# TANTALUS SYSTEMS HOLDING INC.

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

***For the three months ended March 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 months ended March 31, 2021 compared with the three months ended March 31, 2020 and in conjunction with the audited consolidated financial statements of the Company and related notes thereto for the year ended December 31, 2020. The information in this MD&A is current as of May 17, 2021 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.

The Company's unaudited interim condensed consolidated financial statements and notes thereto as at March 31, 2021 have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent 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. Certain dollar amounts in this MD&A have been rounded to the nearest millions or thousands of dollars.

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

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

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

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

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

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

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

This MD&A was prepared by management of the Company and approved by its Board of Directors prior to its release. Unless otherwise stated, the Company has considered all information available to it through May 17, 2021 in preparing this MD&A. Additional information relating to the Company can be found on its website.

## NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the “Risk Factors” section as well as the MD&A dated April 20, 2021 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.***

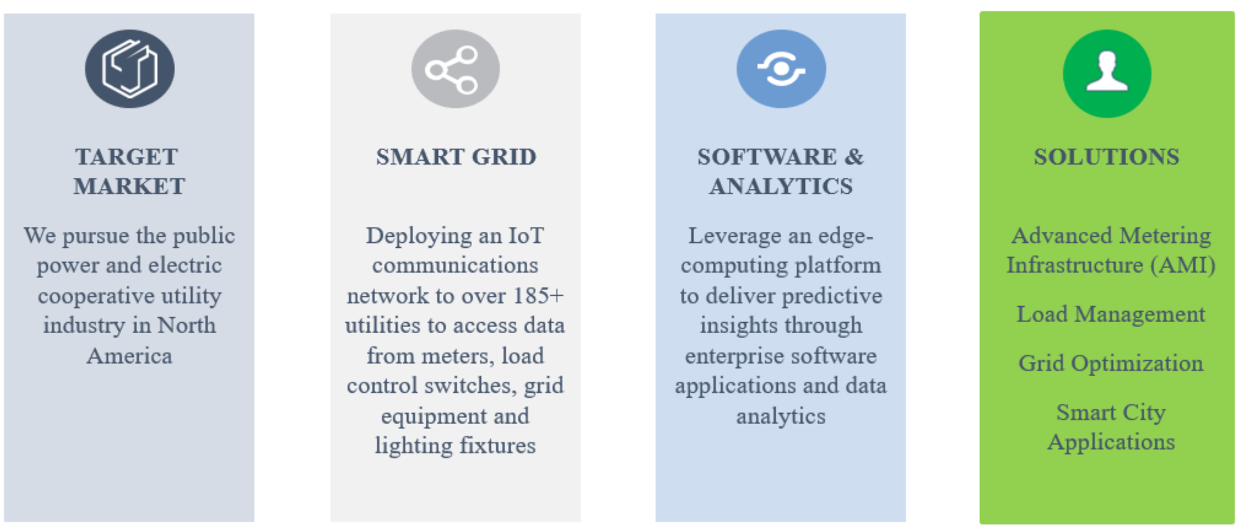
## DESCRIPTION OF BUSINESS

**History of the Business:**

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

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

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

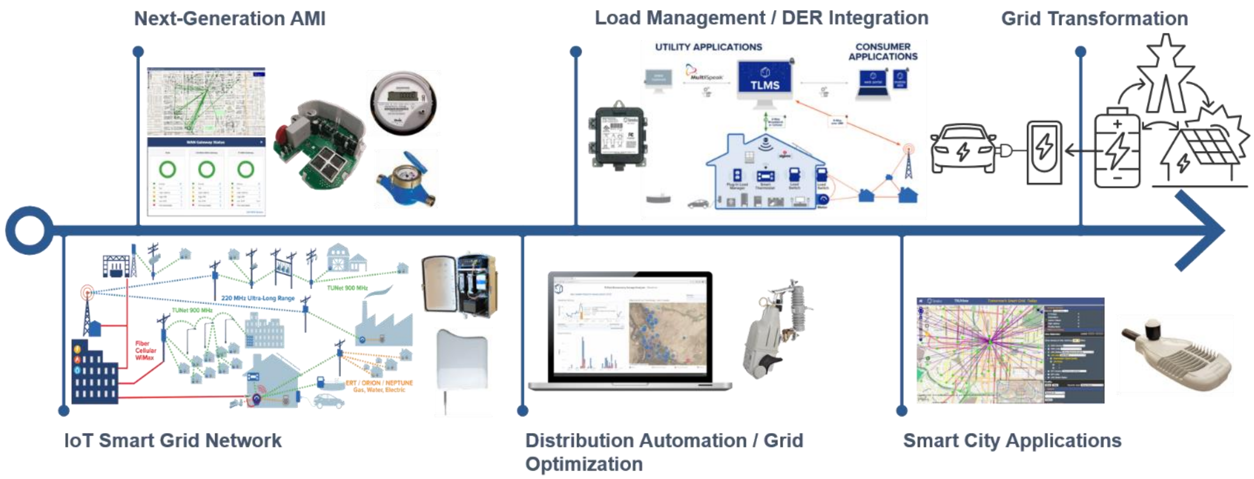


**General Description of the Business:**

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

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

**Purpose-Built: Solutions to Build the Sustainable Utility of the Future:**




*The Tantalus Utility Network:*

Over the past 30 years, Tantalus has evolved its technology solutions from initially deploying a long-range communications network leveraging RF technology into a comprehensive industrial IoT platform leveraging a variety of communication technologies including fiber, WiMAX, cellular and RF tools. Tantalus currently delivers a smart grid communications network that is secure, reliable and capable of supporting a growing number of applications as the needs of our customers expand over time. Tantalus refers to its smart grid communications network as the Tantalus Utility Network ("**TUNet®**"). In addition to expanding the capabilities of TUNet over the past three decades, Tantalus has also rapidly expanded the number of devices that can connect to its comprehensive IoT communications network including load control switches, lighting fixtures, distribution automation equipment and other utility sensors.

At the core of TUNet lies a Linux-based edge-computing platform for utilities which was embedded on a communications module that is integrated under the glass of residential, commercial and industrial meters as well as a variety of other smart grid devices. Tantalus was the first smart grid vendor to deploy a Linux-based edge computing platform in the industry. 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.

*Next-Generation Advanced Metering Infrastructure ("**AMI**"):*

TUNet leverages a robust, multi-purpose smart grid communications platform that is purpose-built for utilities and provides electric metering data to power advanced smart grid applications. TUNet, at the core, offers utilities an electric metering reading solution that transforms aging one-way grids into future-proofed multi-directional grids to improve the efficiency, reliability and awareness of distribution level grids. This capability, termed AMI, is a solution that Tantalus has purpose-built for utilities to serve as a foundation for a smart grid. This AMI platform provides operational awareness to restore power quickly after major disruptions, adapt to rapidly shifting consumer expectations and innovate new solutions based on the adoption of distributed energy resources. The meter data delivered over the TUNet communications network is made available to utilities through a next-generation software head-end and user interface, referred to as TUNet Insight™. TUNet Insight provides utilities with a visually intuitive interface to access data and make key decisions to support customers and improve daily operations across the utility. Tantalus' AMI solution is a fully capable solution that provides the Company's user community with the flexibility required to get the most value from existing infrastructure investments while planning for future requirements.

