KONTROL
ENERGY CORP.

Management Discussion and Analysis

For the Nine Months Ended September 30, 2020

November 30, 2020

Q3 2020 AND YEAR TO DATE HIGHLIGHTS

- Q3 2020 revenue increased $738,849 or 32% over Q2 2020
- Introduction of Kontrol BioCloud™ viral and air-borne pathogen detection technology
- The Company announced approval for initial funding from the National Research Council of Canada to accelerate its BioCloud™ technology
- On August 1, 2020 Kontrol completed the acquisition of New Found Air HVAC Services Inc., a building energy solutions business
- Adjusted EBITDA of $848,249 reported for Q3 2020 compared to $206,435 for the same quarter in the prior year
- Adjusted EBITDA for the nine months ended September 30, 2020 was $1,492,252 compared to $707,263 for the same period in the prior year
- Revenue for Q3 2020 was $3.01 million down from $3.27 million in Q3 2019, and year to date totalled $8.05 million down from $10.86 million for the comparative period in the prior year
- Cash flow from operating activities for the nine months ended September 30, 2020 was $531,675
- Operating expense reductions were realized during the year to date as the Company quickly responded to a revenue decline and revenue deferral caused by the COVID-19 pandemic
- The Company has benefited from the Canada Emergency Wage Subsidy during the nine months ended September 30, 2020
- The Company closed second tranche of non-brokered private placement for 2023 Convertible Debenture Proceeds; total gross proceeds raised as at September 30 was $ 1.96 million
- Conversions of 2024 Convertible Debentures to common shares totalled $866,000
- Following a number of pilots for Kontrol's SmartSuite® technology, the Company received an order for 4 apartment buildings located in Ontario, Canada
- Subsequent to Q3 2020, the Company received approval from 2020 Debenture holders to extend the maturity date from October 31, 2020 to December 15, 2020. This extension to December 15, 2020 was completed in connection with the Company's previously announced non-brokered private placement for gross proceeds of $5,800,000, allowing existing holders of 2020 Debentures to exchange for debentures maturing on October 31, 2022.

Caution Regarding Forward Looking Statements

Certain information included in this Management Discussion and Analysis, including information relating to future financial or operating performance and other statements that express the expectations of management or estimates of future performance constitute “forward-looking statements”. All statements contained herein that are not clearly historical in nature may constitute forward-looking information. In some cases, forward-looking information can be identified by words or phrases such as “may”, “will”, “expect”, “likely”, “should”, “would”, “plan”, “anticipate”, “intend”, “potential”, “proposed”, “estimate”, “believe” or the negative of these terms, or other similar words, expressions and grammatical variations thereof, or statements that certain events or conditions “may” or “will” happen, or by discussions of strategy. Such forward-looking statements include, without limitation, statements regarding possible future acquisitions and/or investments in operating businesses and/or technologies, accelerated organic growth, expansion of smart energy technologies into US markets, strategic partnerships to expand into North American Markets, acceleration of recurring SaaS revenues, the provision of solutions to customers and Greenhouse Gas emissions reductions, proposed financial savings and sustainable energy benefits and energy monitoring.

Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief are based on assumptions made in good faith and believed to have a reasonable basis. Such assumptions include, without limitation, that suitable businesses and technologies for acquisition and/or investment will be available, that such acquisitions and or investment transactions will be concluded, that sufficient capital will be available to the Company, that technology will be as effective as anticipated, that organic growth will occur, and others.

However, forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by such forward-looking statements. Such risks include, but are not limited to, lack of acquisition and investment opportunities or that such opportunities may not be concluded on reasonable terms, or at all, that sufficient capital and financing cannot be obtained on reasonable terms, or at all, that technologies will not prove as effective as expected that customers and potential customers will not be as accepting of the Company’s product and service offering as expected, and government and regulatory factors impacting the energy conservation industry. In particular, successful development and commercialization of the Kontrol BioCloud™ Analyzer are subject to the risk that the Kontrol BioCloud™ Analyzer may not prove to be successful in detecting the virus that causes COVID-19 effectively or at all, uncertainty of timing or availability of any regulatory approvals and Kontrol’s lack of track record in developing products for medical applications.

Accordingly, undue reliance should not be placed on forward-looking statements and the forward-looking statements contained in this Management Discussion and Analysis are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as at the date hereof and the Company does not undertake any obligation to update publicly or revise any such forward-looking statements or any forward-looking statements contained in any other documents whether as a result of new information, future events or otherwise, except as required under applicable securities law.

Non-IFRS Measures

This Management Discussion and Analysis includes certain measures which have not been prepared in accordance with IFRS such as EBITDA and Adjusted EBITA. Management believes these measures are widely accepted and useful financial indicators in evaluating the historical operating performance of the Company. These financial measures are not recognized under IFRS. The Company defines EBITDA as net income or loss before interest, income taxes, amortization, and depreciation. The Company defines Adjusted EBITDA as EBITDA before share based compensation, and acquisition related expenses.

