TANTALUS SYSTEMS HOLDING INC.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended
September 30, 2022 and 2021

(expressed in United States dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these unaudited interim condensed consolidated financial statements in accordance with the standards established by the Canadian Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

MANAGEMENT'S RESPONSIBILITY

The management of Tantalus Systems Holding Inc. (the "Company") is responsible for the preparation of the accompanying consolidated financial statements and the preparation and presentation of information in the Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted under International Financial Reporting Standards and are considered by management to present fairly the financial position and operating results of the Company.

The Company maintains various systems of internal control to provide reasonable assurance that transactions are appropriately authorized and recorded, that assets are safeguarded, and that financial reports are properly maintained to provide accurate reliable financial statements.

The Company's audit committee is comprised entirely of independent directors and is appointed by the Board of Directors annually. The committee meets annually with the Company's management and independent auditors to review the consolidated financial statements and the independent auditors report.

"Peter Londa"
Chief Executive Officer
November 9, 2022

"George Reznik"
Chief Financial Officer
November 9, 2022

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Financial Position

(Expressed in United States dollars)

	Note		September 30, 2022		December 31, 2021
Assets					
Current assets					
Cash		$	5,739,561	$	14,203,794
Restricted cash	**5**		673,474		-
Accounts receivable	***6***		6,394,223		5,343,724
Investment tax credits receivable	***7***		2,824		52,869
Inventory	***8***		5,337,685		5,687,407
Prepaid expenses and other assets			1,777,575		1,139,863
Total current assets			19,925,342		26,427,657
Property and equipment	***9***		829,473		1,019,867
Intangible assets	***10***		7,370,386		160,490
Goodwill	***4***		2,590,945		-
Right of Use assets	***11***		3,500,386		3,417,733
Total assets		$	34,216,532	$	31,025,747
Liabilities and Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities	***12***	$	11,503,018	$	8,974,662
Deferred revenue and deposits			3,363,075		3,151,790
Lease liabilities	***14***		835,794		726,549
Bank term loan - current portion	***13***		1,100,000		-
Bank working capital loan	***13***		7,020,000		8,100,000
Total current liabilities			23,821,887		20,953,001
Deferred revenue and deposits			510,512		-
Bank term loan - long term portion	***13***		1,445,714		-
Contingent consideration on Congruitive acquisition	***4***		2,458,702		-
Lease liabilities	***14***		2,730,629		3,282,143
Total liabilities			30,967,444		24,235,144
Shareholders' equity					
Share capital	***15***				
Common shares			88,142,625		86,932,034
Other capital reserves			40,859,454		40,255,644
Accumulated other comprehensive income			1,916,215		1,917,505
Deficit			(127,669,206)		(122,314,580)
Total shareholders' equity			3,249,088		6,790,603
Total liabilities and shareholders' equity		$	34,216,532	$	31,025,747

See accompanying notes to interim condensed consolidated financial statements.

Commitments and contingencies (*Note 18*)

Approved on behalf of the Board:

"John McEwen" — Director

"Peter Londa" — Director

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Expressed in United States dollars)

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenues	*19*	$ 9,071,109	$ 8,536,822	$ 27,438,051	$ 24,561,415
Cost of sales	*8, 15(e), 19*	4,283,858	4,932,219	14,065,892	13,562,715
		4,787,251	3,604,603	13,372,159	10,998,700
Expenses					
Sales and marketing	*15(e), 20*	1,829,063	1,458,770	5,072,702	4,026,785
Research and development	*7, 15(e), 20*	1,588,726	1,397,237	5,853,291	4,149,407
General and administrative	*15(e), 20*	1,952,399	1,468,585	6,171,145	5,832,807
Depreciation and amortization	*9, 10, 11, 20*	535,362	381,475	1,579,756	1,263,079
		5,905,550	4,706,067	18,676,894	15,272,078
Operating loss		(1,118,299)	(1,101,464)	(5,304,735)	(4,273,378)
Other (expenses) earnings					
Foreign exchange gain (loss)		246,839	(95,276)	753,464	(99,202)
Finance expenses	*16*	(283,137)	(142,999)	(772,372)	(482,817)
		(36,298)	(238,275)	(18,908)	(582,019)
Loss before income taxes		(1,154,597)	(1,339,739)	(5,323,643)	(4,855,397)
Income tax expense		-	-	30,983	-
Loss for the period		(1,154,597)	(1,339,739)	(5,354,626)	(4,855,397)
Foreign currency translation adjustment		66	(879)	(1,290)	84
Total comprehensive loss for the period		$ (1,154,531)	$ (1,340,618)	$ (5,355,916)	$ (4,855,313)
Loss per share (basic and diluted)	*17*	$ (0.03)	$ (0.03)	$ (0.12)	$ (0.12)
Weighted average number of shares outstanding (basic and diluted)	*17*	44,593,332	41,418,892	44,465,073	39,189,858

See accompanying notes to interim condensed consolidated financial statements.

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in United States dollars)

	Common Shares				Other Capital		Accumulated Other Comprehensive				Total Shareholders'
	Number		Amount		Reserves		Income		Deficit		Equity (Deficit)
Balance, December 31, 2020	**33,673,520**	**$**	**71,475,662**	**$**	**39,590,453**	**$**	**1,917,206**	**$**	**(115,294,427)**	**$**	**(2,311,106)**
Share-based compensation	-		-		462,080		-		-		462,080
Issuance of common shares from financing	9,128,320		16,282,172		-		-		-		16,282,172
Issuance of common shares from option exercise	65,069		51,650		-		-		-		51,650
Share issuance costs	-		(2,203,450)		203,111		-		-		(2,000,339)
Shares issued for RiseTech merger	767,320		1,326,000		-		-		-		1,326,000
Foreign currency translation adjustment	-		-		-		299		-		299
Loss for the period	-		-		-		-		(7,020,153)		(7,020,153)
Balance, December 31, 2021	**43,634,229**	**$**	**86,932,034**	**$**	**40,255,644**	**$**	**1,917,505**	**$**	**(122,314,580)**	**$**	**6,790,603**
Share-based compensation	-		-		603,810		-		-		603,810
Issuance of common shares from option exercise	18,074		14,125		-		-		-		14,125
Issuance of common shares from RSU exercise	74,074		-		-		-		-		-
Issuance of common shares in Congruitive acquisition	869,565		1,196,466		-		-		-		1,196,466
Foreign currency translation adjustment	-		-		-		(1,290)		-		(1,290)
Loss for the period	-		-		-		-		(5,354,626)		(5,354,626)
Balance, September 30, 2022	**44,595,942**	**$**	**88,142,625**	**$**	**40,859,454**	**$**	**1,916,215**	**$**	**(127,669,206)**	**$**	**3,249,088**

See accompanying notes to interim condensed consolidated financial statements.

