TANTALUS SYSTEMS HOLDING INC.

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

May 9, 2023

For the three months ended March 31, 2023

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of Tantalus Systems Holding Inc. (together with its subsidiaries and predecessors, the "**Company**", "**we**" or "**Tantalus**") is provided to assist our readers in assessing our financial condition and our financial performance, including our liquidity and capital resources, as at and for the three months ended March 31, 2023 compared with the three months ended March 31, 2022. The information in this MD&A is current as of May 9, 2023, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2023 and 2022 and the Company's audited consolidated financial statements as at December 31, 2022 included with Tantalus' continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com.

The Company's unaudited interim condensed consolidated financial statements and notes thereto as at March 31, 2023 and for the three months ended March 31, 2023 and 2022 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. Where balances are also expressed in Canadian dollars ("**CND$**") in this MD&A, an average foreign exchange rate of 0.7369 for the three months ended March 31, 2023 (0.7898 for three months ended March 31, 2022) for income statement items and a foreign exchange rate of 0.7389 as at March 31, 2023 (0.8003 as at March 31, 2022 and 0.7383 as of December 31, 2022) for balance sheet items has been applied. Certain dollar amounts in this MD&A have been rounded to the nearest millions or thousands of dollars.

This MD&A was prepared by management of the Company and approved by its Board of Directors prior to its release.

Non-IFRS and Other Financial Measures

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

> "EBITDA" is comprised as income (loss) less interest, income tax and depreciation and amortization. Management believes that EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See "Selected Financial Information - Reconciliation of Net (Loss) Income to Adjusted EBITDA", "Trailing Eight Quarter Selected Financial Information - Reconciliation of Quarterly Net (Loss) Income to Adjusted EBITDA" and "Financial Results for the Three Months Ended March 31, 2023 – Adjusted EBITDA" for a quantitative reconciliation of EBITDA to the most directly comparable financial measure.

"Adjusted EBITDA" is comprised as income (loss) less interest, income tax, depreciation, amortization, stock-based compensation, foreign exchange gain (loss) and other income / expenses not attributable to the operations of the Company. Management believes that Adjusted EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See "Selected Financial Information - Reconciliation of Net (Loss) Income to Adjusted EBITDA", "Trailing Eight Quarter Selected Financial Information - Reconciliation of Quarterly Net (Loss) Income to Adjusted EBITDA" and "Financial Results for the Three Months Ended March 31, 2023 – Adjusted EBITDA" for a quantitative reconciliation of Adjusted EBITDA to the most directly comparable financial measure.

"Gross Profit" is comprised as the Company's revenues less cost of sales. Management believes that Gross Profit is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See "Selected Financial Information" and "Financial Results for the Three Months Ended March 31, 2023 – Gross Profit" for a quantitative reconciliation of Gross Profit to the most directly comparable financial measure.

"Adjusted Working Capital" is comprised as current assets less current liabilities exclusive of the Company's bank loan. Management believes Adjusted Working Capital is a useful indicator for investors, and is used by management, for evaluating the operating liquidity to the Company. See "Liquidity and Capital Resources - Cash, Restricted Cash, and Adjusted Working Capital" for a quantitative reconciliation of Adjusted Working Capital to the most directly comparable financial measure.

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

"Gross Profit Margin" is comprised of Gross Profit expressed as a percentage of the Company's revenues. Management believes that Gross Profit Margin is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.

"Adjusted EBITDA Margin" is comprised of Adjusted EBITDA expressed as a percentage of the Company's revenues. Management believes that Adjusted EBITDA Margin is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.

This MD&A also refers to the following supplementary financial measures:

"Recurring Revenue" is comprised of the Company's revenues recognized in a period that are recurring in nature and attributable to its analytics and other software as a service ("SaaS") offerings, hosting services, software maintenance and technical support agreement services.

"Annual Recurring Revenue" or "ARR" is comprised of the Company's Recurring Revenue as expressed on an annualized revenue basis attributable to its analytics and other software as a service ("SaaS") offerings, hosting services, software maintenance and technical support agreement services customer agreements at a point in time.

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

NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words "believes", "may", "plans", "will", "anticipates", "intends", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions. Forward-looking information in this MD&A includes statements regarding: expectations regarding industry trends and challenges; exchange rate fluctuations; overall market growth rates and our growth rates and growth strategies; addressable markets for our solutions; expectations regarding the future demand for and adoption of distributed energy resources, extended asset life, distribution grid technology and electric vehicles; expectations regarding supply chain shortages; expectations regarding the development of and demand for the TRUSense™ Gateway (as defined below); the achievement of advances in and expansion of our offerings and markets; the growth of the Company's sales pipeline (including the Company's ability to close sales in the current sales pipeline); expectations regarding our revenue and the revenue generation potential of our products, services and other solutions; our business plans and strategies; our ability to achieve positive cash flow from operations, maintain or obtain additional debt or equity financing and achieve and maintain profitable operations; the sufficiency of the Company's cash resources to support operations for the next twelve months; continuing as a going concern; the future use of remaining proceeds from equity financing; our competitive position in our industry; our acquisition of Congruitive (as defined below) placing Tantalus at the forefront of helping utilities modernize their grids to prepare for the impact that electric vehicles and distributed energy resources are expected to have on the resiliency and reliability of distribution grids; expectations that the demand for the Congruitive solution will grow significantly as electric vehicles and distributed energy resources adoption expands; the expectation that TRUEdge® technology will improve our evaluation of additional strategic growth initiatives; and our continued investment in the research and development of new products as well as the continuous enhancement of our existing products and software applications offering.