ABOUT

The Company is a provider of green technology, energy management, continuous air quality and emission solutions to commercial and industrial consumers. Management considers its products and services to comprise one operating segment - energy management and emission compliance services. The Company delivers building intelligence through the Internet of Things (IoT), Software and Cloud technology. Kontrol works to provide products and services that are intended to benefit customers from reduced energy costs, lower operating costs, real-time data and analytics, smart-learning, and a reduction in greenhouse gas (GHG) emissions.

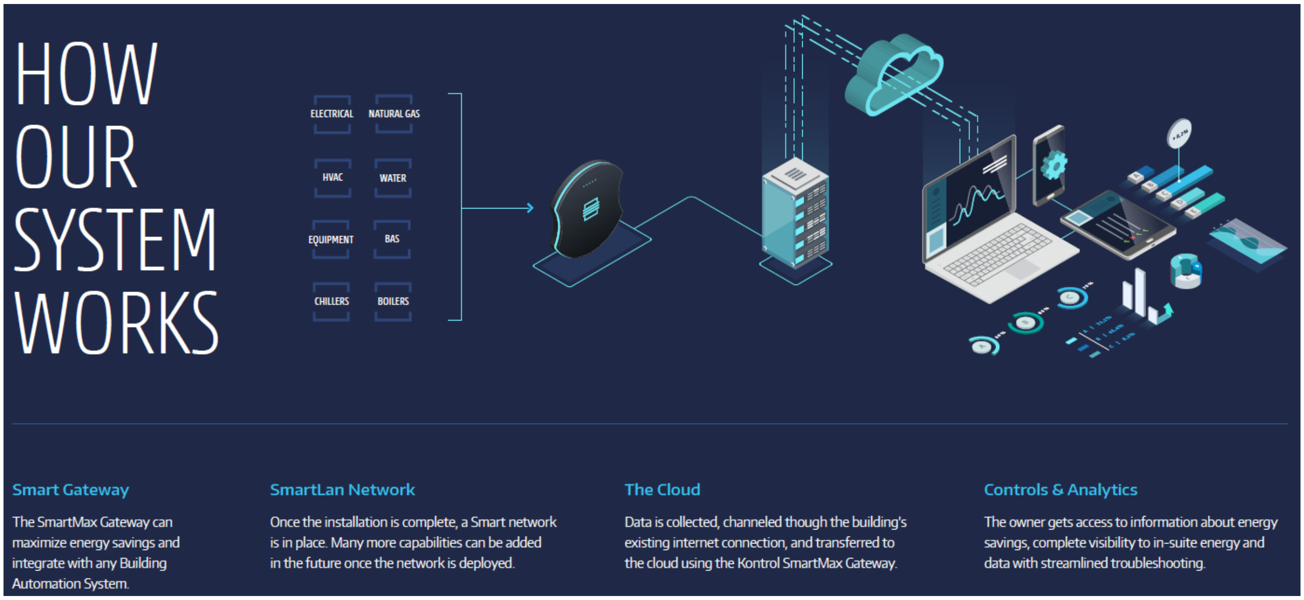
Products and Services

1) Smart Buildings and Facilities

The Company offers its Smart Technology to customers on a multi-year subscription contract basis as a Software-as-a Service ("SaaS") commercial offering. Kontrol's Smart Technology is deployed to customers through a cloud-based interface accessible on desktops and mobile devices. The Company collects real-time and historical data through the use of IoT sensors and direct connection to industrial control systems, bringing various sources of asset performance data in the cloud where smart-learning software is applied to optimize performance.

SmartSite® Software

This SmartSite® software is a building energy software technology designed to assist in the operation and management of complex heating, ventilation, and cooling systems for factories, large multi-residential, commercial, and mission critical buildings. Kontrol's IoT technology can be rapidly deployed within any building and can send energy data into Kontrol's cloud architecture where the data is analyzed in real-time. Through comparison and analysis to over 30 billion data points spanning more than 200 buildings, Kontrol can quickly identify inefficiencies, savings, and mission critical risk for its customers.



SmartSite® capabilities:

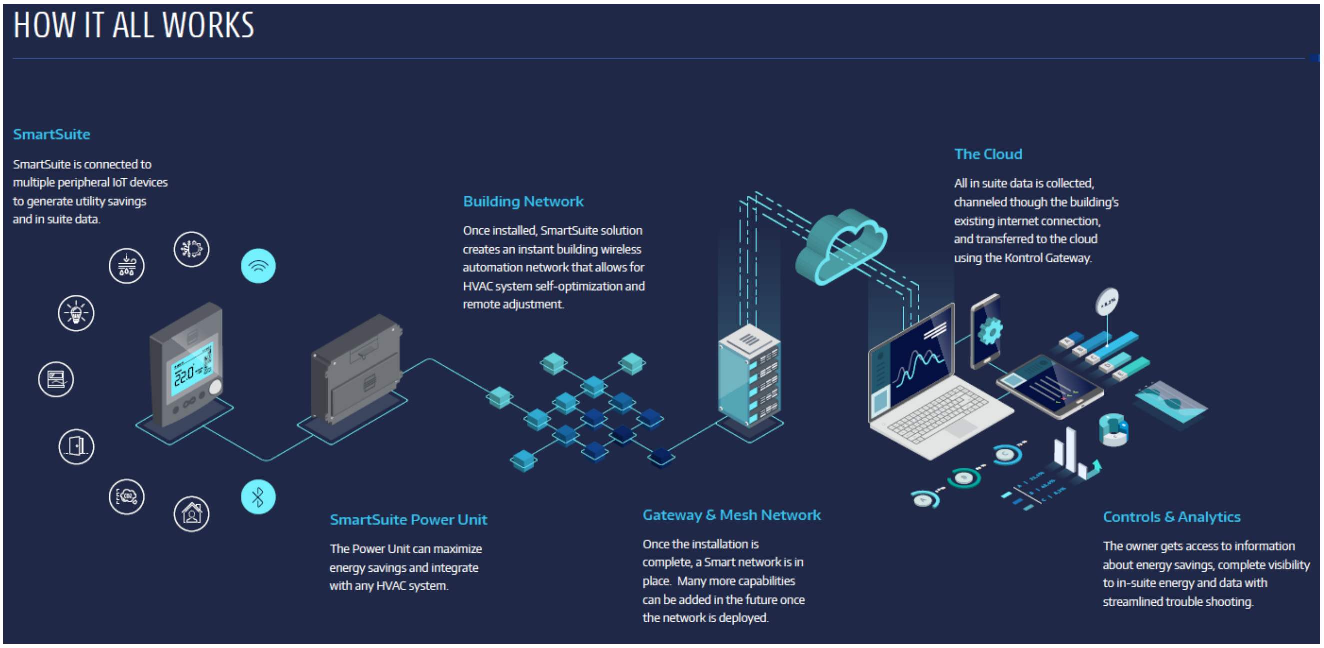
- Fast installation
- Immediate access to energy data
- Secure export to Kontrol's energy management system in the cloud
- Interoperability across building automation systems and HVAC equipment
- Immediate visibility into energy demand and consumption

The SmartSite® platform is the basis for the strategic partnership with Toyota Tsusho to develop Smart Factory solutions and services.

SmartSuite®

Designed for commercial buildings, multi-residential buildings, factories, and the hospitality industry and driven by the move to smart buildings and smart cities, the SmartSuite® thermostat can connect into existing building automation systems and to also communicate with utilities.

The SmartSuite® thermostat provides in-suite energy management with rich analytics and user interfaces, which in turn is intended to deliver energy savings, comfort and measurable GHG reductions.



SmartSuite® capabilities:

- Real-time energy management and conversation
- Rich data analytics
- Smart learning algorithms
- Multiple user interfaces
- Bluetooth connection
- Integrated with window and door sensors
- Ability to communicate with utilities

2) Emission verification, air monitoring, and compliance

Through two operating subsidiaries, ORTECH Consulting Inc. ("ORTECH") and CEM Specialties Inc. ("CEMSI"), the Company a provides emission verification, air monitoring, and compliance services. For industrial facilities, these services include the installation of continuous emission monitoring equipment and ongoing monitoring and management of industrial emissions which must be reported to local, state, and provincial authorities.

ORTECH is one of Canada's leading atmospheric science consulting firms, providing a range of environmental and engineering services including stack emission testing, continuous emission testing, power generation, due diligence, odour assessment and analytics, compliance, and other engineering services. ORTECH provides a stable blue-chip industrial client base with high quality services in technical problem solving, and evaluation with an emphasis on air quality and renewable energy.

CEMSI is a leading integrator of turn-key emission monitoring equipment and generates revenues from continuous emission systems, integration design, manufacturing, service, repairs, and on-site performance certification testing. Together CEMSI and ORTECH have expanded the Company's emission monitoring and solutions business by capturing a growing footprint across Canada and the United States.

BioCloud™

On August 5, 2020, the Company announced that it has received approval for initial funding of $50,000 from the National Research Council of Canada to accelerate its real-time analyzer designed to detect airborne viruses.

Can we monitor for viruses like we do for air quality?

It is a normal practice to test air quality within a confined space to protect workers before they enter into that space. It may become the "new normal" to conduct the continuous air monitoring of virus in an enclosed workplace to effectively protect frontline workers, school staff and students from potential COVID-19 exposures.

