TANTALUS SYSTEMS HOLDING INC.

Interim Condensed Consolidated Financial Statements

For the three and six months ended
June 30, 2022 and 2021

(expressed in United States dollars)

(Unaudited)

MANAGEMENT'S RESPONSIBILITY

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

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

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

"Peter Londa"	*"George Reznik"*
Chief Executive Officer	Chief Financial Officer
August 9, 2022	August 9, 2022

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Financial Position

(Expressed in United States dollars)

	Note		June 30, 2022		December 31, 2021
Assets					
Current assets					
Cash		$	9,808,998	$	14,203,794
Accounts receivable	*5*		6,724,127		5,343,724
Investment tax credits receivable	*6*		41,624		52,869
Inventory	*7*		5,028,911		5,687,407
Prepaid expenses and other assets			1,528,034		1,139,863
Total current assets			23,131,694		26,427,657
Property and equipment	*8*		894,916		1,019,867
Intangible assets	*9*		7,502,400		160,490
Goodwill	*4*		2,590,945		-
Right of Use assets	*10*		3,651,952		3,417,733
Total assets		$	37,771,907	$	31,025,747
Liabilities and Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities	*11*	$	11,140,915	$	8,974,662
Deferred revenue and deposits			4,604,844		3,151,790
Lease liabilities	*13*		795,567		726,549
Bank term loan - current portion	*12*		1,100,000		-
Bank working capital loan	*12*		8,100,000		8,100,000
Total current liabilities			25,741,326		20,953,001
Deferred revenue and deposits			596,425		-
Bank term loan - long term portion	*12*		1,728,571		-
Contingent consideration on Congruitive acquisition	*4*		2,458,702		-
Lease liabilities	*13*		3,048,070		3,282,143
Total liabilities			33,573,094		24,235,144
Shareholders' equity					
Share capital	*14*				
Common shares			88,136,633		86,932,034
Other capital reserves			40,660,640		40,255,644
Accumulated other comprehensive income			1,916,149		1,917,505
Deficit			(126,514,609)		(122,314,580)
Total shareholders' equity			4,198,813		6,790,603
Total liabilities and shareholders' equity		$	37,771,907	$	31,025,747

See accompanying notes to interim condensed consolidated financial statements.

Commitments and contingencies (*Note 17*)

Approved on behalf of the Board:

"John McEwen"
Director

"Peter Londa"
Director

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Expressed in United States dollars)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenues	*18*	$ 9,075,464	$ 8,013,262	$ 18,366,942	$ 16,024,593
Cost of sales	*7, 14(e), 18*	4,911,669	4,221,177	9,782,034	8,630,496
		4,163,795	3,792,085	8,584,908	7,394,097
Expenses					
Sales and marketing	*14(e), 19*	1,665,330	1,184,401	3,243,639	2,568,015
Research and development	*6, 14(e), 19*	2,299,889	1,479,745	4,264,565	2,752,170
General and administrative	*14(e), 19*	1,896,340	1,125,171	4,218,746	4,364,222
Depreciation and amortization	*8, 9, 10, 19*	551,225	446,647	1,044,394	881,604
		6,412,784	4,235,964	12,771,344	10,566,011
Operating loss		(2,248,989)	(443,879)	(4,186,436)	(3,171,914)
Other (expenses) earnings					
Foreign exchange gain (loss)		121,575	10,142	506,625	(3,926)
Finance expenses	*15*	(252,249)	(173,489)	(489,235)	(339,818)
		(130,674)	(163,347)	17,390	(343,744)
Loss before income taxes		(2,379,663)	(607,226)	(4,169,046)	(3,515,658)
Income tax expense		30,983	-	30,983	-
Loss for the period		(2,410,646)	(607,226)	(4,200,029)	(3,515,658)
Foreign currency translation adjustment		(1,861)	803	(1,356)	963
Total comprehensive loss for the period		$ (2,412,507)	$ (606,423)	$ (4,201,385)	$ (3,514,695)
Loss per share (basic and diluted)	*16*	$ (0.05)	$ (0.02)	$ (0.09)	$ (0.09)
Weighted average number of shares outstanding (basic and diluted)	*16*	44,588,196	38,859,050	44,399,519	38,056,868

See accompanying notes to interim condensed consolidated financial statements.