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: our ability to capitalize on growth opportunities and implement our growth strategy; our ability to retain key personnel; our ability to maintain existing customer relationships and to continue to expand our customers' use of our products solutions; our ability to acquire new customers; our ability to enhance our offerings to remain at the forefront of our industry; the impact of competition; the successful integration of Congruitive and future acquisitions; the absence of material adverse changes in our business, our industry or the global economy; and that the risks and uncertainties described under the "Risk Factors" section of Tantalus' Annual Information Form dated March 31, 2023 will not materialize. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

Additionally, there are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. Known risk factors include, but are not limited to, the factors described in the "Risk Factors" section of Tantalus' Annual Information Form dated March 31, 2023.

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.

All forward-looking information herein is qualified in its entirety by this cautionary statement, and we disclaim any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.

DESCRIPTION OF BUSINESS

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

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

Tantalus is at the forefront of delivering a next-generation smart grid platform that delivers interoperability across the entire distribution grid, enabling utilities to access data seamlessly and securely from edge devices that can be integrated into and analyzed by mission-critical operating systems. Today, Tantalus is gathering over 30 billion data points of evolving consumption patterns and power quality. By accessing granular power quality data from a broader set of connected devices, Tantalus is utilizing Artificial Intelligence-enabled data analytics to specifically help utilities pinpoint vulnerabilities across the grid, proactively manage distribution equipment, reduce the risk of failures, effectively implement vegetation management and mitigate the risk of outages and wildfires. The Company is actively expanding its enterprise software capabilities and AI-enabled data analytics to harness the power of the data that is accessible through Tantalus' solutions.

While the Company's heritage is tied to upgrading metering infrastructure, the acquisition of Congruitive, on January 31, 2022, accelerates and expands Tantalus' smart grid platform and empowers utilities to connect, command and control electric vehicle ("**EV**") charging stations and distributed energy resources ("**DER**s"), such as solar panels, battery wall and microgrids. As Tantalus continues to invest in research and development, the Company is quickly building a comprehensive solution that will enable utilities to digitize their distribution grids in order to manage their systems from the very edge all the way to their mission-critical systems to truly become sustainable.

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

Q1 2023 HIGHLIGHTS

Annual Recurring Revenue: As of March 31, 2023, ARR grew to approximately $10.0 million (CND$13.6 million), up from approximately $8.2 million (CND$10.4 million) as of March 31, 2022. The growth in ARR is tied to additional conversions of new utilities from the sales pipeline and ongoing efforts to secure licenses to the Company's first data analytics offering (SaaS model). Since 2016, the compounded annual growth rate of the Company's ARR is approximately 18%.

Expansion of our User Community: Tantalus added 7 new utilities in Q1 2023. The Company's total user community stands at 278 utilities.

Order Conversions from Sales Pipeline: Tantalus converted $17.7 million (CND$24.0 million) in orders from its sales pipeline in Q1 2023, representing the highest level of conversions from the pipeline during a quarter.

TRUSense Gateway Progress: The Company continues to make progress in developing its TRUSense Gateway, which is anticipated to be a market-leading solution to assist utilities in deploying next-generation metering infrastructure, delivering broadband services and integrating distributed resources, such as EV chargers, roof-top solar inverters and power walls. The Company completed alpha-version testing with eight utilities and initiated UL certification efforts. The initiative has more than doubled the qualified sales pipeline of the Company and is expected to expand the Company's obtainable market by over $1 billion.

Partnerships: During Q1 2023, the Company partnered with Savant Systems, Inc., a leading provider of home energy management systems, to accelerate the control of intelligent devices and appliances located behind-the-meter, such as smart electric circuit breakers, EV chargers and inverters for rooftop solar and battery storage through Tantalus' new TRUSense Gateway. Tantalus also partnered with PayGo®, a payments technology company, to offer utilities flexible payment options to support its customers and improving the customer service experience.

TRAILING EIGHT QUARTER SELECTED FINANCIAL INFORMATION

The Company's quarterly operating results have varied in the past and may vary 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, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021
Revenue	$ 10,412,687	$ 12,164,972	$ 9,071,109	$ 9,075,464	$ 9,291,478	$ 7,610,356	$ 8,536,822	$ 8,013,262
Cost of sales	5,549,978	6,640,844	4,283,858	4,911,669	4,870,365	4,256,855	4,932,219	4,221,177
Gross Profit	4,862,709	5,524,128	4,787,251	4,163,795	4,421,113	3,353,501	3,604,603	3,792,085
Expenses	6,119,216	5,909,095	5,905,550	6,412,784	6,358,560	5,322,418	4,706,067	4,235,964
Operating loss	(1,256,507)	(384,967)	(1,118,299)	(2,248,989)	(1,937,447)	(1,968,917)	(1,101,464)	(443,879)
Other (expenses) earnings	(380,439)	(368,403)	(36,298)	(130,674)	148,064	(155,122)	(238,275)	(163,347)
Loss before income taxes	(1,636,946)	(753,370)	(1,154,597)	(2,379,663)	(1,789,383)	(2,124,039)	(1,339,739)	(607,226)
Income tax expense (recovery)	104	(912,580)	-	30,983	-	40,717	-	-
(Loss) income for the period	(1,637,050)	159,210	(1,154,597)	(2,410,646)	(1,789,383)	(2,164,756)	(1,339,739)	(607,226)
(Loss) earnings per share (basic and diluted)	(0.04)	0.00	(0.03)	(0.05)	(0.04)	(0.05)	(0.03)	(0.02)
Adjusted EBITDA	$ (691,619)	$ 103,646	$ (384,123)	$ (1,495,824)	$ (654,262)	$ (1,272,109)	$ (580,535)	$ 65,475

