TANTALUS SYSTEMS HOLDING INC.

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

For the three and nine months ended September 30, 2021

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of Tantalus Systems Holding Inc. (formerly known as RiseTech Capital Corp.) (together with its subsidiaries and predecessors, the "**Company**", "**we**" or "**Tantalus**") is provided to assist our readers to assess our financial condition and our financial performance, including our liquidity and capital resources, for the three and nine months ended September 30, 2021 compared with the three and nine months ended September 30, 2020 and in conjunction with the audited consolidated financial statements of the Company and related notes thereto for the year ended December 31, 2020. The information in this MD&A is current as of November 15, 2021 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2021.

The Company's unaudited interim condensed consolidated financial statements and notes thereto as at September 30, 2021 have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee, and are presented in United States ("US") dollars which is the functional currency of the Company. Certain dollar amounts in this MD&A have been rounded to the nearest millions or thousands of dollars.

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

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

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

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

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

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

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

This MD&A was prepared by management of the Company and approved by its Board of Directors prior to its release. Unless otherwise stated, the Company has considered all information available to it through November 15, 2021 in preparing this MD&A. Additional information relating to the Company can be found on its website.

NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the "Risk Factors" section as well as the MD&A dated April 20, 2021 included with Tantalus' continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com.

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

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

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

DESCRIPTION OF BUSINESS

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

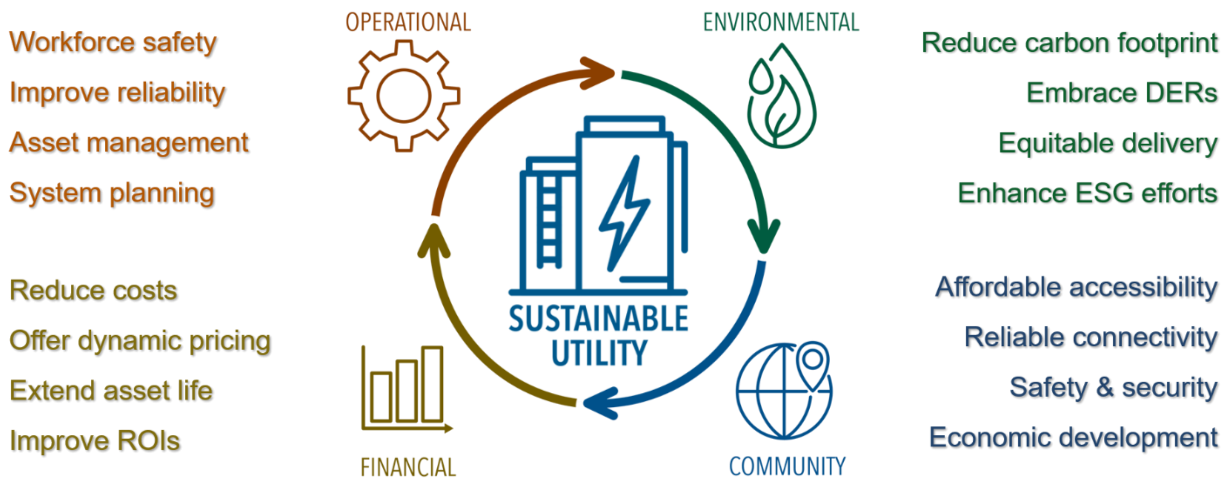
- safely and reliably delivers electricity, water and gas to residential, commercial and industrial customers and communities;
- prepares for the broad adoption of renewable and distributed energy resources such as solar panels, distributed storage and electric vehicles which impact the flow of power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

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

Supporting Environmental, Social and Governance Initiatives:

Our products and services are designed to help utilities operate more sustainably, reduce climate risk and increase access to services for their communities. Through digitization of the distribution grid, improved energy and resource efficiency, enhanced workforce safety, and community resilience, Tantalus helps build the sustainable utility of the future by improving their environmental, social and governance ("ESG") performance and decarbonizing their systems. Our company is also committed to reducing our own impacts, as well. We are assessing our operational resource use, setting ESG goals, and improving our policies to meet the expectations of our stakeholders, employees and customers.

Improving Utilities' ESG Initiatives and Overall Performance



Key Operating Highlights During the Period and for the Nine Months Ending September 30, 2021:

Extreme weather continues to challenge the resiliency of distribution grids while the availability and accelerating adoption of electric vehicles and other distributed energy resources is stressing existing grid infrastructure. Coupled with investments being made by home-owners and businesses to install roof-top solar panels and other distributed energy resources to reduce carbon footprints, the utility industry continues to confront an unprecedented number of challenges that require upgrades to distribution grids across North America. These challenges create a compelling growth opportunity for Tantalus to help utilities transform their distribution grids into digital networks that are capable of accessing granular data that provides situational awareness of the grid, as well as command and control of critical assets that deliver power across communities.

While the growth horizon remains favorable for Tantalus and is being bolstered by the unprecedented stimulus packages in the United States centered on infrastructure upgrades and grid resiliency for the utility industry, management is mindful of the continuing impact resulting from the COVID-19 pandemic and the ongoing worldwide disruption to the availability of electronic components, particularly with respect to semiconductors. The COVID-19 pandemic continues to impact Tantalus through delays in project deployments, delays in decision-making by utilities that are assessing modernization plans and disruptions to the global logistics and overall supply chain production. The worldwide shortage in semiconductors is leading to extended lead times, factory disruptions, raw material shortages and logistics constraints.

Management continues to implement polices to prioritize the health and safety of our employees while maintaining regular interactions with customers. Similarly, management is navigating through the semiconductor shortage by implementing a number of strategies to mitigate the impact of supply chain constraints by building inventory of long-lead components, qualifying alternative component providers, increasing buffer stock and coordinating directly with our contract manufacturer. The Company is exposed to the effect of inflation and specific price changes on its total revenue and related financial performance.

Financial Summary for the Three-Month Period Ended September 30, 2021:

(a) Revenue: During the three months ended September 30, 2021, the Company generated approximately 2% less revenue of \$8.5 million compared to \$8.8 million for the same period in 2020. This decrease was attributable to approximately 2% decreased revenue from the Company's Connected Devices and Infrastructure products of $6.2 million and approximately 4% decreased revenue for its Utility Software Applications and Services segment revenue of $2.4 million for the third quarter of fiscal 2021 as compared to the same period in the prior year.

Quarterly revenue contributions from Utility Software Applications and Services represented approximately 28% of revenue for the three months ended September 30, 2021 consistent with the prior year period. The Company continues to prioritize the development and delivery of software and services as additional connected devices are installed in the field, as demonstrated by the recent press release announcement of the introduction of Tantalus' first data analytics solution with artificial intelligence (AI) capabilities focused on grid resiliency in 2021.

(b) Gross Profit: Gross Profit decreased to $3.6 million during the three months ended September 30, 2021 compared to $4.1 million for the same period in 2020. Gross Profit margin decreased to 42% during the three months ended September 30, 2021 versus 47% during the same period in 2020 due primarily to the product mix of connected devices and infrastructure partially and increased related costs, inclusive of shipping, and revenue mix for utility software applications and services.

(c) Operating Expenses**:** Operating expenses, exclusive of non-core business costs and share based compensation, for the three months ended September 30, 2021 increased to $4.2 million versus $3.2 million for the same period in 2020. The increase in operating expenses is predominantly attributable to expenses associated with becoming a publicly-traded company, the loss of accessing the Canadian government's research and development assistance program referred to as the Scientific Research and Experimental Development ("**SR&ED**") tax program made available to Canadian-Controlled private companies and incremental operating expenses, inclusive of headcount, in addition to the strengthening of the Canadian dollar relative to the United States dollar. The SR&ED program enables Canadian-controlled private companies to receive cash reimbursements for qualified R&D initiatives as an offset to R&D expenses incurred during each year. By becoming a publicly-traded company as of February 9, 2021, Tantalus no longer qualified for the SR&ED program cash reimbursements and will absorb the loss of the R&D offset throughout 2021. On a comparative basis, excluding the impact of SR&ED benefits associated with being a private company until January 2021, operating expenses of the Company for the three months ended September 30, 2021 were $4.2 million versus $3.4 million for the three months ended September 30, 2020. Additional details may be found below.

