Consolidated Financial Statements of

EDDY SMART HOME SOLUTIONS INC.

Years ended December 31, 2020, 2019 and 2018

Independent auditor's report

To the Board of Directors of Eddy Smart Home Solutions Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Eddy Smart Home Solutions Inc. and its subsidiaries (together, the Company) as at December 31, 2020, 2019 and 2018 and January 1, 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020, 2019 and 2018 and January 1, 2018;
- the consolidated statements of loss and comprehensive loss for each of the three years in the period ended December 31, 2020;
- the consolidated statements of changes in shareholders' equity/deficiency for each of the three years in the period ended December 31, 2020;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Ontario
January 6, 2022

EDDY SMART HOME SOLUTIONS INC.

Consolidated Statements of Financial Position

(in Canadian dollars)

	December 31, 2020	December 31, 2019	December 31, 2018	January 1, 2018
Assets	**$**	**$**	**$**	**$**
Current assets				
Cash	192,518	568,227	1,034,558	685,007
Accounts receivable (note 6)	145,449	146,022	144,940	56,851
Prepaid expenses	299,764	204,020	509,534	415,715
Inventory (note 7)	1,443,953	1,943,008	1,670,707	1,652,403
	2,081,684	**2,861,277**	**3,359,739**	**2,809,976**
Contract assets	8,804	-	-	-
Fulfillment assets (note 12)	268,827	352,209	682,049	943,745
Right-of-use assets (note 19)	577,515	684,993	7,909	-
Property and equipment (note 13)	317,871	371,896	419,483	-
	1,173,017	1,409,098	1,109,441	943,745
Total Assets	**3,254,702**	**4,270,376**	**4,469,180**	**3,753,721**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 14)	895,653	565,521	429,281	457,228
Deferred revenue (note 8)	102,303	74,895	24,628	726
Current portion of lease liabilities (note 19)	118,350	104,003	1,454	-
Due to related parties (note 17)	-	6,833	1,056,014	54,398
Term loan (note 15)	250,000	550,000	-	-
Total Current Liabilities	**1,366,306**	**1,301,252**	**1,511,377**	**512,352**
Lease liabilities (note 19)	717,767	836,117	6,762	-
Deferred revenue (note 8)	457,605	375,796	96,153	5,442
Convertible debentures (note 15)	-	4,099,045	-	-
Loan payable (note 15)	30,000	-	-	-
Total Liabilities	**2,571,678**	**6,612,210**	**1,614,291**	**517,794**
Shareholders' Equity/(Deficiency)				
Share capital (note 21)	32,658,151	25,222,556	25,222,556	21,676,686
Contributed surplus (note 15, 16)	13,776	11,462	-	-
Deficit	(32,018,250)	(27,605,787)	(22,396,181)	(18,440,758)
Accumulated other comprehensive income	29,348	29,935	28,514	-
Total shareholders equity/(deficiency)	**683,025**	**(2,341,834)**	**2,854,889**	**3,235,928**
Contingencies (note 20)				
Commitments (note 1)				
Total Liabilities & shareholders' equity	**3,254,702**	**4,270,376**	**4,469,180**	**3,753,721**

See accompanying notes to consolidated financial statements

On behalf of the Directors:

"Mark L. Silver"
MARK L. SILVER
Director

"Travis Allan"
TRAVIS ALLAN
Director

EDDY SMART HOME SOLUTIONS INC.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2020, 2019 and 2018

(in Canadian dollars)

