TANTALUS SYSTEMS HOLDING INC.

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

For the Three and Nine Months ended September 30, 2019

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of Tantalus Systems Holding Inc (the "Company", "we", "TSHI" or "Tantalus") is provided to assist our readers to assess our financial condition and our financial performance, including our liquidity and capital resources, for the three and nine months ended September 30, 2020 compared with the three and nine months ended September 30, 2019, and should be read in conjunction with the three and nine months ended September 30, 2020 and September 30, 2019 unaudited condensed consolidated interim financial statements.

The Company's unaudited condensed consolidated interim financial statements and notes thereto for the three and nine months ended September 30, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), applicable to the preparation of interim financial statements as set out in International Accounting Standard 34 Interim Financial Reporting ("IAS 34"), and are presented in United States ("US") dollars. Certain dollar amounts in this MD&A have been rounded to the nearest thousands of dollars.

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

This MD&A was prepared by Management of the Company and was approved by its Board of Directors prior to its release. Unless otherwise stated, the Company has considered all information available to it through January 3, 2021 in preparing this MD&A. Additional information relating to Tantalus can be found on its web site.

[1] Adjusted EBITDA or Earnings before Finance expenses are comprised of interest expense on bank loan and lease liabilities in addition to EDC fees required for the Company's bank loan., Taxes, Depreciation and Amortization, Stock-based Compensation, change in fair value of FVTPL instruments resulting in gain on Energate arbitration share cancellation, gain on lease obligation and non-recurring business expenses. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure is used by the Company to manage and evaluate operating income (loss) of the business.

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

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

[4] Adjusted Working Capital as referenced herein is defined as current assets less current liabilities exclusive of the Company's bank loan. It is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable IFRS measure. The Company believes that the inclusion of this non-IFRS financial measure provides investors with an alternative presentation useful to investors' understanding of the Company's core operating results and trends.

NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the "Risk Factors" section of the Filing Statement to which this MD&A is attached (the "Filing Statement").

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

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

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

DESCRIPTION OF BUSINESS

<u>History of the Business:</u>

Tantalus Systems, Corp. (“TSC”) was founded in 1989 in Burnaby, British Columbia, Canada by a collection of individuals who sought to leverage technology to transform the delivery of data through wireless communications networks. By 1999, TSC had centered its focus on leveraging radio frequency (“RF”) technology to assist electric utilities in accessing information from meters deployed across rural and challenging terrain, and to automate meter-to-cash and billing processes for residential, commercial and industrial customers. From leveraging our expertise in accessing devices and collecting data, Tantalus has evolved into a leading provider of smart grid technology solutions to public power and electric cooperative utilities responsible for delivering electricity, water and gas across the United States, Canada and the Caribbean Basin.

At Tantalus, we pride ourselves on aligning our purpose with our customers’ purpose . . .

- To support the safety, prosperity and autonomy of the local communities our public power and electric cooperative customers serve;
- To help these communities thrive by helping our customers power their economic prosperity, environmental sustainability and social progress;
- To ensure these communities are empowered to shape the future of their own smart grids as the adoption of distributed energy resources such as solar panels, distributed storage and electric vehicles transform distribution grids; and
- To give our customers the flexibility and expandability they need to serve their communities today and well into the future.

WHO WE ARE	WHAT WE DO	WHY WE’RE DIFFERENT	HOW WE DELIVER	WHY IT MATTERS
A smart grid provider focused on the public power & electric cooperative utility market in North America and the Caribbean Basin	Deliver mission-critical solutions to help utilities make smarter decisions and prepare for the adoption of distributed energy resources	Deliver an edge-computing platform on every connected endpoint to support multiple applications and deliver data analytics	Robust R&D and customer service organizations delivering hosted, on-premise and cloud-based solutions	Improve the environment while delivering social and economic value to communities

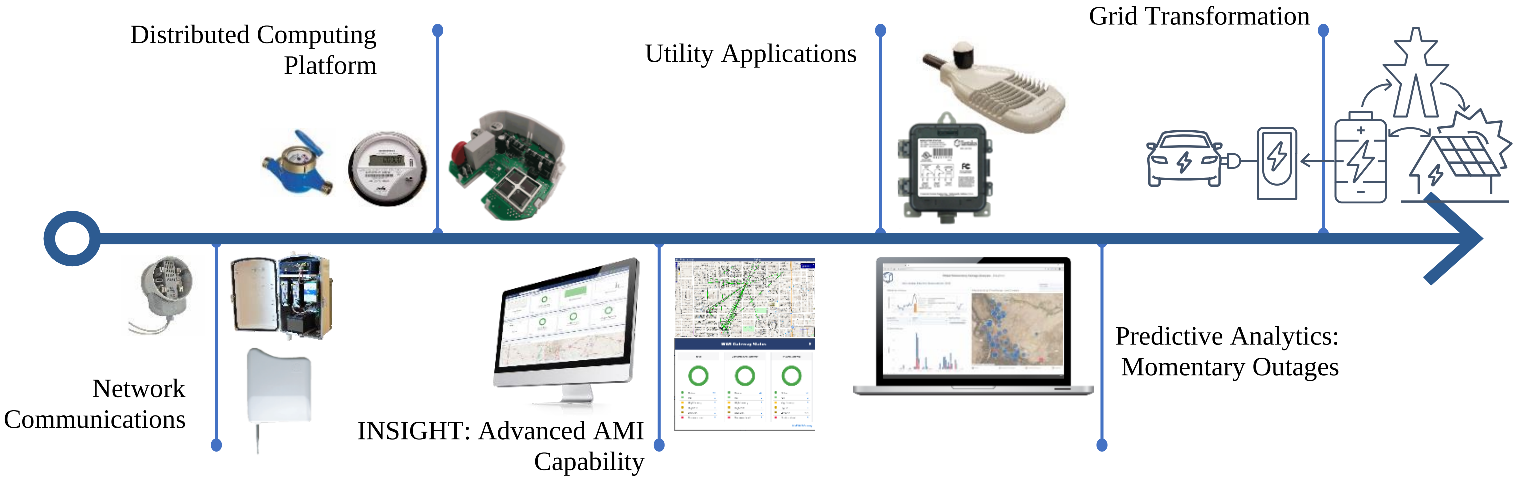
As described in the Filing Statement, through a series of common control transactions commencing in 2017, Tantalus Systems, Corp. became Tantalus Systems Holding Inc., which was incorporated pursuant to the provisions of the CBCA on July 26, 2017. TSHI operates as a holding company with operating subsidiaries, collectively referred to as "Tantalus" or the "Company" within this MD&A. The Company's business operations are in Canada and in the United States. The Company's registered office is at 3555 Gilmore Way, Suite 200, Burnaby, British Columbia, V5G 0B3, Canada. TSHI is not a "reporting issuer" under applicable securities legislation and its securities are not listed for trading on any stock exchange as of the date of this MD&A.