BioCloud™ is a real-time analyzer designed to detect airborne pathogens. It has been designed to operate as a safe space technology by promoting air circulation, monitoring the air quality, and sampling continuously for pathogens like viruses, bacteria, and fungi. The BioCloud™ analyzer combines a proprietary SARS-CoV-2 detection chamber with an advanced air sampling process. The air sampling system draws air in and optimizes the air for analysis. The sample flows through the detection chamber which uses both a viral collider and a chemical process to trap virus particles and identifies the SARS-CoV-2 virus with a laser sensor. When a virus of concern is detected an alert system is created in the Cloud or over local intranet.

Each BioCloud™ is a self-contained analyzer that requires no additional laboratory tests or movement of samples. The proprietary detection chamber and cartridges can be replaced as needed, or after a detection event. BioCloud™ applications include classrooms, retirement homes, hospitals, mass transportation, offices, break rooms, and others defined spaces.

Subsequent to the September 30, 2020 third quarter end the Company has issued various press releases outlining progress in connection with certifications, patent and trademark registrations, detection limits, funding, and commercialization plans. BioCloud™ was in the product development phase during the nine months ended September 30, 2020.

BioCloud™ is an air quality technology and not a medical device. The Company is not making any express or implied claims that its product has the ability to eliminate, cure or contain the COVID-19 (or SARS-2 Coronavirus).

3) Building Automation, Retrofit, Monitoring and Verification, and Design

In addition to the installation of Smart Technology, the Company provides building automation and retrofits to improve the energy efficiency of buildings and facilities. These are typically one-time projects with annual recurring service revenues generated to manage and maintain the energy and building assets following their installation.

Kontrol and its subsidiaries provide technical services to help building owners across North America improve their facilities, save money, and conserve valuable energy resources. These services are intended to uncover, design, and manage facility systems solutions, with an emphasis on economic feasibility and energy savings.

The Company's subsidiary, Efficiency Engineering Inc., works with clients to provide thorough and cost-effective energy auditing, monitoring and verification, energy project assessment, mechanical, electrical, and renewable design, and LEED facilitation.

2020 AQUISITION OF NEW FOUND AIR HVAC SERVICES INC.

On August 1, 2020, the Company acquired 100% of the issued and outstanding shares of New Found Air HVAC Services Inc. ("NFA"), a company incorporated in Ontario. NFA provides building energy services that ensures the effective operation and service of essential heating, cooling, ventilation, and utility systems. The acquisition was accounted for using the acquisition method for business combinations. The net assets are included at their fair value.

Net assets acquired	
Cash	$55,944
Accounts receivable	502,280
Prepaid expenses	1,789
Property and equipment	103,103
Customer relationships	1,211,000
Brand names	117,000
Goodwill*	901,066
Accounts payable	(192,182)
	$2,700,000
Consideration	
Cash	$1,550,000
Vendor take back**	750,000
Common shares	400,000
	$2,700,000

*The excess of consideration over the identifiable net assets is allocated to Goodwill.

**Vendor take back is subject to a performance claw back based on NFA achieving an average annual EBITDA of $850,000 per annum over a 3-year period.

Final working capital balances to be settled in Q4 2020 and the purchase price adjusted accordingly.

PRIOR YEARS: BUSINESS ACQUISTIONS AND PURCHASE OF ASSETS

PURCHASE OF ASSETS FROM DIMAX CONTROLS CANADA INC.

On January 14, 2019, the Company purchased patents, intellectual property, and computer equipment from DIMAX Controls Canada Inc. Kontrol purchased specific technology related assets, which includes 2 U.S. patents and 1 Canadian patent. This purchase allows further portfolio development of the Kontrol SmartSite® building energy software technology designed to assist in the operation and management of complex heating, ventilation, and cooling systems for large multi-residential, commercial, and mission critical buildings.

ACQUISITION OF ASSETS FROM MCW DIMAX LTD.

On April 30, 2018, the Company acquired various assets and intangibles from MCW Dimax Ltd. (“DIMAX”). The purchased assets are used to manage HVAC systems in real time through ongoing monitoring and analysis. Through IoT and Cloud services, the acquisition adds SaaS revenue to Kontrol’s operating and technology platform.

ACQUISITION OF CEM SPECIALITIES INC.

On September 20, 2018, the Company completed its acquisition of CEM Specialties Inc ("CEMSI"). With more than 25 years of operating history, CEMSI provides the Canadian and US market with value added solutions for continuous emissions and process monitoring applications. The Company acquired 100% of the issued and outstanding shares of CEMSI.

ACQUISITION OF KONTROL TECHNOLOGIES INC.

On June 30, 2016, the Company acquired 100% of Kontrol Technologies Inc., a company incorporated in Ontario. This entity and its parent company's activities are designed for commercial building applications and include deep energy retrofits, distributed power generation and energy conservation solutions.

ACQUISITION OF PATENTS AND INTELLECTUAL PROPERTY

On December 1, 2016, the Company acquired Log-One Ltd.'s Energy Management System, an intelligent, occupancy-based heating and air-conditioning control product, including the hardware, software, intellectual property and patents.

ACQUISITION OF ORTECH CONSULTING INC.