	2020	2019	2018
	$	$	$
Revenue (note 8)	944,313	784,156	888,484
Expenses			
Cost of Sales (note 10)	1,213,932	337,766	492,524
Depreciation on fulfillment assets (note 12)	234,997	254,396	297,783
General and administrative (note 9, 23)	3,188,565	4,270,577	3,429,658
Selling (note 11)	423,650	482,326	473,510
(Gain)/loss on foreign exchange	(8,554)	18,678	(3,536)
Provision for of expected credit losses (note 23)	72,922	54,009	159,998
Stock based compensation (note 16)	2,129	6,470	-
Depreciation on property and equipment (note 13)	65,025	63,892	1,446
Amortization on right-of-use assets (note 19)	107,479	107,479	1,412
	5,300,145	5,595,593	4,852,795
Operating loss	**(4,355,832)**	**(4,811,437)**	**(3,964,311)**
Gain on financial instruments (note 15, 21)	190,371	-	-
Interest income	3,524	7,019	9,623
Interest expenses	(250,526)	(405,188)	(736)
Net Loss before income taxes	**(4,412,463)**	**(5,209,606)**	**(3,955,424)**
Income taxes (note 22)	-	-	-
Net loss	**(4,412,463)**	**(5,209,606)**	**(3,955,423)**
Other comprehensive income (loss):			
Items that may subsequently be reclassified to income			
Gain/(loss) on foreign currency translation, of foreign operation	(587)	1,421	28,514
Total comprehensive loss	**(4,413,050)**	**(5,208,185)**	**(3,926,909)**
Net loss per share - basic and diluted (note 18)	**($0.08)**	**($0.49)**	**($0.38)**
Weighted average number of common shares outstanding (note 18)			
- Basic and diluted	52,707,186	10,594,728	10,448,978

See accompanying notes to consolidated financial statements

EDDY SMART HOME SOLUTIONS INC.

Consolidated Statements of Changes in Shareholders' equity/deficiency

For the years ended December 31, 2020, 2019 and 2018

(in Canadian dollars)

	Number of Common Shares	Number of Class A Preferred Shares	Number of Class B Preferred Shares	Common Shares	Class A Preferred Shares	Class B Preferred Shares	Contributed Surplus	Accumulated OCI	Accumulated Deficit	Shareholder's Equity
Balance, January 1, 2020	**10,510,978**	**25,395,612**	**-**	**$ 197,180**	**$ 25,025,377**	**-**	**$ 11,462**	**29,935**	**$ (27,605,787)**	**$ (2,341,833)**
Conversion of Class A Pref shares to Common shares	25,395,612	(25,395,612)	-	25,025,377	(25,025,377)	-	-	-	-	-
Conversion of convertible debentures to common shares (note 21)	13,666,156	-	-	4,056,582	-	-	-	-	-	4,056,582
Class B Preferred shares issued (note 21)	-	-	10,519,566	-	-	3,261,066	-	-	-	3,261,066
Share-based compensation (note 16, 21)	11,596,682	-	-	117,947	-	-	7,692	-	-	125,639
Contributed surplus	-	-	-	-	-	-	(5,380)	-	-	(5,380)
Accumulated translation adjustment	-	-	-	-	-	-	-	(587)	-	(587)
Net loss for the year	-	-	-	-	-	-	-	-	(4,412,463)	(4,412,463)
Balance, December 31, 2020	**61,169,428**	**-**	**10,519,566**	**$ 29,397,086**	**$ -**	**$ 3,261,066**	**$ 13,774**	**$ 29,348**	**$ (32,018,250)**	**$ 683,025**

	Number of Shares	Number of Class A Preferred Shares	Number of Class B Preferred Shares	Common Shares	Class A Preferred Shares	Class B Preferred Shares	Contributed Surplus	Accumulated OCI	Accumulated Deficit	Shareholder's Deficiency
Balance, January 1,2019	**10,510,978**	**25,395,612**	**-**	**$ 197,180**	**$ 25,025,377**	**$ -**	**$ -**	**28,514.00**	**$ (22,396,181)**	**$ 2,854,890**
Share-based compensation (note 16)	-	-	-	-	-	-	6,082	-	-	6,082
Equity component of convertible debt (note 21)	-	-	-	-	-	-	5,380	-	-	5,380
Accumulated translation adjustment	-	-	-	-	-	-	-	1,421	-	1,421
Net loss for the year	-	-	-	-	-	-	-	-	(5,209,606)	(5,209,606)
Balance, December 31,2019	**10,510,978**	**25,395,612**	**-**	**$ 197,180**	**$ 25,025,377**	**$ -**	**$ 11,462**	**29,935**	**$ (27,605,787)**	**$ (2,341,834)**