(d) Adjusted EBITDA: Adjusted EBITDA for the three months ended September 30, 2021 decreased to $(580,535) versus $951,927 for the same period in 2020. The decline in Adjusted EBITDA was tied to the Company's incurrence of additional costs in connection with its becoming a public company in January 2021 which were not similarly incurred in the prior year Q3 period, a reduction in government assistance funding from the aforementioned SR&ED program, foreign exchange impact arising from the strengthened Canadian dollar on the Company's Canadian denominated operating expenses in Q3 of 2021 and incremental operating expenses, inclusive of headcount, as the Company transitions from the impact of COVID-19. The reduction in access to SR&ED arises from the Company no longer being a Canadian-controlled private corporation as a result of the going public transaction and the Company expects to see the impact from no longer accessing SR&ED funding on a year-over-year comparison basis through the end of FY2021.

Financial Summary for the Nine-Month Period Ended September 30, 2021:

(a) Revenue: During the nine months ended September 30, 2021, the Company generated approximately 3% increased revenue of $24.6 million compared to $23.7 million for the same period in 2020. This increase was attributable to approximately 4% increased revenue from the Company's Connected Devices and Infrastructure products of $16.8 million in conjunction with approximately 2% increased revenue for its Utility Software Applications and Services segment revenue of $7.7 million for the nine months ended September 30, 2021 over the same period in the prior year. The increase in revenue was attributable to utilities picking up momentum on deployments and decision-making through the later portion of 2020 and continuing in 2021.

Quarterly revenue contributions from Utility Software Applications & Services represented approximately 32% of revenue for both the nine months ended September 30, 2021 and prior year period.

(b) Gross Profit: Gross Profit remained relatively consistent at $11.0 million during the nine months ended September 30, 2021 versus $11.3 million for the same period in 2020. Gross Profit margin decreased to 45% during the nine months ended September 30, 2021 versus 48% during the same period in 2020 due primarily to the product mix of connected devices and infrastructure partially offset by increased revenue mix contribution from utility software applications and services.

(c) Operating Expenses**:** Operating expenses, exclusive of non-core business costs and share based compensation, for the nine months ended September 30, 2021 increased to $11.5 million versus $9.5 million for the same period in 2020. The increase in operating expenses is predominantly attributable to expenses associated with becoming a publicly-traded company, the loss of accessing the Canadian government's aforementioned SR&ED tax program made available to Canadian-Controlled private companies and incremental operating expenses, inclusive of headcount, in addition to the strengthening of the Canadian dollar relative to the United States dollar. The SR&ED program enables Canadian-controlled private companies to receive cash reimbursements for qualified R&D initiatives as an offset to R&D expenses incurred during each year. By becoming a publicly-traded company as of February 9, 2021, Tantalus no longer qualified for the SR&ED program cash reimbursements and will absorb the loss of the R&D offset throughout 2021. On a comparative basis, excluding the impact of SR&ED benefits associated with being a private company until January 2021, the operating expenses of the Company for the nine months ended September 30, 2021 were $11.6 million versus $10.5 million for the nine months ended September 30, 2020. Additional details may be found below.

(d) Adjusted EBITDA: Adjusted EBITDA for the nine months ended September 30, 2021 decreased to ($459,710) versus $1,812,876 for the same period in 2020. The decline in Adjusted EBITDA was tied to the Company's incurrence of additional costs in connection with its going public transaction in January 2021 which were not similarly incurred in the prior year Q3 year to date period, a reduction in government assistance funding from the SR&ED program, foreign exchange impact arising from the strengthened Canadian dollar on the Company's Canadian denominated operating expenses in 2021 relative to the prior year period and incremental operating expenses, inclusive of headcount, as the Company transitions from the impact of COVID-19.

Financial Position as at September 30, 2021: The Company had total assets of $32.9 million as at September 30, 2021 compared to $23.5 million as at December 31, 2020, with Adjusted Working Capital as at September 30, 2021 of $15.6 million, inclusive of cash of $14.6 million, compared to Adjusted Working Capital of $3.5 million, inclusive of cash of $4.6 million, as at December 31, 2020.

Growth of Tantalus' User Community: Tantalus added 7 new utilities during Q3 of 2021 for a total of 18 new utilities added during the first nine months of 2021, continuing to demonstrate an ability to expand the number of utilities leveraging Tantalus' smart grid solutions. Tantalus' user community now stands at over 200 utilities across the United States, Canada and the Caribbean Basin.

Expansion of Solutions: Tantalus continued to make substantial progress in expanding the functionality and features of its solutions during the period ended September 30, 2021 and announced the introduction of several key initiatives aimed at increasing the Company's revenue contributions from recurring revenue generated from software and services, including:

(a) *Measurement Canada Approval with Aclara Kv2C Meter*: Tantalus TRUEdge Intelligent Endpoint Module received Measurement Canada Certification with the Aclara Kv2C commercial and industrial electric meter. With this factory-integrated meter, utilities across Canada will be able to gain the benefit from Tantalus' proven TRUEdge communications and edge-computing capabilities, industry-leading grid reliability data analytic tools and robust energy management solutions. The Aclara Kv2C meter has a recognized and established track record of leading functionality and reliability in the Canadian market.

(b) *Tantalus Grid Reliability Analytics:* The Tantalus Grid Reliability Analytics (TGRA) solution utilizes algorithms to continuously monitor power-quality data accessed by TRUEdge®-enabled meters on Tantalus' TUNet® smart grid platform. By detecting anomalies in power quality, the tool identifies symptoms of failing transformers, corroded meter sockets and splices, cracked insulators and other latent equipment problems. The analytics solution leverages data from Tantalus' AMI to provide utilities with visibility into power quality issues that lead to outages and premature failure of devices deployed across the distribution grid. After launching the first commercial version of TGRA in September, 2021, the Company has quickly secured its first six utilities from the existing user community that have subscribed to a Software-as-a-Service (SaaS) offering.

(c) *Release of Tantalus' Energy Resource Monitor:* The Energy Resource Monitor software functionality shows utilities the total demand managed by their various Tantalus Load Management System programs in real time, by aggregating TUNet AMI data. With it, utilities can avoid over-controlling (which impacts revenue) and under-controlling (which results in unnecessary demand charges). It also helps utilities plan upcoming load reductions by reviewing historical performance.

(d) *License Agreement with Neptune Technology Group*: Tantalus entered into a technology license agreement with Neptune Technology Group to integrate Neptune's R900® System water endpoint onto Tantalus' smart grid network (TUNet®). The integration of Neptune's R900 water endpoint onto Tantalus' communication network is another example of how Tantalus' TRUScan™ technology provides increasing flexibility to multi-commodity utilities by leveraging one smart grid platform that is capable of accessing data from a variety of electric, water and gas meters with differing communication protocols. Through the combined offering, utilities will gain access to daily water consumption data and critical alarms from Neptune R900 devices to improve the efficiency and reliability of delivering water through a utility's distribution system. Additionally, utilities will be able to access water meter data from R900 endpoints through their existing TUNet head-end and CIS systems driving further operating synergies across multiple departments within a utility.

Industry Recognition:

(a) Tantalus presented at Canaccord Genuity's 41st annual Growth Conference.

Transactions:

(a) On August 12, 2021, the Company closed an equity financing offering of 4.7 million common shares of the Company (the "Common Shares") at a price of CND$2.25 per Common Share for gross proceeds of CND$10,597,748 (the "Offering") with net proceeds of CND$9,443,694. Share issuance costs related to this transaction totaled CND$1,049,396 inclusive of 124,982 finders' warrants valued at CND$0.626 each (totaling CND$176,857 or US$141,910), which have been recorded as share issuance costs and charged against share capital. The Common Shares were offered by way of short form prospectus.