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Cash Flows

(*Expressed in United States dollars)*

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash (used in) provided by					
Operating Activities					
Loss for the period		$ (1,154,597)	$ (1,339,739)	$ (5,354,626)	$ (4,855,397)
Items Not Affecting Cash:					
Unrealized foreign exchange (gain) / loss		282	13,847	(433,676)	38,648
Depreciation of equipment	*9*	97,411	142,838	304,561	425,100
Amortization of intangible assets	*10*	286,385	128,560	809,429	502,124
Amortization of right-of-use asset	*11*	151,566	110,077	465,766	335,855
Share-Based compensation	*15(e)*	198,814	64,454	603,810	322,930
RiseTech reverse acquisition listing expense		-	-	-	1,188,175
Finance expenses	*16*	249,290	129,730	661,281	398,077
Changes in Non-Cash Operating Working Capital					
Accounts Receivable	*6*	329,904	761,748	(385,368)	3,297,096
Investment tax credits receivable	*7*	38,800	96,385	50,045	109,429
Inventories	*8*	(308,774)	(69,695)	357,432	(951,933)
Prepaid expenses and other assets		(249,541)	(71,771)	(608,639)	637,444
Accounts payable and accrued liabilities	*12*	362,102	(1,067,651)	1,497,643	(2,885,351)
Deferred revenue and deposits		(1,327,682)	(2,192,243)	132,472	(1,991,245)
Lease payments for interest	*14*	(62,271)	(15,880)	(170,305)	(65,541)
Interest paid on bank loan	*13*	(187,019)	(113,850)	(490,976)	(332,536)
Net Cash used in Operating Activities		(1,575,330)	(3,423,190)	(2,561,151)	(3,827,125)
Investing Activities					
Purchase of equipment	*9*	(31,968)	(4,322)	(106,219)	(123,552)
Purchase of intangible assets	*10*	(154,371)	(176,882)	(331,325)	(339,806)
Purchase of Congruitive, net of cash acquired	*4*	-	-	(5,685,531)	-
Net cash acquired from RiseTech reverse acquisition		-	-	-	342,072
Net Cash used in provided by Investing Activities		(186,339)	(181,204)	(6,123,075)	(121,286)
Financing Activities					
Repayments of working capital loan	*13*	(1,080,000)	-	(1,080,000)	-
Advance of term loan	*5, 13*	-	-	3,300,000	-
Repayments of term loan	*13*	(282,857)	-	(754,286)	24,950
Increase in restricted cash	*5*	(673,474)	-	(673,474)	-
Repayment of lease liabilities	*14*	(122,968)	(66,291)	(390,409)	(423,626)
Issuance of common shares from financing		-	8,503,633	-	16,282,172
Issuance of common shares from option exercise	*15(c)*	5,992	47,741	14,125	47,741
Share issuance costs		-	(907,486)	-	(2,000,339)
Net Cash (used in) provided by Financing Activities		(2,153,307)	7,577,597	415,956	13,930,898
(Decrease) increase in cash		(3,914,976)	3,973,203	(8,268,270)	9,982,487
Effect of foreign exchange on cash		(154,461)	(28,153)	(195,963)	(2,428)
Cash, beginning of period		9,808,998	10,682,722	14,203,794	4,647,713
Cash, end of period		**$ 5,739,561**	**$ 14,627,772**	**$ 5,739,561**	**$ 14,627,772**

See accompanying notes to interim condensed consolidated financial statements.

Supplemental cash flow information (Note 24)

1. Reporting Entity

On January 29, 2021, RiseTech Capital Corp. (a Canadian company previously listed on the TSX Venture Exchange ("TSX-V") under the symbol "RTCC.P") ("RiseTech") acquired all of the outstanding shares of TSH Canada Inc. (formerly known as Tantalus Systems Holding Inc.) pursuant to a plan of arrangement and RiseTech changed its name to Tantalus Systems Holding Inc. (the "Company" or "Tantalus").

Upon completion of the transaction on January 29, 2021, the shareholders of RiseTech held less than 2% of the issued and outstanding shares of the Company and as a result, TSH Canada Inc.'s former shareholders controlled the Company resulting in a reverse take-over acquisition ("RTO"). The resulting financial statements are presented as a continuation of the financial statements of TSH Canada Inc., reflecting the acquisition of RiseTech on a reverse acquisition basis on January 29, 2021, and comparative figures presented in these consolidated financial statements are those of TSH Canada Inc.

RiseTech was incorporated on February 26, 2018 under the Business Corporations Act of British Columbia. The predecessor entity that was operating the business of TSH Canada Inc. was incorporated under the provisions of the Canada Business Corporations Act.

On February 9, 2021, the common shares of the Company began trading on the TSX-V under the symbol "GRID". On May 10, 2021, the Company graduated to the Toronto Stock Exchange ("TSX") with the common shares of the Company continuing to trade under the symbol "GRID" with related delisting from the TSX-V.

The Company is a smart grid technology company that transforms aging one-way grids into future-proofed multi-directional grids that improve the efficiency, reliability and sustainability of public power and electric cooperative utilities and the communities they serve. Tantalus' business operations are in Canada and in the United States.

The Company's head office is located in Burnaby, Canada. The Company's registered office is located in Vancouver, Canada. The Company's direct and indirect operating subsidiaries have offices in Ottawa, Ontario, Canada; Raleigh, North Carolina, United States, Norwalk, Connecticut, United States and San Jose, California, United States.

2. Basis of Presentation

Statement of Compliance

These interim condensed consolidated financial statements (the "interim financial statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These interim financial statements have been prepared using the historical cost basis and the same accounting policies as those disclosed in the Company's annual financial statements as at and for the year ended December 31, 2021 except as noted in Note 3, which describes the impact of new accounting policies adopted effective January 1, 2022. Accordingly, these interim financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2021.

The Board of Directors authorized these interim financial statements for issue on November 9, 2022.

Presentation

These consolidated financial statements are presented in United States dollars. The functional currency of the operating entities is the United States dollar, with the exception of Energate Inc., where the functional currency is the Canadian dollar ("CND").

Selected explanatory notes are included in these interim financial statements to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements of the Company.

These interim financial statements include the accounts of the Company and its subsidiaries with intercompany balances and transactions eliminated upon consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim financial statements. The entities contained in the interim financial statements are as follows:

Company Entity	**Active**	**Country of Incorporation**	**Ownership Interest**
TSH Canada Inc.	Yes	Canada	100%
Tantalus Systems Corp.	Yes	Canada	100%
Tantalus Systems Inc.	Yes	U.S.	100%
Energate Inc.	Yes	Canada	100%
Energate, Corp. [1]	No	U.S.	N/A
DLC Systems, Inc. d/b/a Congruitive	Yes	U.S.	100%

[1]Dissolved March 4, 2021.