*Tantalus Load Management System ("**TLMS**") & Distributed Energy Resource ("**DER**") Integration Solution:*

TLMS consists of a utility software application and a suite of load control devices that together manage customer appliances and/or load profiles automatically on behalf of a utility. TLMS is able to manage a diverse set of common load types such as central air conditioners and electric water heaters. TLMS is also able to manage a set of high-value loads that are particular to rural utilities and small municipalities, such as whole-home electric heating, electric thermal storage appliances and agricultural irrigation pumps. TLMS also delivers the foundation to integrate DERs behind the meter, including roof-top solar panels, electric vehicle charging stations, battery wall storage and back-up generators.

TLMS takes full advantage of the TUNet smart grid communications network and Tantalus' comprehensive user interface, TUNet Insight. By offering TLMS in conjunction with the Company's AMI system, Tantalus ensures direct, reliable and fully-interactive communications that are necessary to generate the full economic benefits of demand management. Using TLMS, utilities can offer programs to customers that fit their lifestyles and usage patterns, minimize negative impacts, and allow them to interact and manage their participation. The extensive field data collected by TLMS and TUNet Insight drive utility decision-making around program design as well as ongoing operation.

TLMS can work in tandem with Tantalus' AMI solution to support the next generation of technology-enabled rate plans, including Time of Use and Variable Peak Pricing. This combination, known as "Prices-To-Devices" is proven to benefit the utility and program participants significantly.

*Grid Optimization & Distribution Automation ("**DA**") Solution:*

An electric distribution grid is a massive distributed collection of expensive transformers, wires, poles, and other assets. Investments and expansions are expected to last for decades and are planned to accommodate future growth accordingly. Thousands of miles of line require expensive maintenance on an ongoing basis. Investment planning and maintenance scheduling has traditionally depended on guesswork and resulted in waste. When a transformer becomes overloaded or the need for tree-cutting becomes critical, the result can be a wildfire with devastating consequences.

To ensure utilities make the best investment in their respective distribution grid equipment, Tantalus is leveraging data from connected meters to deliver a new analytics tool that enables a utility to proactively identify latent issues that affect system reliability. The TUNet Grid Reliability Analytics solution collect extensive data from the entire grid edge where the meters and other devices are, and where utility customers actually live and work. This data holds key information about power quality experienced at each location. The insights that can be gleaned from this data help utilities plan investments (such as identifying heavily-loaded transformers and properly-sizing a replacement) and maintenance (such as detecting stretches of powerline being brushed by power lines) so these activities can be prioritized. The solution has also helped utilities detect and avert safety issues at customer homes.

With the TUNet Grid Reliability Analytics solution, engineering departments within a utility are also able to identify portions of their feeders that frequently experience blinks and flickers not detected at the substation or reported by an Outage Management System ("**OMS**"). By utilizing Tantalus' Grid Reliability Analytics solution, utilities can determine whether disturbances occur due to environmental effects such as lightning, high wind gusts, freezing rain or snow, or seasonal disturbances such as known migratory animal patterns. Dispatchers and foremen will be alerted to flickering locations typically indicative of failing transformers, splices, secondaries, underground micro faults, service lines, socket corrosion, and loose lugs through the alarming and reporting system before they become larger problems.

Similarly, utilities are able to resolve flicker complaints efficiently as a dispatcher can immediately track the history of complaints and identify whether a problem is affecting neighboring service locations, indicative of a secondary or a transformer problem. Utilities can triangulate data through the Grid Reliability Analytics solution to determine whether flickers only occur on windy days indicating a tree trimming crew is required. In many cases, it may be evident that the flickering is not detected by the meter but may in fact be a problem inside the home. These are some examples of how Tantalus' customers have leveraged the Grid Reliability Analytics solution to resolve day-to-day operational challenges.

DA provides utilities real-time awareness and control of the distribution grid downline from substations and closer to the customers. By connecting smart distribution devices throughout the field, DA improves power quality, reduces operating costs and enhances safety. The TUNet smart grid communications network can be leveraged to deliver connectivity to DA devices anywhere in a utility's service territory. Rural utilities often have far-reaching circuits that can take an hour or more for crews to reach when there is an incident. DA equipment can eliminate some of these incidents and reduce the severity of others, and TUNet provides the needed connectivity.

The most advanced electricity distribution networks actively manage voltages across their grids to minimize energy losses and manage energy supply costs, but must do so while ensuring acceptable power quality for customers. To do this, utilities often utilize a complex grid modelling system and must run a safety margin to protect customers that experience voltages different from what the model predicts.

As part of its Grid Optimization and DA capabilities, Tantalus offers a solution called Closed Loop Voltage Reduction ("**CLVR**™"), which turns TUNet-connected smart meters across the distribution grid into voltage monitoring DA devices. In so doing, Tantalus delivers an ideal voltage management solution by giving utility systems real-time feedback on the actual voltages being experienced by customers at the premise. As a result, utilities can avoid the need for grid modelling, and reduce or eliminate the safety margin to get optimal results without risk to its customers.

*Smart Community Solution:*

Street lighting is a ubiquitous and energy-intensive feature of municipalities. Lighting control solutions are one of the primary ways that municipalities look to improve efficiency and service delivery to their residents.

Tantalus offers TRULight™ Intelligence, a full-featured lighting control solution that also takes advantage of the fact that street lights are widely-distributed and elevated, and so ideally placed to incorporate sensors and act as communication nodes in a smart community solution.

TRULight Intelligence provides monitoring and on/off/dim capabilities to standard LED streetlights, parking lights, security lights, and other lighting assets, substantially reducing lighting energy costs while increasing public safety and lighting asset life by "right-sizing" the amount of illumination according to vehicle & pedestrian traffic and other factors. The browser-based lighting management software provides lighting and health analytics, flexible grouping and lighting profile capabilities, integrated geospatial information and a workflow maintenance management system.

A variety of sensors are available to monitor traffic, noise and air quality. These help municipalities to direct emergency services, manage traffic, and plan future investments that will enhance the safety and quality of life for their citizens.

In addition, most TRULight Intelligence lighting controllers are able to read many common types of electricity, water and gas meters, providing further cost efficiencies for the municipality.

**Overview of Tantalus' Market Opportunity:**

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

Electric utilities are making significant investments to enhance their command and control of the infrastructure assets deployed across the distribution grid that are responsible for the delivery of electricity. In 2020, electric utility companies were projected to invest more than US$41 billion in the distribution grid out of a projected approximate $140 billion in total investments across the United States.[6] This creates a substantial market opportunity for Tantalus to pursue.

*Tantalus' Target Market*

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

*Industry Trends*

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

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

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

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

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

[6] EEI Industry Capital Expenditures with Functional Detail (December 2020).