On February 10, 2017, the Company acquired 100% of ORTECH Consulting Inc. ("ORTECH"), a company incorporated in Ontario. ORTECH is an engineering consulting firm specializing in GHG reporting, air quality testing, emission testing and renewable energy/power consulting.

ACQUISITION OF EFFECIENCY ENGINEERING INC.

On August 4, 2017, the Company acquired 100% of Efficiency Engineering Inc. ("EE Inc."), a company incorporated in Ontario. EE Inc. provides engineering services to industrial, municipal, and commercial building owners across Canada.

OVERALL PERFORMANCE

The Company reported strong EBITDA performance despite market uncertainty caused by the outbreak of COVID-19. EBITDA was significantly higher in Q3 2020 and for the nine months ended September 30, 2020 compared to the same periods in the prior year. Sustainable revenue generation, NFA acquisition, operating expense reductions, and COVID-19 related subsidy benefits from Government were all factors in achieving favourable results for the period.

Revenue

Revenue for the three months ended September 30, 2020 was $3.01 million compared to $3.27 million for the same quarter in the prior year. For the nine months ended September 30, 2020 revenue was $8.05 compared to $10.86 million in the prior year. Management commented in the Q2 2020 MD&A that the organization was optimistic for an improvement in revenue despite the impact of the pandemic on our businesses. Management is pleased to report that revenue increased by 32% from Q2 2020 to Q3 2020.

In some cases specific project work that was deferred in the first half of the year was given the go ahead in the third quarter of 2020, however, there are still limitations that the Company is experiencing for on-site access due to COVID-19 site restrictions across the customer base.

ORTECH has earned a leadership position in emission compliance and verification. ORTECH's business is based on regulatory compliance and includes a wide range of blue-chip customers across Canadian industry. ORTECH continues to expand its service offerings to deal with the increasing regulations from local and provincial governments in new industries. ORTECH provided assistance in the development of BioCloud™ technology.

CEMSI provides the Canadian and US market with value added solutions for continuous emissions and process monitoring applications and is a significant contributor to Kontrol's consolidated revenue. CEMSI work with customers across diverse industries to provide consulting, integration design, manufacturing, service, repairs, and on-site performance certification testing. CEMSI is building up its instrumentation portfolio and we are expecting growth in this division in the years ahead. CEMSI was active during the year to date with product, parts, and maintenance sales. However, its US sales were impacted due to management's decision to limit employee travel and customers wishing to defer meetings due to COVID-19.

CEMSI was instrumental in the development of BioCloud™ during the fiscal year. Through CEMSI's deep industry experience, knowledge, and technical capability we have been able to leverage existing air quality monitoring technology process and add viral detection technology. BioCloud™ was in the product development phase during the nine months ended September 30, 2020.

EE Inc. provides engineering services to industrial, municipal, and commercial building owners across Canada. This operation experienced strong sales and earnings growth for the nine months ended September 30, 2020 over the comparative period in the prior year.

Adjusted EBITDA

Adjusted EBITDA for the three months ended September 30, 2020 was $848,249 compared to $206,435 for the same quarter in the prior year. For the nine months ended September 30, 2020, Adjusted EBITDA was $1,492,252 compared to $707,263 in the same period of 2019.

The Company experienced improved performance in the third quarter of 2020 from most activities. The energy audit and design group had an exceptional third quarter with many municipal and commercial projects at completion stages, which favourably impacted the recognition of revenue and income in the period. Continuous emission monitoring also experienced significant earnings increases for Q3 2020 and the current year to date compared to the same periods in the prior year. SaaS smart building technology services were not impacted by the pandemic. EBITDA also increased as the Company recorded two months of business activity in Q3 2020 from the NFA acquisition.

Our ongoing systematic approach to rationalizing operating expenses across completed acquisitions is having a noticeable impact on profitability. Total operating expenses as a percentage of revenues was

50% and 57% for the nine months ended September 30, 2020 and September 30, 2019, respectively. Salary reductions and subsidy assistance through the Canada emergency wage subsidy were significant contributors to the expense savings and other income that was realized for Q3 2020 and year to date.

Gross profit and expenses

Gross profit for the three months ended September 30, 2020 was $1,601,830 down from $1,709,248 for the comparative quarter in the prior year. While down 6% compared to the prior year, gross profit was up 58% over Q2 2020. Gross profit for the nine months ended September 30, 2020 was $4,315,650 down from $5,465,008 for the comparative period in the prior year. Based on market uncertainty caused by the pandemic, especially during the first half of the year, the resulting revenue and gross profit decline across our business activities for the nine months ended September 30, 2020, are in line with management expectations.

On a margin basis management is pleased with current year to date gross profit margin performance, as the result reflects strong customer demand for our product and service offerings. Gross margin for the nine months ended September 30, 2020 was 54% compared to 50% for the comparative period in prior year.

