TANTALUS SYSTEMS HOLDING INC.

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

March 14, 2023

For the three and twelve months ended December 31, 2022

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of Tantalus Systems Holding Inc. (together with its subsidiaries and predecessors, the "**Company**", "**we**" or "**Tantalus**") is provided to assist our readers in assessing our financial condition and our financial performance, including our liquidity and capital resources, as at and for the three and twelve months ended December 31, 2022 compared with the three and twelve months ended December 31, 2021. The information in this MD&A is current as of March 14, 2023, and should be read in conjunction with the audited consolidated financial statements as at December 31, 2022 and 2021 included with Tantalus' continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com.

The Company's audited consolidated financial statements and notes thereto as at December 31, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee, and are presented in United States ("US") dollars which is the functional currency of the Company. Where balances are also expressed in Canadian dollars ("**CND$**") in this MD&A, an average foreign exchange rate of 0.7366 and 0.7685 for the three and twelve months ended December 31, 2022 for income statement items and a foreign exchange rate of 0.7383 as at December 31, 2022 for balance sheet items has been applied. Certain dollar amounts in this MD&A have been rounded to the nearest millions or thousands of dollars.

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

Non-IFRS and Other Financial Measures

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

> "EBITDA" is comprised as income (loss) less interest, income tax and depreciation and amortization. Management believes that EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See "Selected Financial Information - Reconciliation of Net (Loss) Income to Adjusted EBITDA", "Trailing Eight Quarter Selected Financial Information - Reconciliation of Quarterly Net (Loss) Income to Adjusted EBITDA" and "Financial Results for the Three and Twelve Months Ended December 31, 2022 – Adjusted EBITDA" for a quantitative reconciliation of EBITDA to the most directly comparable financial measure.

> "Adjusted EBITDA" is comprised as income (loss) less interest, income tax, depreciation, amortization, stock-based compensation, foreign exchange gain (loss) and other income / expenses not attributable to the operations of the Company. Management believes that Adjusted EBITDA is

a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See "Selected Financial Information - Reconciliation of Net (Loss) Income to Adjusted EBITDA", "Trailing Eight Quarter Selected Financial Information - Reconciliation of Quarterly Net (Loss) Income to Adjusted EBITDA" and "Financial Results for the Three and Twelve Months Ended December 31, 2022 – Adjusted EBITDA" for a quantitative reconciliation of Adjusted EBITDA to the most directly comparable financial measure.

"Gross Profit" is comprised as the Company's revenues less cost of sales. Management believes that Gross Profit is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See "Selected Financial Information" and "Financial Results for the Three and Twelve Months Ended December 31, 2022 – Gross Profit" for a quantitative reconciliation of Gross Profit to the most directly comparable financial measure.

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

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

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

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

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

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

"Annual Recurring Revenue" or "ARR" is comprised of the Company's Recurring Revenue as expressed on an annualized revenue basis attributable to its customer agreements at a point in time.

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

NOTE REGARDING FORWARD-LOOKING INFORMATION

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

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: our ability to capitalize on growth opportunities and implement our growth strategy; our ability to retain key personnel; our ability to maintain existing customer relationships and to continue to expand our customers' use of our products solutions; our ability to acquire new customers; our ability to enhance our offerings to remain at the forefront of our industry; the impact of competition; the successful integration of Congruitive and future acquisitions; the absence of material adverse changes in our business, our industry or the global economy; and that the risks and uncertainties described under the "Risk Factors" section of Tantalus' Annual Information Form dated March 23, 2022 and our Annual Information Form to be filed on or prior to March 31, 2023 will not materialize. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

Additionally, there are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. Known risk factors include, but are not limited to, the factors described in the "Risk Factors" section of Tantalus' Annual Information Form dated March 23, 2022 and the Annual Information Form to be filed on or prior to March 31, 2023.

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

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

DESCRIPTION OF BUSINESS

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

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

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

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

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

2022 HIGHLIGHTS

Milestones: Tantalus delivered its 3 millionth distributed intelligent TRUEdge computing module to public power and electric cooperative utilities in 2022. The milestone is significant in the evolution of modernizing distribution grids of community-oriented utilities. As more TRUEdge endpoints are deployed, our systems gather additional power quality and consumption data that not only improves our AI-enabled data analytics tools, but also leads to an increase in our Annual Recurring Revenue.

Annual Recurring Revenue: Through the end of 2022, ARR grew to approximately $9.8 million (CND$12.8 million), up from approximately $7.2 million (CND$9.4 million) at the end of 2021. The growth in ARR is tied to additional conversions of new utilities from the sales pipeline, ongoing efforts to secure licenses to the Company’s first data analytics offering (SaaS model) and the acquisition of Congruitive in January 2022. Since 2016, the compounded annual growth rate of the Company’s ARR is approximately 18%.

Expansion of our User Community: Tantalus continued to demonstrate its ability to convert utilities from its sales pipeline by adding 18 new utilities in 2022. The Company’s total user community exceeds 270 customers.

Order Conversions from Sales Pipeline: Tantalus converted $42 million (CND$54.7 million) in orders from its sales pipeline throughout 2022, representing 12% growth year-over-year and the highest level of conversions from the pipeline within a calendar year.

Tantalus Grid Reliability Analytics (TGRA): Tantalus is currently engaged with an increasing number of utilities that are evaluating the Company’s new AI-enabled data analytics offering. In addition to TGRA, we initiated a proof-of-concept for our second analytics tool that is centered on protecting power transformers. Given the urgency to extend asset life across the utility industry and the supply chain shortages for power transformers, the Company anticipates strong interest across our user community and the broader utility industry for this second analytics tool.

TRUSense Gateway Progress: The Company continues to make progress in developing its TRUSense Gateway, which is anticipated to be a market-leading solution to assist utilities in deploying next-generation metering infrastructure, delivering broadband services and integrating distributed resources, such as EV chargers, roof-top solar inverters and power walls. The Company completed alpha-version testing with eight utilities and will be working through UL certification efforts during the first half of 2023. The initiative has more than doubled the qualified sales pipeline of the Company and is expected to expand the Company’s addressable market by over $1 billion.