	Number of Shares	Number of Class A Preferred Shares	Number of Class B Preferred Shares	Common Shares	Class A Preferred Shares	Class B Preferred Shares	Contributed Surplus	Accumulated OCI	Accumulated Deficit	Shareholder's Equity
Balance, January 1,2018	**10,417,978**	**21,895,612**	**-**	**$ 104,180**	**$ 21,572,506**	**$ -**	**$ -**	**-**	**$ (18,440,758)**	**$ 3,235,928**
Class A Preferred shares issued (note 21)	-	3,500,000	-	-	3,500,000	-	-	-	-	3,500,000
Share issuance costs (note 21)	-	-	-	-	(47,129)	-	-	-	-	(47,129)
Common shares issued (note 21)	93,000	-	-	93,000	-	-	-	-	-	93,000
Accumulated translation adjustment	-	-	-	-	-	-	-	28,514	-	28,514
Net loss for the year	-	-	-	-	-	-	-	-	(3,955,423)	(3,955,423)
Balance, December 31,2018	**10,510,978**	**25,395,612**	**-**	**$ 197,180**	**$ 25,025,377**	**$ -**	**$ -**	**28,514**	**$ (22,396,181)**	**$ 2,854,889**

See accompanying notes to consolidated financial statements

EDDY SMART HOME SOLUTIONS INC.

Consolidated Statements of Cash Flows

For the years ended December 31, 2020, 2019 and 2018

(in Canadian dollars)

	2020	2019	2018
	$	$	$
Cash provided by (used in)			
Operating activities			
Net loss for the year	(4,412,463)	(5,209,606)	(3,955,423)
Add items not affecting cash			
Depreciation of property and equipment (note 13)	65,025	63,892	1,446
Depreciation of fulfillment assets (note 12)	234,997	254,396	297,783
Amortization of right-of-use assets (note 19)	107,479	107,479	1,412
Gain on financial instruments (note 15, 21)	(190,371)	-	-
Interest expense	250,525	405,188	736
Interest income	(3,523)	(7,019)	(9,624)
Stock-based compensation (note 16)	2,129	6,470	-
	(3,946,202)	(4,379,200)	(3,663,670)
Changes in non-cash working capital			
Accounts receivable (note 6)	573	(1,082)	(88,089)
Prepaid expenses	(95,744)	305,512	(93,818)
Contracted assets	(8,804)	-	-
Fulfillment assets (note 12)	(171,981)	(39,276)	(48,559)
Disposal of fulfillment assets (note 12)	20,366	114,720	12,471
Inventory (note 7)	499,055	(272,302)	(18,304)
Deferred revenue (note 8)	109,217	329,911	114,613
Accounts payable and accrued liabilities (note 14)	438,411	297,780	(27,948)
	791,093	735,263	(149,634)
Net cash flow (used in) operating activities	**(3,155,109)**	**(3,643,937)**	**(3,813,304)**
Investing activities			
Purchase of property and equipment (note 13)	(11,000)	(16,306)	(420,929)
Net cash flow (used in) investing activities	**(11,000)**	**(16,306)**	**(420,929)**
Financing activities			
Proceeds from equity offering, net (note 15, 21)	2,000,000	-	3,585,625
Lease liabilities (note 19)	(104,002)	147,342	(1,106)
Interest paid on lease liabilities (note 19)	(87,751)	(86,430)	(736)
Interest paid	(7,847)	-	-
Proceeds on convertible debentures (note 15, 21)	-	1,640,000	-
Related party loan (note 17)	-	-	1,000,000
Issuance costs on convertible debentures (note 16, 22)	-	(57,000)	-
Loan payable advance-CEBA	40,000	-	-
Term loan & promissory note advances (note 15)	950,000	1,550,000	-
Net cash flow from financing activities	**2,790,400**	**3,193,912**	**4,583,783**
(Decrease)/increase in cash during the year	(375,709)	(466,331)	349,550
Cash, beginning of year	568,227	1,034,558	685,007
Cash, end of year	**192,518**	**568,227**	**1,034,558**

See accompanying notes to consolidated financial statements

1. Nature of operations and basis of presentation

Eddy Smart Home Solutions Inc. (the "Company") was incorporated under the Ontario Business Corporations Act on January 27, 2015. The Company is a North American provider and developer of residential and commercial smart water metering products and monitoring services, helping property owners protect, control, and conserve water usage by combining water sensing devices with behavioural learning software.