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

Reconciliation of Quarterly Net (Loss) Income to Adjusted EBITDA

	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021
(Loss) income for the period	$ (1,637,050)	$ 159,210	$ (1,154,597)	$ (2,410,646)	$ (1,789,383)	$ (2,164,756)	$ (1,339,739)	$ (607,226)
Finance expense (a)	354,689	297,713	283,137	252,249	236,986	145,383	142,999	173,489
Income taxes	104	(912,580)	-	30,983	-	40,717	-	-
Depreciation and amortization	458,760	318,945	535,362	551,225	493,169	282,658	381,475	446,647
EBITDA	(823,497)	(136,712)	(336,098)	(1,576,189)	(1,059,228)	(1,695,998)	(815,265)	12,910
Stock-based compensation (b)	106,128	169,668	198,814	201,940	203,056	139,150	64,454	62,707
Foreign exchange (c)	25,750	70,690	(246,839)	(121,575)	(385,050)	9,739	95,276	(10,142)
Congruitive acquisition related costs (d)	-	-	-	-	586,960	275,000	75,000	-
Adjusted EBITDA	$ (691,619)	$ 103,646	$ (384,123)	$ (1,495,824)	$ (654,262)	$ (1,272,109)	$ (580,535)	$ 65,475

(a) Finance expense comprised of interest and related finance expense on bank loan and lease liabilities.
(b) Stock-based non-cash compensation expense.
(c) Foreign exchange comprised of unrealized (gain) / loss from non-functional currency assets and liabilities.
(d) General and administrative expenses pertaining to the Company's acquisition of Congruitive completed on January 31, 2022.

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

	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Cash	$ 8,211,947	5,850,914	5,739,561	$ 9,808,998	$ 12,024,774	$ 14,203,794	$ 14,627,772	$ 10,682,722
Adjusted Working Capital	$ 3,362,870	4,956,420	4,223,455	$ 6,590,368	$ 8,963,488	$ 13,574,656	$ 15,562,545	$ 9,094,278
Total assets	$ 38,930,821	37,359,751	34,216,532	$ 37,771,907	$ 40,001,158	$ 31,025,747	$ 32,865,703	$ 29,925,425
Shareholders' equity	$ 2,048,114	3,578,699	3,249,088	$ 4,198,813	$ 6,409,380	$ 6,790,603	$ 8,812,085	$ 2,444,361

Adjusted Working Capital	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Total current assets	$ 24,750,116	$ 22,794,298	$ 19,925,342	$ 23,131,694	$ 25,494,272	$ 26,427,657	$ 28,051,808	$ 24,823,425
Less: current liabilities	(30,587,246)	(27,037,878)	(23,821,887)	(25,741,326)	(25,730,784)	(20,953,001)	(20,589,263)	(23,829,147)
	(5,837,130)	(4,243,580)	(3,896,545)	(2,609,632)	(236,512)	5,474,656	7,462,545	994,278
Add: Bank loans - current portion	9,200,000	9,200,000	8,120,000	9,200,000	9,200,000	8,100,000	8,100,000	8,100,000
Adjusted Working Capital	$ 3,362,870	$ 4,956,420	$ 4,223,455	$ 6,590,368	$ 8,963,488	$ 13,574,656	$ 15,562,545	$ 9,094,278

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

Revenue

Revenue by Source		Three months ended March 31, 2023	%		Three months ended March 31, 2022	%
Connected Devices and Infrastructure	$	7,048,713	68%	$	5,925,837	64%
Utility Software Applications and Services		3,363,974	32%		3,365,641	36%
Total revenue	$	10,412,687	100%	$	9,291,478	100%

Revenue increased by 12% for the three months ended March 31, 2023, respectively, over the prior year period due to higher sales associated with the fulfillment of customer orders.

Revenue from the Company's Connected Devices and Infrastructure products increased by 19% for the three months ended March 31, 2023, respectively, over the prior year period.

Revenue from the Company's Utility Software Applications and Services for the three months ended March 31, 2023 was consistent with the prior year period.

Revenue by Type		Three months ended March 31, 2023	%		Three months ended March 31, 2022	%
Recurring Revenue	$	2,354,313	70%	$	2,099,530	62%
Other Utility Software Applications and Services revenue		1,009,661	30%		1,266,111	38%
Total Utility Software Applications and Services revenue	$	3,363,974	100%	$	3,365,641	100%

As a subset of the revenue contributions from the Utility Software Applications and Services segment, the Company's Recurring Revenue recognized comprised 70% of total Utility Software Applications and Services revenue during the three months ended March 31, 2023 which increased from 62% in the prior year period. Total Recurring Revenue recognized during the three months ended March 31, 2023, increased by 12% over the prior year period as deployments of the Company's Connected Devices continue to expand, driving incremental software and services revenue opportunities.