Publications: Tantalus issued its inaugural Environment, Social and Governance report during 2022 outlining goals and targets through 2030. The Company also issued an article featured in RE Magazine outlining the utility of the future.

Partnerships: During 2022, the Company partnered with Kansas Municipal Energy Agency to offer purpose-built smart-grid solutions to its more than 80 member utilities throughout Kansas. Tantalus also partnered with Energy Toolbase, which provides a suite of project modeling, energy storage control and asset monitoring products for solar and storage microgrid deployments, to deploy a microgrid that includes solar panels and battery storage to provide resiliency to the headquarters of a major construction company in Riverdale, California.

Acquisition of Congruitive: On January 31, 2022, the Company completed its acquisition of DLC Systems, Inc. d/b/a Congruitive (“Congruitive”). Congruitive’s signature software solution, Congruence.IQ™ ("C.IQ™"), is a software platform that enables the interoperability of a wide range of devices through an emerging Institute of Electrical and Electronics Engineers standard. By deploying C.IQ, a utility's smart grid deployment can operate as one intelligent, interoperable system, with the necessary scalability and flexibility to integrate data from EVs and DERs that are deployed at the edge of the grid. Congruitive markets its C.IQ software to investor-owned utilities, partners that are deploying DERs and EVs, and renewable power integrators. The addition of Congruitive enhances the Company’s position at the forefront of helping utilities modernize their grids to prepare for the impact that EVs and DERs will have on the resiliency and reliability of distribution grids. The Company retained 9 employees from Congruitive, including its Founder, Douglass Campbell, who now serves as Tantalus’ Chief Solution Officer and Tom Allen, who now serves as Tantalus’ Vice President, Product Development. In conjunction with the acquisition, Tantalus’ user community grew by approximately 40 utilities, most of which are investor-owned utilities.

Financial Summary for the Three and Twelve Months Ended December 31, 2022:

Revenue: During the three and twelve months ended December 31, 2022, the Company generated revenue of $12.2 million (CND$16.6 million) and $39.6 million (CND$51.5 million) which increased by 60% and 23% from $7.6 million (CND$10.3 million) and $32.2 million (CND$41.9 million) in the same periods in 2021, respectively. Revenue generated during the fourth quarter represented the highest revenue generated in a quarter across the Company's history.

Gross Profit: Gross Profit Margin increased to 45% and 48% during the three and twelve months ended December 31, 2022, versus 44% and 45% during the same period in 2021.

Adjusted EBITDA: Adjusted EBITDA for the three months ended December 31, 2022, increased to $0.1 million (CND$0.1 million) compared to ($1.2 million) (negative CND$1.6 million) for the prior year quarter. Adjusted EBITDA for the year ended December 31, 2022, was ($2.4 million) (negative CND$3.1 million) compared to ($1.7 million) (negative CND$2.2 million) for the period year (see reconciliation of net loss / income to Adjusted EBITDA). The Adjusted EBITDA experienced during 2022 is attributable to the investments in research and development ("R&D") to bring the TRUSense Gateway to market, the acquisition and ongoing investment in Congruitive, and higher costs impacted by inflationary pressures. The Company approached neutral Adjusted EBITDA during the second half of 2022.

SELECTED FINANCIAL INFORMATION

Selected annual information of the results of the Company's operations is as follows:

		Twelve months ended December 31, 2022		**Twelve months ended December 31, 2021**		**Twelve months ended December 31, 2020**
Revenue	$	39,603,023	$	32,171,771	$	33,049,419
Cost of sales		20,706,736		17,819,570		16,924,441
Gross Profit		18,896,287		14,352,201		16,124,978
Expenses		24,585,989		20,594,496		16,990,309
Operating (loss)		(5,689,702)		(6,242,295)		(865,331)
Other (expenses) earnings		(387,311)		(737,141)		2,357,421
(Loss) income before income taxes		(6,077,013)		(6,979,436)		1,492,090
Income tax (recovery) expense		(881,597)		40,717		7,243
(Loss) income for the period		(5,195,416)		(7,020,153)		1,484,847
(Loss) earnings per share (basic and diluted)		(0.12)		(0.17)		0.04
Adjusted EBITDA	$	(2,430,563)	$	(1,731,819)	$	2,630,239

Reconciliation of Annual Net (Loss) Income to Adjusted EBITDA

		Twelve months ended December 31, 2022		Twelve months ended December 31, 2021		Twelve months ended December 31, 2020
Loss for the period	$	(5,195,416)	$	(7,020,153)	$	1,484,847
Finance expense (a)		1,070,085		628,200		708,206
Income taxes		(881,597)		40,717		7,243
Depreciation and amortization		1,898,701		1,545,737		1,714,504
EBITDA		(3,108,227)		(4,805,499)		3,914,800
Stock-based compensation (b)		773,478		462,080		302,762
Foreign exchange (c)		(682,774)		108,941		190,282
Other Income (d)		-		-		(3,255,909)
Congruitive acquisition related costs (e)		586,960		350,000		-
Energate arbitration related costs (f)		-		-		296,455
RiseTech reverse acquisition listing expense (g)		-		1,188,175		-
Reverse acquisition legal, professional and related costs (h)		-		964,484		1,181,849
Adjusted EBITDA	$	(2,430,563)	$	(1,731,819)	$	2,630,239

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

Selected annual information from the Company’s statement of financial position are as follows:

		December 31, 2022		December 31, 2021		December 31, 2020
Cash	$	5,850,914		14,203,794	$	4,647,713
Adjusted Working Capital	$	4,956,420		13,574,656	$	3,538,274
Total assets	$	37,359,751		31,025,747	$	23,525,534
Shareholders’ earnings (deficit)	$	3,578,699		6,790,603	$	(2,311,106)

