(formerly Kontrol Energy Corp.)

Management Discussion and Analysis

For the Year Ended December 31, 2020

April 30, 2020

2020 HIGHLIGHTS

- Record quarterly revenues of $4,302,514 in Q4 2020 up from $3,701,750 in Q4 2019
- Adjusted EBITDA of $502,852 in Q4 2020 up from negative $(182,143) in Q4 2019
- Revenues for the year ended December 31, 2020 were $12,349,991, down 15% over the prior year
- Adjusted EBITDA for the year ended December 31, 2020 was $1,995,101 an improvement of $1,469,980 over the prior year
- Cash flows from operating activities was $483,686 for the year ended December 31, 2020 which is an improvement of $697,689 over the prior year
- Development of Kontrol BioCloud™ viral and air-borne pathogen detection technology
- Kontrol files patent applications with the U.S. Patent and Trademark Office and the Canadian Intellectual Property Office for its BioCloud Technology
- The Company announced approval for initial funding of $500,000 from the National Research Council of Canada to accelerate its BioCloud technology
- Subsequent to the fiscal year 2020, it was further announced that the Ontario Government would be investing up to $2 million in Kontrol BioCloud COVID-19 Technology
- Operating expense reductions were realized in response to a revenue decline and revenue deferral caused by the COVID-19 pandemic; the Company has benefited from the Canada Emergency Wage Subsidy
- Conversions of Convertible Debentures to common shares totalled $1,906,613
- Proceeds from options and warrants exercise of $3,778,215 million were received
- Significant improvement in balance sheet with extension of unsecured debentures to 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, emission compliance and air quality technology and 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 emissions, improved operating performance real-time data and analytics, smart-learning, and increased sustainability.

Products and Services

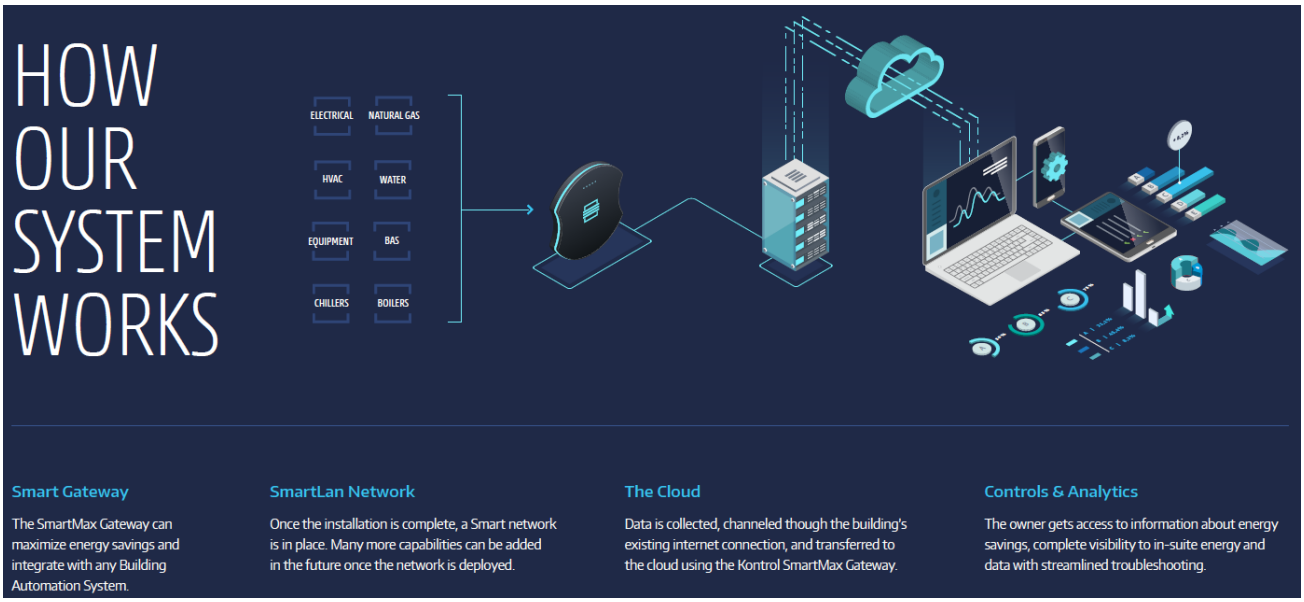
1) Smart Buildings and Facilities

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.