Revenue by Type		Three months ended March 31, 2023	%		Three months ended March 31, 2022	%
Recurring Revenue	$	2,354,313	23%	$	2,099,530	23%
Other revenue		8,058,374	77%		7,191,948	77%
Total revenue	$	10,412,687	100%	$	9,291,478	100%

As at March 31, 2023, the Company's ARR increased to approximately $10.0 million (CND$13.6 million) from approximately $8.2 million (CND$10.4 million) as at March 31, 2022, representing approximately 22% growth year-over-year. The growth in ARR was due to additional conversions of new utilities from the sales pipeline, ongoing efforts to secure licenses to the Company's first data analytics offering (SaaS model) and the acquisition of Congruitive.

No single customer represented more than 10% of total revenues for the three months ended March 31, 2023 and 2022.

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

		Three months ended March 31, 2023	%		Three months ended March 31, 2022	%
United States (1)	$	10,355,821	99%	$	9,241,715	99%
Canada		51,981	<1%		35,826	<1%
Other		4,885	<1%		13,937	<1%
	$	10,412,687	100%	$	9,291,478	100%

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

Gross Profit

The Company's Gross Profit during the three months ended March 31, 2023 is as follows:

Three months ended March 31, 2023		Connected Devices and Infrastructure	%		Utility Software Applications and Services	%		Total	%
Revenue	$	7,048,713	100%	$	3,363,974	100%	$	10,412,687	100%
Cost of sales		4,674,951	66%		875,027	26%		5,549,978	53%
Gross Profit	$	2,373,762	34%	$	2,488,947	74%	$	4,862,709	47%
Percentage of total Gross Profit		49%			51%			100%	

Three months ended March 31, 2022		Connected Devices and Infrastructure	%		Utility Software Applications and Services	%		Total	%
Revenue	$	5,925,837	100%	$	3,365,641	100%	$	9,291,478	100%
Cost of sales		4,135,771	70%		734,594	22%		4,870,365	52%
Gross Profit	$	1,790,066	30%	$	2,631,047	78%	$	4,421,113	48%
Percentage of total Gross Profit		40%			60%			100%	

Gross Profit Margin remained fairly constant at 47% during the three months ended March 31, 2023 as compared to 48% during the prior year period. The decrease in Gross Profit Margin is attributable to the revenue mix experienced with increased revenue contribution from the Company's Connected Devices and Infrastructure products relative to its Software and Services.

Expenses

Tantalus has centralized its sales and marketing functions, its product development and R&D functions, and its corporate management and corporate development functions for purposes of reporting expenses. Tantalus currently develops connected devices, enterprise software applications and data analytics through its employees and contractors. Tantalus relies on third-party contract manufacturers to build and assemble its hardware products.

	Three months ended March 31, 2023	% of Revenue	Three months ended March 31, 2022	% of Revenue
Sales and marketing	$ 2,167,351	21%	$ 1,578,309	17%
Research and development	1,875,456	18%	1,964,676	21%
General and administrative	1,617,649	16%	2,322,406	25%
Depreciation and amortization	458,760	4%	493,169	5%
Total expenses	$ 6,119,216	59%	$ 6,358,560	68%
As a percentage of total revenue	59%		68%	

Total expenses include depreciation and amortization, share based compensation expense, expenses attributable to the Company's acquisition of Congruitive during 2022. The decrease in expenses for the three months ended March 31, 2023 over the prior year period is largely attributable to expenses associated the acquisition of Congruitive in January 2022 of $0.6 million.

Sales and marketing expense consists primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, marketing and branding, advertising costs and facilities. The increase in sales and marketing expense for the three months ended March 31, 2023, over the prior year period is primarily attributable to increased marketing activities, additional travel to visit utility customers for business development and participation at in-person industry trade-shows and events as COVID-19 restrictions subside. As momentum continues to develop across the utility industry, Tantalus anticipates making further investments in sales and marketing to expand its presence and position itself for broader growth in the future.

R&D expenses relate primarily to salaries and related benefit costs as well as materials related to the development of the Company's solutions. R&D expenses decreased during the three months ended March 31, 2023, as compared to the prior year period primarily due to the acquisition of Congruitive in January 2022, which predominately included engineering resources, and the ongoing investment being made to design and develop the Company's previously announced TRUSense Gateway. The Company continues to invest in R&D to deliver key initiatives within its solution roadmap and to expand the portfolio of software applications and data analytics tools.

General and administrative expenses include executive and administrative staff, insurance, corporate variable compensation, accounting, legal and consulting fees as well as expenses associated the acquisition of Congruitive in January 2022 of $0.6 million. General and administrative expense for the three months ended March 31, 2023, also includes stock-based compensation expense of $76,124, whereas the prior year period included $586,960 in costs related to the acquisition of Congruitive, coupled with stock-based compensation expense of $143,191.