Adjusted Working Capital		**December 31, 2022**		**December 31, 2021**		**December 31, 2020**
Total current assets	$	22,794,298	$	26,427,657	$	20,718,266
Less: current liabilities		(27,037,878)		(20,953,001)		(25,255,042)
		(4,243,580)		5,474,656		(4,536,776)
Add: Bank loans - current portion		9,200,000		8,100,000		8,075,050
Adjusted Working Capital	$	4,956,420	$	13,574,656	$	3,538,274

TRAILING EIGHT QUARTER SELECTED FINANCIAL INFORMATION

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

	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021	Three months ended March 31, 2021
Revenue	$ 12,164,972	$ 9,071,109	$ 9,075,464	$ 9,291,478	$ 7,610,356	$ 8,536,822	$ 8,013,262	$ 8,011,331
Cost of sales	6,640,844	4,283,858	4,911,669	4,870,365	4,256,855	4,932,219	4,221,177	4,409,319
Gross Profit	5,524,128	4,787,251	4,163,795	4,421,113	3,353,501	3,604,603	3,792,085	3,602,012
Expenses	5,909,095	5,905,550	6,412,784	6,358,560	5,322,418	4,706,067	4,235,964	6,330,047
Operating loss	(384,967)	(1,118,299)	(2,248,989)	(1,937,447)	(1,968,917)	(1,101,464)	(443,879)	(2,728,035)
Other (expenses) earnings	(368,403)	(36,298)	(130,674)	148,064	(155,122)	(238,275)	(163,347)	(180,397)
Loss income before income taxes	(753,370)	(1,154,597)	(2,379,663)	(1,789,383)	(2,124,039)	(1,339,739)	(607,226)	(2,908,432)
Income tax (recovery) expense	(912,580)	-	30,983	-	40,717	-	-	-
Loss income for the period	159,210	(1,154,597)	(2,410,646)	(1,789,383)	(2,164,756)	(1,339,739)	(607,226)	(2,908,432)
Earnings (loss) per share (basic and diluted)	0.00	(0.03)	(0.05)	(0.04)	(0.05)	(0.03)	(0.02)	(0.08)
Adjusted EBITDA	$ 103,646	$ (384,123)	$ (1,495,824)	$ (654,262)	$ (1,272,109)	$ (580,535)	$ 65,475	$ 55,350

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

Reconciliation of Quarterly Net (Loss) Income to Adjusted EBITDA

	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021	Three months ended March 31, 2021
Loss income for the period	$ 159,210	$ (1,154,597)	$ (2,410,646)	$ (1,789,383)	$ (2,164,756)	$ (1,339,739)	$ (607,226)	$ (2,908,432)
Finance expense (a)	297,713	283,137	252,249	236,986	145,383	142,999	173,489	166,329
Income taxes	(912,580)	-	30,983	-	40,717	-	-	-
Depreciation and amortization	318,945	535,362	551,225	493,169	282,658	381,475	446,647	434,957
EBITDA	(136,712)	(336,098)	(1,576,189)	(1,059,228)	(1,695,998)	(815,265)	12,910	(2,307,146)
Stock-based compensation (b)	169,668	198,814	201,940	203,056	139,150	64,454	62,707	195,769
Foreign exchange (c)	70,690	(246,839)	(121,575)	(385,050)	9,739	95,276	(10,142)	14,068
Congruitive acquisition related costs (d)	-	-	-	586,960	275,000	75,000	-	-
RiseTech reverse acquisition listing expense (e)	-	-	-	-	-	-	-	1,188,175
Reverse acquisition legal, professional and related costs (f)	-	-	-	-	-	-	-	964,484
Adjusted EBITDA	$ 103,646	$ (384,123)	$ (1,495,824)	$ (654,262)	$ (1,272,109)	$ (580,535)	$ 65,475	$ 55,350

(a) Finance expense comprised of interest and related finance expense on bank loan and lease liabilities.
(b) Stock-based non-cash compensation expense.
(c) Foreign exchange comprised of unrealized (gain) / loss from non-functional currency assets and liabilities.
(d) General and administrative expenses pertaining to the Company's acquisition of Congruitive completed on January 31, 2022.
(e) Reverse acquisition listing expense comprised of excess purchase price over RiseTech net assets acquired.
(f) Reverse acquisition costs comprised of legal and professional fees.

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

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Cash	$ 5,850,914	5,739,561	$ 9,808,998	$ 12,024,774	$ 14,203,794	$ 14,627,772	$ 10,682,722	$ 12,174,985
Adjusted Working Capital	$ 4,956,420	4,223,455	$ 6,590,368	$ 8,963,488	$ 13,574,656	$ 15,562,545	$ 9,094,278	$ 9,054,673
Total assets	$ 37,359,751	34,216,532	$ 37,771,907	$ 40,001,158	$ 31,025,747	$ 32,865,703	$ 29,925,425	$ 27,193,349
Shareholders' earnings (deficit)	$ 3,578,699	3,249,088	$ 4,198,813	$ 6,409,380	$ 6,790,603	$ 8,812,085	$ 2,444,361	$ 2,988,077

Adjusted Working Capital	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Total current assets	$ 22,794,298	$ 19,925,342	$ 23,131,694	$ 25,494,272	$ 26,427,657	$ 28,051,808	$ 24,823,425	$ 24,669,875
Less: current liabilities	(27,037,878)	(23,821,887)	(25,741,326)	(25,730,784)	(20,953,001)	(20,589,263)	(23,829,147)	(23,697,602)
	(4,243,580)	(3,896,545)	(2,609,632)	(236,512)	5,474,656	7,462,545	994,278	972,273
Add: Bank loans - current portion	9,200,000	8,120,000	9,200,000	9,200,000	8,100,000	8,100,000	8,100,000	8,082,400
Adjusted Working Capital	$ 4,956,420	$ 4,223,455	$ 6,590,368	$ 8,963,488	$ 13,574,656	$ 15,562,545	$ 9,094,278	$ 9,054,673