General Description of the Business:

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

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

Evolution of Tantalus' Technology Solutions:



Communications Network

Over the past 30 years, Tantalus has evolved its technology solutions from initially deploying a long-range communications network leveraging RF technology into a comprehensive industrial IoT platform leveraging a variety of communication technologies including fiber, WiMAX, cellular and RF tools. Tantalus currently delivers a network that is secure, reliable and capable of supporting a growing number of applications as the needs of our customers expand over time.

Connected Devices

In 2013, Tantalus introduced the first Linux-based edge-computing platform for utilities which was embedded on a communications module that could be integrated under the glass of residential, commercial and industrial meters. The evolution of its communication module has enabled Tantalus to deliver on-board analysis at the edge of a utility's distribution grid whereby intelligent meters, load control switches, distribution automation equipment, street and security lighting and other sensors can be controlled remotely, act autonomously based on configurable parameters and empower a utility to leverage a predictive and responsive distribution grid to improve their reliability and resiliency. The advancements in computing capability at the edge of a utility's network is also setting the foundation for the anticipated transformation of the distribution grid due to the proliferation and adoption of distributed energy resources, such as solar panels, distributed storage and electric vehicles.

Beyond metering, Tantalus is rapidly expanding the number of devices that can connect to its comprehensive IoT smart grid communications network including load control switches, lighting fixtures, distribution automation equipment and other utility sensors.

Software & Analytics

By leveraging its comprehensive IoT network and edge-computing platform, Tantalus continues to expand its library of software applications and analytic tools designed to meet the specific needs and challenges of public power and electric cooperative utilities. At the heart of Tantalus' software applications and data analytics is TUNet Insight, which was launched in 2018 after successful field trials in 2017.

Grid Transformation

Tantalus is proactively working alongside its growing community of utilities to plan for the transformation of the electric, water and gas distribution grid as the introduction of affordable and reliable solar installations, distributed storage and other distributed energy resources ("DERs"). As DERs are deployed, Tantalus' IoT network, connected devices and software and analytics tools enable utilities to prepare for the changing dynamics of the electric distribution grid whereby power is generated at homes or buildings as compared to a central source of power generation.

Overview of Tantalus' Market Opportunity:

TSHI deploys its technology solutions to the utility market across North America and the Caribbean Basin. Specifically, TSHI is focused on electric and multi-commodity utilities. Multi-commodity utilities are responsible for the delivery of electricity and/or water and gas. Across North America, the electric utility industry is further segmented into several categories including larger, investor-owned utilities, referred to as "IOUs", public power utilities (including municipal and public district utilities) and electric cooperative utilities.

TSHI's Target Market

TSHI centers its focus on public power and electric cooperative utilities. By focusing attention on this segment of the utility industry and delivering solutions that meet the specific needs of this market segment, TSHI expects to be able to establish clear differentiation from a technical, operational and cultural perspective.

Industry Trends

Within the public power and electric cooperative utility segment, there are a number of industry trends that are motivating utilities to purchase TSHI's smart grid solutions, including:

- the need to transform existing distribution grids from traditional systems designed to support the one-way flow of power from a centralized source of generation delivering power through substations to homes and buildings, to a multi-directional, integrated smart grid capable of supporting two-way power flows as homes and buildings adopt distributed energy resources such as solar panels, electric vehicles, distributed storage and microgrids;
- the need for more granular and real-time information for energy forecasting, planning and trading;

- increasing expectations from customers and end-users of electricity, water and gas which require customer service representatives of the utility to have access to more granular data to explain and address monthly bill complaints and questions and addressing power quality issues;
- the need to proactively respond to power outages resulting from storms or major events; and
- changes to the traditional business model where the consumption of electricity is dropping but costs to maintain legacy infrastructure are increasing requiring better tools for maintaining that infrastructure and extending its useful life.

TSHI’s solutions are designed to provide our public power and electric cooperative customers with the necessary tools and services to address these trends.