Over the past year the global pandemic has changed the way in which commercial, multi-residential and industrial buildings are managed and maintained. More than ever, there is an emphasis on how to deploy technology to reduce operating costs, optimize energy savings and increase automation to reduce labor costs while advancing sustainability.

<u>SmartSite® Software</u>

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 50 billion data points spanning more than 200 buildings, Kontrol can quickly identify inefficiencies, savings, and mission critical risk for its customers.



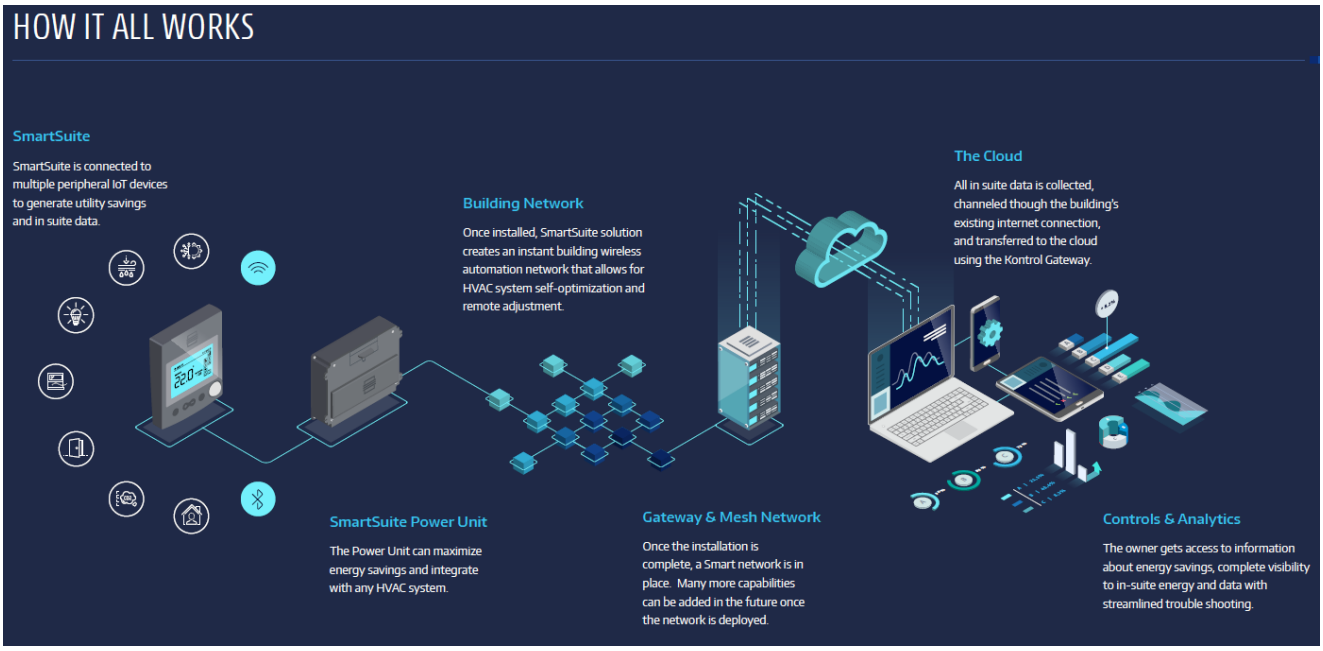
SmartSite capabilities:

- 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

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.

Kontrol BioCloud™

The Company has invested significantly in the development and commercialization of BioCloud with approximately 50% of investment funding provided by Government sources.

Progress highlights:

- Industrial Research Assistance Program Funding (IRAP) Funding from the National Research Council of Canada
- Subsequent to FY 2020, further funding was received from the Ontario Together Fund
- Moving from prototype to commercialization and production
- Manufacturing improvements in design for scaling purposes
- 4 patents filed (3 USA and 1 Canada)
- Several domestic and international distribution partners signed or in various stages of negotiation
- Units are being deployed for application in various settings

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 viruses in an enclosed workplace to effectively protect frontline workers, school staff and students from potential virus and pathogen exposure.

