339)
Broker warrants issued	(61,201)	(141,910)	(203,111)
Total financing costs	(1,154,054)	(1,049,396)	(2,203,450)
Net financing proceeds	\$ 6,624,485	\$ 7,454,237	\$ 14,078,722
Reverse acquisition of RiseTech related costs	(2,146,333)	-	(2,146,333)
Net financing proceeds after impact of reverse acquisition related costs	\$ 4,478,152	\$ 7,454,237	\$ 11,932,389

The following table shows the total proceeds with estimated use of proceeds for each financing, compared with the actual use of proceeds as at December 31, 2021 and estimated future use of proceeds:

January 2021 Financing (in US\$)	Total Financing Proceeds	Use of Proceeds during year ended December 31, 2021	Estimated Future Use of Proceeds
Expansion of product offerings through research and development	\$ 500,000	\$ 231,000	\$ 269,000
Development of strategic partnerships and / or acquisition	500,000	350,000	150,000
General working capital and corporate	3,478,152	1,000,000	2,478,152
Remaining proceeds		2,897,152	-
Financing net proceeds	4,478,152	4,478,152	\$ 2,897,152
Share issuance costs	1,154,054	1,154,054	
Reverse acquisition of RiseTech related costs	2,146,333	2,146,333	
Financing gross proceeds	\$ 7,778,539	\$ 7,778,539	

August 2021 Financing (in US\$)	Total Financing Proceeds	Use of Proceeds during year ended December 31, 2021	Estimated Future Use of Proceeds
Strategic initiatives related to sales & marketing, research and development and corporate development	\$ 5,300,000	\$ -	\$ 5,300,000
General working capital and corporate	2,154,237	-	2,154,237
Remaining proceeds		7,454,237	-
Financing net proceeds	7,454,237	7,454,237	\$ 7,454,237
Share issuance costs	1,049,396		
Financing gross proceeds	\$ 8,503,633	\$ 7,454,237	

The Company incurred a use of cash of approximately \$610,487 from financing activities during the twelve months ended December 31, 2020 which is due to repayment of lease liabilities.

Staffing Levels

The following table summarizes the Company's headcount, consisting of employees and contractors, by functional group:

	December 31, 2021	December 31, 2020
Customer operations	24	23
Sales and marketing	19	17
Research and development	58	57
General and administration	20	21
Total	121	118

Customer operations provides services, inclusive of technical support, to the Company’s utility customers. Effort spent to develop new proprietary products was classified as research and development.

Tantalus is an equal opportunity employer and promotes a culture of inclusion and diversity. The Company monitors its progress through various programs and policies. Tantalus offers wages and a range of company-paid benefits that it believes are competitive with other companies in its industry.

Commitments

The Company has the following commitments as at December 31, 2021:

Contractual Obligations	Total	Less than 1 year	1 - 5 years	After 5 years
Accounts Payable and accrued liabilities	\$ 8,974,662	\$ 8,974,662	\$ -	\$ -
Bank loan ^(a)	8,100,000	8,100,000	-	-
Lease liabilities ^(b)	8,565,298	1,261,936	5,373,940	1,929,422
Total Contractual Obligations	\$ 25,639,960	\$ 18,336,598	\$ 5,373,940	\$ 1,929,422

(a) – See “Bank Loan” below.

(b) – See facilities below and includes estimated variable operating expenses associated with leases.

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, 2021, 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, 2021, the Company had outstanding purchase order commitments of \$13,325,090.

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 which the Company has renewed on an annual basis since this date. The bank loan which was comprised of two line of credit facilities, one in Canadian dollars and one in United States dollars, and a term loan had an aggregate total payable by the Company of \$8,100,000 as at December 31, 2021. Effective as of January 18, 2021, the Company entered into an amendment agreement with the Bank which extended the maturity date of the line of credit facilities from February 26, 2021 to February 28, 2022. On May 11, 2021, the Company consolidated its Bank Loan from two credit facilities into one line of credit facility in United States dollars up to a maximum of \$8,100,000. Effective as of January 31, 2022, the Company also entered into an amendment agreement with the Bank which extended the maturity date of the line of credit facilities of the Company from February 28, 2022 to February 27, 2023 in conjunction with an incremental term loan with a principal amount of \$3.3 million repayable over a three year basis with the use of proceeds for the Company’s Congruitive acquisition completed on January 31, 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 and are with arm's length parties.

Tantalus' Burnaby office lease, of approximately 32,000 square feet was entered into on August 1, 2014, which was expected to expire on January 31, 2022, was extended by the Company on June 4, 2021 to expire January 31, 2029 resulting in an incremental lease liability of \$3.1 million on June 4, 2021 exclusive of related variable operating expenses.

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 increased to approximately 2,350 square feet on May 1, 2021 which is to expire on January 1, 2026 resulting in an incremental lease liability of \$152,616.

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, 2021 and December 31, 2020:

Assets	December 31,		December 31,		Variance
	2021		2020		
Cash	\$	14,203,794	\$	4,647,713	\$ 9,556,081
Accounts receivable		5,343,724		8,896,323	(3,552,599)
Investment tax credits receivable		52,869		1,207,868	(1,154,999)
Inventory		5,687,407		4,591,099	1,096,308
Prepaid expenses and deposits		1,139,863		1,375,263	(235,400)
Total current assets	\$	26,427,657	\$	20,718,266	\$ 5,709,391
Property and equipment		1,019,867		1,439,715	(419,848)
Intangible assets		160,490		374,673	(214,183)
Right of Use assets		3,417,733		992,880	2,424,853
Total assets	\$	31,025,747	\$	23,525,534	\$ 7,500,213
Liabilities					
Accounts payable and accrued liabilities		8,974,662		12,189,613	(3,214,951)
Deferred revenue and deposits		3,151,790		4,259,508	(1,107,718)
Lease liabilities		726,549		730,871	(4,322)
Bank loan		8,100,000		8,075,050	24,950
Total current liabilities	\$	20,953,001	\$	25,255,042	\$ (4,302,041)
Lease liabilities		3,282,143		581,598	2,700,545
Total liabilities	\$	24,235,144	\$	25,836,640	\$ (1,601,496)

Accounts Receivable

The Company had accounts receivable as at December 31, 2021 of \$5.3 million compared to \$8.9 million as at December 31, 2020. The Company has an agreement with EDC whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales up to a maximum of \$3,000,000 with certain customers excluded from this coverage.