Key Operating Highlights During the Period:

Developments through the nine months period ended September 30, 2020:

Throughout the first nine months of 2020, Tantalus witnessed strong growth of its customer roster (its "User Community"), delivered positive Adjusted EBITDA and continued to make strides in expanding and enhancing its product offering.

1) <u>Board of Directors</u>: Tantalus did not make any changes to its Board of Directors through September 30, 2020.

2) <u>Growth of Tantalus' User Community</u>: Tantalus added 17 new utilities during the nine months ended September 30, 2020 expanding the number of utilities leveraging Tantalus' solutions. The company entered into a preferred smart grid agreement with JAA, Indiana Municipal Power Authority (IMPA) to supply member utilities with Tantalus solutions

3) <u>Financial Results</u>: Tantalus delivered $23.7 million in revenue for the nine months period ended September 30, 2020 as compared to $31.5 million in revenue for same period in 2019, a decline of 25%. The decline in revenue was attributable to the impact of COVID-19 on Tantalus' business, which caused significant disruptions to the Company's supply chain starting in January of 2020, delays of active deployments with utilities located in states across the United States which implement stay-at-home orders or restrictions and the delay or postponement of decision-making by prospective utilities. Tantalus reported Gross Profit of 48% for nine months period ended September 30, 2020. Tantalus continued to deliver positive Adjusted EBITDA of $3.8 million through the nine months period ended September 30, 2020, representing an Adjusted EBITDA Margin of 16%.

4) <u>Research & Development</u>: Tantalus continued to make substantial progress in expanding the functionality and features of its new User Interface, TUNet Insight, through September 30, 2020 while also delivering and launching several key items including:

    a. *Energy Resource Monitoring*: A software feature embedded within TUNet Insight to assist utilities combine data from meters to expand the functionality and capabilities of comprehensive load control programs.

    b. *Integration to LED Roadway's LED Street Light Controller and Fixtures*: Tantalus diversified and expanded its integrated and connected LED street light offering in partnership with LED Roadway.

    c. *Expanded Voltage Resolution*: A software feature providing higher resolution and visibility into voltage readings at meters located on homes, building and industrial complexes.

    d. *Integration of Landis+Gyr module and Tantalus' Load Control Switches*: In partnership with Landis+Gyr, Tantalus integrated a Landis+Gyr communications module into Tantalus' suite of load control switches to be able to sell its products to utilities that have selected Landis+Gyr for smart grid communications networking.

5) Customer Operations: Developed Rapid Deployment Process (RDP) and associated hardware package to reduce pilot project deployment timeline and accelerate customer decision process.

6) Supply Chain and Manufacturing: Identified and contracted with a new third-party US- based repair service agent to provide broader set of warranty and out-of-warranty repair services.

7) Awards and Recognitions: Tantalus was recognized by Export Development Canada (EDC) as a Cleantech Export Star. Each year, EDC highlights the achievements of leading cleantech companies during their Cleantech Annual Conference. Tantalus was recognized as a proven leader whose technologies and business strategies have succeeded in getting their products beyond Canada's borders – as one of five clean technology companies that stands out as making a positive impact across North America and the Caribbean Basin.

8) Transactions: On September 8, 2020, TSHI and RiseTech Capital Corp., a TSX Venture Exchange-listed capital pool company, entered into a non-binding letter of intent, pursuant to which the parties agreed to complete a plan of arrangement, merger, amalgamation, share exchange and/or other similar transaction. On November 19. 2020, the Company entered into a definitive agreement with RiseTech to complete a merger of the two entities along with the closing of a concurrent financing of approximately CND$8.8 million through a Subscription Receipt.

Description of Tantalus' Operating Segments:

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

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

SELECTED FINANCIAL INFORMATION

The following selected information of the results of operations for the three and nine months ended September 30, 2020 includes comparisons to the three and nine months ended September 30, 2019, respectively:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenue	$8,754,751	$10,680,926	$23,736,626	$31,520,166
Cost of sales	4,646,988	5,825,712	12,418,233	17,772,122
Gross Profit	4,107,763	4,855,214	11,318,393	13,748,044
Expenses	3,728,924	4,364,650	11,369,249	13,578,260
Operating income (loss)	378,839	490,564	(50,856)	169,784
Other income (expenses)	1,604,341	(222,467)	2,893,881	(840,076)
Income (loss) before income taxes	1,983,180	268,097	2,843,025	(670,292)
Income tax expense	-	-		10,000
Income (loss) for the period	$1,983,180	$268,097	2,843,025	(680,292)
Earnings (Loss) per share (basic and diluted)	$ 0.05	$ 0.01	$0.07	($0.02)
Adjusted EBITDA	$1,256,692	$1,360,327	$3,796,726	$2,311,985

The Company had total assets as follows as at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Total Assets	$20,061,955	$20,138,614

RECONCILIATION OF INCOME (LOSS) TO ADJUSTED EBITDA

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Income (loss) for the period	$1,983,180	$268,097	$2,843,025	($680,292)
Finance expense[(a)]	154,984	223,399	544,529	692,514
Depreciation and amortization	437,515	365,873	1,288,527	1,126,809
Income taxes	-	-	-	10,000
Stock-based compensation	70,573	94,423	230,520	377,505
Gain on Energate Arbitration share[(b)] cancellation	(1,438,226)	-	(1,438,226)	-
Gain on lease obligation	(16,334)	-	(16,334)	-
Non-core business expenses[(c)]	65,000	408,535	344,685	785,449
Adjusted EBITDA	$1,256,692	$1,360,327	$3,796,726	$2,311,985