FINANCIAL RESULTS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2022

Revenue

Revenue by Source		Three months ended December 31, 2022	%		Three months ended December 31, 2021	%		Twelve months ended December 31, 2022	%		Twelve months ended December 31, 2021	%
Connected Devices and Infrastructure	$	8,394,790	69%	$	4,849,091	64%	$	26,518,626	67%	$	21,665,994	67%
Utility Software Applications and Services		3,770,182	31%		2,761,265	36%		13,084,397	33%		10,505,777	33%
Total revenue	$	12,164,972	100%	$	7,610,356	100%	$	39,603,023	100%	$	32,171,771	100%

Revenue increased by 60% and by 23% for the three and twelve months ended December 31, 2022, respectively, over the prior year periods due to higher sales associated with the fulfillment of customer orders and additional production capacity from Tantalus' contract manufacturer and metering partners. Congruitive contributed revenue of $0.6 million and $1.6 million (CND$0.8 million and CND$2.1 million) for the three and twelve months ended December 31, 2022.

Revenue from the Company's Connected Devices and Infrastructure products increased by 73% and 22% for the three and twelve months ended December 31, 2022, respectively, over the prior year periods.

Revenue from the Company's Utility Software Applications and Services increased by 37% and 25% for the three and twelve months ended December 31, 2022, respectively, over the prior year periods as deployments of the Company's Connected Devices continue to expand, driving incremental software and services revenue opportunities. The increase in revenue from Utility Software Applications and Services is due to the Company's investments in R&D and acceleration of strategic initiatives to expand recurring revenue from its software and data analytics solutions and the revenue contribution from the Company's acquisition of Congruitive during 2022.

Revenue by Type		Three months ended December 31, 2022	%		Three months ended December 31, 2021	%		Twelve months ended December 31, 2022	%		Twelve months ended December 31, 2021	%
Recurring Revenue	$	2,196,508	58%	$	1,700,590	62%	$	8,659,242	66%	$	6,803,163	65%
Other software and services revenue		1,573,674	42%		1,060,675	38%		4,425,155	34%		3,702,614	35%
Total Utility Software and Services revenue	$	3,770,182	100%	$	2,761,265	100%	$	13,084,397	100%	$	10,505,777	100%

As a subset of the revenue contributions from the Utility Software and Services segment, the Company's Recurring Revenue comprised 58% and 66% of total Utility Software and Services revenue during the three and twelve months ended December 31, 2022.

Revenue by Type		Three months ended December 31, 2022	%		Three months ended December 31, 2021	%		Twelve months ended December 31, 2022	%		Twelve months ended December 31, 2021	%
Recurring Revenue	$	2,196,508	18%	$	1,700,590	22%	$	8,659,242	22%	$	6,803,163	21%
Other revenue		9,968,464	82%		5,909,766	78%		30,943,781	78%		25,368,608	79%
Total revenue	$	12,164,972	100%	$	7,610,356	100%	$	39,603,023	100%	$	32,171,771	100%

Recurring Revenue was $2.2 million and $8.7 million (CND$3.0 million and CND$11.3 million) which comprised 18% and 22% of total revenue generated during the three and twelve months ended December 31, 2022, respectively, which increased over the prior year periods due to expanding our user community, deploying additional devices and integrating the acquisition of Congruitive. As at December 31, 2022, the Company's ARR increased to approximately $9.8 million (CND$12.8 million) from approximately $7.2 million (CND$9.4 million) as at December 31, 2021 due to additional conversions of new utilities from the sales pipeline, ongoing efforts to secure licenses to the Company's first data analytics offering (SaaS model) and the acquisition of Congruitive.

No single customer represented more than 10% of total revenues for the three and twelve months ended December 31, 2022 and 2021.

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

		Three months ended December 31, 2022	%		Three months ended December 31, 2021	%		Twelve months ended December 31, 2022	%		Twelve months ended December 31, 2021	%
United States (1)	$	12,008,109	99%	$	7,460,358	98%	$	39,215,685	99%	$	31,740,808	99%
Canada		101,758	1%		123,565	<1%		284,723	1%		345,074	1%
Other		55,105	<1%		26,433	<1%		102,615	<1%		85,889	<1%
	$	12,164,972	100%	$	7,610,356	100%	$	39,603,023	100%	$	32,171,771	100%

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

Gross Profit

The Company's Gross Profit during the three months ended December 31, 2022 is as follows:

Three months ended December 31, 2022		Connected Devices and Infrastructure	%		Utility Software Applications and Services	%		Total	%
Revenue	$	8,394,790	100%	$	3,770,182	100%	$	12,164,972	100%
Cost of sales		5,619,346	67%		1,021,498	27%		6,640,844	55%
Gross Profit	$	2,775,444	33%	$	2,748,684	73%	$	5,524,128	45%
Percentage of total Gross Profit		50%			50%			100%	

Three months ended December 31, 2021		Connected Devices and Infrastructure	%		Utility Software Applications and Services	%		Total	%
Revenue	$	4,849,091	100%	$	2,761,265	100%	$	7,610,356	100%
Cost of sales		3,407,780	70%		849,075	31%		4,256,855	56%
Gross Profit	$	1,441,311	30%	$	1,912,190	69%	$	3,353,501	44%
Percentage of total Gross Profit		43%			57%			100%	

Gross Profit Margin increased to 45% during the three months ended December 31, 2022, compared to 44% during the prior year. The increase in Gross Profit Margin witnessed in 2022 reflects increasing revenue from software and services as well as the prudent cost management across the Company's supply chain, which was impacted by inflationary pressures. To offset inflationary pressures, management implemented price increases in 2022, which were accepted by the Company's customer base of utilities.