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

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

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

Beyond the decarbonization of the power industry, initiatives to deliver broadband infrastructure across the United States and the electrification of the transportation industry, the recent storm that devastated Texas is another example of how extreme weather can lead to catastrophic damage and amplifies the need to improve the resiliency of the electric distribution grid. During this past February, most of Texas was heavily impacted by a severe storm that brought freezing temperatures, ice and snow across the state. The storm disrupted more than 3 million people who were without power, left nearly 15 million people with undrinkable water, damaged homes and caused severe economic distress from extraordinarily high energy bills. In addition to the damage from the storm, the Texas grid was heavily impacted by the loss of approximately 40,000 megawatts of power from renewable energy, such as wind and solar, across a 24-hour period. This disruption of reliable electric power made clear how the variability of renewables must be balanced with upgrades to the electric distribution grid to enable utilities to command and control the consumption of electricity. Tantalus' technology and solutions supported seven utilities across the state in navigating through the massive disruption arising from this storm and allowed those Tantalus customers to avoid severe damage to their infrastructure and the communities served by those utilities.

The aggregate of the Biden administration's environmental initiatives across the power industry, the electrification of the transportation industry, broadband initiatives to expand access across rural portions of the United States, and the increased frequency and ferocity of extreme weather all serve as catalysts for utilities to upgrade and automate their distribution networks. As Tantalus' user community now surpasses 190 utilities, the Company believes the industry trends are aligned to put Tantalus at the forefront of building the sustainable utility of the future.

**Description of Tantalus' Growth Strategy:**

Tantalus is executing on a multi-pronged growth strategy that includes a combination of organic and inorganic initiatives. Specifically, the Company is prioritizing several key areas to deliver profitable and sustainable growth, including:

1. Expanding Tantalus' user community by adding new utilities each year;
2. Delivering enhanced software & data analytics to increase recurring and repeatable revenue;
3. Diversifying Tantalus' product portfolio to solve additional challenges for the Company's growing user community; and,
4. Reaching new geographic territories to continue to increase Tantalus' total addressable market opportunity.

Tantalus has successfully leveraged its sales organization to identify and convert new opportunities to scale the Company. Since 2013, Tantalus' user community has grown by a compounded annual growth rate of approximately 20%. Tantalus currently leverages a combination of a direct sales organization and a collection of sales channel partners responsible for covering regions across the United States, Canada and the Caribbean Basin. Tantalus' sales approach has consistently delivered 20 new utilities, on average, each year for the past 8 years and also has been successful in building extended relationships with its user community that last multiple decades. To that end, Tantalus has successfully retained 98.9% of all customers which deployed the TUNet system over the last 20 years creating opportunities to deliver more value to each utility over an extended period of time.

In addition to continuing to expand Tantalus' user community, the Company is undertaking a number of Research & Development ("**R&D**") initiatives to build comprehensive, enterprise-class software applications and a suite of data analytics based on the data being accessed from connected devices across TUNet. As an example, the launch of the TUNet Grid Reliability Analytics solution in March, 2021 represents an excellent path to leverage accessible data to solve a number of challenges for utilities. By leveraging the data accessible through Tantalus' comprehensive TUNet system, Tantalus is well-positioned to generate additional recurring revenue from data analytics tool and enhance software functionality. The Company will continue to invest in R&D initiatives to expand the revenue contributions from our growing suite of Utility Applications and Solutions.

Tantalus also has a long and successful history of selling new features and capabilities into its existing user community. The Company's roadmap often ties directly to challenges identified by or requests from Tantalus' existing user community, thereby enhancing the value of the solutions delivered and simultaneously enabling the Company to prioritize investments. As the Company continues to gain insights from its growing user community of utilities, Tantalus will seek to diversify its solution portfolio through targeted mergers and acquisitions. The Company will seek to target strategic acquisitions that increase the Company's total addressable market opportunity, deliver a solution that can be sold into the existing user community and introduce Tantalus into new markets. The Company will target accretive transactions to scale its financial profile, but may identify earlier-stage companies that can propel Tantalus into a leadership position from a technology perspective.

While Tantalus has a rich heritage of focusing on public power and electric cooperative utilities across the United States, Canada and the Caribbean Basin, the Company will also seek to expand its addressable market by entering into new regions of the world where Tantalus' existing capabilities meet the needs and requirements of utilities. The Company will seek to expand geographically on a case-by-case basis and as opportunities arise.

**Key Operating Highlights During the Period:**

The Company witnessed favorable trends throughout Q1 as the utility industry continues to recover from disruptions resulting from the COVID-19 Pandemic. The favorable trends translated into strong financial results for Q1 including revenue growth of 11% year-over-year and another quarter of positive Adjusted EBITDA. The financial results delivered during Q1, 2021 bode well for the Company and demonstrate management's ability to navigate through unforeseen challenges at a macro-level.

While the growth horizon looks favorable for Tantalus, management is mindful of ongoing worldwide disruptions to the availability of electronic components, which has a direct impact on the Company's supply chain and lead times. Management is actively managing these global supply chain constraints and will continue to monitor the situation with its component suppliers and contract manufacturer.

*Developments through three months ended March 31, 2021:*

During the three months ended March 31, 2021, Tantalus completed a reverse acquisition which was a qualifying transaction according to the policies of the TSX-Venture Exchange ("**TSX-V**") and began trading on the TSX-V under the ticker symbol of "GRID" (Note 6).

Summary Financial Results:

(a) Revenue: During the three months ended March 31, 2021, the Company generated approximately 11% increased revenue of $8.0 million compared to $7.2 million for the same period in 2020. This increase was attributable to approximately 9% increased revenue from the Company's Connected Devices and Infrastructure products of $5.4 million in conjunction with approximately 15% increased revenue for its Utility Software Applications and Services segment revenue of $2.6 million for the first quarter of fiscal 2021 over the same periods in the prior year. The increase in revenue was attributable to utilities picking up momentum on deployments and decision-making through the later portion of 2020 and continuing in Q1 of 2021.

Quarterly revenue contributions from Utility Software Applications and Services continue to trend favorably and represented approximately 33% of revenue for the three months ended March 31, 2021 compared to 32% in the three months ended March 31, 2020. The Company continues to prioritize the development and delivery of software and services as additional connected devices are installed in the field, as demonstrated by the recent press release announcement of the introduction of Tantalus' first data analytics solution with artificial intelligence (AI) capabilities focused on grid resiliency.

(b) Gross Profit: Gross Profit increased to $3.6 million during the three months ended March 31, 2021 versus $3.4 million for the same period in 2020. Gross Profit margin decreased to 45% during the three months ended March 31, 2021 versus 47% during March 31, 2020 due primarily to the product mix of connected devices and infrastructure partially offset by increased revenue mix contribution from utility software applications and services.

(c) Adjusted EBITDA: Adjusted EBITDA in Q1 decreased to US$55,350 versus US$123,284 of in Q1 of 2020. The decline in Adjusted EBITDA was tied to the Company's incurrence of additional costs in connection with its going public transaction in January 2021 which were not similarly incurred in the prior year Q1 period, as well as a reduction in government assistance funding from the Canadian Scientific Research and Experimental Development program ("**SR&ED**"). The reduction in access to SR&ED arises from the Company no longer being a Canadian-controlled private corporation as a result of the going public transaction and the Company expects to see the impact from no longer accessing SR&ED on a year-over-year comparison basis through the end of FY2021.