(a) Finance expense comprised of interest expense on bank loan and lease liabilities in addition to EDC fees required for the Company's bank loan.
(b) The Company (along with Tantalus Systems Shareholders Inc., collectively, the "claimants") engaged in an arbitration proceeding against the former shareholders of Energate (the "respondent") regarding breaches of representations and other conduct relating to the Company's acquisition of Energate on July 26, 2017. Two events occurred which resulted in the cancellation of 2,258,309 outstanding common shares of the Company:

1) The arbitrator delivered an award in the amount of CAD$3,000,000 to the claimants to be applied by cancelling common shares of the Company held by the respondent having a value equal to such amount in accordance with the terms of the share purchase agreement pursuant to which the Company acquired Energate. Accordingly, the Company cancelled 1,754,386 common shares of the Company pursuant to a supplementary consent award executed by the arbitrator and effective as of July 8, 2020.
2) The arbitrator issued a costs award in favor of the Company for reimbursement of costs incurred in connection with the arbitration in the amount of CAD$861,709. The parties agreed that the Company would cancel an additional 503,923 common shares of the Company held by the former shareholders of Energate as settlement of the costs award, which became effective as of September 25, 2020.

The Company recognized a total gain of US$1,438,226 in other income during the three- and nine-months ended September 30, 2020 resulting from the share cancellation, representing the current value of the cancelled shares.
(c) Non-recurring expenses are comprised of fees and expenses related to the Company's arbitration arising from the acquisition of Energate (see Subsequent Events).

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

Revenue

Revenue by Source	Three months ended September 30, 2020	%	Three months ended September 30, 2019	%
Connected Devices and Infrastructure	$6,299,479	72%	$7,204,121	67%
Utility Applications and Services	2,455,272	28%	3,476,805	33%
Total revenue	$8,754,751	100%	$10,680,926	100%

Revenue decreased 18% for the three months ended September 30, 2020. The decrease in revenue over the three-month ended September 30, 2019 was due to the adverse impact on the Company's sales and production activities from the COVID-19 Pandemic.

Connected Devices and Infrastructure revenue was approximately $6.3 million during the three months ended September 30, 2020 as compared to approximately $7.2 million for the three months ended September 30, 2019. This decrease over the comparative period was due to the impact of the COVID-19 Pandemic on the Company's business which caused delayed project deployments with existing utility customers, disruptions to the Company's supply chain and delays in decision-making by prospective utility customers.

Utility Applications and Services revenue was approximately $2.5 million during the three months ended September 30, 2010 as compared to approximately $3.5 million for the three months ended September 20, 2019. This decrease over the comparative period was due to the impact of the COVID-19 Pandemic on the Company's business which caused delayed deployments with existing utility customers and delays in decision-making by prospective utility customers.

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

	Three months ended September 30, 2020	**%**	**Three months ended September 30, 2019**	**%**
United States[1]	$ 8,735,731	99%	$ 10,665,843	99%
Canada	4,075	<1%	11,079	<1%
Other	14,945	<1%	4,004	<1%
	$ 8,754,751	100%	$ 10,680,926	100%

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

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

Gross Profit

The Company reports its Gross Profit on a blended basis.

	Three months ended September 30, 2020	**%**	**Three months ended September 30, 2019**	**%**
Revenues	$8,754,751	100%	$10,680,926	100%
Cost of sales	4,646,988	53%	5,825,712	54%
Gross Profit	$4,107,763	47%	$4,855,214	46%

Gross Profit for the three months ended September 30, 2020 was 47% which was higher than the Gross Profit of 46% for the three months ended September 30, 2019. The increase in Gross Profit margin percentage was due to the mix of the Company's products, software and services provided between the three months ended September 30, 2020 and September 30, 2019, respectively.

Expenses

	Three months ended September 30, 2020	Three months ended September 30, 2019
Sales and marketing	$1,246,216	$1,450,905
Research and development	1,109,078	1,108,032
General and administrative	936,115	1,439,840
Depreciation and amortization	437,515	365,873
Total expenses	$3,728,924	$4,364,650
As a percentage of total revenue	43%	41%

TSHI has centralized its sales and marketing functions, product development and research and development functions, corporate management and corporate development. TSHI has developed and continues to enhance the vision and concepts of its products and services.

TSHI currently develops products and software applications through its employees and contractors. TSHI relies on third-party contract manufacturers to build and assemble its hardware products.

The Company actively managed its operating expenses due to the impact on the Company's business from the COVID-19 Pandemic particularly with respect to a reduction in expenses arising from participating in sales and marketing trade show which were cancelled throughout the year, a reduction in travel expenses and related costs, lower sales commissions due to reduced revenue and the weakness of the Canadian dollar during the period. The Company witnessed an increase in depreciation and amortization expense arising from increased investments in computing equipment and related software, investments in new tools and computing equipment to support staff working remotely and increased protection equipment to address the impact of COVID-19 Pandemic.

Sales and Marketing

	Three months ended September 30, 2020	Three months ended September 30, 2019
Sales and marketing	$1,246,216	$1,450,905
As a percentage of total revenue	14%	14%

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

The decrease in sales and marketing expense over the three months period ended September 30, 2020 is attributable to reduced travel and related expenses, the cancellation of trade shows and other marketing events, lower sales commission expense arising from a lower revenue profile and reduced stock-based compensation over the prior year period.