The Company's Gross Profit during the twelve months ended December 31, 2022, is as follows:

Twelve months ended December 31, 2022		Connected Devices and Infrastructure	%		Utility Software Applications and Services	%		Total	%
Revenue	$	26,518,626	100%	$	13,084,397	100%	$	39,603,023	100%
Cost of sales		17,484,382	66%		3,222,354	25%		20,706,736	52%
Gross Profit	$	9,034,244	34%	$	9,862,043	75%	$	18,896,287	48%
Percentage of total Gross Profit		48%			52%			100%	

Twelve months ended December 31, 2021		Connected Devices and Infrastructure	%		Utility Software Applications and Services	%		Total	%
Revenue	$	21,665,994	100%	$	10,505,777	100%	$	32,171,771	100%
Cost of sales		14,830,569	68%		2,989,001	28%		17,819,570	55%
Gross Profit	$	6,835,425	32%	$	7,516,776	72%	$	14,352,201	45%
Percentage of total Gross Profit		48%			52%			100%	

Gross Profit Margin increased to 48% during the twelve months ended December 31, 2022, as compared to 45% during the prior year. The increase in Gross Profit Margin in 2022 over the prior year reflects proactive management and oversight of the Company's supply chain relative to inflationary pressures and the Company's ability to implement a price increase in 2022.

Expenses

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

		Three months ended December 31, 2022	% of Revenue		Three months ended December 31, 2021	% of Revenue		Twelve months ended December 31, 2022	% of Revenue		Twelve months ended December 31, 2021	% of Revenue
Sales and marketing	$	1,737,388	14%	$	1,447,475	19%	$	6,810,090	17%	$	5,474,260	17%
Research and development		1,718,096	14%		1,280,288	17%		7,571,387	19%		5,429,695	17%
General and administrative		2,134,666	18%		2,311,997	30%		8,305,811	21%		8,144,804	25%
Depreciation and amortization		318,945	3%		282,658	4%		1,898,701	5%		1,545,737	5%
Total expenses	$	5,909,095	49%	$	5,322,418	70%	$	24,585,989	62%	$	20,594,496	64%
As a percentage of total revenue		49%			70%			62%			64%	

Total expenses include depreciation and amortization, share based compensation expense, expenses attributable to the Company's acquisition of Congruitive during 2022 of $0.6 million and the Company's going public transaction in 2021 of $2.2 million. The increase in expenses between 2021 and 2022 is largely attributable to expenses associated with the TRUSense Gateway offering and the acquisition of Congruitive in January 2022.

Sales and marketing expense consists primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, marketing and branding, advertising costs and facilities. The increase in sales and marketing expense for the three and twelve months ended December 31, 2022, over the prior year periods is primarily attributable to increased headcount to support long-term growth initiatives, additional travel to visit utility customers for business development and participation at in-person industry trade-shows and events as COVID-19 restrictions subside. As momentum continues to develop across the utility industry, Tantalus anticipates making further investments in sales and marketing to expand its presence and position itself for broader growth in the future.

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

General and administrative expenses include executive and administrative staff, insurance, corporate variable compensation, accounting, legal and consulting fees as well as various general administrative costs. Beyond incurring additional expenses associated with acquisition of Congruitive in January 2022, the Company continues to absorb expenses associated with going public in 2021. General and administrative expense for the twelve months ended December 31, 2022, also includes $586,960 in costs related to the acquisition of Congruitive and stock-based compensation expense of $552,819, whereas the prior year period included $2.2 million of expenses associated with Tantalus' transaction to go public, $275,000 of expenses associated with the Congruitive acquisition, coupled with stock-based compensation expense of $331,596.

		Three months ended December 31, 2022		Three months ended September 30, 2022		Three months ended December 31, 2021
Total expenses	$	5,909,095	$	5,905,550	$	5,322,418
Depreciation and amortization		(318,945)		(535,362)		(282,658)
Stock-based compensation		(169,668)		(198,814)		(139,150)
	$	5,420,482	$	5,171,374	$	4,900,610
As a percentage of total revenue		45%		57%		64%

The Company's total expenses, exclusive of depreciation and amortization and stock-based compensation, was $5.4 million for the three months ended December 31, 2022, as compared to $5.2 million in the three months ended September 30, 2022, and $4.9 million for the three months ended December 31, 2021. The increase in total expenses during the three months ended December 31, 2022, over the prior year period is primarily due to the absorption of the Congruitive employees, the continued development of the TRUSense Gateway and other key R&D initiatives.

		Twelve months ended December 31, 2022		Twelve months ended December 31, 2021
Total expenses	$	24,585,989	$	20,594,496
Depreciation and amortization		(1,898,701)		(1,545,737)
Stock-based compensation		(772,620)		(455,068)
Congruitive acquisition costs		(586,960)		(350,000)
RiseTech reverse takeover costs and listing fee		-		(2,152,659)
	$	21,327,708	$	16,091,032
As a percentage of total revenue		54%		50%

The Company's total expenses, exclusive of depreciation and amortization, stock-based compensation, acquisition related costs, listing fees and Congruitive acquisition costs, increased to $21.3 million for the twelve months ended December 31, 2022, as compared to $16.1 million in the prior twelve months ended December 31, 2021. This increase in total expenses is primarily due to the absorption of the employees and related costs of Congruitive, the continued development of the TRUSense Gateway and other strategic R&D initiatives.

Depreciation and Amortization

		Three months ended December 31, 2022		Three months ended December 31, 2021		Twelve months ended December 31, 2022		Twelve months ended December 31, 2021
Depreciation and amortization	$	97,999	$	142,338	$	402,560	$	567,438
Amortization of intangible assets		55,921		94,680		865,350		596,804
Amortization of right-of-use assets		165,025		45,640		630,791		381,495
Total depreciation and amortization	$	318,945	$	282,658	$	1,898,701	$	1,545,737

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 increase in depreciation and amortization during the twelve months ended December 31, 2022, over the prior year periods is primarily attributable to the increased amortization of intangible assets, including acquired intangible assets from Congruitive, and right of use assets.