(d) Financial Position: The Company had total assets of US$27.2 million as at March 31, 2021 compared to US$16.7 million as at March 31, 2020, with Adjusted Working Capital as at March 31, 2021 of US$9.1 million compared to Adjusted Working Capital of US$2.7 million as at March 31, 2020.

Board of Directors: Tantalus added Thomas Liston as a director on January 29, 2021 in conjunction with the closing of the going public transaction. Mr. Liston was on the Board of RiseTech (as defined below) and joined the Tantalus Board upon the closing of the transaction between the two companies. Mr. Liston currently serves on several Boards of Directors for public and private technology companies and has a strong track record of shareholder value creation. Prior to his current roles, he was the Chief Investment Officer of a leading technology-focused venture capital firm, which provided growth capital to late-stage private companies. Mr. Liston began his career as a research analyst covering public software and IT services companies. During his tenure as a technology analyst for over 14 years, Mr. Liston has been consistently ranked amongst the top technology analysts in several surveys, including: StarMine, Brendan Wood, Greenwich Associates and Reuters.

Growth of Tantalus' User Community: Tantalus added 5 new utilities during Q1 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 190 utilities across the United States, Canada and the Caribbean Basin.

Expansion of Solutions: Tantalus continued to make substantial progress in expanding the functionality and features of its solutions during the period ended March 31, 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) *TUNet® Grid Reliability Analytics:* TUNet Grid Reliability Analytics 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.

(b) *Introduction of a Next-Generation Fiber Gateway:* TRUSense™ Fiber Gateway, a next-generation Fiber-to-the-Home (FTTH) solution, is the latest addition to Tantalus' offerings and 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.

Industry Recognition: Tantalus participated as a keynote speaker in the 2021 Cormark Securities Sustainability conference. The Company also participated in a series of other industry conferences throughout the quarter.

Transactions: On January 29, 2021, TSH Canada Inc. (formerly Tantalus Systems Holding Inc.) and RiseTech Capital Corp. ("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, Tantalus Systems Shareholder Inc. ("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 (see Note 14(b)).

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 International Financial Reporting Standards ("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.

**<u>Description of Tantalus' Operating Segments:</u>**

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

1. <u>The Connected Devices and Infrastructure Segment</u>.

   This segment is responsible for the sale of Tantalus' 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 Tantalus' 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 Tantalus' proprietary mission-critical software applications and a suite or professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services.

## SELECTED QUARTERLY FINANCIAL INFORMATION

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

| | | Three months ended March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Revenue | $ | 8,011,331 | $ | 7,226,941 |
| Cost of sales | | 4,409,319 | | 3,850,402 |
| Gross Profit | | 3,602,012 | | 3,376,539 |
| Expenses | | 6,330,047 | | 3,930,668 |
| Operating Loss | | (2,728,035) | | (554,129) |
| Other (expenses) earnings | | (180,397) | | 152,980 |
| Loss before income taxes | | (2,908,432) | | (401,149) |
| Income tax expense | | - | | - |
| Loss for the period | | (2,908,432) | | (401,149) |
| Loss per share (basic and diluted) | | (0.08) | | (0.01) |
| Adjusted EBITDA | $ | 55,350 | $ | 123,284 |

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

| | | March 31, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| **Total Assets** | $ | 27,193,349 | $ | 23,525,534 |

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

| | | Three months ended March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Loss for the period | $ | (2,908,432) | $ | (401,149) |
| Foreign exchange | | 14,068 | | (182,006) |
| Finance expense[(a)] | | 166,329 | | 209,881 |
| Depreciation and amortization | | 434,957 | | 417,118 |
| Stock-based compensation | | 195,769 | | 86,118 |
| Energate arbitration related costs[(b)] | | - | | 174,177 |
| Reverse acquisition legal and professional fees[(c)] | | 272,975 | | - |
| Reverse acquisition related costs[(d)] | | 691,509 | | - |
| RiseTech reverse acquisition listing expense[(e)] | | 1,188,175 | | - |
| Government assistance benefit[(f)] | | - | | (180,855) |
| Adjusted EBITDA | $ | 55,350 | $ | 123,284 |

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

(b) Non-core business expenses pertaining to Energate Inc. ("Energate") arbitration. TSH Canada Inc. (along with TSSI, collectively, the "claimants") engaged in an arbitration proceeding against the former shareholders of Energate regarding breaches of representations and other conduct relating to TSH Canada Inc.'s acquisition of Energate on July 26, 2017.

(c) Legal and professional fees incurred arising from the reverse acquisition with RiseTech (See Key Operating Highlights (6) and general and administrative expenses).

(d) In addition to the above legal and professional fees, the Company incurred costs arising from the reverse acquisition with RiseTech relating to accounting related professional services, directors and officers tail insurance and transaction related compensation included in general and administrative costs for the three months ended March 31, 2021 of $691,509 (see Key Operating Highlights (6) and general and administrative expenses).

(e) Excess purchase price over RiseTech net assets acquired (see Key Operating Highlights (6) and general and administrative expenses).

(f) Adjusted EBITDA is exclusive of government assistance benefits received by the Company attributable to the United States Paycheck Protection Program ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program implemented due to the COVID-19 Pandemic of $180,855 during the period ended March 31, 2020.

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 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 | Three months ended December 31, 2019 | Three months ended September 30, 2019 | Three months ended June 30, 2019 |
|---|---|---|---|---|---|---|---|---|
| Revenue | $ 8,011,331 | $ 9,312,793 | $ 8,754,751 | $ 7,754,934 | $ 7,226,941 | $ 10,068,296 | $ 10,680,926 | $ 11,196,308 |
| Cost of sales | 4,409,319 | 4,506,208 | 4,646,988 | 3,920,843 | 3,850,402 | 5,431,400 | 5,825,712 | 6,758,399 |
| Gross Profit | 3,602,012 | 4,806,585 | 4,107,763 | 3,834,091 | 3,376,539 | 4,636,896 | 4,855,214 | 4,437,909 |
| Expenses | 6,330,047 | 5,621,060 | 3,728,924 | 3,709,657 | 3,930,668 | 4,254,567 | 4,364,650 | 4,728,818 |
| Operating (loss) income | (2,728,035) | (814,475) | 378,839 | 124,434 | (554,129) | 382,329 | 490,564 | (290,909) |
| Other (expenses) earnings | (180,397) | (536,460) | 1,604,341 | 1,136,560 | 152,980 | (308,006) | (222,467) | (375,817) |
| (Loss) income before income taxes | (2,908,432) | (1,350,935) | 1,983,180 | 1,260,994 | (401,149) | 74,323 | 268,097 | (666,727) |
| Income tax expense (benefit) | - | 7,243 | - | - | - | (50) | - | - |
| (Loss) income for the period | (2,908,432) | (1,358,178) | 1,983,180 | 1,260,994 | (401,149) | 74,373 | 268,097 | (666,727) |
| (Loss) earnings per share (basic and diluted) | (0.08) | (0.04) | 0.06 | 0.04 | (0.01) | 0.00 | 0.01 | (0.03) |
| Adjusted EBITDA | $ 55,350 | $ 817,363 | $ 951,927 | $ 737,665 | $ 123,284 | $ 776,500 | $ 1,359,395 | $ 592,184 |