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 and pathogens. The BioCloud analyzer combines a proprietary 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.

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 ACQUISITION OF NEW FOUND AIR

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	503,376
Prepaid expenses	1,789
Property and equipment	103,103
Right-of-use assets	132,606
Customer relationships	1,088,491
Brand names	162,400
Goodwill*	1,207,123
Accounts payable	(192,267)
Lease liabilities	(132,606)
Deferred income taxes	(328,482)
	$2,601,477
Consideration	
Cash	$1,550,000
Working capital adjustment payable**	129,680
Vendor take back***	485,434
Common shares	436,363
	$2,601,477

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

**Working capital adjustment was paid subsequent to the year ended December 31, 2020.

***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.

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. While revenues were down 15% for the fiscal year, the Company did experience stronger revenue growth in the second half of current fiscal year. Organic revenue generation, the NFA acquisition, operating expense reductions, and COVID-19 related subsidy benefits from Government were all factors in achieving favourable EBITDA results for the fiscal year 2020.

Revenues

Revenues for the three months ended December 31, 2020 were $4.3 million compared to $3.7 million for the same quarter in the prior year. Management is pleased with Q4 revenue generation; the bounce back over earlier quarters illustrate that deferred projects were moving ahead in the final quarter. For the year ended December 31, 2020 revenues were $12.3 million compared to $14.6 million in the prior year and was due to pandemic imposed restrictions on the Company. The Company's ability to access sites improved in Q4 but like other businesses may be subject to Government imposed sites access restrictions as may be announced.

For the year ended December 31, 2020 the Company booked five months of activity from the acquisition of NFA. This service business is performing to management's expectations. NFA provides turn-key solutions to building owners and asset managers in the commercial, industrial and multi-residential sector. Through this acquisition, NFA customers are being offered in house Kontrol energy software tools to analyze the management of HVAC systems, design, and engineering of improvements, and retrofits and ongoing mission critical services.

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 its 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 revenues. 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 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. 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 year ended 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 year ended December 31, 2020 over the prior year.

Adjusted EBITDA

Adjusted EBITDA for the three months ended December 31, 2020 was $502,852 compared to negative $(182,143) for the fourth quarter in the prior year. For the year ended December 31, 2020, Adjusted EBITDA was $1,995,101 compared to $525,121 in the prior year.

The Company experienced improved EBITDA results across platforms. The energy audit and design group had a strong year with several municipal and commercial projects awarded and completed. Continuous emission monitoring also experienced strong earnings increases over the prior year. SaaS smart building technology services were not impacted by the pandemic, while new installations were hampered during the first half of the current year. EBITDA also improved as the Company recorded five months of business from the NFA acquisition in the current year.

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 48% and 57% for the years ended December 31, 2020 and December 31, 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 in the current year.

Gross profit and expenses

Gross profit for the three months ended December 31, 2020 was $1,734,510 up from $1,595,670 for the comparative quarter in the prior year. This increase reflects added revenue from the NFA acquisition, and increased gross profits from energy retrofits and SaaS. Gross profit for the year ended December 31, 2020 was $6,050,160 down from $7,060,679 for 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 most of our business activities for the year ended December 31, 2020, are in line with management expectations. The energy audit and design group managed to outperform despite the market challenges. Further, the NFA acquisition added new revenue and profits to the consolidated results.

On a margin basis management is pleased with current year gross profit margin performance and reflects strong customer demand for our product and service offerings. Gross margin for the year ended December 31, 2020 was 49% compared to same approximate level in the prior year.

Advertising and promotion for the three months ended December 31, 2020 was $29,496 up from $18,354 for the comparative quarter in the prior year, and the fiscal year 2020 totalled $56,197 down from $150,677 in the prior year. The annual 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 December 31, 2020 was $63,658 up from $32,973 for the comparative quarter in the prior year, and fiscal year 2020 totalled $241,729 down from $251,040 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 fiscal year 2020 this expense account included non-recurring staff training expenses. Some expenses relating to corporate financings were deferred and are being amortized accordingly over the term of the debt. As Kontrol was active in the capital markets, financial record keeping fees were higher in Q4 2020 over Q4 2019.