Description of Tantalus' Operating Segments:

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

1. The Connected Devices and Infrastructure Segment.

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

2. The Utility Software Applications and Services Segment.

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

SELECTED QUARTERLY FINANCIAL INFORMATION

The following selected information of the results of operations for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenue	$ 8,536,822	$ 8,754,751	24,561,415	$ 23,736,626
Cost of sales	4,932,219	4,646,988	13,562,715	12,418,233
Gross Profit	3,604,603	4,107,763	10,998,700	11,318,393
Expenses	4,706,067	3,728,924	15,272,078	11,369,249
Operating (loss) income	(1,101,464)	378,839	(4,273,378)	(50,856)
Other (expenses) earnings	(238,275)	1,604,341	(582,019)	2,893,881
(Loss) income before income taxes	(1,339,739)	1,983,180	(4,855,397)	2,843,025
Income tax expense	-	-	-	-
(Loss) income for the period	(1,339,739)	1,983,180	(4,855,397)	2,843,025
(Loss) income per share (basic and diluted)	(0.03)	0.06	(0.12)	0.08
Adjusted EBITDA	$ (580,535)	$ 951,927	(459,710)	$ 1,812,876

The Company had total assets as follows as at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Total Assets	$ 32,865,703	$ 23,525,534

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
(Loss) income for the period	$ (1,339,739)	$ 1,983,180	$ (4,855,397)	$ 2,843,025
Foreign exchange	95,276	90,363	99,202	24,188
Finance expense[(a)]	142,999	154,984	482,817	544,529
Depreciation and amortization	381,475	437,515	1,263,079	1,288,527
Stock-based compensation	64,454	70,573	322,930	230,520
Expenses on corporate development	75,000	-	75,000	-
Gain on Energate Arbitration share cancellation	-	(1,438,226)	-	(1,438,226)
Gain on lease obligation	-	(16,334)	-	(16,334)
Energate arbitration related costs[(b)]	-	65,000	-	344,685
Reverse acquisition legal and professional fees[(c)]	-	-	272,975	-
Reverse acquisition related costs[(c)]	-	-	691,509	-
RiseTech reverse acquisition listing expense [(d)]	-	-	1,188,175	-
Government assistance benefit[(e)]	-	(395,128)	-	(2,008,038)
Adjusted EBITDA	$ (580,535)	$ 951,927	$ (459,710)	$ 1,812,876

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

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

(c) Legal and professional fees of $272,975 incurred arising from the reverse acquisition with RiseTech. In addition to the above legal and professional fees, costs were incurred arising from the reverse acquisition with RiseTech relating to accounting related professional services, directors and officers tail insurance and transaction related compensation included in general and administrative costs for the nine months ended September 30, 2021 of $691,509 (see general and administrative expenses).

(d) Excess purchase price over RiseTech net assets acquired (see general and administrative expenses).

(e) Adjusted EBITDA is exclusive of government assistance benefit received attributable to government assistance programs, including the United States Paycheck Protection Program (“PPP”) and the Canada Emergency Wage Subsidy (“CEWS”) Program, implemented due to the COVID-19 Pandemic of $395,128 and $2,008,038 during the three and nine months periods ended September 30, 2020.

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

	Three months ended September 30, 2021	**Three months ended June 30, 2021**	**Three months ended March 31, 2021**	**Three months ended December 31, 2020**	**Three months ended September 30, 2020**	**Three months ended June 30, 2020**	**Three months ended March 31, 2020**	**Three months ended December 31, 2019**
Revenue	$ 8,536,822	$ 8,013,262	$ 8,011,331	$ 9,312,793	$ 8,754,751	$ 7,754,934	$ 7,226,941	$ 10,068,296
Cost of sales	4,932,219	4,221,177	4,409,319	4,506,208	4,646,988	3,920,843	3,850,402	5,431,400
Gross Profit	3,604,603	3,792,085	3,602,012	4,806,585	4,107,763	3,834,091	3,376,539	4,636,896
Expenses	4,706,067	4,235,964	6,330,047	5,621,060	3,728,924	3,709,657	3,930,668	4,254,567
Operating (loss) income	(1,101,464)	(443,879)	(2,728,035)	(814,475)	378,839	124,434	(554,129)	382,329
Other (expenses) earnings	(238,275)	(163,347)	(180,397)	(536,460)	1,604,341	1,136,560	152,980	(308,006)
(Loss) income before income taxes	(1,339,739)	(607,226)	(2,908,432)	(1,350,935)	1,983,180	1,260,994	(401,149)	74,323
Income tax expense (benefit)	-	-	-	7,243	-	-	-	(50)
(Loss) income for the period	(1,339,739)	(607,226)	(2,908,432)	(1,358,178)	1,983,180	1,260,994	(401,149)	74,373
(Loss) earnings per share (basic and diluted)	(0.03)	(0.02)	(0.08)	(0.04)	0.06	0.04	(0.01)	0.00
Adjusted EBITDA	$ (580,535)	$ 65,475	$ 55,350	$ 817,363	$ 951,927	$ 737,665	$ 123,284	$ 776,500

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

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Cash	$ 14,627,772	$ 10,682,722	$ 12,174,985	$ 4,647,713	$ 3,225,477	$ 4,798,628	$ 4,241,972	$ 5,368,086
Adjusted Working Capital	$ 15,562,545	$ 9,094,278	$ 9,054,673	$ 3,538,274	$ 4,622,104	$ 4,051,270	$ 2,656,857	$ 2,849,441
Total assets	$ 32,865,703	$ 29,925,425	$ 27,193,349	$ 23,525,534	$ 20,061,955	$ 17,714,501	$ 16,717,780	$ 20,138,614
Shareholders' earnings (deficit)	$ 8,812,085	$ 2,444,361	$ 2,988,077	$ (2,311,106)	$ (1,225,032)	$ (1,835,740)	$ (3,172,349)	$ (2,860,352)

Basic and fully diluted shares have been retroactively adjusted for impact of the share consolidation by the Company on January 29, 2021 commensurate with the reverse acquisition with RiseTech. Adjusted EBITDA for prior periods has been restated for consistency with the Adjusted EBITDA presented for the three months ended September 30, 2021.

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

Revenue

Revenue by Source		Three months ended September 30, 2021	%		Three months ended September 30, 2020	%
Connected Devices and Infrastructure	$	6,183,304	72%	$	6,299,479	72%
Utility Software Applications and Services		2,353,518	28%		2,455,272	28%
Total revenue	$	8,536,822	100%	$	8,754,751	100%

Revenue decreased by approximately 2% for the three months ended September 30, 2021 compared to the same period in the prior year. This decrease was attributable to approximately 2% decreased revenue from the Company's Connected Devices and Infrastructure products of $6.2 million during the three months ended September 30, 2021 compared to $6.3 million in the prior year period in conjunction with approximately 4% decreased revenue for its Utility Software Applications and Services segment revenue of $2.4 million for the third quarter of fiscal 2021 compared to $2.5 million in the prior year period. The impact of the COVID-19 Pandemic since 2020 led to delays in deployments, supply chain constraints and extended decision-making by utilities which has contributed to the decrease in Connected Devices and Infrastructure products revenue. The decrease in the Utility Software Applications and Services segment revenue is due primarily to the decreased sale of software licenses offset by increased annual recurring software maintenance and technical support services provided to its customer base which has increased over the prior year period.

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

		Three months ended September 30, 2021	%		Three months ended September 30, 2020	%
United States (1)	$	8,477,376	99%	$	8,723,109	100%
Canada		43,273	1%		16,697	<1%
Other		16,173	<1%		14,945	<1%
	$	8,536,822	100%	$	8,754,751	100%

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

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

Gross Profit

The Company's Gross Profit during the three months ended September 30, 2021 is as follows:

Three months ended September 30, 2021		Connected Devices and Infrastructure	%	Utility Software Applications and Services	%		Total	%
Revenue	$	6,183,304	100%	2,353,518	100%	$	8,536,822	100%
Cost of sales		4,220,232	68%	711,987	30%		4,932,219	58%
Gross Profit	$	1,963,072	32%	1,641,531	70%	$	3,604,603	42%

Three months ended September 30, 2020		Connected Devices and Infrastructure	%	Utility Software Applications and Services	%		Total	%
Revenue	$	6,299,479	100%	2,455,272	100%	$	8,754,751	100%
Cost of sales		3,910,671	62%	736,317	30%		4,646,988	53%
Gross Profit	$	2,388,808	38%	1,718,955	70%	$	4,107,763	47%

Gross profit remained decreased to $3.6 million during the three months ended September 30, 2021 versus $4.1 million for the same period in 2020. Gross Profit margin percentage decreased to 42% during the three months ended September 30, 2021 versus 47% during September 30, 2020 due primarily to the product mix of connected devices and infrastructure in conjunction with increased related costs, inclusive of shipping, with decreased revenue mix contribution from utility software applications and services.