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in United States dollars)

	Common Shares					Accumulated Other Comprehensive				Total Shareholders'
	Number		Amount		Other Capital Reserves		Income		Deficit		Equity (Deficit)
Balance, December 31, 2020	**33,673,520**	**$**	**71,475,662**	**$**	**39,590,453**	**$**	**1,917,206**	**$**	**(115,294,427)**	**$**	**(2,311,106)**
Share-based compensation	-		-		462,080		-		-		462,080
Issuance of common shares from financing	9,128,320		16,282,172		-		-		-		16,282,172
Issuance of common shares from option exercise	65,069		51,650		-		-		-		51,650
Share issuance costs	-		(2,203,450)		203,111		-		-		(2,000,339)
Shares issued for RiseTech merger	767,320		1,326,000		-		-		-		1,326,000
Foreign currency translation adjustment	-		-		-		299		-		299
Loss for the period	-		-		-		-		(7,020,153)		(7,020,153)
Balance, December 31, 2021	**43,634,229**	**$**	**86,932,034**	**$**	**40,255,644**	**$**	**1,917,505**	**$**	**(122,314,580)**	**$**	**6,790,603**
Share-based compensation	-		-		404,996		-		-		404,996
Issuance of common shares from option exercise	10,328		8,133		-		-		-		8,133
Issuance of common shares from RSU exercise	74,074		-		-		-		-		-
Issuance of common shares in Congruitive acquisition	869,565		1,196,466		-		-		-		1,196,466
Foreign currency translation adjustment	-		-		-		(1,356)		-		(1,356)
Loss for the period	-		-		-		-		(4,200,029)		(4,200,029)
Balance, June 30, 2022	**44,588,196**	**$**	**88,136,633**	**$**	**40,660,640**	**$**	**1,916,149**	**$**	**(126,514,609)**	**$**	**4,198,813**

See accompanying notes to interim condensed consolidated financial statements.

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash (used in) provided by					
Operating Activities					
(Loss) for the period		$ (2,410,646)	$ (607,226)	$ (4,200,029)	$ (3,515,658)
Items Not Affecting Cash:					
Unrealized foreign exchange (gain) / loss		4,931	12,429	(433,958)	24,801
Depreciation of equipment	***8***	95,262	143,365	207,150	282,262
Amortization of intangible assets	***9***	287,521	187,716	523,044	373,564
Amortization of right-of-use asset	***10***	168,442	115,566	314,200	225,778
Share-Based compensation	***14(e)***	201,940	62,707	404,996	258,476
RiseTech reverse acquisition listing expense		-	-	-	1,188,175
Finance expenses	***15***	228,598	136,084	411,991	268,347
Changes in Non-Cash Operating Working Capital					
Accounts Receivable	***5***	684,134	(278,811)	(715,272)	2,535,348
Investment tax credits receivable	***6***	(39,530)	16,568	11,245	13,044
Inventories	***7***	(67,365)	(1,119,663)	666,206	(882,238)
Prepaid expenses and other assets		(405,437)	181,133	(359,098)	709,215
Accounts payable and accrued liabilities	***11***	1,913,941	846,852	1,135,541	(1,817,700)
Deferred revenue and deposits		(2,003,708)	(758,634)	1,460,154	200,998
Lease payments for interest	***13***	(61,339)	(24,299)	(108,034)	(49,661)
Interest paid on bank loan	***12***	(167,259)	(111,785)	(303,957)	(218,686)
Net Cash used in Operating Activities		(1,570,515)	(1,197,998)	(985,821)	(403,935)
Investing Activities					
Purchase of equipment	***8***	(69,063)	(56,292)	(74,251)	(119,230)
Purchase of intangible assets	***9***	(63,999)	(74,699)	(176,954)	(162,924)
Purchase of Congruitive, net of cash acquired	***4***	-	-	(5,685,531)	-
Net cash acquired from RiseTech reverse acquisition		-	-	-	342,072
Net Cash (used in) provided by Investing Activities		(133,062)	(130,991)	(5,936,736)	59,918
Financing Activities					
Advance of term loan	***4, 12***	-	-	3,300,000	-
Repayments of term loan	***12***	(282,858)	24,950	(471,429)	24,950
Repayment of lease liabilities	***13***	(139,884)	(182,637)	(267,441)	(357,335)
Issuance of common shares from financing		-	-	-	7,778,539
Issuance of common shares from option exercise	***14(c)***	-	-	8,133	-
Share issuance costs		-	-	-	(1,092,853)
Net Cash (used in) provided by Financing Activities		(422,742)	(157,687)	2,569,263	6,353,301
(Decrease) increase in cash		(2,126,319)	(1,486,676)	(4,353,294)	6,009,284
Effect of foreign exchange on cash		(89,457)	(5,587)	(41,502)	25,725
Cash, beginning of period		12,024,774	12,174,985	14,203,794	4,647,713
Cash, end of period		**$ 9,808,998**	**$ 10,682,722**	**$ 9,808,998**	**$ 10,682,722**

See accompanying notes to interim condensed consolidated financial statements.

Supplemental cash flow information (Note 24)

1. Reporting Entity

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

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

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

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

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

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

2. Basis of Presentation

Statement of Compliance

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

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

Presentation

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

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

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

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

[1]Dissolved March 4, 2021.