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

| | March 31, 2021 | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 31, 2019 | September 30, 2019 | June 30, 2019 |
|---|---|---|---|---|---|---|---|---|
| Cash | $ 12,174,985 | $ 4,647,713 | $ 3,225,477 | $ 4,798,628 | $ 4,241,972 | $ 5,368,086 | $ 3,682,681 | $ 3,231,206 |
| Adjusted Working Capital | $ 9,054,673 | $ 3,538,274 | $ 4,622,104 | $ 4,051,270 | $ 2,656,857 | $ 2,849,441 | $ 2,574,767 | $ 3,171,232 |
| Total assets | $ 27,193,349 | $ 23,525,534 | $ 20,061,955 | $ 17,714,501 | $ 16,717,780 | $ 20,138,614 | $ 22,170,831 | $ 19,513,273 |
| Shareholders' earnings (deficit) | $ 2,988,077 | $ (2,311,106) | $ (1,225,032) | $ (1,835,740) | $ (3,172,349) | $ (2,860,352) | $ (3,029,427) | $ (3,038,521) |

Basic and fully diluted shares have been retroactively adjusted for impact of the share consolidation by the Company on January 29, 2021 (see Key Operating Highlights (6)). Adjusted EBITDA for prior periods has been restated for consistency with the Adjusted EBITDA presented for the three months ended March 31, 2021.

## FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

### Revenue

| *Revenue by Source* | | Three months ended March 31, 2021 | % | | Three months ended March 31, 2020 | % |
|---|---|---|---|---|---|---|
| Connected Devices and Infrastructure | $ | 5,371,983 | 67% | $ | 4,935,234 | 68% |
| Utility Software Applications and Services | | 2,639,348 | 33% | | 2,291,707 | 32% |
| **Total revenue** | $ | 8,011,331 | 100% | $ | 7,226,941 | 100% |

Revenue increased by approximately 11% for the three months ended March 31, 2021 compared to the same period in the prior year. This increase was attributable to approximately 9% increased revenue from the Company's Connected Devices and Infrastructure products of $5.4 million during the three months ended March 31, 2021 compared to $4.9 million in the prior year period in conjunction with approximately 15% increased revenue for its Utility Software Applications and Services segment revenue of $2.6 million for the first quarter of fiscal 2021 compared to $2.3 million in the prior year period. The increase in revenue from Connected Devices and Infrastructure products is due to increased sales with related customer deployments by the Company over the prior year period. The impact of the COVID-19 Pandemic since 2020 led to delays in deployments, supply chain constraints and extended decision-making by utilities. The increase in revenue was attributable to utilities picking up momentum on deployments and decision-making through the later portion of 2020 and continuing in Q1 of 2021. The increase in the Utility Software Applications and Services segment revenue is due to the increased sale of software licenses and provision of installation services by the Company in conjunction with increased annual recurring software maintenance and technical support services provided to its customer base which has increased over the prior year period

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

| | | Three months ended March 31, 2021 | % | | Three months ended March 31, 2020 | % |
|---|---|---|---|---|---|---|
| United States (1) | $ | 7,848,303 | 98% | $ | 7,094,168 | 98% |
| Canada | | 111,514 | <2% | | 132,773 | <2% |
| Other | | 51,514 | <1% | | - | |
| | $ | 8,011,331 | 100% | $ | 7,226,941 | 100% |

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

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

## Gross Profit

The Company reports its Gross Profit on a blended basis.

| Three months ended March 31, 2021 | | Connected Devices and Infrastructure | % | Utility Software Applications and Services | % | | Total | % |
|---|---|---|---|---|---|---|---|---|
| Revenue | $ | 5,371,983 | 100% | 2,639,348 | 100% | $ | 8,011,331 | 100% |
| Cost of sales | | 3,619,344 | 67% | 789,975 | 30% | | 4,409,319 | 55% |
| **Gross Profit** | $ | 1,752,639 | 33% | 1,849,373 | 70% | $ | 3,602,012 | 45% |

| Three months ended March 31, 2020 | | Connected Devices and Infrastructure | % | Utility Software Applications and Services | % | | Total | % |
|---|---|---|---|---|---|---|---|---|
| Revenue | $ | 4,935,234 | 100% | 2,291,707 | 100% | $ | 7,226,941 | 100% |
| Cost of sales | | 3,063,541 | 62% | 786,861 | 34% | | 3,850,402 | 53% |
| **Gross Profit** | $ | 1,871,693 | 38% | 1,504,846 | 66% | $ | 3,376,539 | 47% |

Gross profit increased to $3.6 million during the three months ended March 31, 2021 versus $3.4 million for the same period in 2020. Gross Profit margin decreased to 45% during the three months ended March 31, 2021 versus 47% during March 31, 2020 due primarily to the product mix of connected devices and infrastructure partially offset by increased revenue mix contribution from utility software applications and services.

Gross Profit margin generated from Connected Devices and Infrastructure revenue decreased to 33% for the three months ended March 31, 2021 compared to the same period in the prior year of 38% due to the product mix experienced with increased revenue contribution from lower Gross Profit related products during the first quarter of fiscal 2021. The Company also experienced significant sales volume attributable to the commencement of its new strategic partnership with Landis & Gyr which is anticipated to further expand its market opportunity. Gross Profit margin generated from Utility Software Applications and Services revenue increased to 70% for the three months ended March 31, 2021 compared to the same period in the prior year of 66% due primarily to increased annual software maintenance and technical support services in the three months ended March 31, 2021 resulting from the Company's utility customer base growth experienced since March 31, 2020.

## Expenses

| | | Three months ended March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Sales and marketing | $ | 1,383,614 | $ | 1,530,493 |
| Research and development | | 1,272,425 | | 934,919 |
| General and administrative | | 3,239,051 | | 1,048,138 |
| Depreciation and amortization | | 434,957 | | 417,118 |
| **Total expenses** | $ | 6,330,047 | $ | 3,930,668 |
| **As a percentage of total revenue** | | 79% | | 54% |

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 increased during the three months ended March 31, 2021 over the prior year period due primarily to non-core business expenses of approximately $2.2 million comprised of costs related to the reverse acquisition of $964,484, inclusive of $434,901 internal costs related to the reverse acquisition, and $1.2 million of non-cash excess purchase price over RiseTech net assets acquired which are recorded as general and administrative expenses (see Key Operating Highlights (6)). 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* with the share exchange 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. The consideration paid by the acquirer less the net assets acquired has been accounted for as a listing expense and transaction costs related to the reverse acquisition have been included in general and administrative expenses in the interim condensed consolidated statement of operations and comprehensive income (loss).

## Sales and Marketing

| | | Three months ended March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Sales and marketing | $ | 1,383,614 | $ | 1,530,493 |
| **As a percentage of total revenue** | | 17% | | 21% |

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

The decrease in sales and marketing expense over the three months ended March 31, 2021 is attributable to reduced travel and related expenses, the cancellation of trade shows and other marketing events and reduced stock-based compensation over the prior period. Sales and marketing expenses decreased as a percentage of revenue due to the increase in revenue experienced by the Company during the three months ended March 31, 2021 compared to the prior fiscal 2020 period.