Gross Profit margin generated from Connected Devices and Infrastructure revenue decreased to 32% for the three months ended September 30, 2021 compared to the same period in the prior year of 38% due to the product mix experienced with increased revenue contribution from lower Gross Profit related products during the first quarter of fiscal 2021. The Company also experienced significant sales volume at initial lower gross margin attributable to the commencement of its new strategic partnership with Landis & Gyr which is anticipated to further expand its load management market opportunity. Gross Profit margin generated from Utility Software Applications and Services revenue was 70% for the three months ended September 30, 2021 consistent with the same period in the prior year.

Expenses

		Three months ended September 30, 2021		Three months ended September 30, 2020
Sales and marketing	$	1,458,770	$	1,246,216
Research and development		1,397,237		1,109,078
General and administrative		1,468,585		936,115
Depreciation and amortization		381,475		437,515
Total expenses	$	4,706,067	$	3,728,924
As a percentage of total revenue		55%		43%

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

Total expenses increased during the three months ended September 30, 2021 over the prior year period due primarily to additional costs in connection with its going public transaction in January 2021 which were not similarly incurred in the prior year third quarter period, a reduction in government assistance funding from the Canadian SR&ED program, foreign exchange impact arising from the strengthened Canadian dollar on the Company's Canadian denominated operating expenses in the third quarter of 2021 and incremental operating expenses, inclusive of headcount, as the Company transitions from the impact of COVID-19. The reduction in access to SR&ED arises from the Company no longer being a Canadian-controlled private corporation as a result of the going public transaction and the Company expects to see the impact from no longer accessing SR&ED funding on a year-over-year comparison basis through the end of FY2021.

The Company's operating expenses for the three months ended September 30, 2021 and September 30, 2020, respectively, less non-core business expenses, share-based compensation and depreciation and amortization are as follows:

Three months ended September 30, 2021		Operating Expenses per FS		Less Non-Core Business Non-Recurring Costs		Less Share-Based Compensation Expense		Less Depreciation and Amortization		Core Business Operating Expenses
Sales and marketing	$	1,458,770	$	-	$	(15,307)	$		$	1,443,463
Research and development		1,397,237		-		(14,076)				1,383,161
General and administrative		1,468,585		(75,000)		(33,697)				1,359,888
Depreciation and amortization		381,475		-		-		(381,475)		-
Total expenses	**$**	4,706,067	**$**	(75,000)	**$**	(63,080)	**$**	(381,475)	**$**	**4,186,512**
As a percentage of total revenue		**55%**								**49%**

Three months ended September 30, 2020		Operating Expenses per FS		Less Non-Core Business Non-Recurring Costs		Less Share-Based Compensation Expense		Less Depreciation and Amortization		Core Business Operating Expenses
Sales and marketing	$	1,246,216	$	-	**$**	(9,336)	**$**		$	1,236,880
Research and development		1,109,078		-		(8,794)				1,100,284
General and administrative		936,115		(65,000)		(48,441)				822,674
Depreciation and amortization		437,515		-		-		(437,515)		-
Total expenses	$	3,728,924	**$**	(65,000)	**$**	(66,571)	**$**	(437,515)	**$**	**3,159,838**
As a percentage of total revenue		**43%**								**36%**

The non-core business expenses incurred during the three months ended September 30, 2021 are attributable to costs pertaining to corporate development activities performed by a third party. The non-core business expenses incurred during the three months ended September 30, 2020 are attributable to costs pertaining to the Energate arbitration. The Company (along with Tantalus Systems Shareholders Inc., collectively, the "claimants") engaged in an arbitration proceeding against the former shareholders of Energate Inc. regarding breaches of representations and other conduct relating to the Company's acquisition of Energate Inc. on July 26, 2017.

Sales and Marketing

		Three months ended September 30, 2021		Three months ended September 30, 2020
Sales and marketing expense, gross	$	1,458,770	$	1,246,216
Less: Non-core business expenses		-		-
Less: Stock-based compensation		(15,307)		(9,336)
Sales and marketing expense, net	$	1,443,463	$	1,236,880
As a percentage of total revenue		17%		14%

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

The increase in sales and marketing expense over the three months ended September 30, 2021 is primarily attributable to incremental operating expenses, inclusive of headcount, travel and related expenses over the prior period. Sales and marketing expenses increased as a percentage of revenue due to the decrease in revenue experienced by the Company in conjunction with higher sales and marketing expense during the three months ended September 30, 2021 compared to the prior fiscal 2020 period.

Research and Development

		Three months ended September 30, 2021		Three months ended September 30, 2020
Research and development expense, gross	$	1,447,237	$	1,334,078
Less SR&ED funding		-		(225,000)
Less IRAP funding		(50,000)		-
Research and development expense	$	1,397,237	$	1,109,078
Less: Non-core business expenses		-		-
Less: Stock-based compensation		(14,076)		(8,794)
Research and development expense, net	$	1,383,161	$	1,100,284
As a percentage of total revenue		16%		13%

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

Research and development expenses increased during the three months ended September 30, 2021 over the prior year period due to the loss of Canadian government assistance funding offset against research and development expenses through the aforementioned SR&ED program and the strengthened Canadian dollar relative to the US dollar as the majority of the Company's research and development activities are incurred in Canadian dollars. As a publicly-traded company, Tantalus may no longer access the benefits through the SR&ED program as the Company is no longer a Canadian-controlled private corporation. The impact of losing access to the benefits through the SR&ED program will continue to impact the Company's comparative quarterly reporting on a year-over-year comparative basis through the end of FY2021. During the three months ended September 30, 2021, the Company did not record any SR&ED funding compared to $225,000 SR&ED funding recorded in the prior year period. The Company recorded funding of $50,000 applied as an offset to the Research and Development expenses attributable to the National Research

Council of Canada Industrial Research Assistance Program ("IRAP") during the three months ended September 30, 2021. Research and development expenses increased as a percentage of revenue during the three months ended September 30, 2021 compared to the prior period due to the net increase in research and development expenses incurred inclusive of the impact of the loss of SR&ED funding. The Company continues to invest in the research and development of new products as well as the continuous enhancement of its existing products and software applications offering.

General and Administrative

		Three months ended September 30, 2021		Three months ended September 30, 2020
General and administrative expense, gross	$	1,468,585	$	936,115
Less: Non-core business expenses		(75,000)		(65,000)
Less: Stock-based compensation		(33,697)		(48,441)
General and administrative expense, net	$	1,359,888	$	822,674
As a percentage of total revenue		16%		9%

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

Total expenses increased during the three months ended September 30, 2021 over the prior year period due to increase in expenses pertaining to the Company's transition as a public company reporting entity, increase in salary expenses arising from increased headcount and the impact of the strengthened Canadian dollar. General and administrative expenses increased as a percentage of revenue due to the above factors compared to the prior three months period in 2020.

Depreciation and Amortization

		Three months ended September 30, 2021		Three months ended September 30, 2020
Depreciation and amortization	$	142,838	$	133,208
Amortization of intangible assets		128,560		188,481
Amortization of right-of-use assets		110,077		115,826
Total depreciation and amortization	$	381,475	$	437,515

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 September 30, 2021 is attributable to the increased investment in computer equipment and software with the full period of amortization being accounted for by the Company during the three months ended September 30, 2021.