The wholly owned operating subsidiaries of the Company are Eddy Home Inc., Eddy Home Distribution Inc. (formerly Municipal Water Savings Corp.) and Municipal Water Savings California Corp.

The Company operates in three segments: Single-Family Residential ("SFR"), Multi-Family Residential ("MFR") and Commercial and Institutional ("C&I").

The Company is domiciled in Toronto, Canada. The registered office of the Company is 5255 Yonge Street, Suite 900, Toronto, Ontario M2N 6P4. The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries.

These consolidated financial statements have been prepared on the historical cost basis.

Liquidity

These consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation and be able to realize its assets and discharge its liabilities and commitments in the normal course of business for the foreseeable future. In assessing whether this assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue, management considers all available information and actions within its control with respect to the future which is at least, but not limited to, twelve months from the end of the reporting period.

During the year ended December 31, 2020, the Company generated a net loss of $4,412,463 and negative cash flows from operating activities of $3,265,109. As at December 31, 2020, the Company has an accumulated deficit of $32,018,250 and a working capital surplus of $715,378. The continuation of the Company is dependent on its ability to achieve positive cash flow from operations, to obtain the necessary equity or debt financing to continue with expansion in the water monitoring services market, and to ultimately attain and maintain profitable operations.

The Company has also been successful in raising capital in the past. During the year ended December 31, 2020, the Company increased its capitalization by $4,056,582 (note 15 and 21), related to a convertible debenture converted into 13,666,158 common shares. Furthermore, 10,519,566 Class B Preferred share were issued for $3,261,066 (note 21). In addition, on September 14, 2021, the Company completed the first tranche of a brokered private placement of an aggregate of 17,615,269 Subscription Receipts for aggregate gross proceeds of $10,569,161 (the "First Tranche"). On October 12, 2021, the Company completed the second tranche of a brokered private placement of 2,898,499 subscription receipts for additional aggregate gross proceeds of $1,739,099 (the "Second Tranche"). Including the Subscription Receipts sold under the first tranche of the Private Placement, the Company has issued an aggregate of 20,513,768 Subscription Receipts for aggregate gross proceeds of $12,308,260. Each Subscription Receipt will be automatically converted, without additional consideration or any further action on the part of the holder thereof, into two (2) common shares in the capital of the Company upon the satisfaction of certain conditions related to the qualifying transaction (see note 25). The Company also has support from a shareholder who has committed to support the Company with financing of up to $10,000,000 to meet its operational objectives if the Company does not satisfy the conditions related to the qualifying transaction.

While management has a high degree of confidence that this trend of capital raising will continue, there is no assurance that it will be successful in closing additional financings in the future. These consolidated financial statements do not give effect to any adjustments to the carrying value of recorded assets and liabilities, revenue and expenses, the statement of financial position classifications used and disclosures that might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

Liquidity risk is the risk the Company will encounter difficulty in meeting the obligations associated with its financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable, due to related parties and accruals. The Company prepares cash flow forecasts to monitor its cash flow needs in order to manage its liquidity risk. The Company mitigates this risk through financing activities, such as raising cash through the issuances of shares; see subsequent events note. The Company has received a commitment from a shareholder to provide additional financing should the need arise, in order for the company to meet its obligational and fulfill its financial commitments.