Consulting for the three months ended December 31, 2020 was $135,262 up from $110,512 for the comparative quarter in the prior year, and fiscal year 2020 totalled $578,193 up from $558,564 in the prior year. Since consulting services are often provided over a short period this expense account will fluctuate. During the second half of 2020 the Company engaged a registered lobbyist and a marketing consulting firm in connection with BioCloud product launch activities.

Employee salaries and benefits for the three months ended December 31, 2020 was $1,427,309 compared to $1,164,267 in the prior year. For the year ended December 31, 2020, employee salaries and benefits decreased by 2.5% to $4,365,427 compared to $4,479,591 in 2019. This change includes incremental employee salaries from the current year NFA acquisition. 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.

When combining rent, right-of-use depreciation and lease interest accounts for the year ended December 31, 2020 the change from the prior year was a decrease of $52,680. 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 December 31, 2020 and the year ended December 31, 2020 was $700,115 and $2,195,614 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 December 31, 2020 was $48,313 and $36,089 for the comparative quarter in the prior year, and fiscal year 2020 totalled $163,558 and $216,409 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. Also, board fees of $12,500 were paid in Q4 2020 while there was no payout in the prior year.

Travel for the three months ended December 31, 2020 was $14,861 compared to $36,107 for the comparative quarter in the prior year, and fiscal year 2020 totalled $61,656 down from $143,704 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 December 31, 2020 was $338,555 compared to $235,016 for the comparative quarter in the prior year, and fiscal year 2020 totalled $1,155,296 compared to $1,014,294 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 attributable to additional financing proceeds from debenture and convertible debenture issuances during the year. However, the company will benefit from the conversions of convertible debentures to common shares which totalled $1,906,613 in the current year. Further, net debenture payments totalled $1,685,366 in the current year. These interest-bearing debt reductions will have a positive impact on the Company's interest expense in forward periods.

Selected Financial Information and Discussion of Operations

	Three months ended		For the years ended December 31		
Financial Results	**Dec 31, 2020**	**Dec 31, 2019**	**2020**	**2019**	**2018**
Revenue	$4,302,514	$3,701,750	$12,349,991	$14,558,567	$10,727,301
Gross profit	$1,734,510	$1,595,670	$6,050,160	$7,060,679	$6,419,819
Net loss	$(598,816)	$(721,206)	$(1,904,721)	$(2,689,859)	$(2,226,167)
Basic and Diluted EPS	$(0.02)	$(0.02)	$(0.06)	$(0.09)	$(0.08)
Add for adjusted EBITDA reconciliation:					
Amortization and depreciation	$363,027	$321,872	$1,853,043	$1,677,558	$1,176,385
Finance expense	$338,555	$235,016	$1,155,296	$1,014,294	$606,878
Share based compensation	$443,240	$183,275	$898,626	$645,851	$282,000
Acquisition related expenses	$0	$0	$36,011	$78,377	$120,029
Deferred taxes recovery	$(43,154)	$(201,100)	$(43,154)	$(201,100)	$(126,697)
Adjusted EBITDA	$502,852	$(182,143)	$1,995,101	$525,121	$(167,572)

Financial Position	**At Dec 31, 2020**	**At Dec 31, 2019**	**At Dec 31, 2018**
Assets	$22,203,642	$17,722,262	$17,396,142
Non-current liabilities	$9,201,961	$5,628,656	$1,845,828
Cash dividends	$0	$0	$0

Total assets and liabilities

As at December 31, 2020, the Company had total assets of $22,203,642. 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.

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Dec 31, 2020	Sept 30, 2020	June 30, 2020	March 31, 2020	Dec 31, 2019	Sept 30, 2019	June 30, 2019	March 31, 2019
Revenue	$4,302,514	$3,012,386	$2,273,537	$2,761,554	$3,701,750	$3,266,270	$3,912,186	$3,678,360
Gross Profit	$1,734,510	$1,601,830	$1,014,378	$1,699,441	$1,595,670	$1,709,248	$1,895,500	$1,860,260
Net loss	$(598,816)	$(193,541)	$(437,194)	$(675,169)	$(721,206)	$(692,175)	$(595,281)	$(681,196)
Basic and Diluted EPS	$(0.02)	$(0.01)	$(0.01)	$(0.02)	$(0.02)	$(0.02)	$(0.02)	$(0.02)

Q4 2020 net loss decreased in comparison to the fourth 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. Q4 2020 revenues were up over Q4 2019 as some work that was deferred in the first half of 2020 resumed in Q3 and Q4 of 2020. Gross profit levels across all of our business activities are in line with management expectations.