Other (Expenses) Earnings

		Three months ended September 30, 2021		Three months ended September 30, 2020
Foreign exchange gain (loss)	$	(95,276)	$	(90,363)
Finance expense		(142,999)		(154,984)
Energate arbitration share cancellation		-		1,438,226
Gain on lease obligation		-		16,334
Covid-19 government assistance		-		395,128
Total other (expenses) earnings	$	(238,275)	$	1,604,341

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

The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency which accounted for the majority of the foreign exchange loss reported. The Company experienced a foreign exchange loss of $95,276 during the three months ended September 30, 2021 compared to a foreign exchange loss of $90,363 in the prior year period.

Other earnings during the three months ended September 30, 2020 includes government assistance benefit received by the Company attributable to government assistance programs, inclusive of the United States Paycheck Protection Program ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program, implemented due to the COVID-19 Pandemic of $395,128.

Total Comprehensive (Loss) Income

		Three months ended September 30, 2021		Three months ended September 30, 2020
Operating loss (income)	$	(1,101,464)	$	378,839
Total other (expenses) earnings		(238,275)		1,604,341
Income tax expense		-		-
(Loss) income for the period		(1,339,739)		1,983,180
Foreign currency translation adjustment		(879)		-
Total comprehensive (loss) income	$	(1,340,618)	$	1,983,180
(Loss) earnings per share (basic and fully diluted)	$	(0.03)	$	0.06

Loss for the three months ended September 30, 2021 was $1,339,739 or $0.03 loss per share compared to earnings for the three months ended September 30, 2020 of $1,983,180 or $0.06 earning per share. Basic and fully diluted shares have been retroactively adjusted for the impact of the share consolidation by the Company on January 29, 2021.

Adjusted EBITDA

		Three months ended September 30, 2021		Three months ended September 30, 2020
(Loss) income for the period	$	(1,339,739)	$	1,983,180
Foreign exchange		95,276		90,363
Finance expense(a)		142,999		154,984
Depreciation and amortization		381,475		437,515
Stock-based compensation		64,454		70,573
Expenses on corporate development		75,000		-
Gain on Energate Arbitration share cancellation		-		(1,438,226)
Gain on lease obligation		-		(16,334)
Energate arbitration related costs(b)		-		65,000
Government assistance benefit(c)		-		(395,128)
Adjusted EBITDA	$	(580,535)	$	951,927

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

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

(c) Adjusted EBITDA is exclusive of government assistance benefit received attributable to government assistance programs, including the United States Paycheck Protection Program ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program, implemented due to the COVID-19 Pandemic of $395,128 during the three months period ended September 30, 2020.

During the three months ended September 30, 2021, the Company generated negative Adjusted EBITDA of ($580,535) representing approximately negative 7% of revenue compared to Adjusted EBITDA of $951,927 representing 11% of revenue for the three months ended September 30, 2020. The Adjusted EBITDA during the three months ended September 30, 2021 decreased from the prior year period due to decreased revenue and Gross Profit offset by increased expenses based upon the above factors.

FINANCIAL RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Revenue

Revenue by Source		**Nine months ended September 30, 2021**	**%**		**Nine months ended September 30, 2020**	**%**
Connected Devices and Infrastructure	$	16,816,903	68%	$	16,113,049	68%
Utility Software Applications and Services		7,744,512	32%		7,623,577	32%
Total revenue	$	24,561,415	100%	$	23,736,626	100%

Revenue increased by approximately 3% for the nine months ended September 30, 2021 compared to the same period in the prior year. This increase was attributable to approximately 4% increased revenue from the Company's Connected Devices and Infrastructure products of $16.8 million during the nine months ended September 30, 2021 compared to $16.1 million in the prior year period in conjunction with approximately 2% increased revenue for its Utility Software Applications and Services segment revenue of $7.7 million for the nine months ended September 30, 2021 compared to $7.6 million in the prior year period. The increase in revenue from Connected Devices and Infrastructure products is due to increased sales with related customer deployments by the Company over the prior year period. The increase in revenue was attributable to utilities picking up momentum on deployments and decision-making through the later portion of 2020 and continuing in 2021. The increase in the Utility Software Applications and Services segment revenue is due to the increased fees for annual recurring software maintenance and technical support services provided to the Company's customer base which has increased over the prior year period but is offset, in part, by lower sales of software licenses and the provision of installation services by the Company during the nine months ended September 30, 2021 as compared to the same period in the prior year.

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

		Nine months ended September 30, 2021	**%**		**Nine months ended September 30, 2020**	**%**
United States (1)	$	24,280,450	99%	$	23,532,547	99%
Canada		221,509	1%		187,134	1%
Other		59,456	<1%		16,945	<1%
	$	24,561,415	100%	$	23,736,626	100%

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

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

Gross Profit

The Company's Gross Profit during the nine months ended September 30, 2021 is as follows:

Nine months ended September 30, 2021		Connected Devices and Infrastructure	%	Utility Software Applications and Services	%		Total	%
Revenue	$	16,816,903	100%	7,744,512	100%	$	24,561,415	100%
Cost of sales		11,422,789	68%	2,139,926	28%		13,562,715	55%
Gross Profit	$	5,394,114	32%	5,604,586	72%	$	10,998,700	45%

Nine months ended September 30, 2020		Connected Devices and Infrastructure	%	Utility Software Applications and Services	%		Total	%
Revenue	$	16,113,049	100%	7,623,577	100%	$	23,736,626	100%
Cost of sales		10,144,460	63%	2,273,773	30%		12,418,233	52%
Gross Profit	$	5,968,589	37%	5,349,804	70%	$	11,318,393	48%

Gross profit decreased to $11.0 million during the nine months ended September 30, 2021 versus $11.3 million for the same period in 2020. Gross Profit margin percentage decreased to 45% during the nine months ended September 30, 2021 versus 48% during September 30, 2020 due primarily to the product mix of connected devices and infrastructure partially offset by increased revenue mix contribution from utility software applications and services.

Gross Profit margin generated from Connected Devices and Infrastructure revenue decreased to 32% for the nine months ended September 30, 2021 compared to the same period in the prior year of 37% due to the product mix experienced with increased revenue contribution from lower Gross Profit related products in conjunction with increased costs of sales, inclusive of shipping, during the first nine months of fiscal 2021. The Company also experienced significant sales volume at initial lower gross margin attributable to the commencement of its new strategic partnership with Landis & Gyr which is anticipated to further expand its load management market opportunity. Gross Profit margin generated from Utility Software Applications and Services revenue increased to 72% for the nine months ended September 30, 2021 compared to the same period in the prior year of 70% due primarily to increased annual software maintenance and technical support services in the nine months ended September 30, 2021 resulting from the Company's utility customer base growth experienced since September 30, 2020.

Expenses

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Sales and marketing	$	4,026,785	$	4,057,070
Research and development		4,149,407		3,043,196
General and administrative		5,832,807		2,980,456
Depreciation and amortization		1,263,079		1,288,527
Total expenses	$	15,272,078	$	11,369,249
As a percentage of total revenue		62%		48%

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

Total expenses increased during the nine months ended September 30, 2021 over the prior year period due primarily to non-core business expenses of approximately $2.2 million comprised of costs related to the reverse acquisition of approximately $1.0 million and $1.2 million of non-cash excess purchase price over RiseTech net assets acquired which are recorded as general and administrative expenses and $0.1 million related to corporate development fees. Under International Financial Reporting Standards ("IFRS") RiseTech does not meet the definition of a business. As such the share exchange is considered to be a share-based payment in accordance with IFRS 2 *Share based Payments* with the share exchange measured at the fair value of the company acquired. Accordingly, the accounting for the share exchange is identical to that resulting from a reverse acquisition, except no goodwill is recorded. The consideration paid by the acquirer less the net assets acquired has been accounted for as a listing expense and transaction costs related to the reverse acquisition have been included in general and administrative expenses in the interim condensed consolidated statement of operations and comprehensive income (loss).