Other Expenses

		Three months ended December 31, 2022		Three months ended December 31, 2021		Twelve months ended December 31, 2022		Twelve months ended December 31, 2021
Foreign exchange gain (loss)	$	(70,690)	$	(9,739)	$	682,774		(108,941)
Finance expense		(297,713)		(145,383)		(1,070,085)		(628,200)
Total other (expenses) earnings	$	(368,403)	$	(155,122)	$	(387,311)	$	(737,141)

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

The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency which accounted for most of the foreign exchange loss reported. The Company experienced a foreign exchange loss of $70,690 and gain of $682,774 during the three and twelve months ended December 31, 2022, which is primarily attributable to the foreign exchange impact on the Company's Canadian dollar denominated cash compared to a foreign exchange loss of $9,739 and $108,941 in the respective prior year periods.

Total Comprehensive Loss

		Three months ended December 31, 2022		Three months ended December 31, 2021		Twelve months ended December 31, 2022		Twelve months ended December 31, 2021
Operating loss	$	(384,967)	$	(1,968,917)	$	(5,689,702)	$	(6,242,295)
Total other (expenses) earnings		(368,403)		(155,122)		(387,311)		(737,141)
Income tax expense		912,580		(40,717)		881,597		(40,717)
Loss for the period		159,210		(2,164,756)		(5,195,416)		(7,020,153)
Foreign currency translation adjustment		733		215		(557)		299
Total comprehensive loss	$	159,943	$	(2,164,541)	$	(5,195,973)	$	(7,019,854)
(Loss) per share (basic and fully diluted)	$	0.00	$	(0.05)	$	(0.12)	$	(0.17)

Adjusted EBITDA

		Three months ended December 31, 2022		Three months ended December 31, 2021		Twelve months ended December 31, 2022		Twelve months ended December 31, 2021
Income (loss) for the period	$	159,210	$	(2,164,756)	$	(5,195,416)	$	(7,020,153)
Finance expense (a)		297,713		145,383		1,070,085		628,200
Income taxes		(912,580)		40,717		(881,597)		40,717
Depreciation and amortization		318,945		282,658		1,898,701		1,545,737
EBITDA		(136,712)		(1,695,998)		(3,108,227)		(4,805,499)
Stock-based compensation (b)		169,668		139,150		773,478		462,080
Foreign exchange (c)		70,690		9,739		(682,774)		108,941
Congruitive acquisition related costs (d)		-		275,000		586,960		350,000
RiseTech reverse acquisition listing expense (e)		-		-		-		1,188,175
Reverse acquisition legal, professional and related costs (e)		-		-		-		964,484
Adjusted EBITDA	$	103,646	$	(1,272,109)	$	(2,430,563)	$	(1,731,819)

(a) Finance expense comprised of interest and related finance expense on bank loans and lease liabilities (see Financial Statements).
(b) Share-based non-cash compensation expense (see Financial Statements).
(c) Foreign exchange comprised of unrealized (gain) / loss from non-functional currency assets and liabilities (see Financial Statements).
(d) General and administrative expenses pertaining to the Company's acquisition of Congruitive completed on January 31, 2022 (see note 4 in the Financial Statements).
(e) Reverse acquisition listing expense comprised of excess purchase price over RiseTech net assets acquired and reverse acquisition costs comprised of legal and professional fees.

During the three months ended December 31, 2022, the Company generated Adjusted EBITDA of $103,646 representing 1% of revenue. For the twelve months ended December 31, 2022, the Company generated Adjusted EBITDA of ($2,430,563) representing negative 6% of revenue. As momentum continues to build across the utility industry, management believes it is in the best interest of the business to make near-term investments in R&D and sales and marketing to expand the capabilities of the Company. Specifically, the Company is investing to build its next-generation TRUSense Gateway, which is anticipated to be a market-leading product enabling utilities to not only digitize the distribution grid, but also provide connectivity, command and control of EV charging stations and DERs deployed behind the meter. The Company is also investing to expand its data analytics SaaS offering capabilities after receiving positive feedback across its user community. The Company will also invest to accelerate the roadmap of Congruitive's offering with specific focus on building the necessary tools to help utilities integrate data from EV charging stations and DERs through the utility's firewall and into mission-critical systems. The Adjusted EBITDA of $103,646 in the fourth quarter of fiscal 2022 over the prior quarter ended September 30, 2022, of ($384,123) reflects the progress being made by the Company towards generating future positive Adjusted EBITDA.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

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

Cash, Restricted Cash, and Adjusted Working Capital

Cash as at December 31, 2022 increased to $5.9 million from September 30, 2022 of $5.7 million, exclusive of $0.7 million in restricted cash, due primarily to the impact from the change in working capital items, in particular deferred revenue arising from the timing of the Company's ARR customer billing cycle during the fourth quarter and the increase in bank loan to $8,100,000 from September 30, 2022.

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

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

The Company had Adjusted Working Capital as follows:

Adjusted Working Capital		**December 31, 2022**		**December 31, 2021**
Total current assets	$	22,794,298	$	26,427,657
Less: current liabilities		(27,037,878)		(20,953,001)
		(4,243,580)		5,474,656
Add: Bank loans - current portion		9,200,000		8,100,000
Adjusted Working Capital	$	4,956,420	$	13,574,656

Adjusted Working Capital as of December 31, 2022 decreased from December 31, 2021 primarily due to the Company's investment in the Congruitive acquisition, Adjusted EBITDA, capital expenditures, increased finance expense due to higher interest rates and the repayment of the term loan principal during the twelve months ended December 31, 2022.

Cash Flows

The Company used total negative cash flow of $8.4 million, inclusive of negative cash flow from operations of $3,399,032, for the twelve months ended December 31, 2022. Investing and financing activities within the twelve months ended December 31, 2022, were primarily due to the acquisition of Congruitive.