2. Basis of Presentation (continued)

Use of Judgements, Estimates and Assumptions

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

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

Going Concern

These interim condensed consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. During the six months ended June 30, 2022, the Company incurred a comprehensive loss of $4,201,385 and used cash flows for operating activities of $985,821. As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Based on the Company's liquidity position as at the date of these interim condensed consolidated financial statements, management has forecasted its cash flow requirements, considering the Company's working capital and cash balance at June 30, 2022 and believes that it has sufficient cash resources to support operations for at least the next twelve months from June 30, 2022. The Company has a history of successive annual renewals of its Bank Loan (see Note 12 Bank Loan) and anticipates that the Bank Loan will be renewed prior to maturity on February 27, 2023. In addition to the Company's cash of $9,808,998 as at June 30, 2022, the Company has access to additional capital resources through 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 net of gross proceeds of CND$10,597,748 raised in August 2021.

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

3. Significant Accounting Policies

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

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

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

Business combination

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

3. Significant Accounting Policies (continued)

Goodwill

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

Intangible assets

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

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

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

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

4. Congruitive Acquisition

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

The Company determined that Congruitive represented a business as the assets were an integrated set of activities with inputs, processes and outputs. Accordingly, the acquisition was accounted for as a business combination using the acquisition method whereby the assets acquired, and the liabilities assumed were recorded at fair value. At acquisition date the fair values assigned to intangible assets, goodwill and the deferred tax liabilities were measured on a provisional basis.

The following table summarizes the balances of each major class of consideration transferred, the recognized amounts of the identifiable assets acquired and liabilities assumed, and the resulting value of goodwill.

Consideration transferred		
Cash consideration	$	6,464,473
Fair value of share consideration		1,196,466
Fair value of contingent consideration payable		2,458,702
Total consideration	$	10,119,641
Fair value of assets and liabilities recognized		
Cash	$	778,942
Accounts receivable		665,131
Inventory		7,710
Prepaid and other deposits		4,073
Property and equipment		7,948
Right of Use Asset		30,262
Intangible - technology		6,530,000
Intangible - customer relations		830,000
Intangible - intellectual property (trademarks and copyrights)		328,000
Accounts payable and accrued liabilities		(1,030,712)
Lease liability		(33,333)
Fair value of deferred revenue		(589,325)
Fair value of assets and liabilities recognized	$	7,528,696
Goodwill	$	2,590,945

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

4. Congruitive Acquisition (continued)

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

The accounts receivables acquired are comprised of trade receivables.

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

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

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

Revenue of $697,141 and net loss of $398,004 from the acquired operations of Congruitive are included in the consolidated statement of loss and comprehensive loss from the date of acquisition to June 30, 2022. Had the acquisition of Congruitive occurred on January 1, 2022, the consolidated revenue would have increased by $130,881 and the consolidated net loss would have increased by $459,855 for the six month period ended June 30, 2022. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same as if the acquisition had occurred on January 1, 2022

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

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

5. Accounts Receivable

		June 30, 2022		December 31, 2021
Accounts receivable	$	7,075,731	$	5,695,328
Less: allowance for doubtful accounts		(351,604)		(351,604)
Net Accounts receivable	**$**	**6,724,127**	**$**	**5,343,724**

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

The Company has an agreement with Export Development Canada ("EDC") whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales, up to a maximum of $3,000,000 with certain customers excluded from this coverage.

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

Aging analysis of trade receivables is as follows:

		June 30, 2022		December 31, 2021
Not past due	$	3,679,349	$	2,459,704
31-90 days		675,017		1,524,544
91-180 days		719,170		282,714
Over 180 days		2,002,195		1,428,366
Total	**$**	**7,075,731**	**$**	**5,695,328**

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

6. Investment Tax Credits Receivable and Government Assistance

		June 30, 2022		December 31, 2021
Investment tax credits receivable	**$**	**41,624**	**$**	**52,869**

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

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

		Three months ended June 30, 2022		Three months ended June 30, 2021		Six months ended June 30, 2022		Six months ended June 30, 2021
Research and Development, Gross		2,339,419		1,479,745		4,539,095		2,832,170
Investment Tax Credit		39,530		-		274,530		80,000
Research and Development, Net	**$**	**2,299,889**	**$**	**1,479,745**	**$**	**4,264,565**	**$**	**2,752,170**

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

7. Inventory

		June 30, 2022		December 31, 2021
Finished goods	$	2,442,520	$	3,142,264
Raw materials		2,586,391		2,545,143
Inventory	**$**	**5,028,911**	**$**	**5,687,407**

During the three months ended June 30, 2022 and June 30, 2021, inventory related amounts were charged to cost of sales of $3,961,624 and $3,319,298, respectively. During the six months ended June 30, 2022 and June 30, 2021 the Company charged $7,934,964 and $6,883,765, respectively, of inventory related amounts to cost of sales**.**

Management assesses the valuation of inventory at the end of each period resulting in valuation adjustments accounted for in the respective period based upon management estimates. During the period, inventories were reviewed for obsolescence as part of ongoing operations. Inventory adjustments for obsolescence were recorded in cost of sales during the three months ended June 30, 2022 and June 30, 2021 of $23,970 and $37,379, respectively, and during the six months ended June 30, 2022 and June 30, 2021 of $25,024 and $63,372, respectively.