## Research and Development

| | | Three months ended March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Research and development | $ | 1,272,425 | $ | 934,919 |
| **As a percentage of total revenue** | | 16% | | 13% |

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 expenses increased during the three months ended March 31, 2021 over the prior year period due to the reduction in government assistance funding offset against research and development expenses from the SR&ED tax incentive program in  conjunction with increased headcount 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. Research and development expenses were partially offset for the three months ended March 31, 2021 due to lower travel and meeting expenses attributable to the impact of the COVID-19 Pandemic compared to the prior year three months period in 2020 and lower stock-based compensation. Research and development expenses increased as a percentage of revenue during the three months ended March 31, 2021 compared to the prior period due to the net increase in research and development expenses incurred. 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 March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| General and administrative | $ | 3,239,051 | $ | 1,048,138 |
| **As a percentage of total revenue** | | 40% | | 15% |

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

Total expenses increased during the three months ended March 31, 2021 over the prior year period due primarily to non-core business expenses of approximately $2.2 million comprised of total costs related to the reverse acquisition of $964,484, inclusive of accounting related professional services, transaction related compensation and directors and officers insurance tail totaling $691,509, and $1.2 million of non-cash purchase price less the RiseTech net assets acquired which has been accounted for as a listing expense and recorded in general and administrative expenses (see Key Operating Highlights (6)). The following table summarizes the reverse acquisition related costs which totaled approximately $3.3 million:

| | | |
|---|---|---|
| Purchase Price Consideration | $ | 1,326,000 |
| (Fair value of 767,321 shares issued at CND$2.25 or US$1.73 per share to the shareholders of RiseTech) | | |
| Net assets acquired | | |
| Cash | $ | 342,072 |
| Accounts payable and accrued liabilities | | (204,247) |
| Total net RiseTech assets acquired | $ | 137,825 |
| Non-cash excess purchase price over RiseTech net assets acquired | $ | 1,188,175 |
| Transaction costs - year ended December 31, 2020 | | |
| Legal and professional fees | | 460,291 |
| Accounting related professional services fees | | 721,557 |
| Transaction costs - three months ended March 31, 2021 | | |
| Legal and professional fees | | 272,975 |
| Accounting related professional services fees, transaction related compensation and director and officer tail insurance | | 691,509 |
| Total costs inclusive of excess purchase price over RiseTech net assets accounted as a listing expense | $ | 3,334,508 |

General and administrative expenses for the three months ended March 31, 2021 also increased over the same period in the prior year due to increase in expenses pertaining to the Company's transition as a public company reporting entity, increased stock-based compensation expense, increases in additional tools and computing equipment to support remote employees, increase in salary expenses arising from increased headcount and the impact of the strengthened Canadian dollar. These additional general and administrative costs were partially offset by cost reductions due to travel restrictions put in place due to the COVID-19

Pandemic and the cancellation of in-person training and planning meetings for the Company during the three months ended March 31, 2021. General and administrative expenses increased as a percentage of revenue due to the above factors compared to the prior three months period in 2020.

**Depreciation and Amortization**

| | | Three months ended March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Depreciation and amortization | $ | 138,897 | $ | 134,942 |
| Amortization of intangible assets | | 185,848 | | 174,530 |
| Amortization of right-of-use assets | | 110,212 | | 107,646 |
| **Total depreciation and amortization** | $ | 434,957 | $ | 417,118 |

The Company's depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use asset pertaining to its facility leases. The increase in depreciation and amortization during the three months ended March 31, 2021 is attributable to the increased investment in computer equipment and software with the full period of amortization being accounted for by the Company during the three months ended March 31, 2021. The Company also increased its right-of-use assets in early 2020 resulting in increased amortization attributable to the incremental right-of-use asset during the three months ended March 31, 2021 over the prior year period.

**Other Earnings (Expenses)**

| | | Three months ended March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Foreign exchange (loss) gain | $ | (14,068) | $ | 182,006 |
| Finance expense | | (166,329) | | (209,881) |
| Covid-19 government assistance | | - | | 180,855 |
| **Total other operating (expenses) earnings** | $ | (180,397) | $ | 152,980 |

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 $14,068 during the three months ended March 31, 2021 compared to a foreign exchange gain of $182,006 in the prior year period.

Other earnings during the three months ended March 31, 2020 includes government assistance benefits received by the Company attributable to CEWS Program implemented due to the COVID-19 Pandemic of $180,855.

### Total Comprehensive Loss

| | | Three months ended March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Operating loss | $ | (2,728,035) | $ | (554,129) |
| Total other (expenses) earnings | | (180,397) | | 152,980 |
| Income tax expense | | - | | - |
| Loss for the period | | (2,908,432) | | (401,149) |
| Foreign currency translation adjustment | | 160 | | 3,034 |
| **Total comprehensive loss** | $ | (2,908,272) | $ | (398,115) |
| **Loss per share (basic and fully diluted)** | $ | (0.08) | $ | (0.01) |

Loss for the three months ended March 31, 2021 was $2,908,432 or $0.08 loss per share compared to loss for the three months ended March 31, 2020 of $401,149 or $0.01 loss 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 (see Key Operating Highlights (6)).

### Adjusted EBITDA

| | | Three months ended March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Loss for the period | $ | (2,908,432) | $ | (401,149) |
| Foreign exchange | | 14,068 | | (182,006) |
| Finance expense(a) | | 166,329 | | 209,881 |
| Depreciation and amortization | | 434,957 | | 417,118 |
| Stock-based compensation | | 195,769 | | 86,118 |
| Energate arbitration related costs(b) | | - | | 174,177 |
| Reverse acquisition legal and professional fees(c) | | 272,975 | | - |
| Reverse acquisition related costs(d) | | 691,509 | | - |
| RiseTech reverse acquisition listing expense(e) | | 1,188,175 | | - |
| Government assistance benefit(f) | | - | | (180,855) |
| Adjusted EBITDA | $ | 55,350 | $ | 123,284 |

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

(b) Non-core business expenses pertaining to Energate arbitration. TSH Canada Inc. (along with TSSI, collectively, the “claimants”) engaged in an arbitration proceeding against the former shareholders of Energate regarding breaches of representations and other conduct relating to TSH Canada Inc.’s acquisition of Energate on July 26, 2017.

(c) Legal and professional fees incurred arising from the reverse acquisition with RiseTech (See Key Operating Highlights (6) and general and administrative expenses).

(d) In addition to the above legal and professional fees, the Company incurred costs arising from the reverse acquisition with RiseTech relating to accounting related professional services, directors and officers tail insurance and transaction related compensation included in general and administrative costs for the three months ended March 31, 2021 of $691,509 (see Key Operating Highlights (6) and general and administrative expenses).

(e) Excess purchase price over RiseTech net assets acquired (see Key Operating Highlights (6) and general and administrative expenses).

(f) Adjusted EBITDA is exclusive of government assistance benefits received by the Company attributable to PPP and the CEWS Program implemented due to the COVID-19 Pandemic of $180,855 during the period ended March 31, 2020.