Total expenses also increased during the nine months ended September 30, 2021 over the prior year period due to additional costs in connection with its going public transaction in January 2021 which were not similarly incurred in the prior year third quarter year to date period, a reduction in government assistance funding from the SR&ED program, foreign exchange impact arising from the strengthened Canadian dollar on the Company's Canadian denominated operating expenses in 2021 relative to the prior year period and incremental operating expenses, inclusive of headcount, as the Company transitions from the impact of COVID-19.

The Company's operating expenses for the nine months ended September 30, 2021 and September 30, 2020, respectively, less non-core business expenses, share-based compensation and depreciation and amortization are as follows:

Nine months ended September 30, 2021	**Operating Expenses per FS**	**Less Non-Core Business Non-Recurring Costs**	**Less Share-Based Compensation Expense**	**Depreciation and Amortization**	**Core Business Operating Expenses**
Sales and marketing	$ 4,026,785	$ -	$ (34,887)	$ -	$ 3,991,898
Research and development	4,149,407	-	(35,547)	-	4,113,860
General and administrative	5,832,807	(2,227,659)	(246,200)	-	3,358,948
Depreciation and amortization	1,263,079	-	-	(1,263,079)	-
Total	**$ 15,272,078**	**$ (2,227,659)**	**$ (316,634)**	**$ (1,263,079)**	**$ 11,464,706**
As a percentage of total revenue	62%				47%

Nine months ended September 30, 2020	**Operating Expenses per FS**	**Less Non-Core Business Non-Recurring Costs**	**Less Share-Based Compensation Expense**	**Depreciation and Amortization**	**Core Business Operating Expenses**
Sales and marketing	$ 4,057,070	$ -	$ (34,698)	$ -	$ 4,022,372
Research and development	3,043,196	-	(33,836)	-	3,009,360
General and administrative	2,980,456	(344,685)	(146,141)	-	2,489,630
Depreciation and amortization	1,288,527	-	-	(1,288,527)	-
Total expenses	**$ 11,369,249**	**$ (344,685)**	**$ (214,675)**	**$ (1,288,527)**	**$ 9,521,362**
As a percentage of total revenue	48%				40%

The non-core business expenses incurred during the nine months ended September 30, 2021 are primarily attributable to costs pertaining to the reverse takeover acquisition on January 29, 2021 in addition to costs pertaining to corporate development activities performed by a third party. The non-core business expenses incurred during the nine months ended September 30, 2020 are attributable to costs pertaining the Energate arbitration.

Sales and Marketing

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Sales and marketing expense, gross	$	4,026,785	$	4,057,070
Less: Non-core business expenses		-		-
Less: Stock-based compensation		(34,887)		(34,698)
Sales and marketing expense, net	$	3,991,898	$	4,022,372
As a percentage of total revenue		16%		17%

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

Sales and marketing expense during the nine months ended September 30, 2021 were relatively consistent with the prior year period and decreased as expressed as a percentage of revenue.

Research and Development

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Research and development expense, gross	$	4,279,407	$	3,993,196
Less SR&ED funding		(80,000)		(950,000)
Less IRAP funding		(50,000)		-
Research and development expense	$	4,149,407	$	3,043,196
Less: Non-core business expenses		-		-
Less: Stock-based compensation		(35,547)		(33,837)
Research and development expense, net	$	4,113,860	$	3,009,359
As a percentage of total revenue		17%		13%

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

Research and development expenses increased during the nine months ended September 30, 2021 over the prior year period due to the loss of Canadian government assistance funding offset against research and development expenses through the aforementioned SR&ED program and the strengthened Canadian dollar relative to the US dollar as the majority of the Company’s research and development activities are incurred in Canadian dollars. As a publicly-traded company, Tantalus may no longer access the benefits through the SR&ED program as the Company is no longer a Canadian-controlled private corporation. The impact of losing access to the benefits through the SR&ED program will continue to impact the Company’s comparative quarterly reporting on a year-over-year comparative basis through the end of FY2021. During the nine months ended September 30, 2021, the Company did record $80,000 reflecting the benefits afforded to the Company prior to becoming a publicly-traded company on February 9, 2021 in addition to funding of $50,000 attributable to IRAP applied as an offset to the Research and Development expenses. This balance is compared to $950,000 of SR&ED benefits for the same period ended September 30, 2020. Research and development expenses were partially offset for the nine months ended September 30, 2021 due to lower travel and meeting expenses attributable to the impact of the COVID-19 Pandemic compared to the prior year nine months period in 2020. Research and development expenses increased as a percentage of revenue during the nine months ended September 30, 2021 compared to the prior period due to the net increase in research and development expenses incurred. The Company continues to invest in the research and development of new products as well as the continuous enhancement of its existing products and software applications offering.

General and Administrative

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
General and administrative expense, gross	$	5,832,807	$	2,980,456
Less: Non-core business expenses		(2,227,659)		(344,685)
Less: Stock-based compensation		(246,200)		(146,141)
General and administrative expense, net	$	3,358,948	$	2,489,630
As a percentage of total revenue		14%		10%

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

Total expenses increased during the nine months ended September 30, 2021 over the prior year period due primarily to non-core business expenses of approximately $2.2 million comprised of total costs related to the reverse acquisition of approximately $1.0 million and $1.2 million of non-cash purchase price less the RiseTech net assets acquired which has been accounted for as a listing expense and recorded in general and administrative expenses. The following table summarizes the reverse acquisition related costs which totaled approximately $3.3 million:

Purchase Price Consideration	$	1,326,000
(Fair value of 767,321 shares issued at CND$2.25 or US$1.73 per share to the shareholders of RiseTech)		
Net assets acquired		
Cash	$	342,072
Accounts payable and accrued liabilities		(204,247)
Total net assets acquired	$	137,825
Non-cash excess purchase price over RiseTech net assets acquired	$	1,188,175
Transaction costs - year ended December 31, 2020		
Legal and professional fees		460,291
Accounting related professional services fees		721,557
Transaction costs - three months ended March 31, 2021		
Legal and professional fees		272,975
Accounting related professional services fees, transaction related compensation and director and officer tail insurance		691,509
Total costs inclusive of excess purchase price over RiseTech net assets	$	3,334,507

General and administrative expenses for the nine months ended September 30, 2021 also included costs pertaining to corporate development activities performed by a third party and increased over the same period in the prior year due to increase in expenses pertaining to the Company's transition as a public company reporting entity, increase in salary expenses arising from increased headcount and the impact of the strengthened Canadian dollar. General and administrative expenses increased as a percentage of revenue due to the above factors compared to the prior nine months period in 2020.

Depreciation and Amortization

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Depreciation and amortization	$	425,100	$	403,433
Amortization of intangible assets		502,124		541,780
Amortization of right-of-use assets		335,855		343,314
Total other operating expenses	$	1,263,079	$	1,288,527

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 nine months ended September 30, 2021 is attributable to the increased investment in computer equipment and software with the full period of amortization being accounted for by the Company during the nine months ended September 30, 2021.

Other (Expenses) Earnings

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Foreign exchange (loss) gain	$	(99,202)	$	(24,188)
Finance expense		(482,817)		(544,529)
Covid-19 government assistance		-		2,008,038
Energate Settlement gain and related legal costs		-		1,438,226
Other		-		16,334
Total other (expenses) earnings	$	(582,019)	$	2,893,881

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

The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency which accounted for the majority of the foreign exchange loss reported. The Company experienced a foreign exchange loss of $99,202 during the nine months ended September 30, 2021 compared to a foreign exchange loss of $24,188 in the prior year period.

Other earnings during the nine months ended September 30, 2020 includes government assistance benefit received by the Company attributable to government assistance programs, inclusive of the United States Paycheck Protection Program ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program, implemented due to the COVID-19 Pandemic of $2,008,038 as well as the gain on share cancellation as a result of Energate arbitration of $1,438,226 and gain on extinguishment of lease obligations of $16,334.