Cash (used in) provided by :		**Twelve months ended December 31, 2022**		**Twelve months ended December 31, 2021**
Operating activities	$	(3,399,032)	$	(4,014,211)
Investing activities		(5,862,079)		(188,139)
Financing activities		1,074,342		13,747,946
Effect of foreign exchange on cash		(166,111)		10,485
(Decrease) increase in cash	**$**	**(8,352,880)**	**$**	**9,556,081**

Acquisition of Congruitive

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

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

Equity Financings

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

January 2021 Financing (in US$)		**Estimated Use of Proceeds**		**Use of Proceeds at at December 31, 2022**		**Estimated Future Use of Proceeds**
Expansion of product offerings through research and development	$	500,000	$	500,000	$	-
Development of strategic partnerships and / or acquisition		500,000		500,000		-

August 2021 Financing (in US$)		Estimated Use of Proceeds		Use of Proceeds as at December 31, 2022		Estimated Future Use of Proceeds
Strategic initiatives related to sales & marketing, research and development and corporate development	$	5,300,000	$	4,600,000	$	700,000

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

Staffing Levels

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

	December 31, 2022	December 31, 2021
Customer operations	23	24
Sales and marketing	22	18
Research and development	59	61
General and administration	18	22
Total	**122**	**125**

The decrease in headcount reflects the addition of Congruitive staff members and additional investments in sales and marketing to support future growth of the Company offset by other employee departures during the year ended December 31, 2022.

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

Commitments

The Company has the following commitments as at December 31, 2022:

Contractual Obligations		Total		Less than 1 year		1 - 5 years		After 5 years
Accounts Payable and accrued liabilities	$	12,359,785	$	12,359,785	$	-	$	-
Bank loan[(a)]		8,100,000		8,100,000		-		-
Term loan[(a)]		2,262,857		1,100,000		1,162,857		-
Lease liabilities[(b)]		7,272,254		762,152		5,354,125		1,155,977
Total Contractual Obligations	**$**	**29,994,896**	**$**	**22,321,937**	**$**	**6,516,982**	**$**	**1,155,977**

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

In the ordinary course of business, the Company may enter performance bonds with customers as part of a sales contract. As of December 31, 2022, the Company had one performance bond outstanding of $2,693,895.

In the ordinary course of business, the Company enters purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors. As at December 31, 2022, the Company had outstanding purchase order commitments of $15,966,669.

Bank Loan

The Company has a loan agreement with the Bank since April 12, 2012, to fund ongoing working capital requirements which the Company has renewed on an annual basis since such date. The loan agreement was previously comprised of two line of credit facilities (expressed in USD and CND currencies and collectively, the "Bank Loan") with respective maximum borrowing limits of $7,486,000 and CND$750,000 subject to a borrowing base in the amount equal to the aggregate of a percentage of eligible receivables, accrued investment tax credits, inventory and purchase orders. On May 10, 2021, the Company consolidated its Bank Loan from two credit facilities into one line of credit facility in United States dollars up to a maximum of $8,100,000. The Company had an aggregate balance drawn on its line of credit facilities with the Bank as at December 31, 2022 of $8,100,000 ($8,100,000 as at December 31, 2021). The facility bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly and is secured by a general security agreement and security over accounts receivable and inventory. The facility previously had a maturity date of February 27, 2023. The facility was renewed to extend the maturity date to February 27, 2024. The term loan carries a principal amount of $3,300,000 repayable over three years with the proceeds used for the Company's acquisition of Congruitive as announced on February 1, 2022, and bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly. The term loan had a balance of $2,262,857 as at December 31, 2022 (nil as at December 31, 2021). As of December 31, 2022, the Company was in compliance with its covenants.

Facilities

Tantalus maintains five office locations across North America, including:

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

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

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

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

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

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

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

FINANCIAL POSITION

The Company's financial position as of December 31, 2022, compared to December 31, 2021 is as follows:

Assets		**December 31, 2022**		**December 31, 2021**		**Variance**
Cash	$	5,850,914	$	14,203,794	$	(8,352,880)
Restricted cash		673,474		-		673,474
Accounts receivable		9,041,735		5,343,724		3,698,011
Investment tax credits receivable		2,824		52,869		(50,045)
Inventory		5,690,736		5,687,407		3,329
Prepaid expenses and deposits		1,534,615		1,139,863		394,752
Total current assets	$	22,794,298	$	26,427,657	$	(3,633,359)
Property and equipment		801,803		1,019,867		(218,064)
Intangible assets		6,983,140		160,490		6,822,650
Goodwill		3,445,149		-		3,445,149
Right of Use assets		3,335,361		3,417,733		(82,372)
Total assets	**$**	**37,359,751**	**$**	**31,025,747**	**$**	**6,334,004**
Liabilities						
Accounts payable and accrued liabilities		12,359,785		8,974,662		3,385,123
Deferred revenue and deposits		4,619,450		3,151,790		1,467,660
Lease liabilities		858,643		726,549		132,094
Bank term loan - current portion		1,100,000		-		1,100,000
Bank loan		8,100,000		8,100,000		-
Total current liabilities	$	27,037,878	$	20,953,001	$	6,084,877
Deferred revenue and deposits		503,994		-		503,994
Contingent consideration on Congruitive acquisition		2,458,702		-		2,458,702
Lease liabilities		2,617,621		3,282,143		(664,522)
Total liabilities	**$**	**33,781,052**	**$**	**24,235,144**	**$**	**9,545,908**

Restricted Cash

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

Accounts Receivable

The Company had accounts receivable as of December 31, 2022 of $9.0 million compared to $5.3 million as at December 31, 2021 which is primarily attributable to increased revenue experienced by the Company during the twelve months ended December 31, 2022. The Company has an agreement with EDC whereby

EDC agreed to provide 90% insurance coverage for the Company's invoiced sales up to a maximum of $3,000,000 with certain customers excluded from this coverage.