During the three months ended March 31, 2021, the Company generated Adjusted EBITDA of $55,350 representing approximately 1% of revenue compared to Adjusted EBITDA of $123,284 representing 2% of revenue for the three months ended March 31, 2020. The Adjusted EBITDA during the three months ended March 31, 2021 decreased from the prior year period due to increased revenue and Gross Profit offset by increased expenses 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 March 31, 2021, the Company had cash totaling approximately $12.2 million as compared to cash of approximately $4.6 million as at December 31, 2020. During the three months ended March 31, 2021, the Company completed a private placement concurrent with going public on January 29, 2021 for gross proceeds of CND $9,940,973.

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 March 31, 2021, the Company had Adjusted Working Capital of approximately $9.1 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):** | | **Three months ended March 31, 2021** | | **Three months ended March 31, 2020** |
|---|---|---|---|---|
| Operating activities | $ | 794,063 | $ | (872,084) |
| Investing activities | | 190,909 | | (378,829) |
| Financing activities | | 6,510,988 | | 110,375 |
| Effect of foreign exchange on cash | | 31,312 | | 14,424 |
| **Increase (decrease) in cash** | **$** | **7,527,272** | **$** | **(1,126,114)** |

The Company generated positive cash flows from its operating activities during the three months ended March 31, 2021 of approximately $0.8 million which is attributable to the net change in the Company's working capital items and positive Adjusted EBITDA generated in the period compared to the same period in the prior year. The increase in the Company's operating cash flow during the three months ended March 31, 2021 over the prior year period is primarily attributable to changes in the Company's working capital items as at March 31, 2021 relative to as at March 31, 2020. In the three months ended March 31, 2021, the Company saw a decrease of $2.8 million in accounts receivable, a decrease of $0.5 million in prepaid expenses and other assets, and a decrease of $2.4 million in accounts payable and accrued liabilities, offset by an increase of $1.0 million in deferred revenue and deposits primarily pertaining to the Company's annual software maintenance and technical support services. The Company incurred negative cash flow of approximately $0.9 million from operations in the prior year three months ended March 31, 2020 which is attributable to the net change of working capital items offset by positive Adjusted EBITDA generated.

The Company had investment in the purchase of equipment and intangible assets of approximately $151,000 which was offset by cash of approximately $342,000 acquired from RiseTech in the reverse acquisition on January 29, 2021 during the period ended March 31, 2021 compared to purchases of equipment and business software of approximately $379,000 in the same period in the prior year.

The Company generated positive cash flows from financing activities which is primarily attributable to the private placement completed during the quarter offset by share issuance costs. The Company generated $6.5 million from financing activities which is primarily attributable to the private placement for gross proceeds of $7,778,539 (CND$9,940,973) as indicated below:

| | | |
|---|---|---|
| Gross financing proceeds (CND$ 9,940,973) | $ | 7,778,539 |
| | | |
| Capitalized costs | | (1,092,853) |
| Broker warrants issued | | (61,201) |
| Total financing costs | | (1,154,054) |
| Net financing proceeds | $ | 6,624,485 |

## Staffing Levels

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

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Customer operations | 23 | 25 |
| Sales and marketing | 19 | 18 |
| Research and development | 54 | 58 |
| General and administration | 19 | 19 |
| **Total** | **115** | **120** |

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.

## Commitments

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

| Contractual Obligations | Total | Less than 1 year | 1 - 5 years | After 5 years |
|---|---|---|---|---|
| Accounts Payable and accrued liabilities | $ 9,742,947 | $ 9,742,947 | $ - | $ - |
| Bank loan[(a)] | 8,082,400 | 8,082,400 | - | - |
| Lease liabilities | 1,986,054 | 1,062,811 | 923,243 | - |
| **Total Contractual Obligations** | **$ 19,811,401** | **$ 18,888,158** | **$ 923,243** | **$ -** |

(a) – See "*Bank Loan*" below.

In the ordinary course of business, the Company may enter into performance bonds with customers as part of a sales contract. As at March 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 March 31, 2021, the Company had outstanding purchase order commitments of $7,593,101.

*Bank Loan*

The Company entered into a loan agreement on April 12, 2012, and subsequent amendments with Comerica Bank (the "Bank") to fund ongoing Adjusted Working Capital requirements. The bank loan which is comprised of two line of credit facilities and a term loan had an aggregate total payable by the Company of $8,082,400 as at March 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.

*Facilities*

Tantalus maintains four office locations across North America, including:

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

Each office is based on a lease with a third-party building manager or landlord. Tantalus' Burnaby office lease, of approximately 32,000 square feet was entered into on August 1, 2014 and is expected to expire on January 31, 2022 which the Company anticipates extending. Tantalus' Kanata office lease, of approximately 8,200 square feet was entered into on November 1, 2017 and is expected to expire on February 1, 2025. Tantalus' Norwalk office lease, of approximately 800 square feet was entered into on March 1, 2018 and has been expanded to a new office facility space in the building increasing to approximately 2,350 square feet on May 1, 2021 to expire on February 1, 2025 (See Subsequent Events). 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 March 31, 2021 and December 31, 2020:

| **Assets** | | **Three months ended March 31, 2021** | | **December 31, 2020** | | **Variance** |
|---|---|---|---|---|---|---|
| Cash | $ | 12,174,985 | $ | 4,647,713 | $ | 7,527,272 |
| Accounts receivable | | 6,082,643 | | 8,896,323 | | (2,813,680) |
| Investment tax credits receivable | | 1,211,392 | | 1,207,868 | | 3,524 |
| Inventory | | 4,353,674 | | 4,591,099 | | (237,425) |
| Prepaid expenses and deposits | | 847,181 | | 1,375,263 | | (528,082) |
| Total current assets | $ | 24,669,875 | $ | 20,718,266 | $ | 3,951,609 |
| | | | | | | |
| Property and equipment | | 1,363,756 | | 1,439,715 | | (75,959) |
| Intangible assets | | 277,050 | | 374,673 | | (97,623) |
| Right of Use assets | | 882,668 | | 992,880 | | (110,212) |
| **Total assets** | **$** | **27,193,349** | **$** | **23,525,534** | **$** | **3,667,815** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Accounts payable and accrued liabilities | | 9,742,947 | | 12,189,613 | | (2,446,666) |
| Deferred revenue and deposits | | 5,219,140 | | 4,259,508 | | 959,632 |
| Lease liabilities | | 653,115 | | 730,871 | | (77,756) |
| Bank loan | | 8,082,400 | | 8,075,050 | | 7,350 |
| **Total current liabilities** | $ | 23,697,602 | $ | 25,255,042 | $ | (1,557,440) |
| | | | | | | |
| Lease liabilities | | 507,670 | | 581,598 | | (73,928) |
| **Total liabilities** | **$** | **24,205,272** | **$** | **25,836,640** | **$** | **(1,631,368)** |

### Accounts Receivable

The Company had accounts receivable as at March 31, 2021 of $6.1 million compared to $8.9 million as at December 31, 2020. The Company has an agreement with Export Development Canada ("**EDC**") whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales up to a maximum of $3,000,000 with certain customers excluded from this coverage.

## OTHER ITEMS

### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company's interim condensed consolidated financial statements as at March 31, 2021.