2. Basis of Presentation (continued)

Use of Judgements, Estimates and Assumptions

The preparation of these interim financial statements in accordance with IAS 34 requires management to use judgement and make estimates and assumptions that affect the amounts reported in these interim financial statements. Actual results could differ from these estimates due to changes in interest rates, foreign exchange rates, inflation, and economic conditions.

The areas of significant judgement and estimation were identified in the Company's most recent audited consolidated financial statements for the year ended December 31, 2021, except for judgements pertaining to the adoption of new accounting policies effective on January 1, 2022 (Note 3).

Going Concern

These interim condensed 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 nine months ended September 30, 2022, the Company incurred a comprehensive loss of $5,355,916 and used cash flows for operating activities of $2,561,151. 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 interim condensed consolidated financial statements, management has forecasted its cash flow requirements, considering the Company's working capital and cash balance at September 30, 2022 and believes that it has sufficient cash resources to support operations for at least the next twelve months from September 30, 2022. The Company has a history of successive annual renewals of its Bank Loan (see Note 13 Bank Loan) and anticipates that the Bank Loan will be renewed prior to maturity on February 27, 2023. In addition to the Company's cash of $5,739,561 as at September 30, 2022, 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.

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. These interim condensed consolidated financial statements do not give effect to any adjustments to the carrying value of recorded assets and liabilities, revenue and expenses, the interim condensed consolidated statements of financial position classifications used and disclosures that might be necessary should the Company be unable to continue as a going concern.

3. Significant Accounting Policies

The accounting policies followed in these interim financial statements are the same as those applied in the Company's most recent audited consolidated financial statements for the year ended December 31, 2021, except as noted below.

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

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

Business combination

Acquisitions of subsidiaries and assets that meet the definition of a business under IFRS are accounted for using the acquisition method. The consideration transferred in the acquisition is measured at acquisition date fair value. The identifiable assets acquired and liabilities assumed that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date. Any excess consideration over the fair value of the identifiable net assets is recognized as goodwill. Acquisition-related costs are recognized in profit or loss as incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date up to a maximum of one year. Any contingent consideration is measured at fair value at the acquisition date. If contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity. Other contingent consideration is re-measured at fair value at each reporting date with changes in fair value recognized in profit or loss. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes to the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3. Significant Accounting Policies (continued)

Goodwill

Goodwill, representing the excess of the consideration paid for entities acquired over the fair values of the assets acquired and liabilities assumed, is initially measured at cost and is not amortized. After initial recognition, goodwill is measured at cost less any accumulated impairment losses and is tested annually for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units ("CGU") or group of CGUs that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and intangible assets acquired in a business combination are recognized at fair value at the date of acquisition. Intangible assets include customer agreements and relations, and technologies. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense for finite life intangible assets is recognized in profit or loss. Intangible assets with indefinite lives are not amortized, however they are tested annually or more frequently when circumstances indicate that the carrying value may not be recoverable. Intangible assets are amortized over their estimated useful lives, on a straight-line basis, as follows:

Intangible Asset	Life
Technology	10 years
Customer relations	10 years
Intellectual property	10 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Unaudited (Expressed in United States dollars, unless otherwise indicated)

4. Congruitive Acquisition

On January 31, 2022, the Company completed its acquisition of all the outstanding and issued common shares of DLC Systems, Inc. d/b/a Congruitive ("Congruitive"). Congruitive's signature software solution, Congruence.IQ™ ("C.IQ™"), is a software platform that enables the interoperability of a wide range of devices. The addition of Congruitive enhances the Company's position at the forefront of helping utilities modernize their grids to prepare for the impact of Electric Vehicles ("EVs") and Distributed Energy Resources ("DERs") on the resiliency and reliability of distribution grids.

The Company determined that Congruitive represented a business as the assets were an integrated set of activities with inputs, processes and outputs. Accordingly, 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.

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)
Lease liability		(33,333)
Fair value of deferred revenue		(589,325)
Fair value of assets and liabilities recognized	$	7,528,696
Goodwill	$	2,590,945

The fair value of common shares transferred as consideration is based on the five day weighted average quoted share price prior to the date the shares were issued, which is at CND$1.76 per common share.

4. Congruitive Acquisition (continued)

The fair value of the contingent consideration payable was based on an estimated weighted probability of certain revenue targets being met in the 2-year period following the acquisition date. The additional consideration could range from nil to $5,000,000.

The accounts receivables acquired are comprised of trade receivables.

The fair value of the acquired intangible assets comprised of technology, customer relations and trademarks is determined using a discounted cash flow method at a discount rate of 22%.

Goodwill arising from the acquisition is attributable mainly to the skills and technical talent of Congruitive's work force and the synergies expected to be achieved from integrating Congruitive into the Company's existing business. The expertise of Congruitive's workforce and the integration of its technology will enable Tantalus to bolster its presence in its utility market.

Due to the timing of the acquisition, the fair values assigned to intangible assets and goodwill are measured on a provisional basis and may be revised by the Company as additional information is received.

Revenue of $975,769 and net loss of $709,417 from the acquired operations of Congruitive are included in the consolidated statement of loss and comprehensive loss from the date of acquisition to September 30, 2022. Had the acquisition of Congruitive occurred on January 1, 2022, the consolidated revenue would have increased by $130,881 and the consolidated net loss would have increased by $459,855 for the nine month period ended September 30, 2022. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same as if the acquisition had occurred on January 1, 2022

Transaction costs of $936,960 were incurred in connection with the acquisition including a success fee of $450,000 and legal and professional fees of $346,140, recognized in the consolidated statement of loss and comprehensive loss.

5. 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 connection with a key customer contract. The surety performance insurance bond expires on August 8, 2023, unless released prior to this date (Note 18(a)).

Unaudited (Expressed in United States dollars, unless otherwise indicated)

6. Accounts Receivable

		September 30, 2022		**December 31, 2021**
Accounts receivable	$	6,745,827	$	5,695,328
Less: allowance for doubtful accounts		(351,604)		(351,604)
Net Accounts receivable	**$**	**6,394,223**	**$**	**5,343,724**

The Company did not have any accounts receivable balances from related parties as at September 30, 2022 and December 31, 2021, respectively.

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.

During the period ended September 30, 2022, the Company recorded credit losses of nil (September 30, 2021 - $nil), in general and administrative expense.