	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended March 31, 2022
Total expenses	$ 6,119,216	$ 5,909,095	$ 6,358,560
Depreciation and amortization	(458,760)	(318,945)	(493,169)
Stock-based compensation	(106,128)	(169,668)	(203,056)
Congruitive acquisition costs	-	-	(586,960)
	$ 5,554,328	$ 5,420,482	$ 5,075,375
As a percentage of total revenue	53%	45%	55%

The Company's total expenses, exclusive of depreciation and amortization and stock-based compensation, was $5.6 million for the three months ended March 31, 2023, as compared to $5.4 million in the three months ended December 31, 2022, and $5.1 million for the three months ended March 31, 2022. The increase in total expenses during the three months ended March 31, 2023, over the prior year period is primarily due to the absorption of the Congruitive employees, the continued development of the TRUSense Gateway and other key R&D initiatives.

Depreciation and Amortization

		Three months ended March 31, 2023		Three months ended March 31, 2022
Depreciation and amortization	$	101,272	$	111,888
Amortization of intangible assets		192,463		235,523
Amortization of right-of-use assets		165,025		145,758
Total depreciation and amortization	$	458,760	$	493,169

The Company's depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use assets pertaining to its facility leases. The decrease in depreciation and amortization during the three months ended March 31, 2023, over the prior year period is primarily attributable to the decreased amortization of intangible assets, including acquired intangible assets from Congruitive offset by increased amortization of right of use assets.

Other Expenses

		Three months ended March 31, 2023		Three months ended March 31, 2022
Foreign exchange (loss) gain	$	(25,750)	$	385,050
Finance expense		(354,689)		(236,986)
Total other (expenses) earnings	$	(380,439)	$	148,064

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

The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency which accounted for most of the foreign exchange loss reported. The Company experienced a foreign exchange loss of $25,750 during the three months ended March 31, 2023, which is primarily attributable to the foreign exchange impact on the Company's Canadian dollar denominated cash compared to a foreign exchange gain of $385,050 in the respective prior year period relating to the revaluation of the Burnaby lease liability which was renewed at this time.

Total Comprehensive Loss

		Three months ended March 31, 2023		Three months ended March 31, 2022
Operating loss	$	(1,256,507)	$	(1,937,447)
Total other (expenses) earnings		(380,439)		148,064
Income tax expense		(104)		-
Loss for the period		(1,637,050)		(1,789,383)
Foreign currency translation adjustment		337		505
Total comprehensive loss	$	(1,636,713)	$	(1,788,878)
Loss per share (basic and fully diluted)	$	(0.04)	$	(0.04)

Adjusted EBITDA

		Three months ended March 31, 2023		Three months ended March 31, 2022
Loss income for the period	$	(1,637,050)	$	(1,789,383)
Finance expense (a)		354,689		236,986
Income taxes		104		-
Depreciation and amortization		458,760		493,169
EBITDA		(823,497)		(1,059,228)
Stock-based compensation (b)		106,128		203,056
Foreign exchange (c)		25,750		(385,050)
Congruitive acquisition related costs (d)		-		586,960
Adjusted EBITDA	$	(691,619)	$	(654,262)

(a) Finance expense comprised of interest and related finance expense on bank loans and lease liabilities (see Financial Statements).
(b) Share-based non-cash compensation expense (see Financial Statements).
(c) Foreign exchange comprised of unrealized (gain) / loss from non-functional currency assets and liabilities (see Financial Statements).
(d) General and administrative expenses pertaining to the Company's acquisition of Congruitive completed on January 31, 2022 (see note 4 in the Financial Statements).

During the three months ended March 31, 2023, the Company generated negative Adjusted EBITDA of $(691,619) representing 7% of revenue. As momentum continues to build across the utility industry, management believes it is in the best interest of the business to make near-term investments in R&D and sales and marketing to expand the capabilities of the Company. Specifically, the Company is investing to build its next-generation TRUSense Gateway, which is anticipated to be a market-leading product enabling utilities to not only digitize the distribution grid, but also provide connectivity, command and control of EV charging stations and DERs deployed behind the meter. The Company is also investing to expand its data analytics SaaS offering capabilities after receiving positive feedback across its user community. The Company will also invest to accelerate the roadmap of Congruitive's offering with specific focus on building the necessary tools to help utilities integrate data from EV charging stations and DERs through the utility's firewall and into mission-critical systems.

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, Restricted Cash, and Adjusted Working Capital

Cash as at March 31, 2023 increased to $8.2 million from December 31, 2022 of $5.9 million, exclusive of $0.7 million in restricted cash, due primarily to the impact from the change in working capital items, in particular deferred revenue arising from the timing of the Company's annual Recurring Revenue customer billing cycle at the beginning of its fiscal year.

To secure a key account win in 2022, the Company entered a contract that required a surety performance insurance bond (referred to as a surety bond). To secure the surety bond, the Company had to allocate $0.7 million of cash to a restricted cash account. While using cash as collateral for a surety bond is uncharacteristic of the Company's approach, it was decided by management to use cash on our balance sheet to secure the necessary surety bond for this strategic account win. The collateral of $0.7 million will be reflected as restricted cash on our statements of financial position through August 8, 2023, unless the surety bond is released prior to this date.

The Company extended the term and related maturity date of its long-standing bank loan from Comerica (the "Bank") to February 27, 2024, which it has renewed on a continuous annual basis since 2012. To support the acquisition of Congruitive, the Company also entered a three-year term loan of $3.3 million on January 31, 2022.

