

FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: **Kontrol Energy Corp. (the "Issuer")**

Trading Symbol: **KNR**

Number of Outstanding Listed Securities: **29,551,973 common shares and 5,554,595 common shares reserved for issuance**

Date: **December 4, 2019**

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered, nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

On November 15, 2019 Kontrol and its new regional partner the Zedan Group ("Zedan") entered into a letter of understanding ("LOU") in connection with Zedan's proposed distribution of Kontrol's emission compliance and energy IOT and Cloud technology. Further to the LOU Kontrol and Zedan are negotiating preferred distribution rights driven by sales volumes. Under the terms of the LOU, it is anticipated that Zedan will provide Kontrol with opportunities from its established customer base and Kontrol is expected to support Zedan as a distributor and solution provider. Kontrol and Zedan have started the process of exploring specific customer opportunities while ensuring Kontrol's solutions and technologies meet all the certification requirements of the region.

On November 26, 2019 Kontrol, through its wholly owned subsidiary, CEM Specialties Inc. ("CEMSI"), began a pilot project in the facility of a global leading plant-based meat substitute company. Under the terms of the pilot, CEMSI installed process analyzer equipment (the "analyzer") and associated real-time monitoring services to assist in the rapid evaluation, measurement and validation of organic inputs. The value of the installed analyzer and services is approximately \$150,000 USD. Following the successful completion of the pilot on November 22nd, 2019, the pilot Customer (the "Customer") indicated that it intends to purchase 2 analyzers for a total of approximately \$300,000 USD as an initial order. The order is anticipated to be placed within 2 weeks following the completion of the pilot. The Customer has also indicated that at the time of the order Kontrol will be able to use their name and globally recognized brand in a joint press release.

The Customer operates 6 global facilities and each facility may require up to 10 analyzers per location to meet their production demands.

On November 28, 2019 Kontrol announces its financial results for the third quarter ended September 30th, 2019.

Highlights

- Revenue for the nine months ended September 30, 2019 was \$10.9 million, up 64% over the comparative period in the prior year
 - Revenue for the three months ended September 30, 2019 was \$3.3 million, up 36% over the comparative quarter in the prior year
 - Adjusted EBITDA for Q3 2019 and Year to Date was \$206,435 and \$707,263 respectively
 - Accelerating software as a service platform (SaaS) operating in 200 commercial buildings with approximately of \$1 million in recurring revenue
 - Strong organic growth driven by new customer acquisition
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- Kontrol Energy received its first Smart Factory order from Toyota Tsusho Canada in Q3 for the deployment of IoT enabled energy monitoring and facility improvement. Kontrol and Toyota Tsusho Canada seek to deliver Smart Factory solutions to more than 200 factories across North America
- Kontrol Energy secured a pilot with global leading plant-based meat substitute company which was successfully completed in Q4 2019
- Guidance for 2020 was provided with full year revenue to more than double in the range of \$32 million to \$35 million and Adjusted EBITDA of \$3.0 million to \$3.7 million.

“We continue to deliver on our business plan and are winning some of the world’s leading brands as customers,” continues Paul Ghezzi. “While we report quarterly as a public company, we are much more focused on year over year growth and establishing a platform which will deliver strong organic growth for years to come,” continued Paul Ghezzi. “We are diligently managing our capital structure as we continue to grow and anticipate that these new global customers will accelerate our recurring revenues through software as a service (SaaS) and IOT connected devices.”

Strategic Initiatives and 2020

Recently the Company has announced a strategic partnership with Toyota Tsusho for Smart Factories, an entry into the Saudi Arabia market through an established local partner and the successful completion of a pilot with a global leading plant-based meat substitute company.

With these strategic initiatives in place the Company anticipates that for 2020 full year revenue to more than double in the range of \$32 to \$35 million and Adjusted EBITDA of \$3.0 million to \$3.7 million.

Seasonality and Timing of Revenue

As a significant portion of the Company’s revenues are derived from project integration there can be seasonality and timing as to when projects are completed, and revenue is billed. The first Toyota Tsusho order moved from Q3 to Q4 due to timing and two combined heat and power projects, previously announced moved from Q3 to Q1 2020. This had an impact of approximately \$600,000 of revenue difference in Q3.

Q3 2019 Financial Highlights

The Company experienced a strong year to date 2019 performance with revenue and EBITDA higher compared to same period in the prior year. Third quarter of 2019 represents the fourth consecutive quarter of positive Adjusted EBITDA.