Aging analysis of trade receivables is as follows:

		September 30, 2022		**December 31, 2021**
Not past due	$	5,089,109	$	2,459,704
31-90 days		27,392		1,524,544
91-180 days		15,225		282,714
Over 180 days		1,614,101		1,428,366
Total	**$**	**6,745,827**	**$**	**5,695,328**

Unaudited (Expressed in United States dollars, unless otherwise indicated)

7. Investment Tax Credits Receivable and Government Assistance

		September 30, 2022		December 31, 2021
Investment tax credits receivable	**$**	**2,824**	**$**	**52,869**

The Company had access to certain Canadian federal and provincial tax incentives for qualified research and development in Canada. Certain research and development activities and related expenditures performed by the Company qualify for funding reimbursement from the Canadian government subsidy programs inclusive of the National Research Council of Canada Industrial Research Assistance Program ("IRAP") and other investment tax credits. These investment tax credits are recorded as a reduction to the related expenditures in the fiscal year when there is reasonable assurance that such credits will be realized.

The impact on the Company's research and development government assistance through investment tax credits is as follows:

		Three months ended September 30, 2022		Three months ended September 30, 2021		Nine months ended September 30, 2022		Nine months ended September 30, 2021
Research and Development, Gross		1,588,726		1,447,237		6,127,821		4,279,407
Investment Tax Credit		-		50,000		274,530		130,000
Research and Development, Net	**$**	**1,588,726**	**$**	**1,397,237**	**$**	**5,853,291**	**$**	**4,149,407**

Unaudited (Expressed in United States dollars, unless otherwise indicated)

8. Inventory

		September 30, 2022		December 31, 2021
Finished goods	$	2,692,107	$	3,142,264
Raw materials		2,645,578		2,545,143
Inventory	**$**	**5,337,685**	**$**	**5,687,407**

During the three months ended September 30, 2022 and September 30, 2021, inventory related amounts were charged to cost of sales of $3,507,281 and $3,864,055, respectively. During the nine months ended September 30, 2022 and September 30, 2021 the Company charged $11,449,956 and $10,747,820, respectively, of inventory related amounts to cost of sales**.**

Management assesses the valuation of inventory at the end of each period resulting in valuation adjustments accounted for in the respective period based upon management estimates. During the period, inventories were reviewed for obsolescence as part of ongoing operations. Inventory adjustments for obsolescence were recorded in cost of sales during the three months ended September 30, 2022 and September 30, 2021 of $59,549 and $92,756, respectively, and during the nine months ended September 30, 2022 and September 30, 2021 of $84,574 and $156,129, respectively.

An inventory obsolescence reserve of $225,000 as at September 30, 2022 ($225,000 as at December 31, 2021) has been recorded.

9. Property & Equipment

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

Cost		Computers and Equipment		Furniture and Fixtures		Laboratory and Test Equipment		Leasehold Improvement		Total
Balance, December 31, 2020	$	3,374,734	$	526,055	$	5,025,717	$	1,618,114	$	10,544,620
Additions		32,191		9,960		105,439		-		147,590
Balance, December 31, 2021	$	3,406,925	$	536,015	$	5,131,156	$	1,618,114	$	10,692,210
Additions		38,438		-		53,967		13,814		106,219
Acquired from Congruitive		-		-		7,948		-		7,948
Balance, September 30, 2022	$	3,445,363	$	536,015	$	5,193,071	$	1,631,928	$	10,806,377

Unaudited (Expressed in United States dollars, unless otherwise indicated)

9. Property & Equipment (continued)

Accumulated Depreciation	Computers and Equipment	Furniture and Fixtures	Laboratory and Test Equipment	Leasehold Improvement	Total
Balance,					
December 31, 2020	$ 3,262,919	$ 445,230	$ 4,065,325	$ 1,331,431	$ 9,104,905
Additions	68,388	25,402	279,043	194,605	567,438
Balance,					
December 31, 2021	$ 3,331,307	$ 470,632	$ 4,344,368	$ 1,526,036	$ 9,672,343
Additions	39,106	20,103	212,658	31,634	303,501
Acquired from Congruitive	-	-	1,060	-	1,060
Balance,					
September 30, 2022	$ 3,370,413	$ 490,735	$ 4,558,086	$ 1,557,670	$ 9,976,904

Net Book Value	Computers and Equipment	Furniture and Fixtures	Laboratory and Test Equipment	Leasehold Improvement	Total
Balance,					
December 31, 2021	$ 75,618	$ 65,383	$ 786,788	$ 92,078	$ 1,019,867
Balance,					
September 30, 2022	$ 74,950	$ 45,280	$ 634,985	$ 74,258	$ 829,473

10. Intangible assets

Cost	Computer Software	Technology	Customer Relations	Intellectual Property	Total
Balance,					
December 31, 2020	$ 1,615,946	$ -	$ 677,509	$ 962,058	$ 3,255,513
Additions	382,621	-	-	-	382,621
Balance,					
December 31, 2021	$ 1,998,567	$ -	$ 677,509	$ 962,058	$ 3,638,134
Additions	331,325	-	-	-	331,325
Acquired from Congruitive	-	6,530,000	830,000	328,000	7,688,000
Balance,					
September 30, 2022	$ 2,329,892	$ 6,530,000	$ 1,507,509	$ 1,290,058	$ 11,657,459

Unaudited (Expressed in United States dollars, unless otherwise indicated)

10. Intangible assets (continued)

Accumulated Amortization	Computer Software	Technology	Customer Relations	Intellectual Property	Total
Balance, December 31, 2020	$ 1,481,732	$ -	$ 577,183	$ 821,925	$ 2,880,840
Additions	356,345	-	100,326	140,133	596,804
Balance, December 31, 2021	$ 1,838,077	$ -	$ 677,509	$ 962,058	$ 3,477,644
Additions	296,896	-	-	-	296,896
Acquired from Congruitive	-	435,333	55,333	21,867	512,533
Balance, September 30, 2022	$ 2,134,973	$ 435,333	$ 732,842	$ 983,925	$ 4,287,073

Net Book Value	Computer Software	Technology	Customer Relations	Intellectual Property	Total
Balance, December 31, 2021	$ 160,490	$ -	$ -	$ -	$ 160,490
Balance, September 30, 2022	$ 194,919	$ 6,094,667	$ 774,667	$ 306,133	$ 7,370,386

11. Right-of-Use Assets

The following table presents details of movement in the carrying value of the right-of-use asset:

	September 30, 2022	December 31, 2021
Beginning Balance	$ 3,417,733	$ 992,880
Additions	548,419	2,806,348
Amortization of ROU	(465,766)	(381,495)
Ending Balance	**$ 3,500,386**	**$ 3,417,733**

12. Accounts Payable and Accrued Liabilities

		September 30, 2022		December 31, 2021
Trade payables and other payables	$	6,694,316	$	4,819,576
Accrued warranty (a)		884,684		807,017
Employee benefits		1,478,663		1,677,352
Vendor goods and services received		1,256,761		551,899
Professional fees		752,059		684,485
Other accrued liabilities		436,535		434,333
Total	**$**	**11,503,018**	**$**	**8,974,662**

(a) Management accrues product warranty costs as products are sold to provide for the repair or replacement of defective products. The accrual is based on known warranty issues when a loss is probable and can be reasonably estimated. Accrual for unidentified warranty issues is based on an assessment of historical experience.