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

8. Property & Equipment

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

Cost		Computers and Equipment		Furniture and Fixtures		Laboratory and Test Equipment		Leasehold Improvement		Total
Balance, December 31, 2020	$	3,374,734	$	526,055	$	5,025,717	$	1,618,114	$	10,544,620
Additions		32,191		9,960		105,439		-		147,590
Balance, December 31, 2021	$	3,406,925	$	536,015	$	5,131,156	$	1,618,114	$	10,692,210
Additions		25,690		-		42,900		5,661		74,251
Acquired from Congruitive		-		-		7,948		-		7,948
Balance, June 30, 2022	$	3,432,615	$	536,015	$	5,182,004	$	1,623,775	$	10,774,409

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

8. Property & Equipment (continued)

Accumulated Depreciation		Computers and Equipment		Furniture and Fixtures		Laboratory and Test Equipment		Leasehold Improvement		Total
Balance, December 31, 2020	$	3,262,919	$	445,230	$	4,065,325	$	1,331,431	$	9,104,905
Additions		68,388		25,402		279,043		194,605		567,438
Balance, December 31, 2021	$	3,331,307	$	470,632	$	4,344,368	$	1,526,036	$	9,672,343
Additions		27,118		13,402		140,898		25,732		207,150
Acquired from Congruitive		-		-		-		-		-
Balance, June 30, 2022	$	3,358,425	$	484,034	$	4,485,266	$	1,551,768	$	9,879,493

Net Book Value		Computers and Equipment		Furniture and Fixtures		Laboratory and Test Equipment		Leasehold Improvement		Total
Balance, December 31, 2021	$	75,618	$	65,383	$	786,788	$	92,078	$	1,019,867
Balance, June 30, 2022	$	74,190	$	51,981	$	696,738	$	72,007	$	894,916

9. Intangible assets

Cost		Computer Software		Technology		Customer Relations		Intellectual Property		Total
Balance, December 31, 2020	$	1,615,946	$	-	$	677,509	$	962,058	$	3,255,513
Additions		382,621		-		-		-		382,621
Balance, December 31, 2021	$	1,998,567	$	-	$	677,509	$	962,058	$	3,638,134
Additions		176,954		-		-		-		176,954
Acquired from Congruitive		-		6,530,000		830,000		328,000		7,688,000
Balance, June 30, 2022	$	2,175,521	$	6,530,000	$	1,507,509	$	1,290,058	$	11,503,088

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

9. Intangible assets (continued)

Accumulated Amortization		Computer Software		Technology		Customer Relations		Intellectual Property		Total
Balance, December 31, 2020	$	1,481,732	$	-	$	577,183	$	821,925	$	2,880,840
Additions		356,345		-		100,326		140,133		596,804
Balance, December 31, 2021	$	1,838,077	$	-	$	677,509	$	962,058	$	3,477,644
Additions		202,711		-		-		-		202,711
Acquired from Congruitive		-		272,083		34,583		13,667		320,333
Balance, June 30, 2022	$	2,040,788	$	272,083	$	712,092	$	975,725	$	4,000,688

Net Book Value		Computer Software		Technology		Customer Relations		Intellectual Property		Total
Balance, December 31, 2021	$	160,490	$	-	$	-	$	-	$	160,490
Balance, June 30, 2022	$	134,733	$	6,257,917	$	795,417	$	314,333	$	7,502,400

10. Right-of-Use Assets

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

		June 30, 2022		December 31, 2021
Beginning Balance	$	3,417,733	$	992,880
Additions		548,419		2,806,348
Amortization of ROU		(314,200)		(381,495)
Ending Balance	**$**	**3,651,952**	**$**	**3,417,733**

11. Accounts Payable and Accrued Liabilities

		June 30, 2022		**December 31, 2021**
Trade payables and other payables	$	6,049,907	$	4,819,576
Accrued warranty (a)		639,201		807,017
Employee benefits		1,667,871		1,677,352
Vendor goods and services received		507,698		551,899
Professional fees		937,346		684,485
Other accrued liabilities		1,338,892		434,333
Total	**$**	**11,140,915**	**$**	**8,974,662**