OTHER ITEMS

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company's consolidated financial statements as of December 31, 2022, inclusive of Note 14 Lease Liabilities and Note 19 Commitments and Contingencies.

Transactions with Related Parties

Related parties are comprised of the Company's key management. The remuneration of key management of the Company for the three and twelve months ended December 31, 2022, and December 31, 2021 are as follows:

		Three months ended December 31, 2022		Three months ended December 31, 2021		Twelve months ended December 31, 2022		Twelve months ended December 31, 2021
Short-term compensation	$	300,429	$	260,017	$	1,610,758	$	1,743,857
Share-based payments		87,157		19,913		358,752		101,081
	$	387,586	$	279,930	$	1,969,510	$	1,844,938

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.

		December 31, 2022				December 31, 2021		
		Carrying Value		Fair Value		Carrying Value		Fair Value
Financial Assets								
Cash	$	5,850,914	$	5,850,914	$	14,203,794	$	14,203,794
Restricted cash	$	673,474	$	673,474	$	-	$	-
Accounts receivable	$	9,041,735	$	9,041,735	$	5,343,724	$	5,343,724
Investment tax credits receivable	$	2,824	$	2,824	$	52,869	$	52,869
Financial Liabilities								
Accounts payable and accrued liabilities	$	12,359,785	$	12,359,785	$	8,974,662	$	8,974,662
Bank loans	$	10,362,857	$	10,362,857	$	8,100,000	$	8,100,000

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

Credit Risk

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

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

Liquidity Risk

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

Going Concern

The consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. During the twelve months ended December 31, 2022, the Company incurred a comprehensive loss of $5,195,973 and used cash flows for operating activities of $3,399,032. As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Based on the Company’s liquidity position as at the date of these consolidated financial statements, management has forecasted its cash flow requirements, considering the Company’s working capital and cash balance at December 31, 2022 and believes that it has sufficient cash resources to support operations for at least the next twelve months from December 31, 2022. The Company has a history of successive annual renewals of its Bank Loan (see “Bank Loan”) and the Bank Loan has been renewed until February 27, 2024. In addition to the Company’s cash of $5.9 million , exclusive of $0.7 million of restricted cash, as at December 31, 2022, the Company has a base shelf prospectus filed on June 28, 2021 under which it has an ability to offer, issue and sell common shares, preferred shares, debt securities and warrants for up to an aggregate offering price of CND$50,000,000 in one or more transactions during the twenty five month period that this prospectus remains effective (subject to the Company’s compliance with the applicable rules of the TSX and securities regulations required to access such base shelf prospectus) net of gross proceeds of CND$10,597,748 raised in August 2021 pursuant to the base shelf prospectus.

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

Foreign Currency Risk

Although substantially all of the Company’s revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition, and results of operations. The Company maintains certain financial instruments, inclusive of a portion of its cash, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company does have exposure to the impact of foreign exchange fluctuations pertaining to its financial position as at December 31, 2022 and December 31, 2021. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the U.S. dollar would have had a $56,758 impact on net loss as at December 31, 2022 and $413,392 as at December 31, 2021.

Interest Rate Risk

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

The term loan bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly, and had a balance of $2,262,857 as of December 31, 2022, and nil as of December 31, 2021. A potential percentage change in the bank's prime rate of 1.00% will have an impact of $22,629 for the period ended December 31, 2022, and nil for the year ended December 31, 2021, on the annual interest expense pertaining to its term loan.

DISCLOSURE OF OUTSTANDING SHARE DATA

As December 31, 2022, and at the date of this report, the following securities were outstanding:

	December 31, 2022	**March 14, 2023**
Shares	44,595,942	44,595,942
Stock options	6,898,077	6,864,295
Restricted stock units	-	-
Warrants	407,588	282,606

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepares its consolidated financial statements in accordance with IFRS. In the preparation of these 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 experience and other assumptions that the Company believes are reasonable under the circumstances and re-evaluates these estimates on an ongoing basis.

Revenue Recognition

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

1. The Connected Devices and Infrastructure Segment. This segment is responsible for the sale of the Company's proprietary edge computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of the

Company's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / IoT smart grid including base stations, repeaters and collectors; and

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

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

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

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

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

The Company determines revenue recognition through the following steps:

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

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

Business combination

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

Goodwill

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

Intangible assets

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

Intangible Asset Life	
Technology	10 years
Customer relations	10 years
Trademarks and copyrights	10 years

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

Standards Issued but Not Yet Effective

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

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

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

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

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of this amendment is not expected to have a material impact.

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

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

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

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of this amendment is not expected to have a material impact.

Classification of Debt with Covenants as Current or Non-Current (Amendments to IAS 1)

The IASB has published Non-Current Liabilities with Covenants (Amendments to IAS 1) which clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments:

- specify that if the right to defer settlement for at least twelve months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for purposes of classifying a liability as current or non-current;
- clarify that for non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply at the reporting date, and whether the entity expects to comply with the conditions by the date they are contractually required to be tested; and
- require that an entity present separately in its statement of financial position 'non-current liabilities subject to conditions in the next twelve months'.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted, and amendments are applied retroactively in accordance with IAS 8. The extent of the impact of adoption of this amendment has not yet been determined.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, an evaluation of the effectiveness of the Company's DC&P as of December 31, 2022, was carried out. The evaluation was carried out under the supervision of, and with the participation of, the CEO and CFO. Based on this evaluation, the CEO and CFO concluded that the Company's DC&P were effective as of December 31, 2022.

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, an evaluation of the effectiveness of the Company's ICFR as of December 31, 2022, was carried out. The evaluation was carried out within the criteria set forth by the COSO Framework and under the supervision of, and with the participation of, the CEO and the CFO. Based on this evaluation, the CEO and CFO concluded that the Company's ICFR were effective as of December 31, 2022.

There were no changes in the Company's ICFR during the quarter ended December 31, 2022, that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

OTHER INFORMATION

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