The Company had Adjusted Working Capital as follows:

Adjusted Working Capital		**March 31, 2023**		**December 31, 2022**
Total current assets	$	24,750,116	$	22,794,298
Less: current liabilities		(30,587,246)		(27,037,878)
		(5,837,130)		(4,243,580)
Add: Bank loans - current portion		9,200,000		9,200,000
Adjusted Working Capital	$	3,362,870	$	4,956,420

Adjusted Working Capital as of March 31, 2023 decreased from December 31, 2022 primarily Adjusted EBITDA, capital expenditures, increased finance expense due to higher interest rates and the repayment of the term loan principal during the three months ended March 31, 2023.

Cash Flows

The Company generated total positive cash flow of $2.4 million, inclusive of positive cash flow from operations of $2,843,534, for the three months ended March 31, 2023. Investing and financing activities within the three months ended March 31, 2023, were primarily purchase of equipment and repayments on the term loan and lease liability payments.

Cash provided by (used in):		Three months ended March 31, 2023		Three months ended March 31, 2022
Operating activities	$	2,843,534	$	584,694
Investing activities		(74,012)		(5,803,674)
Financing activities		(408,749)		2,992,005
Effect of foreign exchange on cash		260		47,955
Increase (decrease) in cash	**$**	**2,361,033**	**$**	**(2,179,020)**

Acquisition of Congruitive

On January 31, 2022, the Company completed its acquisition of all the outstanding and issued common shares of Congruitive. The acquisition was accounted for as a business combination using the acquisition method whereby the assets acquired, and the liabilities assumed were recorded at fair value. At acquisition date the fair values assigned to intangible assets, goodwill and the deferred tax liabilities were measured on a provisional basis and subsequently finalized on December 31, 2022. The following table summarizes the balances of each major class of consideration transferred, the recognized amounts of the identifiable assets acquired, and liabilities assumed, and the resulting value of goodwill.

Consideration transferred		
Cash consideration	$	6,464,473
Fair value of share consideration		1,196,466
Fair value of contingent consideration payable		2,458,702
Total consideration	$	10,119,641
Fair value of assets and liabilities recognized		
Cash	$	778,942
Accounts receivable		665,131
Inventory		7,710
Prepaid and other deposits		4,073
Property and equipment		7,948
Right of Use Asset		30,262
Intangible - technology		6,530,000
Intangible - customer relations		830,000
Intangible - intellectual property (trademarks and copyrights)		328,000
Accounts payable and accrued liabilities		(1,030,712)
Deferred tax liability		(854,204)
Lease liability		(33,333)
Fair value of deferred revenue		(589,325)
Fair value of assets and liabilities recognized	$	6,674,492
Goodwill	$	3,445,149

Equity Financings

The Company did not pursue or execute an equity financing during the three months ended March 31, 2023 or during 2022. The following table reflects the estimated use of proceeds for the equity financings completed during 2021 compared with the use of proceeds to March 31, 2023, and estimated future use of proceeds:

January 2021 Financing (in US$)	Estimated Use of Proceeds	Use of Proceeds at at March 31, 2023	Estimated Future Use of Proceeds
Expansion of product offerings through research and development	$ 500,000	$ 500,000	$ -
Development of strategic partnerships and / or acquisition	500,000	500,000	-

August 2021 Financing (in US$)	Estimated Use of Proceeds	Use of Proceeds as at March 31, 2023	Estimated Future Use of Proceeds
Strategic initiatives related to sales & marketing, research and development and corporate development	$ 5,300,000	$ 4,800,000	$ 500,000

The Company anticipates the future use of the remaining proceeds to be used for investment in its future new product initiatives, incremental sales and marketing activities, general working capital purposes and for potential future strategic initiatives.

Staffing Levels

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

	March 31, 2023	March 31, 2022
Customer operations	24	24
Sales and marketing	22	22
Research and development	61	62
General and administration	17	19
Total	**124**	**127**

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

Commitments

The Company has the following commitments as at March 31, 2023:

Contractual Obligations	Total	Less than 1 year	1 - 5 years	After 5 years
Accounts Payable and accrued liabilities	$ 13,182,353	$ 13,182,353	$ -	$ -
Bank loan[(a)]	8,100,000	8,100,000	-	-
Term loan[(a)]	1,980,000	1,100,000	880,000	-
Lease liabilities[(b)]	6,967,190	1,173,926	5,309,320	483,944
Total Contractual Obligations	**$ 30,229,543**	**$ 23,556,279**	**$ 6,189,320**	**$ 483,944**

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

In the ordinary course of business, the Company may enter performance bonds with customers as part of a sales contract. As of March 31, 2023, the Company had one performance bond outstanding of $2,693,895.

In the ordinary course of business, the Company enters 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 of March 31, 2023, the Company had outstanding purchase order commitments of $16,939,779.