Research and Development

	Three months ended September 30, 2020	Three months ended September 30, 2019
Research and development	$1,109,078	$1,108,032
As a percentage of total revenue	13%	10%

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

Research and development costs for the three months period ended September 30, 2020 were consistent with the prior year period. The Company continues to invest in the research and development of new products as well as the continuous enhancement of its existing product and software offering.

General and Administrative

	Three months ended September 30, 2020	Three months ended September 30, 2019
General and administrative	$936,115	$1,439,840
As a percentage of total revenue	11%	13%

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

The decrease over the three-month period ended September 30, 2020 over the prior period is primarily due to travel restrictions put in place due to the COVID-19 Pandemic and the cancellation of in-person training and planning meetings for the Company. The savings associated with restrictions put in place by the Company due to the COVID-19 Pandemic were offset by increases in additional tools and computing equipment to support remote employees, investments in protective equipment to limit the exposure of key personnel working in our offices from potentially getting exposed to COVID-19 and an increase in salary expenses arising from increased headcount.

Depreciation and Amortization

	Three months ended September 30, 2020	Three months ended September 30, 2019
Depreciation of equipment	$133,208	$109,350
Amortization of intangible assets	188,481	$154,009
Amortization of right-of-use assets	115,826	102,514
Total depreciation and amortization	$437,515	$365,873

The Company's depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use asset pertaining to its facility leases. The increase in depreciation and amortization during the three months period ended September 30, 2020 is attributable to the increased investment in computer equipment and software with the full period of amortization being accounted for by the Company during the three months period ended September 30, 2020.

The Company also increased its right-of-use assets in early 2020 resulting in increased amortization attributable to the incremental right-of-use asset during the three months ended September 30, 2020 over the prior year period.

Other Earnings (Expenses)

	Three months ended September 30, 2020	Three months ended September 30, 2019
Foreign exchange gain (loss)	($90,363)	$932
Finance expenses	(154,984)	(223,399)
Other income[(a)]	1,849,688	-
Other earnings (expenses)	$1,604,341	($222,467)

(a) Other income includes a gain resulting from a cancellation of shares held by Energate Shareholders Holding resulting from the resolution of an arbitration and government assistance attributable to the United States and Canadian COVID-19 wage subsidy programs.

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

Other earnings during the three months ended September 30, 2020 is comprised of the following items:

(a) The Company (along with Tantalus Systems Shareholders Inc., collectively, the "claimants") engaged in an arbitration proceeding against the former shareholders of Energate (the "respondent") regarding breaches of representations and other conduct relating to the Company's acquisition of Energate on July 26, 2017. Two events occurred which resulted in the cancellation of 2,258,309 outstanding common shares of the Company:

> 1) The arbitrator delivered an award in the amount of CAD$3,000,000 to the claimants to be applied by cancelling common shares of the Company held by the respondent having a value equal to such amount in accordance with the terms of the share purchase agreement pursuant to which the Company acquired Energate. Accordingly, the Company cancelled 1,754,386 common shares of the Company pursuant to a supplementary consent award executed by the arbitrator and effective as of July 8, 2020.
>
> 2)The arbitrator issued a costs award in favor of the Company for reimbursement of costs incurred in connection with the arbitration in the amount of CAD$861,709. The parties agreed that the Company would cancel an additional 503,923 common shares of the Company held by the former shareholders of Energate as settlement of the costs award.

The Company recognized a total gain of US$1,438,226 in other income, representing the current value of the cancelled shares during the three months ended September 30, 2020 and a corresponding impact on Share Capital and Other Capital Reserves within Shareholders' Deficit resulting from the share cancellation.

(b) government assistance benefit received by the Company attributable to the United States payroll protection plan ("PPP") and the Canada Emergency Wage Subsidy ("CEWS") Program implemented due to COVID-19 of $395,128; and

(c) a gain on lease obligation of $16,334.

The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency which accounted for the majority of the foreign exchange loss reported. The Company experienced a foreign exchange loss of $90,363 during the three months period ended September 30, 2020 compared to a foreign exchange gain of $932 in the prior year period.

Total Comprehensive Income

	Three months ended September 30, 2020	**Three months ended September 30, 2019**
Operating income (loss)	$378,839	$490,564
Total other earnings(expenses)	1,604,341	(222,467)
Income tax expense	-	-
Income for the period	$1,983,180	$ 268,097
Foreign currency translation adjustment	-	-
Total comprehensive income	$1,983,180	$268,097
Earnings per share (basic and fully diluted)	$0.05	$0.01

Income for the three months ended September 30, 2020 was $1,983,180 or $0.05 earnings per share compared income for the three months ended September 30, 2019 of $268,097 or $0.01 earnings per share.

FINANCIAL RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Revenue

Revenue by Source	**Nine months ended September 30, 2020**	**%**	**Nine months ended September 30, 2019**	**%**
Connected Devices and Infrastructure	$16,113,048	68%	$21,874,046	69%
Utility Applications and Services	7,623,578	32%	9,646,120	31%
Total revenue	$23,736,626	100%	$31,520,166	100%

Revenue decreased by 25% from the nine months ended September 30, 2020. The decrease in revenue over the nine-month period ended September 30, 2019 was due to the adverse impact on the Company’s sales and production activities from the COVID-19 Pandemic.

Connected Devices and Infrastructure revenue was approximately $16.1 million during the nine months ended September 30, 2020 as compared to approximately $21.9 million for the nine months ended September 30, 2019.

This decrease over the comparative period was due to the impact of the COVID-19 Pandemic on the Company’s business which caused delayed project deployments with existing utility customers, disruptions to the Company’s supply chain and delays in decision-making by prospective utility customers.