Financial Results	Three months ended		Nine months ended	
	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Revenue	\$3,266,270	\$2,408,303	\$10,856,816	\$6,632,091
Gross profit	\$1,709,248	\$1,612,802	\$5,465,008	\$4,459,715
Net loss	\$(692,175)	\$(443,742)	\$(1,968,653)	\$(1,774,672)
Basic and Diluted EPS	\$(0.02)	\$(0.02)	\$(0.07)	\$(0.07)
Add for adjusted EBITDA reconciliation:				
Amortization & depreciation	\$486,187	\$224,489	\$1,355,686	\$728,766
Finance expense	\$272,458	\$135,242	\$779,277	\$376,590
Share based compensation	\$72,686	\$19,464	\$462,576	\$208,809
Acquisition related expenses	\$67,279	\$73,000	\$78,377	\$92,250
Adjusted EBITDA*	\$206,435	\$8,453	\$707,263	\$(368,257)

Revenue increased by 36% and 64% for Q3 2019 and Year to Date respectively over the comparative periods in the prior year. Gross profit for the nine months ended September 30, 2019 was \$5.4 million an increase of \$1 million over the comparative period in the prior year. Gross margin for the nine months ended September 30, 2019 was 50% compared to 67% for the same period in the prior year. The gross margin is in line with management's expectations and reflects the adjusted mix of revenue and cost of sales under a growing organization with changing product and service offerings.

Adjusted EBITDA for the three months ended September 30, 2019 was \$206,435 compared to \$8,453 for the third quarter in the prior year. For the nine months ended September 30, 2019, Adjusted EBITDA improved to \$707,263 compared to negative \$(368,257) in the same period of 2018.

The impact of accretive acquisition and overall scaling of operations has resulted in lower operating expenses as a percentage of revenue. Total operating expenses (excluding share-based compensation) for the nine months ended September 30, 2019 was \$5.7 million or 57% of revenue and that compares to a ratio of 79% in the same period of 2018. This improvement demonstrates the favourable impact on earnings as Corporate overhead expenses are spread over a much larger and growing revenue base.

Cash flows from operating activities was \$221,518 for the nine months ended September 30, 2019. For the nine months ended September 30, 2018, cash flows used in operating activities was \$1,424,438. This is a significant positive change

of \$1,645,956 and reflects strong working capital management and improved operational performance. This positive change is also due to the application of IFRS 16, which requires the recognition of lease contracts on a lessee's statement of financial position as a lease liability and a right-of-use asset.

Q4 2019 Outlook

Kontrol anticipates that total revenues for 2019 will be in the range of \$15 to \$16 Million with the difference being timing of projects completed and billed. That represents an increase of approximately 40% over 2018 revenues and driven by strong organic growth and new customer acquisition.

Kontrol is currently in final negotiations with the previously announced acquisition of an electrical retrofit company (the Vendor). The Vendor is required to deliver financial statements to Kontrol and an updated final purchase and sale agreement. Should the transaction be completed prior to year-end Kontrol will exit 2019 on a run rate of approximately \$23 Million. Factors expected to influence the ending revenue run rate for Kontrol are the timing of the closing of the potential acquisition and the completion of certain projects prior to year-end.

** Adjusted EBITDA is a non-IRFS financial measure. The Company defines Adjusted EBITDA as net income or loss before interest, income taxes, amortization and depreciation, share based compensation, and acquisition related expenses.*

2. Provide a general overview and discussion of the activities of management.

The Company has the following directors and officers:

Paul Ghezzi – CEO and Director
Claudio Del Vasto – CFO and Director
Kristian Lavereau – COO and Director
Andrew Bowerbank – Director
Ernest William Belyea - Director

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

Kontrol Energy creates solutions and Internet of Things (IoT) enabled technologies leader in energy efficiency through IOT, Cloud, Blockchain and SaaS technology, designed to lower the energy consumption of buildings and optimize energy management while providing a corresponding reduction in Green House Gas (GHG) emissions.

Through a disciplined mergers and acquisitions strategy, combined with organic growth, Kontrol Energy Corp. intends to provide market-based energy solutions to our customers designed to reduce their overall cost of energy and their GHG emissions.

Kontrol's service offerings include deep energy retrofits, implementation of distributed generation systems, energy analytics and carbon reduction.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

None.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

The Company may enter into an agreement or agreements in connection to the 2020 8% Unsecured Debenture (the "Offering"), the Company proposes to retain one or more non-exclusive registered securities dealers to effect sales of, or act as finders of subscribers in respect of, the Units (the "Finders"); and to pay a selling commission or finder's fee to such Finders not exceeding: a cash commission of 5% of the aggregate principal amount of the 2020 Debentures to purchasers identified by the Finder (the "Finder's Fee") and 30 non-transferable broker's warrants per Unit (the "Broker's Warrants"). Each Broker's Warrant will be exercisable to purchase one Share of the Company (the "Broker's Warrant Shares") at a price per share of \$0.70. Noting that any finder's fee paid is subject to compliance with applicable securities law and receipt of applicable regulatory approval, if any. Noting that the Broker's Warrant Shares are governed by the provisions of the Canadian Securities Exchange Policy 6 – Distributions.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

None.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how

the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

None.