13. Bank Loan

The Company has a loan agreement with Comerica Bank (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 was previously comprised of two line of credit facilities (expressed in USD and CND currencies and collectively, the "Bank Loan") with respective maximum borrowing limits of $7,486,000 and CND$750,000 subject to a borrowing base in the amount equal to the aggregate of a percentage of eligible receivables, accrued investment tax credits, inventory and purchase orders. On May 10, 2021, the Company consolidated its Bank Loan from two credit facilities into one line of credit facility in United States dollars up to a maximum of $8,100,000. The Company had an aggregate balance drawn on its line of credit facilities with the Bank as at September 30, 2022 of $7,020,000 ($8,100,000 as at December 31, 2021). The facility bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly. The credit facility is secured by a general security agreement and security over accounts receivable and inventory. The facility previously had a maturity date of February 28, 2022 and was renewed on January 31, 2022 to extend the maturity date to February 27, 2023 in conjunction with an amendment for an incremental term loan.

The term loan 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 (see Note 4) and bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly. The term loan had a balance of $2,545,714 as at September 30, 2022 (nil as at December 31, 2021).

As at September 30, 2022, the Company was in violation of a debt covenant, for which a waiver was received from the Bank.

Unaudited (Expressed in United States dollars, unless otherwise indicated)

14. Lease Liabilities

The Company has leases with respect to its operating premises in Burnaby, British Columbia, Canada ("Burnaby"), Kanata, Ontario, Canada ("Kanata"), Raleigh, North Carolina, United States ("Raleigh") and Norwalk, Connecticut, United States ("Norwalk") in addition to equipment leases. Upon acquisition of Congruitive, the Company now has an operating premise in San Jose, California, United States ("San Jose") as well. With the exception of short-term and low-value leases, leases are reflected on the balance sheet as a right-of-use asset and a lease liability.

On June 7, 2022, the Company extended the lease for its Raleigh, North Carolina, office facility from August 31, 2022 to October 31, 2027. This resulted in the addition of a Right-of-Use asset of $518,157 , net lease liability of $543,157 and tenant allowance of $25,000.

Upon the acquisition of Congruitive on January 31, 2022, the Company now has an office facility in San Jose, California which was originally entered into on October 15, 2020 and is expected to expire on October 31, 2023. The addition of the San Jose lease resulted in the addition of a net Right-of-Use asset of $30,262 as of January 31, 2022 with a net cumulative adjustment to prior years' equity of $3,071 relating to the impact of IFRS 16.

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.

On June 4, 2021, the Company entered into an amendment to extend the maturity date of the lease for its Burnaby, BC office facility from January 31, 2022 to January 31, 2029. This resulted in the addition of a Right-of-Use asset of $2,735,411, net lease liability of $3,099,250 and leasehold inducements of $445,519. The estimated future payments of the related undiscounted variable operating costs are $3,396,783 pertaining to this extension.

Below is a summary of the activity related to the Company's fixed minimum operating premises and short-term equipment lease liabilities:

		September 30, 2022		December 31, 2021
Maturity Analysis – contractual undiscounted cash flows from minimum lease				
Less than one year	$	736,588	$	727,473
One to five years		2,768,827		2,762,975
More than five years		768,913		1,400,096
Total undiscounted lease liabilities	**$**	**4,274,328**	**$**	**4,890,544**

Unaudited (Expressed in United States dollars, unless otherwise indicated)

14. Lease Liabilities (continued)

The following is a reconciliation of undiscounted lease liabilities at September 30, 2022 to the lease liabilities recognized at September 30, 2022:

Total undiscounted lease liabilities at September 30, 2022	**$**	**4,274,328**
Discounted using incremental borrowing rate		(707,905)
Total lease liabilities recognized under IFRS 16 at September 30, 2022	**$**	**3,566,423**

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

		September 30, 2022		**December 31, 2021**
Beginning Balance	$	**4,008,692**	$	**1,312,469**
Additions		576,490		3,251,866
Add: Interest		170,305		83,964
Less: Payments		(560,714)		(694,451)
Impact of foreign exchange		(628,350)		54,844
Ending Balance		3,566,423		4,008,692
Less: Current portion		(835,794)		(726,549)
Non-current portion	**$**	**2,730,629**	**$**	**3,282,143**

Amounts Recognized in Statements of Operations		**Three months ended September 30, 2022**		**Three months ended September 30, 2021**		**Nine months ended September 30, 2022**		**Nine months ended September 30, 2021**
Finance charge on lease liabilities	$	62,271	$	15,880	$	170,305	$	65,541
Variable lease payments expensed		133,616		126,082		400,848		378,246
Expenses relating to equipment short term leases		-		598		-		1,793
Total amounts recognized in Statements of Operations	**$**	**195,887**	**$**	**142,560**	**$**	**571,153**	**$**	**445,580**

The aggregate of the Company’s variable lease payments as at September 30, 2022 is as follows and reflects the estimated future payments of the variable operating costs of the long-term operating premises leases in Burnaby, Kanata, Raleigh, Norwalk, and San Jose.

Unaudited (Expressed in United States dollars, unless otherwise indicated)

14. Lease Liabilities (continued)

2022	$	133,616
2023		547,906
2024		561,754
2025		488,457
2026		498,940
2027		513,908
2028		529,326
	$	**3,273,907**

15. Share Capital

(a) Authorized share capital:

Unlimited common shares, with no par value.

Unlimited preferred shares, with no par value.

The holders of common shares are entitled to one vote per share, to receive dividends when declared and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to Shareholders.

The Company has 44,595,942 common shares outstanding as at September 30, 2022 as indicated below:

	Number of common shares		**Amount**
Outstanding, January 1, 2021	**33,673,520**	**$**	**71,475,662**
Issuance of common shares from financing	9,128,320		16,282,172
Share issuance costs	-		(2,203,450)
Shares issued upon stock option exercise	65,069		51,650
Shares issued for RiseTech merger	767,320		1,326,000
Outstanding, December 31, 2021	**43,634,229**		**86,932,034**
Issuance of common shares from option exercise	18,074		14,125
Issuance of common shares from RSU exercise	74,074		-
Issuance of common shares in Congruitive acquisition	869,565		1,196,466
Outstanding, September 30, 2022	**44,595,942**	**$**	**88,142,625**

15. Share Capital (continued)

(b) Issuance of Common Shares in Congruitive Acquisition

During the nine months ended September 30, 2022, 869,565 common shares of Tantalus were issued for $1,196,466 as part of the purchase price of the Congruitive Acquisition (see Note 4) and was based on a share price of CND$1.76 (US$1.38), calculated with reference to the volume weighted average trading price of Tantalus' common shares on the TSX over the previous five trading days ended January 28, 2022 and exchange rates over the same period.