Utility Applications and Services revenue was approximately $7.6 million during the nine months ended September 30, 2020 as compared to approximately $9.6 million for the nine months ended September 30, 2019. This decrease over the comparative period was due to the impact of the

COVID-19 Pandemic on the Company's business which caused delayed deployments with existing utility customers and delays in decision-making by prospective utility customers. The Company earned revenues attributed to the following geographical regions based on the location of the customer:

	Nine months ended September 30, 2020	%	Nine months ended September 30, 2019	%
United States[(1)]	$23,699,758	99%	$31,351,252	99%
Canada	19,923	<1%	46,186	<1%
Other	16,945	<1%	122,728	<1%
Total revenue	$23,736,626	100%	$31,520,166	100%

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

The Company generates the majority of its revenue from the United States market.

Gross Profit

The Company reports its Gross Profit on a blended basis.

	Nine months ended September 30, 2020	%	Nine months ended September 30, 2019	%
Revenues	$23,736,626	100%	$31,520,166	100%
Cost of sales	12,418,233	52%	17,772,122	56%
Gross Profit	$11,318,393	48%	$13,748,044	44%

Gross Profit for the nine months ended September 30, 2020 was 48%, which was higher than the 44% Gross Profit for the nine months ended September 30, 2019. The increase in Gross Profit margin percentage was due to the mix of the Company's products, software and services provided with increased revenue contribution from the Company's Utility Applications and Services segment relative to its Connected Devices and Infrastructure products during the three months ended September 30, 2020 compared to the three months ended September 30, 2019.

Expenses

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Sales and marketing	$4,057,070	$4,846,069
Research and development	3,043,196	3,888,434
General and administrative	2,980,456	3,716,948
Depreciation and amortization	1,288,527	1,126,809
Total expenses	$11,369,249	$13,578,260
As a percentage of total revenue	48%	43%

The Company actively managed its operating expenses due to the impact on the Company's business from the COVID-19 Pandemic particularly with respect to a reduction in expenses arising from participating in sales and marketing trade show which were cancelled throughout the year, a reduction in travel expenses and related costs, lower sales commissions due to reduced revenue and the weakness of the Canadian dollar during the period. The Company witnessed an increase in depreciation and amortization expense arising from increased investments in computing equipment and related software, investments in new tools and computing equipment to support staff working remotely and increased protection equipment to address the impact of COVID-19 Pandemic.

Sales and Marketing

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Sales and marketing	$4,057,070	$4,846,069
As a percentage of total revenue	13%	12%

The decrease in sales and marketing expense over the nine months period ended September 30, 2020 is attributable to reduced travel and related expenses, the cancellation of trade shows and other marketing events, lower sales commission expense arising from a lower revenue profile and reduced stock-based compensation over the prior year period.

Research and Development

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Research and development	$3,043,196	$3,888,434
As a percentage of total revenue	13%	12%

Research and development costs for the nine months period ended September 30, 2020 were lower than the prior year period due primarily to travel restrictions put in place due to the COVID-19 Pandemic and lower stock-based compensation over the prior year period and lower personnel costs. The Company continues to invest in the research and development of new products as well as the continuous enhancement of its existing product and software offering.

General and Administrative

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
General and Administration	$2,980,456	$3,716,948
As a percentage of total revenue	13%	12%

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

The decrease over the nine-month period ended September 30, 2020 over the prior period is primarily due to travel restrictions put in place due to the COVID-19 Pandemic and the cancellation of in-person training and planning meetings for the Company. The savings associated with restrictions put in place by the Company due to the COVID-19 Pandemic were offset by increases in additional tools and computing equipment to support remote employees, investments in protective equipment to limit the exposure of key personnel working in our offices from potentially getting exposed to COVID-19.

Depreciation and Amortization

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Depreciation of equipment	$403,433	$342,273
Amortization of intangible assets	541,780	476,993
Amortization of right-of-use asset	343,314	307,543
Total depreciation and amortization	$1,288,527	$1,126,809

The Company's depreciation and amortization is attributable to the property and equipment, intangible assets and right-of-use asset pertaining to its facility leases. The increase in depreciation and amortization during the nine months period ended September 30, 2020 is attributable to the increased investment during the prior year ended December 31, 2019 by the Company in computer equipment and software with the full period of amortization being accounted for by the Company during the nine months period ended September 30, 2020. The Company also increased its right-of-use assets in early 2020 resulting in increased amortization attributable to the incremental right-of-use asset during the nine months ended September 30, 2020 over the prior year period.

Other Earnings (Expenses)

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Foreign exchange gain (loss)	(24,188)	(147,562)
Finance expenses	(544,529)	(692,514)
Other Income[(a)]	3,462,598	-
Total other expenses (earnings)	$2,893,881	($840,076)

(a) Other income includes a gain resulting from a cancellation of shares held by Energate Shareholders Holding resulting from the resolution of an arbitration and government assistance attributable to the United States and Canadian COVID-19 wage subsidy programs.

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

Other earnings during the nine months ended September 30, 2020 is comprised of the following items:

(a) The Company (along with Tantalus Systems Shareholders Inc., collectively, the "claimants") engaged in an arbitration proceeding against the former shareholders of Energate (the "respondent") regarding breaches of representations and other conduct relating to the Company's acquisition of Energate on July 26, 2017. Two events occurred which resulted in the cancellation of 2,258,309 outstanding common shares of the Company:

> 1) The arbitrator delivered an award in the amount of CAD$3,000,000 to the claimants to be applied by cancelling common shares of the Company held by the respondent having a value equal to such amount in accordance with the terms of the share purchase agreement pursuant to which the Company acquired Energate. Accordingly, the Company cancelled 1,754,386 common shares of the Company pursuant to a supplementary consent award executed by the arbitrator and effective as of July 8, 2020.