### Transactions with Related Parties

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

The remuneration of key management of the Company for the three months ended March 31, 2021 and March 31, 2020 are as follows:

| | | Three months ended March 31, 2021 | | Three months ended March 31, 2020 |
|---|---|---|---|---|
| Short-term compensation | $ | 578,521 | $ | 277,085 |
| Share-based payments | | 30,944 | | 25,654 |
| | $ | 609,465 | $ | 302,739 |

## 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.

| | March 31, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Carrying Value | | Fair Value | | Carrying Value | | Fair Value |
| **Financial Assets** | | | | | | | | |
| Cash | $ | 12,174,985 | $ | 12,174,985 | $ | 4,647,713 | $ | 4,647,713 |
| Accounts receivable | $ | 6,082,643 | $ | 6,082,643 | $ | 8,896,323 | $ | 8,896,323 |
| Investment tax credits receivable | $ | 1,211,392 | $ | 1,211,392 | $ | 1,207,868 | $ | 1,207,868 |
| **Financial Liabilities** | | | | | | | | |
| Accounts payable and accrued liabilities | $ | 9,742,947 | $ | 9,742,947 | $ | 12,189,613 | $ | 12,189,613 |
| Bank loan | $ | 8,082,400 | $ | 8,082,400 | $ | 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 March 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 $390,038 impact on net loss as at March 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 $8,082,400 as at March 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 $80,824 as at March 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 March 31, 2021 and at the date of this report, the following securities were outstanding:

| | **March 31, 2021** | **Report date May 17, 2021** |
|---|---:|---:|
| Shares | 38,859,050 | 38,859,050 |
| Stock options | 5,071,721 | 5,071,721 |
| Restricted stock units | 74,074 | 74,074 |
| Warrants | 124,982 | 124,982 |

Shares and stock options have been retroactively adjusted for the impact of the share consolidation by the Company on January 29, 2021 (see Key Operating Highlights (6)).

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

### Revenue Recognition

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

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

2. The Utility Software Applications and Services Segment. This segment is responsible for the sale of TSH's proprietary mission-critical software applications and a suite or professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services ("**PCS**").

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

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

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

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

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

- The Company's contracts often include a number of promised goods or services. Many of the Company's goods and services are distinct from other performance obligations and accounted for as separate performance obligations. When an arrangement involves multiple products and is negotiated as a package solution, the Company accounts for it as a single performance obligation. A good or service is distinct if the customer can benefit from it on its own or together with other components of the Company's products, and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. In determining the transaction price of contract with a customer, the Company considers the effects of consideration payable by the customer. If a contract has more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on estimated relative standalone selling prices of the goods and services.

**New Standards and Interpretations Not Yet Adopted**

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

*Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or noncurrent. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined. There is currently a proposal outstanding that would defer the effective date until January 1, 2023.

**RISK FACTORS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tantalus has an accumulated deficit of $118,202,859 as of March 31, 2021 and has a history of losses. Tantalus' ability to be profitable for 2021 and beyond will depend on Tantalus' ability to continue to increase Tantalus' revenue, and maintain proportional expense levels. Tantalus may not achieve profitability in 2021 or future periods and may incur negative operating cash flow in future periods, as Tantalus expects to incur significant costs to sell Tantalus' products and operating expenses in connection with the continued development and expansion of Tantalus' business. Tantalus' expenses include research and development expenses, general and administrative expenses, selling and marketing expenses and customer service and support expenses. Some of these expenses relate to prospective customers that may never place any orders and products that may not be introduced or generate revenue until later periods, if at all. There can be no assurance that Tantalus will become profitable on a quarterly or annual basis.

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

Tantalus' revenue, billings, margins and other operating results may vary significantly from quarter to quarter due to a number of factors, many of which are outside of Tantalus' control. Tantalus' revenue and billings have fluctuated in recent periods, and have in the past decreased on a quarterly basis and on an annual basis. There can be no assurances that Tantalus' revenue and billings will increase, or will not decrease on a quarterly or annual basis. Tantalus expects revenue, billings, margins and other operating results to fluctuate from period to period throughout 2021 and beyond.

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

- long, and sometimes unpredictable, sales and customer deployment cycles;
- changes in the type and mix of products and services sold;
- the timing of acceptance of Tantalus' products and services by Tantalus' customers, which can have a material impact on when Tantalus recognize related revenue under Tantalus' revenue recognition policies;
- delays in regulatory approvals for Tantalus' customers and customer deployments;
- changing market conditions;
- competition;
- failures of Tantalus' products, components that Tantalus use in Tantalus' products, or third-party devices containing Tantalus' products that delay deployments, cause property

damage, harm Tantalus' reputation or result in high warranty costs, contractual penalties or terminations;

- product or project failures by third-party vendors, customers or competitors that result in the cancellation, slowing down or deferring of projects;
- liquidated damages provisions in Tantalus' contracts, which could result in significant financial penalties if triggered or, even if not triggered, could affect Tantalus' ability to recognize revenue in a given period;
- the ability of Tantalus' suppliers and manufacturers to deliver supplies and products to Tantalus on a timely basis;
- delays associated with government funding programs for smart grid projects;
- political and consumer sentiment and the related impact on the scope and timing of smart grid and smart city deployments; and
- economic, regulatory and political conditions in the markets where Tantalus operate or anticipate operating.

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

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

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

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

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

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

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

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

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

Several of Tantalus' competitors enjoy substantial competitive advantages such as:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## SUBSEQUENT EVENTS

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

The COVID-19 Pandemic has developed rapidly in 2020 and 2021, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the Company's business in various ways inclusive of a reduction in the supply of goods and materials from the Company's contract manufacturer supplier which has affected its ability to continue the production of the Company's products as well as the reduction of economic activity/requirement to close its office facilities with the requirement for the large majority of its employees to work from home which has resulted in a significant reduction in sales/productivity during the periods ending March 31, 2021 and March 31, 2020.

Governments in the countries in which the Company operates have also announced the implementation of government assistance measures which might mitigate some of the impact of the COVID-19 Pandemic on its results and liquidity. To the extent appropriate, the Company has applied for and received such government assistance in the countries in which it operates. The details of all of the arrangements that might be available to the Company and the period throughout which such arrangements will remain available are continuing to evolve and remain subject to uncertainty. The Company is continuing to assess the implications for its business when these arrangements are no longer available. Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Company might experience further negative results and liquidity restraints and incur additional impairments on its assets in future. The exact impact on the Company's existing and future activities cannot be predicted.

(b) On May 1, 2021, the Company expanded its Norwalk, Connecticut office facility for the remainder of the term ending January 1, 2026 resulting in the addition of a Right-of-Use asset and related lease liability of $152,616 and the estimated future payments of the related undiscounted variable operating costs of $8,920 pertaining to this expansion of this office facility lease.

(c) On May 10, 2021, the Company announced it had received final approval for 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". The Company's shares were delisted from the TSX-V concurrent with the commencement of trading on the TSX.

(d) On May 11, 2021, the Company consolidated its loan with the Bank from two credit facilities into a single line of credit facility in United States dollars up to a maximum of $8.1 million.