LIQUIDITY AND CAPITAL RESOURCES

Cash balance as at December 31, 2020 was $2,534,330. As at December 31, 2020 the Company had current assets and current liabilities of $6,879,713 and $5,726,147 respectively.

The operating line was paid down to zero as at December 31, 2020. The operating line allows for drawdowns as required with a total capacity of $900,000 based on the aggregate of two available facilities. Current liabilities as at December 31, 2020 were $4.7 million lower than the prior year and is in large part due to the Company's 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 are comprised of one $1,000 8% unsecured non-convertible debenture of the Company maturing on October 31, 2022 and 10 common shares. During the fourth quarter of 2020, exchange for 2022 Debentures totalled $3,650,000 and new proceeds received totalled $506,000.

Cash flows from operating activities were $483,686 for the year ended December 31, 2020. For the year ended December 31, 2019, cash flows used in operating activities were $214,003. This positive change reflects strong working capital management and improved operational performance.

Cash flows used in investing activities were $1,789,696 for the year ended December 31, 2020 compared to cash flows used of $493,373 in the prior year. During the year ended December 31, 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 year ended December 31, 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 were $3,196,027 for the year ended December 31, 2020 compared to cash flows from financing activities of $329,628 in the prior year. During the year ended December 31, 2020, the Company made net debenture payments of $1,685,366 compared to net payments of $204,827 in the prior year. The Company made payments of $179,663 to reduce the term loan to zero as at December 31, 2020. Lease payments of $296,812 (comprised of principal - $235,880 and interest - $60,932) were made during the year ended December 31, 2020. Proceeds from the convertible debentures issuance net of transaction costs was $1,970,937 for the year ended December 31, 2020. While net proceeds from this issuance were $1,033,477 in the prior year. The Company paid down $402,893 of the operating line during the year ended December 31, 2020 and $298,931 was paid down in the prior year, which reflects the Company's efforts to strengthen our working capital position. Management was pleased with the options and warrants exercise that occurred during the current year. Proceeds of $1,011,439 and $2,766,776 were received in connection with options exercise and warrants exercise respectively for the year ended December 31, 2020.

During the year ended December 31, 2020, $1,906,613 of convertible debentures were 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 interest expense going forward due to a material reduction of debt.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the 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 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 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 impacted operations in the fiscal year 2020 by making it difficult to access customer sites for a portion of the year and the Company experienced a deferral of capital projects. In many cases customers have resumed or budgeted those projects for completion in the fiscal year 2021. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Company is 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

	December 31, 2020	December 31, 2019
Due to shareholder	$35,762	$36,500

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

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries, benefits, and consulting	441,962	444,000
Share based compensation	221,181	141,196
	$663,143	$585,196

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 year ended December 31, 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 December 31, 2020 is $71,456 (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 December 31, 2020 include debentures due in Q2 2021. Management's intention is to re-finance the current obligations, subject to market conditions.

The Company's contractual liabilities and obligations are as follows:

	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Accounts payable	2,708,837	-	-	2,708,837
Due to shareholder	35,762	-	-	35,762
Holdback payable/VTB	982,500	791,554	-	1,774,054
Debt financing	877,238	2,709,136	-	3,586,374
Debenture	1,275,738	4,433,067	-	5,708,805
Convertible debenture	96,480	1,376,928	-	1,473,408
Lease liabilities	284,807	560,542	-	845,349
Total	$6,261,362	$9,871,227	-	$16,132,589

(c) Interest rate risk

As at December 31, 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 fiscal year 2020 net loss before tax by approximately $32,995 (December 31, 2019 - $10,100).

(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).

As at December 31, 2020, the vendor take back related to the NFA acquisition is recorded at level 3 of the fair value hierarchy. The Company had no financial instruments recorded at level 3 fair value at December 31, 2019.

As at December 31, 2020 and December 31, 2019, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent.

(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.