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

12. Bank Loan

The Company has a loan agreement with Comerica Bank (the "Bank") since April 12, 2012 to fund ongoing working capital requirements which the Company has renewed on an annual basis since such date. The loan agreement was previously comprised of two line of credit facilities (expressed in USD and CND currencies and collectively, the "Bank Loan") with respective maximum borrowing limits of $7,486,000 and CND$750,000 subject to a borrowing base in the amount equal to the aggregate of a percentage of eligible receivables, accrued investment tax credits, inventory and purchase orders. On May 10, 2021, the Company consolidated its Bank Loan from two credit facilities into one line of credit facility in United States dollars up to a maximum of $8,100,000. The Company had an aggregate balance drawn on its line of credit facilities with the Bank as at June 30, 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. The credit facility is secured by a general security agreement and security over accounts receivable and inventory. The facility previously had a maturity date of February 28, 2022 and was renewed on January 31, 2022 to extend the maturity date to February 27, 2023 in conjunction with an amendment for an incremental term loan.

The term loan carries a principal amount of $3,300,000 repayable over three years with the proceeds used for the Company's acquisition of Congruitive as announced on February 1, 2022 (see Note 4) and bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly. The term loan had a balance of $2,828,571 as at June 30, 2022 (nil as at December 31, 2021).

During the six months ended June 30, 2022, the Company was in violation of a debt covenant, for which a waiver was received from the Bank on June 29, 2022. As such, on June 30, 2022, the Company was in compliance with its financial covenants.

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

13. Lease Liabilities

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

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

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

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

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

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

		June 30, 2022		December 31, 2021
Maturity Analysis – contractual undiscounted cash flows from minimum lease				
Less than one year	$	723,028	$	727,473
One to five years		2,919,446		2,762,975
More than five years		999,426		1,400,096
Total undiscounted lease liabilities	**$**	**4,641,900**	**$**	**4,890,544**

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

13. Lease Liabilities (continued)

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

Total undiscounted lease liabilities at June 30, 2022	**$**	**4,641,900**
Discounted using incremental borrowing rate		(798,263)
Total lease liabilities recognized under IFRS 16 at June 30, 2022	**$**	**3,843,637**

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

		June 30, 2022		**December 31, 2021**
Beginning Balance	$	**4,008,692**	$	**1,312,469**
Additions		576,490		3,251,866
Add: Interest		108,034		83,964
Less: Payments		(375,475)		(694,451)
Impact of foreign exchange		(474,104)		54,844
Ending Balance		3,843,637		4,008,692
Less: Current portion		(795,567)		(726,549)
Non-current portion	**$**	**3,048,070**	**$**	**3,282,143**

Amounts Recognized in Statements of Operations		**Three months ended June 30, 2022**		**Three months ended June 30, 2021**		**Six months ended June 30, 2022**		**Six months ended June 30, 2021**
Finance charge on lease liabilities	$	61,339	$	24,299	$	108,034	$	49,661
Variable lease payments expensed		133,616		126,082		267,232		252,164
Expenses relating to equipment short term leases		-		597		-		1,195
Total amounts recognized in Statements of Operations	**$**	**194,955**	**$**	**150,978**	**$**	**375,266**	**$**	**303,020**

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

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

13. Lease Liabilities (continued)

2022	$	267,232
2023		547,906
2024		561,754
2025		488,457
2026		498,940
2027		513,908
2028		529,326
	$	**3,407,523**

14. Share Capital

(a) Authorized share capital:

Unlimited common shares, with no par value.

Unlimited preferred shares, with no par value.

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

The Company has 44,588,196 common shares outstanding as at June 30, 2022 as indicated below:

	Number of common shares		**Amount**
Outstanding, January 1, 2021	**33,673,520**	**$**	**71,475,662**
Issuance of common shares from financing	9,128,320		16,282,172
Share issuance costs	-		(2,203,450)
Shares issued upon stock option exercise	65,069		51,650
Shares issued for RiseTech merger	767,320		1,326,000
Outstanding, December 31, 2021	**43,634,229**		**86,932,034**
Issuance of common shares from option exercise	10,328		8,133
Issuance of common shares from RSU exercise	74,074		-
Issuance of common shares in Congruitive acquisition	869,565		1,196,466
Outstanding, June 30, 2022	**44,588,196**	**$**	**88,136,633**

14. Share Capital (continued)

(b) Issuance of Common Shares in Congruitive Acquisition

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

(c) Stock Option Plan

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

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

During the three months ended June 30, 2022, no shares were issued as a result of stock options being exercised (nil for the three months ended June 30, 2021). During the six months ended June 30, 2022 10,328 shares were issued as a result of stock options being exercised with an exercise price of CND$1.00 for gross proceeds of $8,133 (nil for the six months ended June 30, 2021).