Contractual obligations as at December 31, 2020 are due as follows:

	Carrying Amount	Less than 6 months	6 - 12 months	1 - 3 years	4 - 5 years
Accounts payable and accrued liabilities	895,653	818,150	64,603	12,900	-
Term Loan and loan payable (note 15)	280,000	-	250,000	30,000	-
	1,175,653	**818,150**	**314,603**	**42,900**	**-**

Accounts payable and accrued liabilities includes a warranty provision of $12,900, related to water monitoring equipment, and $1,721 of accrued interest related to term loan.

2. Basis of presentation and adoption of IFRS

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and including interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company has consistently applied the same accounting policies for all of the periods presented.

The Company adopted IFRS from January 1, 2018. The impact of the transition from Canadian Accounting Standard for Private Enterprise ("ASPE") to IFRS is presented in note 5.

The consolidated financial statements of the Company were approved by the Board of Directors on January 6, 2022.

3. Significant accounting policies

Basis of consolidation

The audited consolidated financial statements comprise the financial statements of the Company and its subsidiaries. These consolidated financial statements have been prepared on the historical cost basis. A consolidated subsidiary is an investee controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has (i) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee), (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect its returns. All intercompany balances and transactions are eliminated in full upon consolidation.

Cash

Cash consists of cash held and with financial institutions, any bank borrowings are considered to be financing activities.

Financial instruments – Financial assets

The Company uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit and loss.

(i) Amortized cost

Financial assets classified and measured at amortized cost are those assets whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets classified as measured at amortized cost include trade receivables, which are recognized initially at the amount of consideration that is unconditional, unless they have certain significant financing components, when they are recognized at fair value.

(ii) Fair value through other comprehensive income (FVTOCI)

Financial assets classified and subsequently measured at FVTOCI are those assets whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

The classification includes certain equity instruments where an irrevocable election was made to classify the equity instruments as FVTOCI. Equity investments require a designation, on an instrument-by-instrument basis, between recording both unrealized and realized gains and losses either through (i) other comprehensive income (OCI) with no recycling to profit and loss or (ii) profit and loss. Dividends from these instruments are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

The Company has not classified any financial assets as FVTOCI

(iii) Fair value through profit or loss (FVTPL)

Financial assets classified and subsequently measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

The Company has not classified any financial assets as FVTPL.

Impairment of trade receivables and contract assets

For trade receivables and contract assets, the Company measures its credit loss allowances using the simplified expected credit loss model which estimates expected lifetime credit losses on initial recognition of the receivables. In determining the expected credit loss allowance, the Company utilized a provision matrix and groups trade receivables and contract assets based on shared credit characteristics and the days past due and takes into account evidence of non-payment risk, which may include account aging, previous experience and general economic conditions. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. When a receivable amount is determined to be uncollectable, it is written off against the gross carrying amount of the asset and the expected credit loss provision adjusted accordingly.

Fulfillment Assets

Contract fulfillment assets comprise of costs associated with obtaining and fulfilling the Company's water monitoring service contracts. Costs of fulfilling contracts include inventory costs of the installed water monitoring hardware, direct labour and materials and sales commission related to obtaining contracts, when these costs are expected to be recoverable from the contract. Once under contract, these costs are amortized into cost of sales over the contract life consistent with the pattern of revenue recognition for the performance obligations for services being provided. Sales commissions that relate directly to a contract with terms of 12 months or less (or nominal amounts) are immediately recognized as a cost of sale in the year incurred.

A contract fulfillment asset is amortized on a straight-line basis over the term of the underlying contract which is consistent with the performance obligation of providing the water monitoring services to which the contract fulfillment asset relates. The Company will recognize an impairment loss in profit or loss to the extent that the carrying amount of the contract fulfillment asset recognized exceeds:

a. the remaining amount of consideration that the entity expects to receive in exchange for the water monitoring services to which the asset relates; less

b. the costs that relate directly to providing those goods or services and that have not been recognized as expenses

If the impairment conditions no longer exist or have improved, the company recognizes a reversal of some or all of an impairment loss previously recognized in profit or loss. The increased carrying amount of the contract fulfillment asset shall not exceed the amount that would have been determined (net of amortization) if no impairment loss had been recognized previously (see note 5 - impairment on adoption of IFRS).