2) The arbitrator issued a costs award in favor of the Company for reimbursement of costs incurred in connection with the arbitration in the amount of CAD$861,709. The parties agreed that the Company would cancel an additional 503,923 common shares of the Company held by the former shareholders of Energate as settlement of the costs award.

The Company recognized a total gain of US$1,438,226 in other income, representing the current value of the cancelled shares during the nine-months ended September 30, 2020 and a corresponding impact on Share Capital and Other Capital Reserves within Shareholders' Deficit resulting from the share cancellation.

(b) government assistance benefit received by the Company attributable to the PPP and CEWS programs implemented due to COVID-19 of $1,998,623; and

(c) a gain on lease obligation of $16,334.

The Company also experienced a foreign exchange loss of $24,188 for the nine months period ended September 30, 2019 compared to a foreign exchange loss of $147,563 in the prior year period.

Total Comprehensive Income (Loss)

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Operating income (loss)	($50,856)	$169,784
Total other earnings(expenses)	2,893,881	(840,076)
Income tax expense	-	(10,000)
Income (loss) for the period	$2,843,025	($680,292)
Foreign currency translation adjustment	-	-
Total comprehensive income (loss)	$2,843,025	($680,292)
Earnings per share (basic and fully diluted)	$0.07	($0.02)

Income for the nine months ended September 30, 2020 was $2,843,025 or $0.07 earnings per share compared to a loss for the nine months ended September 30, 2019 which was $680,293 or $0.02 loss per share.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

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

Cash and Adjusted Working Capital

As at September 30, 2020, the Company had cash totaling approximately $3.2 million as compared to cash of approximately $5.4 million as at December 31, 2019. The Company is required to classify its long-standing bank loan as a current liability under IFRS. Adjusted Working Capital excludes the Company's long-standing bank loan with Comerica which it has renewed on a continuous annual basis since 2012. As at September 30, 2020, the Company had Adjusted Working Capital of approximately $4.6 million, exclusive of the bank loan of $8.2 million, as compared to Adjusted Working Capital of approximately $2.8 million, exclusive of the bank loan of $8.2 million, as at December 31, 2019.

Cash Flows

Cash provided by (used in):	**Nine months ended September 30, 2020**	**Nine months ended September 30, 2019**
Operating activities	($1,028,091)	$1,157,533
Investing activities	(629,067)	(847,180)
Financing activities	(481,606)	(263,215)
Effect of foreign exchange on cash	(3,844)	(4,964)
Increase (decrease) in cash	($2,142,608)	$42,174

Cash provided by (used in) operating activities for comparable periods was attributable to the Company's financial performance. Cash provided by (used in) investing activities for comparable periods was attributable to the Company's investment in property and equipment as well as intangibles. Cash provided by (used in) financing activities for comparable periods was attributable to the Company's financing activities inclusive of its bank loan facility.

The Company generated negative cash flows from its operating activities during the nine months ended September 30, 2020 of approximately $1.0 million which is attributable to the net change in the Company's working capital items offset by positive Adjusted EBITDA generated in the period, inclusive of the impact of the government assistance received. The Company generated positive cash flow of approximately $1.2 million from operations in the prior nine months period ended September 30, 2019 which is attributable to positive Adjusted EBITDA generated offset by the net change of working capital items. The Company had lower investment in and other business equipment as well as business software during the nine months period ended September 30, 2020 than over the prior year period.

Commitments

The Company has the following commitments as at September 30, 2020:

Contractual Obligations	**Total**	**Less than 1 year**	**1 - 5 years**	**After 5 years**
Accounts Payable and accrued liabilities	$9,714,062	$9,714,062	$ -	$ -
Bank loan[(a)]	$8,184,700	8,184,700	$ -	$ -
Lease liabilities	$2,578,920	$844,527	$1,734,393	$ -
Total Contractual Obligations	$20,477,682	$18,743,289	$1,734,393	$ -

(a) – See bank loan below.

In the ordinary course of business, the Company may enter into performance bonds with customers as part of a sales contract. After September 30, 2020, the Company entered into one performance bond for $1,138,012.

In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors.

Bank Loan

The Company entered into a loan agreement on April 12, 2012, and subsequent amendments (together the "Agreement") with Comerica Bank (the "Bank") to fund ongoing Adjusted Working Capital requirements. The bank loan which is comprised of two line of credit facilities and a term loan had an aggregate total payable by the Company of USD$8,184,700 as at September 30, 2020. The Company entered into an amendment agreement with the Bank which extended the maturity date of the line of credit facility from February 26, 2020 to February 26, 2021. After September 30, 2020, the Company received confirmation from the Bank that the maturity date of the line of credit facility would be extended from February 26, 2021 to February 28, 2022.

Facilities

TSHI maintains four office locations across North America, including:

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

Each office is based on a lease with a third-party building manager or landlord. TSHI's Burnaby office lease, of approximately 32,000 square feet was entered into on August 1, 2014 and is expected to expire on January 31, 2022. TSHI's 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. TSHI's Norwalk office lease, of approximately 800 square feet was entered into on March 1, 2018 and has been expanded to a new office facility space in the building increasing to approximately 2,350 square feet to expire on February 1, 2025. TSHI's Raleigh office lease, of approximately 5,602 square feet was entered into on February 1, 2016 and is expected to expire on May 1, 2022. All of TSHI's office leases are with arm's length parties.