Bank Loan

The Company has a loan agreement with the Bank since April 12, 2012, to fund ongoing working capital requirements which the Company has renewed on an annual basis since such date. The loan agreement is comprised of a line of credit facility in United States dollars up to a maximum of $8,100,000 subject to a borrowing base in the amount equal to the aggregate of a percentage of eligible receivables, accrued investment tax credits, inventory and purchase orders. The Company had an aggregate balance drawn on its line of credit facilities with the Bank as of March 31, 2023 of $8,100,000 ($8,100,000 as at December 31, 2022). The facility bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly and is secured by a general security agreement and security over accounts receivable and inventory. The facility previously had a maturity date of February 27, 2023. The facility has been renewed to extend the maturity date to February 27, 2024. The Company has a term loan with the Bank that carries a principal amount of $3,300,000 repayable over three years with the proceeds used for the Company's acquisition of Congruitive as announced on February 1, 2022, and bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly. The term loan had a balance of $1,980,000 as of March 31, 2023 ($2,262,857 as at December 31, 2022). As of March 31, 2023, the Company was in compliance with its financial covenants. As of March 31, 2023, the line of credit facility exceeded the borrowing base by $405,689 which was remedied through repayment after March 31, 2023.

Facilities

Tantalus maintains five office locations across North America, including:

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

Each office is based on a lease with a third-party building manager or landlord and are with arm's length parties.

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

Tantalus' Kanata office lease, of approximately 8,200 square feet was entered into on November 1, 2017 and is expected to expire on February 1, 2025.

Tantalus' Norwalk office lease, of approximately 800 square feet was entered into on March 1, 2018 and expires on January 1, 2026. The Norwalk office lease was expanded to approximately 2,350 square feet on May 1, 2021, resulting in an incremental lease liability of $152,616.

Tantalus' Raleigh office lease, of approximately 5,602 square feet was entered into on February 1, 2016. The Raleigh office lease was extended by the Company on June 7, 2022, to expire October 31, 2027, resulting in an incremental lease liability of $0.5 million on June 7, 2022, exclusive of related variable operating expenses.

Upon the acquisition of Congruitive in Q1 2022, Tantalus assumed the lease of their San Jose office of approximately 700 square feet, and which was entered into on October 15, 2020, and is expected to expire on October 31, 2023.

FINANCIAL POSITION

The Company's financial position as of March 31, 2023, compared to December 31, 2022 is as follows:

Assets		**March 31, 2023**		**December 31, 2022**		**Variance**
Cash	$	8,211,947	$	5,850,914	$	2,361,033
Restricted cash		673,474		673,474		-
Accounts receivable		8,278,532		9,041,735		(763,203)
Investment tax credits receivable		2,824		2,824		-
Inventory		5,803,702		5,690,736		112,966
Prepaid expenses and deposits		1,779,637		1,534,615		245,022
Total current assets	$	24,750,116	$	22,794,298	$	1,955,818
Property and equipment		774,543		801,803		(27,260)
Intangible assets		6,790,677		6,983,140		(192,463)
Goodwill		3,445,149		3,445,149		-
Right of Use assets		3,170,336		3,335,361		(165,025)
Total assets	**$**	**38,930,821**	**$**	**37,359,751**	**$**	**1,571,070**
Liabilities						
Accounts payable and accrued liabilities		13,182,353		12,359,785		822,568
Deferred revenue and deposits		7,344,593		4,619,450		2,725,143
Lease liabilities		860,300		858,643		1,657
Bank term loan - current portion		1,100,000		1,100,000		-
Bank loan		8,100,000		8,100,000		-
Total current liabilities	$	30,587,246	$	27,037,878	$	3,549,368
Deferred revenue and deposits		452,617		503,994		(51,377)
Bank term loan - long term portion		880,000		1,162,857		(282,857)
Contingent consideration on Congruitive acquisition		2,458,702		2,458,702		-
Lease liabilities		2,504,142		2,617,621		(113,479)
Total liabilities	**$**	**36,882,707**	**$**	**33,781,052**	**$**	**3,101,655**

Restricted Cash

Restricted cash of $673,474 pertains to collateral for a letter of credit facility of $2,693,895 from the Bank that is associated with a surety performance insurance bond secured in conjunction with a contract from a key customer. The surety performance insurance bond expires on August 8, 2023. Using cash as collateral for a surety performance insurance bond is uncharacteristic of the Company's approach but was necessary to secure a strategic account.

Accounts Receivable

The Company had accounts receivable as of March 31, 2023 of $8.3 million compared to $9.0 million as at December 31, 2022. The Company has an agreement with EDC whereby EDC agreed to provide 90%

insurance coverage for the Company's invoiced sales up to a maximum of $3,000,000 with certain customers excluded from this coverage.

OTHER ITEMS

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company's interim condensed consolidated financial statements as of March 31, 2023, inclusive of Note 14 Lease Liabilities and Note 18 Commitments and Contingencies.

Transactions with Related Parties

Related parties are comprised of the Company's key management. The remuneration of key management of the Company for the three months ended March 31, 2023 are as follows:

		Three months ended March 31, 2023		Three months ended March 31, 2022
Short-term compensation	$	362,994	$	364,629
Share-based payments		39,738		98,354
	$	402,732	$	462,983

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, 2023				December 31, 2022			
		Carrying Value		Fair Value		Carrying Value		Fair Value
Financial Assets								
Cash	$	8,211,947	$	8,211,947	$	5,850,914	$	5,850,914
Restricted cash	$	673,474	$	673,474	$	673,474	$	673,474
Accounts receivable	$	8,278,532	$	8,278,532	$	9,041,735	$	9,041,735
Investment tax credits receivable	$	2,824	$	2,824	$	2,824	$	2,824
Financial Liabilities								
Accounts payable and accrued liabilities	$	13,182,353	$	13,182,353	$	12,359,785	$	12,359,785
Bank loans	$	10,080,000	$	10,080,000	$	10,362,857	$	10,362,857

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.