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

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

14. Share Capital (continued)

(c) Stock Option Plan (continued)

	Number of Options		Weighted Average Exercise Price (CND$)
Balance at December 31, 2020	4,841,884	$	1.00
RiseTech options exchanged in reverse acquisition	18,284	$	1.64
Granted during the period	1,111,519	$	2.12
Exercised during the period	(65,069)	$	1.00
Forfeited/expired during the period	(37,205)	$	1.00
Balance at December 31, 2021	5,869,413	$	1.21
Granted during the period	1,219,646	$	1.35
Exercised during the period	(10,328)	$	1.00
Forfeited/expired during the period	(67,659)	$	1.00
Balance at June 30, 2022	**7,011,072**	**$**	**1.24**

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

Option Grant Date	Options Outstanding	Options Exerciseable		Exercise Price (CND$)
December 18, 2018	3,650,078	3,650,077	$	1.00
April 1, 2019	70,000	52,500	$	1.00
January 1, 2020	422,899	211,450	$	1.00
June 20, 2020	5,000	2,188	$	1.00
September 1, 2020	513,646	192,617	$	1.00
February 9, 2021	18,284	18,284	$	1.64
February 9, 2021	112,000	28,000	$	2.25
March 25, 2021	100,000	100,000	$	2.17
August 17, 2021	179,000	-	$	2.11
November 17, 2021	658,900	-	$	2.10
November 17, 2021	47,619	47,619	$	2.10
December 24, 2021	14,000	-	$	1.79
March 24, 2022	1,185,515	-	$	1.35
May 15, 2022	34,131	-	$	1.28
Balance at June 30, 2022	**7,011,072**	**4,302,735**	**$**	**1.05**

During the six month periods ended June 30, 2022 and June 30, 2021, the fair value of options granted was $581,964 and $98,381, respectively. Remaining unrecognized cost of the LTIP as at June 30, 2022 and December 31, 2021 was $803,624 and $694,144, respectively. The weighted average remaining life expressed in years of outstanding options was 3.76 years as at June 30, 2022 and 3.65 years as at December 31, 2021.

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

14. Share Capital (continued)

(c) Stock Option Plan (continued)

As at June 30, 2022, the Company had total vested options of 4,302,735 with a weighted average price of CND$1.05 and total vested options of 4,301,945 with a weighted average price of CND$1.04 as at December 31, 2021.

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

	June 30, 2022	**December 31, 2021**
Risk free interest rate	0.39% - 2.75%	0.39% - 0.60%
Dividend yield	0%	0%
Expected life (in years)	3.76	3.74
Forfeiture rate	4.71%	4.07%
Volatility	50% - 54.1%	50%

(d) Restricted Stock Units

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

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

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

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

14. Share Capital (continued)

(e) Stock-based compensation expense

Stock-based compensation expense recognized attributable to options and RSU's granted was $201,940 and $62,707 during the three months ended June 30, 2022 and June 30, 2021, respectively, and $404,996 and $258,476 during the six months ended June 30, 2022 and June 30, 2021, respectively.

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

Three months ended June 30, 2022		**Cost**		**Stock-based Compensation**		**Total**
Cost of sales	$	4,911,435	$	234	$	4,911,669
Sales and marketing		1,622,258		43,072		1,665,330
Research and development		2,283,842		16,047		2,299,889
General and administrative		1,753,753		142,587		1,896,340
	$	5,659,853	$	201,706	$	5,861,559
Total	$	10,571,288	$	201,940	$	10,773,228

Three months ended June 30, 2021		**Cost**		**Stock-based Compensation**		**Total**
Cost of sales	$	4,219,097	$	2,080	$	4,221,177
Sales and marketing		1,174,351		10,050		1,184,401
Research and development		1,468,908		10,837		1,479,745
General and administrative		1,085,431		39,740		1,125,171
	$	3,728,690	$	60,627	$	3,789,317
Total	$	7,947,787	$	62,707	$	8,010,494

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

14. Share Capital (continued)

(e) Stock-based compensation expense (continued)

Six months ended June 30, 2022		Cost		Stock-based Compensation		Total
Cost of sales	$	9,781,518	$	516	$	9,782,034
Sales and marketing		3,158,031		85,608		3,243,639
Research and development		4,231,471		33,094		4,264,565
General and administrative		3,932,968		285,778		4,218,746
	$	11,322,470	$	404,480	$	11,726,950
Total	$	21,103,988	$	404,996	$	21,508,984

Six months ended June 30, 2021		Cost		Stock-based Compensation		Total
Cost of sales	$	8,625,574	$	4,922	$	8,630,496
Sales and marketing		2,548,435		19,580		2,568,015
Research and development		2,730,699		21,471		2,752,170
General and administrative		4,151,719		212,503		4,364,222
	$	9,430,853	$	253,554	$	9,684,407
Total	$	18,056,427	$	258,476	$	18,314,903