Advertising and promotion for the three months ended September 30, 2020 was $14,682 down from $31,998 for the comparative quarter in the prior year, and year to date totalled $26,701 down from $132,324 for the comparative period in the prior year. The decrease is primarily related to a Corporate media campaign entered into in the prior year. The decision not to extend the media campaign was timely based on market developments and the savings are material to management efforts to reduce overall operating expenses in the current fiscal year.

Business fees and licenses for the three months ended September 30, 2020 was $58,068 down from $74,903 for the comparative quarter in the prior year, and year to date totalled $178,071 down from $218,067 for the comparative period in the prior year. This expense account includes all fees associated with Kontrol's public listing, administrative fees relating to financings, and software license fees. Additionally, in the first quarter of 2019 various expenses relating to the application process to achieve our U.S. Listing on the OTCQB Market were incurred. In the first quarter of 2020, this expense account increased due to staff training expenses, however, during the current year some expenses relating to corporate financings were deferred and are being amortized accordingly over the term of the debt.

Consulting for the three months ended September 30, 2020 was $147,260 up from $133,733 for the comparative quarter in the prior year, and year to date totalled $442,930 down from $448,052 for the comparative period in the prior year. Since consulting services are often provided over a short period this expense account will fluctuate. The Company engaged new registered lobbying and traditional consulting firms during Q3 2020 in connection with BioCloud™ product launch activities.

Employee salaries and benefits for the three months ended September 30, 2020 was $1,075,022 compared to $1,114,167 for the same quarter in the prior year. For the nine months ended September

30, 2020, employee salaries and benefits decreased by 11% to $2,938,465 compared to $3,315,324 for the same period in 2019. Salary reductions were implemented across the Company commensurate with a drop in employee working hours due to the impact of COVID-19 on business activities. However, additional salaries and benefits were recorded for two months of business activity in Q3 2020 from the NFA acquisition.

When combining rent, right-of-use depreciation and lease interest accounts for the nine months ended September 30, 2020 the change from the same period in the prior year was a decrease of $63,852. The decrease is primarily related to savings from office space rationalization. IFRS 16 came into effect on January 1, 2019. The new standard requires lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a "right-of-use asset" with exception for certain short-term leases and leases of low-value assets. Interest expense on the lease contracts is captured on the statement of income. The principal portion of the lease payments is presented on the statement of cash flow. Lease contracts impacted are in connection with property office leases and vehicle leases.

Other income for the three months ended September 30, 2020 and the nine months ended September 30, 2020 was $773,954 and $1,495,499 respectively and includes the benefits of tax incentives for scientific research and experimental development expenditures, funding for industrial research assistance program, and subsidy assistance through the Canada emergency wage subsidy are recognized in the year the qualifying claim is made providing there is reasonable assurance of recoverability. This account also includes other miscellaneous income and expenses.

Professional fees for the three months ended September 30, 2020 was $24,743 and $30,421 for the comparative quarter in the prior year, and year to date totalled $115,245 and $180,320 for the comparative period in the prior year. This expense account is comprised primarily of legal and audit fees and is impacted by the timing of acquisition and financing related activities. Additional legal fees relating to the issuance of debentures and debt financing are recorded to deferred financing cost and are being amortized over the term of the financings. Legal fees relating to our convertible debentures were allocated to the liability and equity portions of the convertible debentures.

Travel for the three months ended September 30, 2020 was $15,724 and $36,161 for the comparative quarter in the prior year, and year to date totalled $46,795 and $107,597 for the comparative period in the prior year. The decrease is attributable to reduced travel schedules due to the COVID-19 pandemic. Kontrol's emissions business has grown its sales staff as they pursue new business opportunities across North America, and we expect their budget will be utilized once business travel returns to a new normal.

Finance expense for the three months ended September 30, 2020 was $300,868 and $197,897 for the comparative quarter in the prior year, and current year to date totalled $791,522 and $465,976 for the comparative period in the prior year. Finance expense includes interest primarily relating to debentures, convertible debentures, debt financing, lease liabilities, operating lines, and term loan. The increase is attributable to incremental funding from the debt financing facility that was refinanced in the fourth quarter of 2019. The increase is also to attributable to additional financing proceeds from debenture and convertible debenture issuances during the year to date, which attracted interest expense. During Q3 2020, 1,082,500 shares were issued in connection with convertible debentures conversion. On a dollar basis the interest-bearing debt reduction was $866,000, and as such this will have a positive impact on the Company's forecast of interest expense in forward periods.