(c) Stock Option Plan

The Company adopted the Omnibus Long Term Incentive Plan ("LTIP") that was effective as of the closing of the plan of arrangement pursuant to which the Company may grant stock options to provide incentives to eligible persons. As at September 30, 2022, the LTIP allows for a maximum of 7,771,810 common shares to be available under the plan.

The stock options are settled by way of issuance of common shares. The exercise price of stock options is determined by a committee of the Board of Directors, or if no committee is appointed, the Board of Directors, and shall not be less than fair market value of a common share. The expiry date of stock options is designated on the date of grant and shall be no later than 10-years from the date of grant. Unless otherwise approved by the Board of Directors, the stock options typically vest over a 4-year term with 25% of the options vesting after 12-months and the remaining 75% of the options vesting monthly in equal amounts over the following 36-months.

During the three months ended September 30, 2022, 7,746 shares were issued as a result of stock options being exercised with an exercise price of CND$1.00 for gross proceeds of $5,992 (60,069 for the three months ended September 30, 2021 for gross proceeds of $47,741). During the nine months ended September 30, 2022, 18,074 shares were issued as a result of stock options being exercised with an exercise price of CND$1.00 for gross proceeds of $14,125 (60,069 for the nine months ended September 30, 2021 for gross proceeds of $47,741).

Stock option activity under the former stock option plan of TSH Canada Inc. and the LTIP, as its successor option plan, is provided below:

Unaudited (Expressed in United States dollars, unless otherwise indicated)

15. Share Capital (continued)

(c) Stock Option Plan (continued)

	Number of Options		Weighted Average Exercise Price (CND$)
Balance at December 31, 2020	4,841,884	$	1.00
RiseTech options exchanged in reverse acquisition	18,284	$	1.64
Granted during the period	1,111,519	$	2.12
Exercised during the period	(65,069)	$	1.00
Forfeited/expired during the period	(37,205)	$	1.00
Balance at December 31, 2021	5,869,413	$	1.21
Granted during the period	1,219,646	$	1.35
Exercised during the period	(18,074)	$	1.00
Forfeited/expired during the period	(162,671)	$	1.00
Balance at September 30, 2022	**6,908,314**	**$**	**1.24**

As at September 30, 2022, the number of stock options outstanding and exercisable and the exercise price, adjusted for the share consolidation which occurred on January 29, 2021, was as follows:

Option Grant Date	Options Outstanding	Options Exerciseable		Exercise Price (CND$)
December 18, 2018	3,547,320	3,547,320	$	1.00
April 1, 2019	70,000	56,875	$	1.00
January 1, 2020	422,899	237,881	$	1.00
June 20, 2020	5,000	2,500	$	1.00
September 1, 2020	513,646	224,720	$	1.00
February 9, 2021	18,284	18,284	$	1.64
February 9, 2021	112,000	35,000	$	2.25
March 25, 2021	100,000	100,000	$	2.17
August 17, 2021	179,000	44,750	$	2.11
November 17, 2021	658,900	-	$	2.10
November 17, 2021	47,619	47,619	$	2.10
December 24, 2021	14,000	-	$	1.79
March 24, 2022	1,185,515	-	$	1.35
May 15, 2022	34,131	-	$	1.28
Balance at September 30, 2022	**6,908,314**	**4,314,949**	**$**	**1.06**

During the nine month periods ended September 30, 2022 and September 30, 2021, the fair value of options granted was $581,964 and $233,233, respectively. Remaining unrecognized cost of the LTIP as at September 30, 2022 and December 31, 2021 was $633,417 and $694,144, respectively. The weighted average remaining life expressed in years of outstanding options was 3.58 years as at September 30, 2022 and 3.65 years as at December 31, 2021.

Unaudited (Expressed in United States dollars, unless otherwise indicated)

15. Share Capital (continued)

(c) Stock Option Plan (continued)

As at September 30, 2022, the Company had total vested options of 4,314,949 with a weighted average price of CND$1.06 and total vested options of 4,301,945 with a weighted average price of CND$1.04 as at December 31, 2021.

The fair value of the options granted was estimated on the date of grant using the Black- Scholes option-pricing model with the following assumptions:

	September 30, 2022	**December 31, 2021**
Risk free interest rate	0.39% - 2.75%	0.39% - 0.60%
Dividend yield	0%	0%
Expected life (in years)	1 to 7 years	1 to 7 years
Forfeiture rate	6.00%	4.07%
Volatility	50% - 54.1%	50%

(d) Restricted Stock Units

Under the LTIP, the Company may grant restricted stock units (“RSU”) subject to approval by the Company’s board of directors which have a vesting period and RSU term as determined by the Company’s board of directors.

During the nine months ended September 30, 2021, the Company issued 74,074 RSU with a fair value of $130,000. The RSU’s vested in full one year after the date of issuance. The RSU related costs were expensed in general and administrative expenses in the period ended September 30, 2021. During the nine months ended September 30, 2022, the RSU’s vested in full and 74,074 common shares were issued by the Company as soon as practicable after the vesting date.

	Restricted Stock Units
Balance at December 31, 2021	74,074
Granted during the period	-
Exercised during the period	(74,074)
Balance at September 30, 2022	**-**

Unaudited (Expressed in United States dollars, unless otherwise indicated)

15. Share Capital (continued)

(e) Stock-based compensation expense

Stock-based compensation expense recognized attributable to options and RSU's granted was $198,814 and $64,454 during the three months ended September 30, 2022 and September 30, 2021, respectively, and $603,810 and $322,930 during the nine months ended September 30, 2022 and September 30, 2021, respectively.

The Company has allocated the above stock-based compensation expense by respective function of each respective employees and directors as follows:

Three months ended September 30, 2022		**Cost**		**Stock-based Compensation**		**Total**
Cost of sales	$	4,283,667	$	191	$	4,283,858
Sales and marketing		1,786,496		42,567		1,829,063
Research and development		1,573,306		15,420		1,588,726
General and administrative		1,811,763		140,636		1,952,399
	$	5,171,565	$	198,623	$	5,370,188
Total	$	9,455,232	$	198,814	$	9,654,046

Three months ended September 30, 2021		**Cost**		**Stock-based Compensation**		**Total**
Cost of sales	$	4,930,845	$	1,374	$	4,932,219
Sales and marketing		1,443,463		15,307		1,458,770
Research and development		1,383,161		14,076		1,397,237
General and administrative		1,434,888		33,697		1,468,585
	$	4,261,512	$	63,080	$	4,324,592
Total	$	9,192,357	$	64,454	$	9,256,811

Unaudited (Expressed in United States dollars, unless otherwise indicated)

15. Share Capital (continued)

(e) Stock-based compensation expense (continued)