Going Concern

The consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. During the twelve months ended March 31, 2023, the Company incurred a comprehensive loss of $1,636,713 and generated cash flows for operating activities of $2,843,534. As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Based on the Company's liquidity position as at the date of these consolidated financial statements, management has forecasted its cash flow requirements, considering the Company's working capital and cash balance at March 31, 2023 and believes that it has sufficient cash resources to support operations for at least the next twelve months from March 31, 2023. The Company has a history of successive annual renewals of its Bank Loan (see "Bank Loan") and the Bank Loan has been renewed until February 27, 2024. In addition to the Company's cash of $8.2 million , exclusive of $0.7 million of restricted cash, as at March 31, 2023, the Company has a base shelf prospectus filed on June 28, 2021 under which it has an ability to offer, issue and sell common shares, preferred shares, debt securities and warrants for up to an aggregate offering price of CND$50,000,000 in one or more transactions during the twenty five month period that this prospectus remains effective (subject to the Company's compliance with the applicable rules of the TSX and securities regulations required to access such base shelf prospectus) net of gross proceeds of CND$10,597,748 raised in August 2021 pursuant to the base shelf prospectus.

The continuity of the Company as a going concern is dependent on its ability to achieve positive cash flow from operations, to maintain or obtain additional debt or equity financing and to achieve and maintain profitable operations. The consolidated financial statements do not give effect to any adjustments to the carrying value of recorded assets and liabilities, revenue and expenses, the consolidated statements of financial position classifications used and disclosures that might be necessary should the Company be unable to continue as a going concern.

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 have exposure to the impact of foreign exchange fluctuations pertaining to its financial position as at March 31, 2023 and December 31, 2022. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the U.S. dollar would have had a $97,386 impact on net loss as at March 31, 2023 and $56,758 as at December 31, 2022.

Interest Rate Risk

All of the Company's financial assets and liabilities are non-interest bearing except for cash which generates interest income at market rates. The credit facilities bear interest at a floating rate based on the bank's prime rate and had a balance of $8,100,000 as at March 31, 2023 and $8,100,000 as at December 31, 2022. A potential percentage change in the bank's prime rate of 1.00% will have an impact of $81,000 as of March 31, 2023, and $81,000 as of December 31, 2022 on the Company's annual interest expense pertaining its line of credit facility.

The term loan bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly, and had a balance of $1,980,000 as of March 31, 2023, and $2,262,857 as of December 31, 2022. A potential percentage change in the bank's prime rate of 1.00% will have an impact of $19,800 for the period ended March 31, 2023, and $22,629 for the year ended December 31, 2022, on the annual interest expense pertaining to its term loan.

DISCLOSURE OF OUTSTANDING SHARE DATA

As March 31, 2023, and at the date of this report, the following securities were outstanding:

	March 31, 2023	**May 9, 2023**
Shares	44,595,942	44,595,942
Stock options	6,864,295	6,864,295
Restricted stock units	-	-
Warrants	407,588	282,606

Each stock option and warrant is exercisable for one common share of the Company, subject to customary adjustments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenue Recognition

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

1. The Connected Devices and Infrastructure Segment. This segment is responsible for the sale of the Company'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 the

Company'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 the Company'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 basis upon shipment or providing access to the 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 and materials or fixed fee basis. Revenue from installation and engineering services is recognized over time, using the input method to measure progress towards complete satisfaction of the service.

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

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

The Company determines revenue recognition through the following steps:

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

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

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, 2023. The adoption of this amendment has not had any impact on the amounts recognized in the Company's interim financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The IASB has published Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) with amendments intended to help decide which accounting policies to disclose in their financial statements. The amendments:

- amended paragraphs 117-122 of IAS 1, Presentation of Financial Statements to require entities to disclose their material accounting policy information rather than their significant accounting policies; and
- amended IFRS Practice Statement 2 Making Materiality Judgements (Materiality Practice Statement) to explain and demonstrate the application of the 'four-step materiality process' to accounting policy disclosures by including guidance and examples on the application of materiality to accounting policy disclosures.

This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of this amendment has not had a material impact on the disclosure in the Company's interim financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) have designed or caused to be designed under their supervision, disclosure controls and procedures (“DC&P”) which provide reasonable assurance that (i) material information relating to the Company is made known to them by others within the Company, and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

In addition, the CEO and CFO have designed or caused to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework the CEO and CFO used to design the Company’s ICFR is the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (the "COSO Framework").

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, an evaluation of the effectiveness of the Company’s DC&P as of March 31, 2023, was carried out. The evaluation was carried out under the supervision of, and with the participation of, the CEO and CFO. Based on this evaluation, the CEO and CFO concluded that the Company’s DC&P were effective as of March 31, 2023.

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, an evaluation of the effectiveness of the Company’s ICFR as of March 31, 2023, was carried out. The evaluation was carried out within the criteria set forth by the COSO Framework and under the supervision of, and with the participation of, the CEO and the CFO. Based on this evaluation, the CEO and CFO concluded that the Company’s ICFR were effective as of March 31, 2023.

There were no changes in the Company’s ICFR during the quarter ended March 31, 2023, that has materially affected, or is reasonably likely to materially affect, the Company’s ICFR.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

OTHER INFORMATION

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