Selected Financial Information and Discussion of Operations

Financial Results	**Three months ended**		**Nine months ended**	
(unaudited)	**Sept 30, 2020**	**Sept 30, 2019**	**Sept 30, 2020**	**Sept 30, 2019**
Revenue	$3,012,386	$3,266,270	$8,047,477	$10,856,816
Gross profit	$1,601,830	$1,709,248	$4,315,650	$5,465,008
Net loss	$(193,541)	$(692,175)	$(1,305,904)	$(1,968,653)
Basic and Diluted EPS	$(0.01)	$(0.02)	$(0.04)	$(0.07)
Add for adjusted EBITDA reconciliation:				
Amortization and depreciation	$538,159	$486,187	$1,490,017	$1,355,686
Finance expense	$250,346	$272,458	$816,742	$779,277
Share based compensation	$227,274	$72,686	$455,386	$462,576
Acquisition related expenses	$26,011	$67,279	$36,011	$78,377
Adjusted EBITDA	$848,249	$206,435	$1,492,252	$707,263

Financial Position	**at Sept 30, 2020**	**at Dec 31, 2019**
Assets	$21,817,455	$17,722,262
Non-current liabilities	$7,085,739	$5,628,656
Cash dividends	$0	$0

Total assets and liabilities

As at September 30, 2020, the Company had total assets of $21,817,455. Goodwill, intangible assets, and the credit facilities were the most significant dollar account balances. Non-current liabilities are comprised of debt financing, debentures, convertible debentures, lease liabilities, vendor take back, and deferred income taxes.

SUMMARY OF QUARTERLY RESULTS

The following summary information is taken from the Company's quarterly and annual financial reports.

	Q3 Sept 30, 2020	Q2 June 30, 2020	Q1 March 31, 2020	Q4 Dec 31, 2019	Q3 Sept 30, 2019	Q2 June 30, 2019	Q1 March 31, 2019	Q4 Dec 31, 2018
Revenue	$3,012,386	$2,273,537	$2,761,554	$3,701,750	$3,266,270	$3,912,186	$3,678,360	$4,095,070
Gross Profit	$1,601,830	$1,014,378	$1,699,441	$1,595,670	$1,709,248	$1,895,500	$1,860,260	$1,960,103
Net loss	$(193,541)	$(437,194)	$(675,169)	$(721,206)	$(692,175)	$(595,281)	$(681,196)	$(451,495)
Basic and Diluted EPS	$(0.01)	$(0.01)	$(0.02)	$(0.02)	$(0.02)	$(0.02)	$(0.02)	$(0.02)

Q3 2020 net loss narrowed in comparison to the third quarter of the prior year. This is in part attributable to management's efforts to reduce operating expenses and the Company has benefited from the Canada Emergency Wage Subsidy. Gross profit levels across all of our business activities are in line with management expectations. Q3 2020 revenue was down compared to the same quarter of the prior but was up considerably from Q2 2020.

LIQUIDITY AND CAPITAL RESOURCES

Cash balance as at September 30, 2020 was $3,065,995. As at September 30, 2020 the Company had current liabilities of $10,542,787.

The operating line was $47,881 as at September 30, 2020. The operating line allows for drawdowns as required with a total capacity of $900,000 based on the aggregate of two available facilities. Subsequent to the third quarter end, a lender covenant restriction to cap the maximum use at $700,000 was removed. Current liabilities as at September 30, 2020 include 2020 debenture units of $5,711,000 maturing in Q4 2020. Subsequent to the September 30, 2020 quarter end the Company received approval from 2020 Debenture holders to extend the maturity date from October 31, 2020 to December 15, 2020. This extension to December 15, 2020 was completed in connection with the Company's previously announced non-brokered private placement for gross proceeds of $5,800,000, allowing existing holders of 2020 Debentures to exchange for debentures maturing on October 31, 2022. The 2022 Debentures will be comprised of one $1,000 8% unsecured debenture of the Company maturing on October 31, 2022 and 10 common shares. The total subscription amount for the 2022 Debentures will be recognized in the fourth quarter of 2020. For unit holders who do not exchange their 2020 Debentures for 2022 Debentures, the Company will use cash on hand to redeem those maturing 2020 Debentures.

Cash flows from operating activities was $531,675 for the nine months ended September 30, 2020. For the nine months ended September 30, 2019, cash flows from operating activities was $221,518. This positive change reflects strong working capital management and improved operational performance.

Cash flows used in investing activities was $1,622,982 for the nine months ended September 30, 2020 compared to cash flow used of $425,576 for the same period in the prior year. During the nine months ended September 30, 2020 a cash payment of $1,550,000 was made in respect of the purchase of shares from NFA. Investing activities included product development payments made in connection with the Company's next generation energy management system – SmartSuite®, as well as IP costs associated with SmartSite®. During the nine months ended September 30, 2019 a cash payment of $100,000 was made in respect of the purchase of assets from DIMAX Controls Canada Inc.