Inventory

The Company's inventory consists of installation supplies and equipment to be deployed to fulfill future contracts. Installation supplies are valued at the lower of cost, which is determined on a first-in, first-out basis, and net realizable value. When the equipment comes under contract with customers it becomes a fulfillment asset. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make the sale. Equipment include the cost of the individual water monitoring units. Inventory is considered for obsolescence based on current estimates of future sales and use. When circumstances that previously required inventory to be written down below cost no longer exist, the amount of the write-down is reversed.

Research and development

Research and development expenses consist primarily of employee expenses who are directly engaged in the development of proprietary software algorithms for the effective monitoring of water flow rates and identification of leaks. The Company continues to invest in research and development efforts on developing added features and solutions, as well as increasing the functionality and enhancement of optimizer algorithms. These expenses have been reduced primarily by the Scientific Research and Experimental Development Program ("SR&ED"), when approved.

Foreign currencies

The Company's presentation and functional currency is the Canadian dollar. Functional currency is determined for each of the Company's entities and items included in the financial statements of each entity are measured using that functional currency.

The Company has a subsidiary in the United States whose functional currency is the US Dollar, as a result there is cumulative translation adjustment reflected in the accounts. On consolidation, the assets and liabilities of each foreign entity are translated into Canadian dollars at the rate of exchange prevailing at the reporting date. Revenue and expense items are translated at the average rate of the exchange for the year. Unrealized translation gains and losses are recorded as cumulative translation adjustments, which are included in other comprehensive income/(loss) ("OCI") which is a component of shareholders' equity.

Transactions in currencies other than the Company's or subsidiaries' functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange differences are recognized in profit or loss in the period in which they arise.

Property and equipment

Property and equipment are recorded at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognized on a straight-line bases at rates designed to apportion the cost of the asset over their useful lives as follows:

Computer equipment	5 years
Office equipment	5 years
Warehouse equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	lease term

The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Items of property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of items of property and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Repairs and maintenance costs that do not improve or extend productive life are recognized in profit or loss in the period in which the costs are incurred (see note 5 - impairment on the adoption of IFRS).

Intangible assets

Intangible assets includes product development technologies and software, when the criteria for capitalization is met. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life, which is considered to be the contract term, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense for finite life intangible assets is recognized in profit or loss. Intangible assets with indefinite lives are not amortized, however they are tested annually or more frequently when circumstances indicate that the carrying value may not be recoverable.

Intangible assets are amortized over their estimated useful lives, on a straight-line basis, as follows:

Product development	7 years
Software	7 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized (see note 5 - impairment on the adoption of IFRS).

Internally generated intangible assets

Expenditures on research activities are recognized as an expense in the period in which they were incurred.

Internally-generated intangible assets arising from development or from the development phase of an internal project are recognized if all of the following factors have been demonstrated:

- Technical feasibility of completing the intangible asset results in the intangible asset being available for use or sale;
- There is an intention to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- Evidence to suggest how the intangible asset will generate probable future economic benefits;
- There is availability of adequate technical, financial and other resources to complete the development and to use or sell the
- An ability to reliably measure the expenditures attributable to the intangible asset during its development exists.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Where no internally-generated intangible asset can be recognized, development expenditures are recognized in profit or loss in the period in which it is incurred.

Impairment of non-financial assets

The Company assesses the recoverable amount of non-financial assets, at each reporting date, for indicators of impairment. If any indication exist the Company estimates the recoverable amount for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating unit ("CGU") exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount which is the higher of fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are considered or an appropriate valuation model is used.

The Company bases its impairment calculation on most recent budgets and/or forecast calculations, which are prepared for the Company's CGUs or group of CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five to seven years.

An impairment loss is recognized in the statement of profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount (see note 5).

A previously recognized impairment loss is reversed when there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to its recoverable amount and cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Leases

The Company applies a single recognition and measurement approach for all leases, except for month-to-month leases and short-term leases with a term of less than 12 months. The Company recognizes right-of-use assets ("ROA") representing the right to use the underlying asset and lease liabilities representing its obligation to make lease payments.