Nine months ended September 30, 2022		**Cost**		**Stock-based Compensation**		**Total**
Cost of sales	$	14,065,185	$	707	$	14,065,892
Sales and marketing		4,944,527		128,175		5,072,702
Research and development		5,804,777		48,514		5,853,291
General and administrative		5,744,731		426,414		6,171,145
	$	16,494,035	$	603,103	$	17,097,138
Total	$	30,559,220	$	603,810	$	31,163,030

Nine months ended September 30, 2021		**Cost**		**Stock-based Compensation**		**Total**
Cost of sales	$	13,556,419	$	6,296	$	13,562,715
Sales and marketing		3,991,898		34,887		4,026,785
Research and development		4,113,860		35,547		4,149,407
General and administrative		5,586,607		246,200		5,832,807
	$	13,692,365	$	316,634	$	14,008,999
Total	$	27,248,784	$	322,930	$	27,571,714

16. Finance Expenses

Period ended		**Three months ended September 30, 2022**		**Three months ended September 30, 2021**		**Nine months ended September 30, 2022**		**Nine months ended September 30, 2021**
Accretion of interest on lease liability (*note 14*)	$	62,271	$	15,880	$	170,305	$	65,541
Interest expense on bank loan (*note 13*)		187,019		113,850		490,976		332,536
EDC insurance and other finance expenses		33,847		13,269		111,091		84,740
Total	**$**	**283,137**	**$**	**142,999**	**$**	**772,372**	**$**	**482,817**

Unaudited (Expressed in United States dollars, unless otherwise indicated)

17. Loss per Share

Loss per common share represents loss for the period divided by the weighted average number of common shares outstanding during the period. The weighted average number of common shares is as follows:

	Three months ended September 30, 2022	**Three months ended September 30, 2021**
Beginning balance at June 30, shares outstanding	44,588,196	41,418,892
Effect of shares issued in period	5,136	-
Weighted average number of shares (basic and diluted)	**44,593,332**	**41,418,892**

	Nine months ended September 30, 2022	**Nine months ended September 30, 2021**
Beginning balance at December 31, shares outstanding	43,634,229	33,673,520
Effect of shares issued related to RTO	-	648,619
Effect of shares issued related to RTO financing	-	3,734,729
Effect of shares issued from Congruitive acquisition	770,460	-
Effect of shares issued from RSU exercise	51,471	-
Effect of shares issued from option exercise	8,913	-
Weighted average number of shares (basic and diluted)	**44,465,073**	**39,189,858**

For all the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of the dilutive securities.

The weighted average number of common shares is as follows:

	Three months ended September 30, 2022	**Three months ended September 30, 2021**	**Nine months ended September 30, 2022**	**Nine months ended September 30, 2021**
Net loss	$ (1,154,597)	$ (1,339,739)	$ (5,354,626)	$ (4,855,397)
Basic weighted average number of shares	44,593,332	41,418,892	44,465,073	39,189,858
Basic and dilutive loss per share	$ (0.03)	$ (0.03)	$ (0.12)	$ (0.12)

18. Commitments and Contingencies

(a) In the ordinary course of business, the Company may deliver performance and/or payment bonds to customers in connection with a sales contract. As at September 30, 2022, the Company had one performance bond outstanding of $2,693,895 with which the Company has provided security through restricted cash representing 25% of such bond equaling $673,474 (Note 5) (December 31, 2021 - $1,138,012).

(b) In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors. As at September 30, 2022, the Company had outstanding purchase order commitments of $18,744,759 (December 31, 2021 - $13,325,090).

(c) The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

(d) In the ordinary course of business, indemnification provisions are included in agreements with the Company's customers. Generally, such indemnification provisions are subject to limitations of liability provisions that exclude certain damages from what the Company may be obligated to indemnify the Customer for in connection with the agreement and/or set a cap on the Company's indemnification obligation tied to revenue generated from such agreement. In certain limited instances, the Company's indemnification obligation may not be subject to such aforementioned limitations and/or caps. As a matter of practice, the Company's customer agreements generally include provisions pursuant to which its customers indemnify the Company for certain potential liabilities that may arise in connection with or relating to the agreements between the parties.

19. Segmented Information

Operating segments

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

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

Unaudited (Expressed in United States dollars, unless otherwise indicated)

19. Segmented Information (continued)

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

Corporate includes all operating expenses of the Company.

Information regarding the operations of each operating segment is included below. Performance is based on revenue less cost of sales.

A breakdown of revenues and cost of sales for each operating segment for the three and nine months ended September 30, 2022 and September 30, 2021 is as follows:

Three months ended September 30, 2022	**Connected Devices and Infrastructure**	**Utility Software Applications and Services**	**Corporate**	**Total**
Revenues	$ 6,101,114	$ 2,969,995	$ -	$ 9,071,109
Cost of sales	3,576,300	707,558	-	4,283,858
Gross profit	2,524,814	2,262,437	-	4,787,251
Operating expenses	-	-	5,905,547	5,905,547
Operating income (loss)	**$ 2,524,814**	**$ 2,262,437**	**$ (5,905,547)**	**$ (1,118,296)**

Three months ended September 30, 2021	**Connected Devices and Infrastructure**	**Utility Software Applications and Services**	**Corporate**	**Total**
Revenue	$ 6,183,304	$ 2,353,518	$ -	$ 8,536,822
Cost of sales	4,220,232	711,987	-	4,932,219
Gross profit	1,963,072	1,641,531	-	3,604,603
Operating expenses	-	-	4,706,067	4,706,067
Operating income (loss)	**$ 1,963,072**	**$ 1,641,531**	**$ (4,706,067)**	**$ (1,101,464)**

Nine months ended September 30, 2022	**Connected Devices and Infrastructure**	**Utility Software Applications and Services**	**Corporate**	**Total**
Revenues	$ 18,123,836	$ 9,314,215	$ -	$ 27,438,051
Cost of sales	11,865,036	2,200,856	-	14,065,892
Gross profit	6,258,800	7,113,359	-	13,372,159
Operating expenses	-	-	18,676,891	18,676,891
Operating income (loss)	**$ 6,258,800**	**$ 7,113,359**	**$ (18,676,891)**	**$ (5,304,732)**

Unaudited (Expressed in United States dollars, unless otherwise indicated)

19. Segmented Information (continued)

Nine months ended September 30, 2021	Connected Devices and Infrastructure	Utility Software Applications and Services	Corporate	Total
Revenue	$ 16,816,903	$ 7,744,512	$ -	$ 24,561,415
Cost of sales	11,422,789	2,139,926	-	13,562,715
Gross profit	5,394,114	5,604,586	-	10,998,700
Operating expenses	-	-	15,272,078	15,272,078
Operating income (loss)	**$ 5,394,114**	**$ 5,604,586**	**$ (15,272,078)**	**$ (4,273,378)**

Revenues attributed to the following geographic regions based on the location of the customer is as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
United States[1]	$ 8,951,287	$ 8,477,376	$ 27,207,576	$ 24,280,450
Canada	109,785	43,273	182,965	221,509
Others	10,037	16,173	47,510	59,456
Total	**$ 9,071,109**	**$ 8,536,822**	**$ 27,438,051**	**$ 24,561,415**

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

20. Expenses by Nature

Total salaries and wages as well as other personnel and contractor related expenses included in Cost of Sales for the three months ended September 30, 2022 and September 30, 2021, respectively, were $783,559 and $794,587, and for the nine months ended September 30, 2022 and September 30, 2021, respectively, were $2,448,592 and $2,388,160.