Total Comprehensive (Loss) Income

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Operating (loss) income	$	(4,273,378)	$	(50,856)
Total other (expenses) earnings		(582,019)		2,893,881
Income tax expense		-		-
(Loss) income for the period		(4,855,397)		2,843,025
Foreign currency translation adjustment		84		-
Total comprehensive (loss) income	$	(4,855,313)	$	2,843,025
(Loss) earnings per share (basic and fully diluted)	$	(0.12)	$	0.08

Loss for the nine months ended September 30, 2021 was $4,855,397 or $0.12 loss per share compared to income for the nine months ended September 30, 2020 of $2,843,025 or $0.08 earnings per share. Basic and fully diluted shares have been retroactively adjusted for the impact of the share consolidation by the Company on January 29, 2021.

Adjusted EBITDA

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Net income (loss) for the period	$	(4,855,397)	$	2,843,025
Foreign exchange		99,202		24,188
Finance expense[(a)]		482,817		544,529
Depreciation and amortization		1,263,079		1,288,527
Income taxes		-		-
Stock-based compensation		322,930		230,520
Expenses on corporate development		75,000		-
Gain on Energate Arbitration share cancellation		-		(1,438,226)
Gain on lease obligation		-		(16,334)
Energate arbitration related costs[(b)]		-		344,685
Reverse acquisition legal and professional fees[(c)]		272,975		-
Reverse acquisition related costs[(c)]		691,509		-
RiseTech reverse acquisition listing expense[(d)]		1,188,175		-
Government assistance benefit[(e)]		-		(2,008,038)
Adjusted EBITDA	$	(459,710)	$	1,812,876

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

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

(c) Legal and professional fees of $272,975 incurred arising from the reverse acquisition with RiseTech. In addition to the above legal and professional fees, costs were incurred arising from the reverse acquisition with RiseTech relating to accounting related professional services, directors and officers tail insurance and transaction related compensation included in general and administrative costs for the nine months ended September 30, 2021 of $691,509 (see general and administrative expenses).
(d) Excess purchase price over RiseTech net assets acquired (see general and administrative expenses).
(e) Adjusted EBITDA is exclusive of government assistance benefit received attributable to government assistance programs, including the United States Paycheck Protection Program ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program, implemented due to the COVID-19 Pandemic of $2,008,038 during the nine months period ended September 30, 2020.

During the nine months ended September 30, 2021, the Company generated negative Adjusted EBITDA of $459,710 representing approximately (2%) of revenue compared to Adjusted EBITDA of $1,812,876 representing 8% of revenue for the nine months ended September 30, 2020. The Adjusted EBITDA during the nine months ended September 30, 2021 decreased from the prior year period due to increased revenue and Gross Profit offset by increased expenses based upon the above factors.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

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

Cash and Adjusted Working Capital

As at September 30, 2021, the Company had cash totaling approximately $14.6 million as compared to cash of approximately $4.6 million as at December 31, 2020. During the nine months ended September 30, 2021, the Company completed a private placement concurrent with going public on January 29, 2021 for gross proceeds of CND$9,940,973 (US$7,778,539) and a private placement on August 12, 2021 for gross proceeds of CND$10,597,748 (US$8,478,198).

The Company also extended the term and related maturity date of its long-standing bank loan from February 26, 2021 to February 28, 2022. The Company is required to classify its long-standing bank loan as a current liability under IFRS. Adjusted Working Capital excludes the Company's long-standing bank loan with Comerica which it has renewed on a continuous annual basis since 2012. As at September 30, 2021, the Company had Adjusted Working Capital of approximately $15.6 million, exclusive of the bank loan of $8.1 million, as compared to Adjusted Working Capital of approximately $3.5 million, exclusive of the bank loan of $8.1 million, as at December 31, 2020.

Cash Flows

Cash provided by (used in):		**Nine months ended September 30, 2021**		**Nine months ended September 30, 2020**
Operating activities	$	(3,827,125)	$	(1,028,091)
Investing activities		(121,286)		(629,067)
Financing activities		13,930,898		(481,606)
Effect of foreign exchange on cash		(2,428)		(3,844)
Increase (decrease) in cash	**$**	**9,980,059**	**$**	**(2,142,608)**

The Company generated negative cash flows from its operating activities during the nine months ended September 30, 2021 of approximately $3.8 million which is attributable to the net change in the Company's working capital items and negative Adjusted EBITDA generated in the period compared to the same period in the prior year. The increase in the Company's negative operating cash flow during the nine months ended September 30, 2021 over the prior year period is primarily attributable to the net loss incurred during the period in conjunctions with changes in the Company's working capital items as at September 30, 2021 relative to as at September 30, 2020. In the nine months ended September 30, 2021, the Company saw a decrease of $2.9 million in accounts payable and accrued liabilities which is net of $0.2 million of accounts payable and accrued liabilities assumed in the reverse takeover acquisition of RiseTech on January 29, 2021, an increase of $1.0 million in inventories and $2.0 million in deferred revenue and deposits primarily pertaining to the Company's annual software maintenance and technical support services, offset by a decrease of $3.3 million in accounts receivable and a decrease of $0.6 million in prepaid expenses and other assets offset by $0.4 million of leasehold improvements receivable on the Burnaby lease extension.

The Company had investment in the purchase of equipment and intangible assets of approximately $463,000 which was offset by cash of approximately $342,000 acquired from RiseTech in the reverse acquisition on January 29, 2021 during the nine months ended September 30, 2021 compared to purchases of equipment and business software of approximately $629,000 in the same period in the prior year.

The Company generated positive cash flows from financing activities of $13.9 million during the nine months ended September 30, 2021 which is primarily attributable to two equity financings completed during such period. The first financing in January 2021 for gross proceeds of $7,778,539 (CND$9,940,973) and the second financing in August 2021 for gross proceeds of $8,478,198 (CND$10,597,748), offset by share issuance costs, generating $14.3 million from financing activities as indicated in the table below. Financing activities were offset by lease payments of $0.4 million.

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

The following table shows the total proceeds with estimated use of proceeds for each financing, compared with the actual use of proceeds as at September 30, 2021 and estimated future use of proceeds:

January 2021 Financing (in US$)		Total Financing Proceeds		Use of Proceeds during nine months ended September 30, 2021		Estimated Future Use of Proceeds		Variance
Expansion of product offerings through research and development	$	500,000	$	231,000	$	269,000	$	(269,000)
Development of strategic partnerships and / or acquisition		500,000		210,000		290,000		(290,000)
General working capital and corporate		3,478,152		1,000,000		2,478,152		(2,478,152)
Remaining proceeds				3,037,152		-		3,037,152
Financing net proceeds		4,478,152		4,478,152	$	3,037,152	$	-
Share issuance costs		1,154,054		1,154,054				
Reverse acquisition of RiseTech related costs		2,146,333		2,146,333				
Financing gross proceeds	$	7,778,539	$	7,778,539				

August 2021 Financing (in US$)		Total Financing Proceeds		Use of Proceeds during nine months ended September 30, 2021		Estimated Future Use of Proceeds		Variance
Strategic initiatives related to sales & marketing, research and development and corporate development	$	5,300,000	$	-	$	5,300,000	$	- (5,300,000)
General working capital and corporate		2,154,237		-		2,154,237		(2,154,237)
Remaining proceeds				7,454,237		-		7,454,237
Financing net proceeds		7,454,237		7,454,237	$	7,454,237	$	-
Share issuance costs		1,049,396						
Financing gross proceeds	$	8,503,633	$	7,454,237				

The Company incurred a use of cash of approximately $482,000 from financing activities during the nine months ended September 30, 2020 which is due to repayment of lease liabilities.

Staffing Levels

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

	September 30, 2021	September 30, 2020
Customer operations	24	23
Sales and marketing	18	17
Research and development	61	57
General and administration	22	21
Total	**125**	**118**

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

Commitments

The Company has the following commitments as at September 30, 2021:

Contractual Obligations		Total		Less than 1 year		1 - 5 years		After 5 years
Accounts Payable and accrued liabilities	$	9,508,510	$	9,508,510	$	-	$	-
Bank loan[(a)]		8,100,000		8,100,000		-		-
Lease liabilities[(b)]		8,896,665		878,641		5,409,481		2,608,543
Total Contractual Obligations	**$**	**26,505,175**	**$**	**18,487,151**	**$**	**5,409,481**	**$**	**2,608,543**

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

In the ordinary course of business, the Company may enter into performance bonds with customers as part of a sales contract. As at September 30, 2021, the Company had one performance bond for $1,138,012.