8. Describe the acquisition of new customers or loss of customers.

The Issuer Company continues to carry on business in the energy efficiency sector with a growing new customer base that is mainly comprised of commercial energy consumers.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

None.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

None.

11. Report on any labour disputes and resolutions of those disputes if applicable.

None.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

None.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

On October 31, 2019, the Corporation made arrangements to repay all principal and accrued but unpaid interest on the 8% Debentures, totalling \$1,534,000. No additional 2019 Debentures can be exchanged as all 2019 Debentures still

outstanding as of their maturity date of October 31, 2019 were redeemed and cancelled in accordance with their terms.

2020 8% Unsecured Debenture balance as at November 30, 2019 is \$5,350,000. The debenture will bear interest at a rate of 8% per annum, payable monthly in arrears and will mature on October 31, 2020. Please refer to the Private Placement and Exchange of Debentures announcement dated March 13, 2019 for more information.

7% Unsecured Debenture balance as at November 30, 2019 is \$921,750. This balance represents 75% of aggregate proceeds raised as per private placement terms and conditions. The debenture will bear interest at a rate of 7% per annum, payable monthly in arrears and will mature on April 25, 2021.

8% Unsecured Convertible Debenture balance as at November 30, 2019 is \$1,114,000 The debenture will bear interest at a rate of 8% per annum, payable semi-annually and will mature on August 31, 2024. Effective October 31, 2019, Kontrol will not complete any more closings of its convertible debenture offering, initially announced on June 14th, 2019. A total of \$1.3 Million was raised from the sale of convertible debentures.

14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds⁽¹⁾
Units (Units of bundled securities) November 20, 2019 & November 26, 2019	616	Non-brokered private placement of units (the "Units"). The 2020 Debentures will be issued as part of a unit (each, a "Unit") comprised of one \$1,000 2020 Debenture and 50 common shares of the Company (each, a "Common Share").	\$616,000 Proceeds will be used to fund the acquisition of operating businesses, and technologies in the energy efficiency sector; and working capital
Common Shares November 20, 2019 & November 26, 2019	30,800	See above details of issuance	See above use of proceeds
Broker Warrants November 20, 2019 & November 26, 2019	18,480	The issuance of share purchase warrants of the Company (the	Value of \$12,936 Working capital

		Broker Warrants”) to the Broker equal to 3% of the aggregate principal amount of the Offering in broker warrants (the “Broker’s Warrants”) from the sale of the Units. Each Broker’s Warrant will be exercisable to purchase one additional common share of the Company (the “Broker’s Warrant Shares”) at a price of \$0.70 per share, for a period of 30 months from the closing date.	
Stock Options November 12, 2019	450,000	Grant of Stock Options to consultants of the Issuer, with an exercise price of 0.55 cents and a term of 2 years. No Vesting Terms.	Value of \$247,500 Working Capital
Stock Options November 27, 2019	25,000	Grant of Stock Options to director of the Issuer, with an exercise price of 0.60 cents and a term of 2 years. No Vesting Terms.	Value of \$15,000 Working Capital

(1) State aggregate proceeds and intended allocation of proceeds.

15. Provide details of any loans to or by Related Persons.

None.

16. Provide details of any changes in directors, officers or committee members.

Mr. Ernest Belyea has joined the Board of Kontrol as an Independent Board Member. Mr. Belyea is a lawyer with a long history of working in the Electricity and Power Generation sector, was formerly in-house counsel to the Ontario Power Authority (now IESO) and a partner at two of

Canada's leading international law firms. Mr. Belyea is currently the CEO of Purus Power which has developed a patented proprietary platform technology that converts the variable flow of air, water or other mediums into electricity and mechanical power.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

Cost of electricity has risen substantially across North America over the last decade. In addition, following the COP21 Paris Accord numerous states in the US and Provinces in Canada have either imposed a carbon tax policy or are in the late stages of creating such policies. Kontrol Energy Corp. intends to provide market based energy solutions to our customers designed to reduce their overall cost of energy while providing a corresponding reduction in Greenhouse Gas (GHG) emissions.

Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated December 4, 2019

Claudio Del Vasto
Name of Director or Senior
Officer

Signature

Chief Financial Officer
Official Capacity

Issuer Details	For Month End	Date of Report YY/MM/DD
Name of Issuer Kontrol Energy Corp.	November 2019	19/12/04
Issuer Address 180 Jardin Drive, Unit#9, Vaughan, ON L4K 1X8		
City/Province/Postal Code Vaughan, Ontario	Issuer Fax No. ()	Issuer Telephone No. (905) 766.0400
Contact Name Claudio Del Vasto	Contact Position	Contact Telephone No. (905) 766.0400 x1002

	CFO	
Contact Email Address admin@kontrolenergy.com	Web Site Address www.kontrolenergy.com	