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

Period ended	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Salaries and Benefits	$ 3,344,242	$ 2,927,220	$ 9,717,441	$ 8,571,424
Travel and meals	192,416	38,280	519,167	65,076
Depreciation and Amortization	535,362	381,475	1,579,756	1,263,079
Consulting and agent services	353,120	340,589	1,901,896	684,359
Facilities variable lease payments	132,827	142,226	397,210	324,710
Stock-based compensation	198,814	63,081	603,810	316,635
Marketing programs	250,428	81,925	510,572	130,808
Insurance	128,395	99,654	278,596	277,471
Office	159,931	51,427	558,865	183,109
Personnel programs and hiring costs	44,881	71,624	62,554	140,064
Information technology services and maintenance	62,133	36,710	195,355	134,443
Amalgamation related costs	-	-	-	964,484
Excess purchase price over RiseTech net assets	-	-	-	1,188,175
Congruitive acquisition costs	-	-	586,960	-
Other expenses	502,998	471,856	1,764,709	1,028,241
Total	**$ 5,905,547**	**$ 4,706,067**	**$ 18,676,891**	**$ 15,272,078**

Unaudited (Expressed in United States dollars, unless otherwise indicated)

21. Capital Disclosures

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

The following schedule details the components of capital:

Deficiency and Liabilities		September 30, 2022		December 31, 2021
Other capital reserves	$	40,859,454	$	40,255,644
Accumulated other comprehensive income	$	1,916,215	$	1,917,505
Share capital	$	88,142,625	$	86,932,034
Deficit	$	(127,669,206)	$	(122,314,580)
Bank term loan	$	2,545,714	$	-
Bank working capital loan	$	7,020,000	$	8,100,000

22. Financial instruments

(a) Financial assets and liabilities

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment.

As at September 30, 2022 and December 31, 2021, the carrying values of cash, restricted cash, accounts receivable, investment tax credits receivable, accounts payable and accrued liabilities, and the bank term and working capital loans approximate their fair value due to their ability to be promptly liquidated, their short term to maturity, or their use of market rates.

Financial instruments are analyzed using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets and liabilities carried at amortized cost are considered Level 2 instruments, because while observable prices and inputs are available, they are not quoted in an active market. There has not been any transfer between fair value hierarchy levels during the periods ended September 30, 2022 and December 31, 2021.

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- interest rate risk;
- credit risk;
- foreign currency exchange rate risk; and
- liquidity risk.

(i) Interest rate risk

All of the Company's financial assets and liabilities are non-interest bearing except for cash which generates interest income at market rates. The credit facilities bear interest at a floating rate based on the bank's prime rate and had a balance of $7,020,000 as at September 30, 2022 and $8,100,000 as at December 31, 2021. A potential percentage change in the bank's prime rate of 1.00% will have an impact of $70,200 for the period ended September 30, 2022 and $81,000 for the year ended December 31, 2021 on the annual interest expense pertaining to its line of credit facility.

22. Financial instruments (continued)

(b) Financial risk management (continued)

(ii) **Interest rate risk (continued)**

The term loan bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly, and had a balance of $2,545,714 as at September 30, 2022 and nil as at December 31, 2021. A potential percentage change in the bank's prime rate of 1.00% will have an impact of $25,457 for the period ended September 30, 2022 and nil for the year ended December 31, 2021 on the annual interest expense pertaining to its term loan.

(iii) **Credit risk**

The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash, investment tax credits receivable and accounts receivable. Credit risk pertaining to the Company's accounts receivable is the risk of financial loss if a customer fails to meet its contractual obligations and arises from the Company's receivables. Accounts receivable primarily consist of trade accounts receivable from utilities companies which have low risk of default. With respect to accounts receivable, the Company engages EDC to perform ongoing credit evaluations of the Company's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary. The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

The aging of accounts receivable as at September 30, 2022 and December 31, 2021 is provided in Note 6.

(iv) **Foreign currency exchange rate risk**

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations.

The Company maintains certain financial instruments, inclusive of a portion of its cash, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company does have exposure to the impact of foreign exchange fluctuations pertaining to its financial position as at September 30, 2022 and December 31, 2021. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the U.S. dollar would have had a $119,317 negative impact on net loss for the period ended September 30, 2022 and a $413,392 positive impact for the year ended December 31, 2021.

22. Financial instruments (continued)

(b) Financial risk management (continued)

(iii) **Foreign currency exchange rate risk (continued)**

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

		September 30, 2022		**December 31, 2021**
Cash	$	575,899	$	6,042,932
Accounts receivable		386,312		122,846
Accounts payable		(1,415,963)		(1,232,992)
Accrued liabilities		(739,420)		(798,865)
Total	**$**	**(1,193,172)**	**$**	**4,133,921**

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

(v) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company constantly monitors its operations and cash flows to ensure that current and future obligations will be met when due.

The maturities of the Company's financial liabilities are as follows:

		As at September 30, 2022
Less than 90 days:		
Accounts payable and accrued liabilities	$	11,503,018

The Company has a loan agreement with Comerica Bank to fund ongoing working capital requirements since April 12, 2012 which the Company has renewed on an annual basis since such date.

Unaudited (Expressed in United States dollars, unless otherwise indicated)

23. Related Party

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. The following table discloses the compensation amount of the Board of Directors and key management personnel in the ordinary course of their employment recognized as an expense during the reporting periods. Key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's executive officers. The remuneration of key management for the three and nine months ended September 30, 2022 and December 31, 2021 is as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Short-term employee benefits	$ 468,706	$ 617,670	$ 1,310,329	$ 1,483,840
Share-based compensation	75,371	22,281	271,595	81,168
Total	**$ 544,077**	**$ 639,951**	**$ 1,581,924**	**$ 1,565,008**

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

24. Supplemental Cash Flow Information

The following are non-cash investing activities that occurred during the periods ended September 30, 2022 and September 30, 2021:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Fair value of contingent consideration in Congruitive acquisition	$ -	$ -	$ 2,458,702	$ -
Shares issued in Congruitive acquisition	-	-	1,196,466	-
Total	**$ -**	**$ -**	**$ 3,655,168**	**$ -**