15. Finance Expenses

Period ended		Three months ended June 30, 2022		Three months ended June 30, 2021		Six months ended June 30, 2022		Six months ended June 30, 2021
Accretion of interest on lease liability (*note 13*)	$	61,339	$	24,299	$	108,034	$	49,661
Interest expense on bank loan (*note 12*)		167,259		111,785		303,957		218,686
EDC insurance and other finance expenses		23,651		37,405		77,244		71,471
Total	**$**	**252,249**	**$**	**173,489**	**$**	**489,235**	**$**	**339,818**

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

16. Loss per Share

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

	Three months ended June 30, 2022	**Three months ended June 30, 2021**
Beginning balance at March 31, shares outstanding	44,588,196	38,859,050
Effect of shares issued in period	0	-
Weighted average number of shares (basic and diluted)	**44,588,196**	**38,859,050**

	Six months ended June 30, 2022	**Six months ended June 30, 2021**
Beginning balance at December 31, shares outstanding	43,634,229	33,673,520
Effect of shares issued related to RTO	-	648,619
Effect of shares issued related to RTO financing	-	3,734,729
Effect of shares issues from Congruitive acquisition	719,806	-
Effect of shares issues from RSU exercise	5,566	-
Effect of shares issues from option exercise	39,918	-
Weighted average number of shares (basic and diluted)	**44,399,519**	**38,056,868**

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

The weighted average number of common shares is as follows:

	Three months ended June 30, 2022	**Three months ended June 30, 2021**	**Six months ended June 30, 2022**	**Six months ended June 30, 2021**
Net loss	$ (2,410,646)	$ (607,226)	$ (4,200,029)	$ (3,515,658)
Basic weighted average number of shares	44,588,196	38,859,050	44,399,519	38,056,868
Basic and dilutive loss per share	$ (0.05)	$ (0.02)	$ (0.09)	$ (0.09)

17. Commitments and Contingencies

(a) In the ordinary course of business, the Company may deliver performance and/or payment bonds to customers in connection with a sales contract. As at June 30, 2022, the Company had no performance bonds outstanding (December 31, 2021 - $1,138,012).

(b) In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors. As at June 30, 2022, the Company had outstanding purchase order commitments of $18,813,336 (December 31, 2021 - $13,325,090).

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

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

18. Segmented Information

Operating segments

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

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

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

18. Segmented Information (continued)

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

Corporate includes all operating expenses of the Company.

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

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

Three months ended June 30, 2022	**Connected Devices and Infrastructure**	**Utility Software Applications and Services**	**Corporate**	**Total**
Revenues	$ 6,096,885	$ 2,978,579	$ -	$ 9,075,464
Cost of sales	4,152,965	758,704	-	4,911,669
Gross profit	1,943,920	2,219,875	-	4,163,795
Operating expenses	-	-	6,412,784	6,412,784
Operating income (loss)	**$ 1,943,920**	**$ 2,219,875**	**$ (6,412,784)**	**$ (2,248,989)**

Three months ended June 30, 2021	**Connected Devices and Infrastructure**	**Utility Software Applications and Services**	**Corporate**	**Total**
Revenue	$ 5,261,616	$ 2,751,646	$ -	$ 8,013,262
Cost of sales	3,583,213	637,964	-	4,221,177
Gross profit	1,678,403	2,113,682	-	3,792,085
Operating expenses	-	-	4,235,964	4,235,964
Operating income (loss)	**$ 1,678,403**	**$ 2,113,682**	**$ (4,235,964)**	**$ (443,879)**

Six months ended June 30, 2022	**Connected Devices and Infrastructure**	**Utility Software Applications and Services**	**Corporate**	**Total**
Revenues	$ 12,022,722	$ 6,344,220	$ -	$ 18,366,942
Cost of sales	8,288,736	1,493,298	-	9,782,034
Gross profit	3,733,986	4,850,922	-	8,584,908
Operating expenses	-	-	12,771,344	12,771,344
Operating income (loss)	**$ 3,733,986**	**$ 4,850,922**	**$ (12,771,344)**	**$ (4,186,436)**

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

18. Segmented Information (continued)

Six months ended June 30, 2021		Connected Devices and Infrastructure		Utility Software Applications and Services		Corporate		Total
Revenue	$	10,633,599	$	5,390,994	$	-	$	16,024,593
Cost of sales		7,202,557		1,427,939		-		8,630,496
Gross profit		3,431,042		3,963,055		-		7,394,097
Operating expenses		-		-		10,566,011		10,566,011
Operating income (loss)	**$**	**3,431,042**	**$**	**3,963,055**	**$**	**(10,566,011)**	**$**	**(3,171,914)**

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

		Three months ended June 30, 2022		Three months ended June 30, 2021		Six months ended June 30, 2022		Six months ended June 30, 2021
United States[1]	$	9,014,574	$	7,935,871	$	18,256,289	$	15,803,074
Canada		37,354		66,722		73,180		178,236
Others		23,536		10,669		37,473		43,283
Total	**$**	**9,075,464**	**$**	**8,013,262**	**$**	**18,366,942**	**$**	**16,024,593**

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

19. Expenses by Nature

Total salaries and wages as well as other personnel and contractor related expenses included in Cost of Sales for the three months ended June 30, 2022 and June 30, 2021, respectively, were $805,280 and $742,693, and for the six months ended June 30, 2022 and June 30, 2021, respectively, were $1,630,033 and $1,593,572.