FINANCIAL POSITION

The following table shares the variance that have occurred in the Company's financial position as at September 30, 2020 and December 31, 2019:

Assets	September 30, 2020	December 31, 2019	Variance
Cash	$3,225,478	$5,368,086	($2,142,609)
Accounts receivable	5,935,571	4,819,166	1,116,405
Investment tax credits receivable	1,910,728	960,728	950,000
Inventory	5,241,541	5,038,119	203,422
Prepaid expenses and deposits	724,785	563,035	161,752
Total current assets	$17,038,103	$16,749,134	$288,970
Property and equipment	1,386,933	1,477,160	(90,227)
Intangible assets	533,526	759,445	(225,919)
Right of Use assets	1,103,392	1,152,875	(49,483)
Total assets	$20,061,954	$20,138,614	($76,659)
Liabilities			
Accounts payable and accrued liabilities	$9,714,062	$9,968,915	(254,853)
Deferred revenue and deposits	1,981,902	3,250,183	(1,268,281)
Lease liabilities	720,036	680,595	39,441
Bank loan	8,184,700	8,196,892	(12,192)
Total current liabilities	$20,600,700	$22,096,585	($1,495,885)
Lease Liabilities	686,287	902,381	(216,094)
Total liabilities	$21,286,987	$22,998,966	($1,711,979)

Accounts Receivable Insurance

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

OTHER ITEMS

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company's interim consolidated financial statements as at September 30, 2020.

Transactions with Related Parties

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

The remuneration of key management of the Company for the three months and nine months ended September 30, 2020 and 2019 are as follows:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Short-term compensation	$470,800	$243,769	$1,007,671	$1,071,249
Share-based payments	34,677	43,276	97,744	173,017
Total	$505,477	$287,045	$1,105,415	$1,244,266

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The following financial instruments are all measured at amortized cost. The fair value of each approximates the carrying value due to their short-term nature.

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	$3,225,478	$3,225,478	$5,368,086	$5,368,086
Accounts receivable	$5,935,571	$5,935,571	$4,819,166	$4,819,166
Investment tax credits receivable	$1,910,728	$1,910,728	$960,728	$960,728
Financial Liabilities				
Accounts payable and accrued liabilities	$9,714,062	$9,714,062	$9,968,915	$9,968,915
Bank loan	$8,184,700	$8,184,700	$8,196,892	$8,196,892

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

Credit Risk

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

Liquidity Risk

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

Foreign Currency Risk

Although substantially all of the Company's revenues are received in US dollars, the Company incurs operating costs primarily attributable to its research & development in Canadian dollars. Fluctuations in the exchange rates between the US dollar and Canadian dollar could have an effect on the business, financial condition and results of operations. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated to its US dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company does not have significant exposure to the impact of foreign exchange fluctuations pertaining to its financial position as at September 30, 2020 and December 31, 2019. With all other variables remaining constant, a 10% weakening of the Canadian dollar versus the US dollar would have had an impact on net loss of $152,575 as at September 30, 2020 and $141,324 as at December 31, 2019.

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 $8,184,700 as at September 30, 2020 and $8,196,892 as at December 31, 2019. A potential percentage change in the bank's prime rate of 1.00% will have an impact of $81,847 as at September 30, 2020 and $81,969 as at December 31, 2019 on the Company's annual interest expense pertaining its line of credit facility.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. As of September 30, 2020, the Company has 40,760,688 common shares issued and outstanding.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"). See Note 3 in the Company's unaudited condensed consolidated interim financial statements for the three and nine month ended September 30, 2020 and September 30, 2019.

RISK FACTORS

Please refer to the risk factors described in the "Risk Factors" section of the Filing Statement.

SUBSEQUENT EVENTS

The Company continues to actively monitor the current international and domestic impacts of and responses to the COVID-19 Pandemic and its related risks, and continues to prepare accordingly. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy is not known, an estimate of the financial effect on the Company is not practicable at this time.
The COVID-19 Pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the group's business in various ways inclusive of a reduction in the supply of goods and materials from the Company's contract manufacturer supplier which has affected our ability to continue the production of the Company's products as well as the reduction of economic activity/requirement to close our office facilities with the requirement for the large majority of our employees to work from home which has resulted in a significant reduction in sales/productivity during the year ending December 31, 2020.

Governments in the countries in which we operate have also announced the implementation of government assistance measures which might mitigate some of the impact of the COVID-19 Pandemic on our results and liquidity. To the extent appropriate, we have applied for and received such government assistance in the countries in which we operate. The details of all of the arrangements that might be available to us and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty. We are continuing to assess the implications for our business when these arrangements are no longer available. Depending on the duration of the COVID-19 Pandemic and continued negative impact on economic activity, the group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in future. The exact impact on our existing and future activities cannot be predicted.

On November 19, 2020, the Company entered into a definitive agreement with RiseTech to complete a merger of the two entities and closed a concurrent financing of approximately CND$8.8 million through a subscription receipt offering (the proceeds from which shall be released to the Company upon the satisfaction of certain conditions, namely the approval of the Company for public listing on the TSX-V exchange).

After September 30, 2020, the Company received confirmation from the Bank that the maturity date of the line of credit facility would be extended from February 26, 2021 to February 28, 2022.