In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors. As at September 30, 2021, the Company had outstanding purchase order commitments of $11,232,299.

Bank Loan

The Company entered into a loan agreement on April 12, 2012, and subsequent amendments with Comerica Bank (the "Bank") to fund ongoing Adjusted Working Capital requirements which the Company has renewed on an annual basis since this date. The bank loan which was comprised of two line of credit facilities, one in Canadian dollars and one in United States dollars, and a term loan had an aggregate total payable by the Company of $8,100,000 as at September 30, 2021. Effective as of January 18, 2021, the Company entered into an amendment agreement with the Bank which extended the maturity date of the line of credit facilities from February 26, 2021 to February 28, 2022. On May 11, 2021, the Company consolidated its Bank Loan from two credit facilities into one line of credit facility in United States dollars up to a maximum of $8,100,000.

Facilities

Tantalus maintains four office locations across North America, including:

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

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

Tantalus' Burnaby office lease, of approximately 32,000 square feet was entered into on August 1, 2014, which was expected to expire on January 31, 2022, was extended by the Company on June 4, 2021 to expire January 31, 2029 resulting in an incremental lease liability of $3.2 million on June 4, 2021 exclusive of related variable operating expenses.

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

Tantalus' Norwalk office lease, of approximately 800 square feet was entered into on March 1, 2018 and has been expanded to a new office facility space in the building increased to approximately 2,350 square feet on May 1, 2021 which is to expire on January 1, 2026 resulting in an incremental lease liability of $152,616 on May 1, 2019.

Tantalus' Raleigh office lease, of approximately 5,602 square feet was entered into on February 1, 2016 and is expected to expire on May 1, 2022. All of Tantalus' office leases are with arm's length parties.

FINANCIAL POSITION

The following table shares the variance that have occurred in the Company's financial position as at September 30, 2021 and December 31, 2020:

Assets		**September 30, 2021**		**December 31, 2020**		**Variance**
Cash	$	14,627,772	$	4,647,713	$	9,980,059
Accounts receivable		5,599,227		8,896,323		(3,297,096)
Investment tax credits receivable		1,098,439		1,207,868		(109,429)
Inventory		5,543,032		4,591,099		951,933
Prepaid expenses and deposits		1,183,338		1,375,263		(191,925)
Total current assets	$	28,051,808	$	20,718,266	$	7,333,542
Property and equipment		1,138,167		1,439,715		(301,548)
Intangible assets		212,355		374,673		(162,318)
Right of Use assets		3,463,373		992,880		2,470,493
Total assets	**$**	**32,865,703**	**$**	**23,525,534**	**$**	**9,340,169**
Liabilities						
Accounts payable and accrued liabilities		9,508,510		12,189,613		(2,681,103)
Deferred revenue and deposits		2,268,263		4,259,508		(1,991,245)
Lease liabilities		712,490		730,871		(18,381)
Bank loan		8,100,000		8,075,050		24,950
Total current liabilities	$	20,589,263	$	25,255,042	$	(4,665,779)
Lease liabilities		3,464,355		581,598		2,882,757
Total liabilities	**$**	**24,053,618**	**$**	**25,836,640**	**$**	**(1,783,022)**

Accounts Receivable

The Company had accounts receivable as at September 30, 2021 of $5.6 million compared to $8.9 million as at December 31, 2020. The Company has an agreement with Export Development Canada ("**EDC**") whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales up to a maximum of $3,000,000 with certain customers excluded from this coverage.

OTHER ITEMS

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company's interim condensed consolidated financial statements as at September 30, 2021, inclusive of Note 13. Lease Liabilities and Note 17. Commitments and Contingencies.

Transactions with Related Parties

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

The remuneration of key management of the Company for the three and nine months ended September 30, 2021 and September 30, 2020 are as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Short-term employee benefits	$ 617,670	$ 470,800	$ 1,483,840	$ 1,007,671
Share-based compensation	22,281	34,677	81,168	97,744
Total	**$ 639,951**	**$ 505,477**	**$ 1,565,008**	**$ 1,105,415**

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.

	September 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	$ 14,627,772	$ 14,627,772	$ 4,647,713	$ 4,647,713
Accounts receivable	$ 5,599,227	$ 5,599,227	$ 8,896,323	$ 8,896,323
Investment tax credits receivable	$ 1,098,439	$ 1,098,439	$ 1,207,868	$ 1,207,868
Financial Liabilities				
Accounts payable and accrued liabilities	$ 9,508,510	$ 9,508,510	$ 12,189,613	$ 12,189,613
Bank loan	$ 8,100,000	$ 8,100,000	$ 8,075,050	$ 8,075,050

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

Credit Risk

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

Company's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

Liquidity Risk

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

Foreign Currency Risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations. The Company maintains certain financial instruments, inclusive of a portion of its cash, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company does not have significant exposure to the impact of foreign exchange fluctuations pertaining to its financial position as at September 30, 2021 and December 31, 2020. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the U.S. dollar would have had a $636,187 impact on net loss as at September 30, 2021 and $169,831 as at December 31, 2020.

Interest Rate Risk

All of the Company's financial assets and liabilities are non-interest bearing except for cash which generates interest income at market rates. The credit facilities bear interest at a floating rate based on the bank's prime rate and had a balance of $8,100,000 as at September 30, 2021 and $8,075,050 as at December 31, 2020. A potential percentage change in the bank's prime rate of 1.00% will have an impact of $81,000 as at September 30, 2021 and $80,750 as at December 31, 2020 on the Company's annual interest expense pertaining its line of credit facility.

DISCLOSURE OF OUTSTANDING SHARE DATA

As September 30, 2021 and at the date of this report, the following securities were outstanding:

	September 30, 2021	**Report date November 15, 2021**
Shares	43,629,229	43,629,229
Stock options	5,167,087	5,167,087
Restricted stock units	74,074	74,074
Warrants	407,588	407,588

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

RISK FACTORS

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

Inflation Risk

The Company does not believe that inflation has had a material effect on our business, financial condition or results of operations. If costs were to become subject to significant inflationary pressures, Tantalus may not be able to fully offset such higher costs through price increases. The Company's inability or failure to do so could harm its business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tantalus has an accumulated deficit $120,149,824 as of September 30, 2021 and has a history of losses. Tantalus' ability to be profitable for 2021 and beyond will depend on Tantalus' ability to continue to increase Tantalus' revenue, and maintain proportional expense levels. Tantalus may not achieve profitability in 2021 or future periods and may incur negative operating cash flow in future periods, as

Tantalus expects to incur significant costs to sell Tantalus' products and operating expenses in connection with the continued development and expansion of Tantalus' business. Tantalus' expenses include research and development expenses, general and administrative expenses, selling and marketing expenses and customer service and support expenses. Some of these expenses relate to prospective customers that may never place any orders and products that may not be introduced or generate revenue until later periods, if at all. There can be no assurance that Tantalus will become profitable on a quarterly or annual basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

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

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design of the Company's internal controls over financial reporting in accordance with *Internal Control - Integrated Framework 2013*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation identified no instances in which internal controls did not operate in an effective manner. Nonetheless, the Company has further strengthened its internal control processes to mitigate future potential material financial statement misstatements and other internal control violations during the three months ended September 30, 2021.

Because of the inherent limitations in a control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the financial statements. As the Company has a limited number of personnel, management has concluded that a weakness exists in the design of internal controls over financial reporting caused by a lack of adequate segregation of duties. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. Management has concluded that taking into account the present stage of the Company's development and the best interests of its shareholders; the Company does not have sufficient size and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, supervisory controls are exercised by management and the Audit Committee is vigilant in its' oversight.

The Chief Executive Officer and Chief Financial Officer of the Company conducted an evaluation of the disclosure controls and procedures as required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" issued by the Canadian Securities Administrators. They concluded that as at September 30, 2021, the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information regarding required disclosures was made known to them on a timely basis.

OTHER INFORMATION

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