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

Period ended		Three months ended June 30, 2022		Three months ended June 30, 2021		Six months ended June 30, 2022		Six months ended June 30, 2021
Salaries and Benefits	$	3,307,174	$	2,746,599	$	6,373,199	$	5,644,204
Travel and meals		228,952		10,187		326,751		26,796
Depreciation and Amortization		551,225		446,647		1,044,394		881,604
Consulting and agent services		785,791		178,639		1,548,776		343,770
Facilities variable lease payments		121,146		35,278		264,383		182,484
Stock-based compensation		201,940		60,627		404,996		253,554
Marketing programs		109,785		33,710		260,144		48,883
Insurance		60,042		101,687		150,201		177,817
Office		232,807		91,028		398,934		131,682
Personnel programs and hiring costs		19,349		36,255		17,673		68,440
Information technology services and maintenance		60,782		45,594		133,222		97,733
Amalgamation related costs		-		-		-		964,484
Excess purchase price over RiseTech net assets		-		-		-		1,188,175
Congruitive acquisition costs		-		-		586,960		-
Other expenses		733,790		449,713		1,261,711		556,385
Total	**$**	**6,412,784**	**$**	**4,235,964**	**$**	**12,771,344**	**$**	**10,566,011**

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

20. Other (Expenses) Earnings

		Three months ended June 30, 2022		Three months ended June 30, 2021		Six months ended June 30, 2022		Six months ended June 30, 2021
Foreign exchange gain (loss)	$	121,575	$	10,142	$	506,625	$	(3,926)
Finance expense		(252,249)		(173,489)		(489,235)		(339,818)
Total other (expenses) earnings	**$**	**(130,674)**	**$**	**(163,347)**	**$**	**17,390**	**$**	**(343,744)**

21. Capital Disclosures

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

The following schedule details the components of capital:

Deficiency and Liabilities		**June 30, 2022**		**Dec 31, 2021**
Other capital reserves	$	40,660,640	$	40,255,644
Accumulated other comprehensive income	$	1,916,149	$	1,917,505
Share capital	$	88,136,633	$	86,932,034
Deficit	$	(126,514,609)	$	(122,314,580)
Bank term loan	$	2,828,571		-
Bank working capital loan	$	8,100,000	$	8,100,000

22. Financial instruments

(a) Financial assets and liabilities

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

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

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

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

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

(b) Financial risk management

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

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

(i) Interest rate risk

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

22. Financial instruments (continued)

(b) Financial risk management (continued)

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

The term loan bears interest at the Bank's prime rate plus 2.00% per annum, payable monthly, and had a balance of $2,828,571 as at June 30, 2022 and nil as at December 31, 2021. A potential percentage change in the bank's prime rate of 1.00% will have an impact of $28,286 for the period ended June 30, 2022 and nil for the year ended December 31, 2021 on the annual interest expense pertaining to its term loan.

(iii) **Credit risk**

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

The aging of accounts receivable as at June 30, 2022 and December 31, 2021 is provided in Note 5.

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

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

The Company maintains certain financial instruments, inclusive of a portion of its cash, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company does have exposure to the impact of foreign exchange fluctuations pertaining to its financial position as at June 30, 2022 and December 31, 2021. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the U.S. dollar would have had a $84,756 negative impact on net loss for the period ended June 30, 2022 and a $413,392 negative impact for the year ended December 31, 2021.

22. Financial instruments (continued)

(b) Financial risk management (continued)

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

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

		June 30, 2022		Dec 31, 2021
Cash	$	476,438	$	6,042,932
Accounts receivable		349,455		122,846
Accounts payable		(786,407)		(1,232,992)
Accrued liabilities		(887,042)		(798,865)
Total	**$**	**(847,556)**	**$**	**4,133,921**

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

(v) **Liquidity risk**

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

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

		As at June 30, 2022
Less than 90 days:		
Accounts payable and accrued liabilities	$	11,140,915

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

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

23. Related Party

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Short-term employee benefits	$ 476,494	$ 287,649	$ 841,123	$ 866,170
Share-based compensation	42,511	27,943	140,865	58,887
Total	**$ 519,005**	**$ 315,592**	**$ 981,988**	**$ 925,057**

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

24. Supplemental Cash Flow Information

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

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