Cash flows from financing activities was $3,512,989 for the nine months ended September 30, 2020 compared to cash flows from financing activities of $251,517 for the same period in the prior year. During the nine months ended September 30, 2020, the Company received net debenture proceeds of $177,405 compared to net proceeds received of $637,987 for the same period in the prior year. The Company paid down $133,863 of the term loan during the nine months ended September 30, 2020, which was comparable to the same period in the prior year. Lease payments of $224,213 (comprised of principal - $177,863 and interest - $46,350) were made during the nine months ended September 30, 2020. Proceeds from the 2024 convertible debentures issuance net of transaction costs was $159,072 for the nine months ended September 30, 2020. Proceeds from the 2023 convertible debentures issuance net of transaction costs was $1,825,148 for the nine months ended September 30, 2020. The Company paid down $355,012 of the operating line during the nine months ended September 30, 2020 and $309,161 was paid down for the same period in the prior year, which reflects the Company's efforts to strengthen our working capital position. Management was pleased with the sizable amount of options and warrants exercise that occurred during the current year. Proceeds of $653,332 and $1,403,855 was received in connection with options exercise and warrants exercise for the nine months ended September 30, 2020.

During Q3 2020, $866,000 of the 2024 Convertible Debentures was converted to common shares. While the conversion did not alter cash flow from financing activities, this will have a positive impact on the Company's forecast of interest expense in forward periods and is also considered favourable from a Company debt reduction perspective.

ACCOUNTING POLICIES – GOVERNMENT GRANTS AND ASSISTANCE

In addition to the accounting policies disclosed in the most recent December 31, 2019 annual audited consolidated financial statements, Government Grants and Assistance was applicable in the preparation of the September 30, 2020 condensed interim consolidated financial statements.

The benefits of tax incentives for scientific research and experimental development expenditures, funding for industrial research assistance program, and subsidy assistance through the Canada emergency wage subsidy are recognized in the year the qualifying claim is made providing there is reasonable assurance of recoverability. The grants and assistance are recorded based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized in other income over the periods in which the Company recognizes expenses which the grants and assistance are intended to compensate.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the condensed interim consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the condensed interim consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes differ from these estimates under different assumptions and conditions.

COVID-19

The global pandemic outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgements and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Corporation is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgements and estimates.

RELATED PARTY BALANCES AND TRANSACTIONS

	September 30, 2020	December 31, 2019
Due to shareholder	$36,500	$36,500

Due to shareholder is unsecured, non-interest bearing and due on demand.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Salaries, benefits, and consulting	255,176	389,100
Share based compensation	221,181	141,196
	$476,357	$530,296

The Company's key management personnel have the authority and responsibility for planning, directing, and controlling the activities of the Company and consists of the Company's executive management team and management directors. The above table is a summary of the related party transactions, including key management compensation for the nine months ended September 30, 2020 and 2019.

FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk.
(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to the liquidity of its cash and accounts receivable. The Company limits exposure to credit risk by maintaining its cash with a large Canadian financial institution. To mitigate credit risk with respect to accounts receivable the Company subjects all major customer accounts to its credit evaluation process. The Company's maximum exposure to credit risk is the carrying value of cash held with financial institutions and accounts receivable. Allowance for expected credit losses as at September 30, 2020 is $72,614 (December 31, 2019 - $80,822).

(b) 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 ensures there is sufficient capital to meet short-term business requirements after taking into account cash flow from operations, the Company's holdings of cash, and the available credit facilities. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period. Current liabilities as at September 30, 2020 include debentures due in Q4 2020. Management's intention is to re-finance the current obligations, subject to market conditions.

(c) Interest rate risk

As at September 30, 2020, the Company's Operating Line, Term Loan and Debt Financing are subject to varying rates with the financial institution's prime rate and are subject to cash flow risks. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to mitigate this risk. Based on the outstanding credit facilities, a 1% increase in interest rates for the Company would increase year to date 2020 net loss before tax by approximately $25,050 (September 30, 2019 - $6,220).

(d) Fair Value

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities:
Level 2 – inputs other than quoted prices included in 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).

(e) Foreign currency risk

Foreign currency risk arises because of fluctuations in exchange rates. The Company's newly acquired subsidiary, CEMSI, conducts a portion of its business activities in U.S. dollars. Management of foreign exchange currency exposure is governed by the Company's foreign exchange policy as approved by its Board. The objective of the policy is to minimize the earnings impact of foreign currency gains and losses associated with foreign exchange rate fluctuations.
The financial assets and liabilities that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and the U.S. dollar. This primarily includes cash, accounts receivable, and accounts payables and accrued liabilities which are denominated in foreign currencies.

SUBSEQUENT EVENTS

Subsequent to the September 30, 2020 quarter end the Company received approval from 2020 Debenture holders to extend the maturity date from October 31, 2020 to December 15, 2020. This extension to December 15, 2020 was completed in connection with the Company's previously announced non-brokered private placement for gross proceeds of $5,800,000, allowing existing holders of 2020 Debentures to exchange for debentures maturing on October 31, 2022. The 2022 Debentures will be comprised of one $1,000 8% unsecured debenture of the Company maturing on October 31, 2022 and 10 common shares. The total subscription amount for the 2022 Debentures will be recognized in the fourth quarter of 2020.