OTHER ITEMS

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company's interim condensed consolidated financial statements as at December 31, 2021, inclusive of Note 13 Lease Liabilities and Note 18 Commitments and Contingencies.

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 year ended December 31, 2021 and December 31, 2020 are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Short-term compensation	\$ 1,743,857	\$ 1,506,088
Share-based payments	101,081	146,783
	<u>\$ 1,844,938</u>	<u>\$ 1,652,871</u>

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Financial Assets</u>				
Cash	\$ 14,203,794	\$ 14,203,794	\$ 4,647,713	\$ 4,647,713
Accounts receivable	\$ 5,343,724	\$ 5,343,724	\$ 8,896,323	\$ 8,896,323
Investment tax credits receivable	\$ 52,869	\$ 52,869	\$ 1,207,868	\$ 1,207,868
<u>Financial Liabilities</u>				
Accounts payable and accrued liabilities	\$ 8,974,662	\$ 8,974,662	\$ 12,189,613	\$ 12,189,613
Bank loan	\$ 8,100,000	\$ 8,100,000	\$ 8,075,050	\$ 8,075,050

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, 2021 and December 31, 2020. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the U.S. dollar would have had a \$413,392 impact on net loss as at December 31, 2021 and \$169,831 as at December 31, 2020.

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 \$8,100,000 as at December 31, 2021 and \$8,075,050 as at December 31, 2020. A potential percentage change in the bank's prime rate of 1.00% will have an impact of \$81,000 as at December 31, 2021 and \$80,750 as at December 31, 2020 on the Company's annual interest expense pertaining its line of credit facility.

DISCLOSURE OF OUTSTANDING SHARE DATA

As December 31, 2021 and at the date of this report, the following securities were outstanding:

	December 31, 2021	Report date March 23, 2022
Shares	43,634,229	44,503,794
Stock options	5,869,413	5,850,077
Restricted stock units	74,074	74,074
Warrants	407,588	407,588

Shares and stock options have been retroactively adjusted for the impact of the share consolidation by the Company on January 29, 2021.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepares its condensed consolidated financial statements in accordance with IFRS. In the preparation of these condensed consolidated financial statements, Tantalus is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. To the extent that there are material differences between these estimates and actual results, the Company's financial condition or results of operations would be affected. Tantalus base its estimates on past experience and other assumptions that the Company believes are reasonable under the circumstances and re-evaluates these estimates on an ongoing basis.

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 of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services ("PCS").

Revenue from the sale of the Company's connected devices and infrastructure network products and utility software application licenses is recognized at a point in time when control of the hardware products and software is transferred to the customers, primarily upon delivery on a freight on board ("FOB") basis upon shipment or providing access to customer.

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

Revenue from PCS is recognized rateably 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)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements (the 2020 amendments), to clarify the classification of liabilities as current or non-current. The 2020 amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

On May 14, 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16). The amendments provide guidance on the accounting for sale proceeds and the related production costs for items a company produces and sells in the process of making an item of property, plant and equipment (PPE) available for its intended use. Specifically, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The Company does not expect the adoption of the amendment to have a material impact on the consolidated financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company. The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with IFRS.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design of the Company's internal controls over financial reporting in accordance with *Internal Control - Integrated Framework 2013*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation identified no instances in which internal controls did not operate in an effective manner. Nonetheless, the Company has further strengthened its internal control processes to mitigate future potential material financial statement misstatements and other internal control violations during the year ended December 31, 2021.

Because of the inherent limitations in a control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the financial statements.

The Chief Executive Officer and Chief Financial Officer of the Company conducted an evaluation of the disclosure controls and procedures as required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" issued by the Canadian Securities Administrators. They concluded that as at December 31, 2021, the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information regarding required disclosures was made known to them on a timely basis.

OTHER INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

SUBSEQUENT EVENTS

On January 31, 2022, the Company completed its acquisition of Congruitive for a purchase price that includes \$8 million of closing consideration and up to \$5 million through a two-year earn-out. Congruitive will become a wholly owned subsidiary of the Company's US operating subsidiary, Tantalus Systems Inc. The Company agreed to acquire 100% of the issued and outstanding common shares of Congruitive pursuant to the terms of a stock purchase agreement. The purchase price was comprised of \$8 million of closing consideration in the form of approximately \$3.5 million in cash, 869,565 common shares of Tantalus based on a share price of CDN\$1.76 (US\$1.38) and the assumption of certain debt on Congruitive's balance sheet at the time of closing. In addition, Tantalus agreed to include an earn-out provision of up to an additional \$5 million of consideration in the form of cash and common shares of Tantalus. The earn-out is tied to Congruitive increasing its annual revenue up to \$6.9 million by 2023. Effective as of January 31, 2022, the Company also entered into an amendment agreement with the Bank which extended the maturity date of the line of credit facilities of the Company from February 28, 2022 to February 27, 2023 in conjunction with an incremental term loan with a principal amount of \$3.3 million repayable over a three year basis with the use of proceeds for the Company's Congruitive acquisition announced February 1, 2022.