ROA are initially measured at cost comprised of the initial lease liability adjusted for any lease payments made at or before commencement date, plus initial direct costs incurred less lease incentives received. ROA are subsequently depreciated using the straight-line method from commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability. The Company applies an exemption for month-to-month leases and for short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). As a practical expedient, IFRS 16 allows a lessee to exclude initial direct costs from measurement of the ROU assets on transition. A lessee can apply this practical expedient on a lease-by-lease basis.

Lease liabilities are initially measured at the present value of unpaid lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Each lease liability is subsequently increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of each lease liability is remeasured if modifications such as, a change in lease payments or a change in the assessment of an option to purchase the underlying asset arises

Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation, as a result of a past event, and it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured using managements best estimate as to the outcomes, based on known facts, risks and uncertainties at the reporting date

Revenue recognition

The company accounts for its promises to provide water monitoring hardware and ongoing water monitoring as one performance obligation that is satisfied over time. Revenue is recognized as the Company provides water monitoring services to its customers on a straight-line basis over the contract term. The transaction price is measured based on the consideration specified in a contract with a customer, including any variable consideration, net of any discounts or rebates paid or payable to the customer. Non-cash consideration, including shares and warrants, received or receivable from the customer or paid or payable to a customer is measured at fair value at the date of contract inception. Variable consideration is estimated and recognized as revenue only to the extent it is highly probable that a significant reversal in the cumulative revenue for the contract will not occur.

Water monitoring services are typically billed monthly, although some customers pay annually. Amounts received in advance of fulfilling the contact are recorded as deferred revenue. Payments are usually due 30 to 60 days after the invoice is issued.

A customer contract is accounted for as revenue only when it is probable that the Company will collect the consideration due under the contract for water monitoring services provided. Over the contract term the Company considers if there are indications of a significant change in facts and circumstances that result in it being no longer probable that the Company will collect the consideration due under the contract for water monitoring services provided. The company considers that non-payment of the monthly amount due for a period greater than 3 months is an indication that it is no longer probable the consideration will be collected for future water monitoring services provided and revenue recognition for that contract ceases at that point.

Share-based payments

The Company grants stock options to employees, directors, officers, and consultants. Stock options granted to employees are measured at fair value at the grant date and recognized as compensation expense over the vesting period, which is typically four years. Stock options granted to non-employees are measured at the fair value of the goods or services received except where the fair value cannot be estimated, in which case it is measured at the fair value of the equity instrument granted.

The fair value of options is determined using the Black-Scholes option pricing model which incorporates all the market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Upon exercise of stock options, consideration received on exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

Taxation

Income tax expense of the Company comprises current and deferred taxes.

Deferred tax is recorded using the asset-liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets and liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiary to the extent that they will not likely reverse in the foreseeable future. The amount of deferred tax is based on the expected manner of realization or settlement of carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of common shares outstanding during each of the years presented. Class A preferred shares and Class B preferred shares are not considered to be ordinary shares as the common shares are more subordinated to these classes of shares.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. In order to determine diluted loss per share, it is assumed that any proceeds from the exercise of dilutive stock options would be used to repurchase common shares at the average market price during the period. The diluted loss per share calculation excludes any potential conversion of Class A preferred shares, Class B preferred shares, stock options, warrants and convertible debt that would increase earnings per share or decrease loss per share.

Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issuance of capital stock are recognized as a deduction from equity.

Financial Liabilities

Financial liabilities are generally classified at measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if its classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense are recognized in profit or loss. Other financial liabilities are measured at fair value at initial recognition and subsequently measured at amortized cost using the effective interest method.

Financial Liabilities may also include derivative financial instruments that are entered into by the Company that are not designated as hedging instruments as defined by IFRS 9 Financial Instruments. Embedded derivatives are classified as held for trading and any gains and losses are recognized through the net loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability at its fair value based on the modified term. Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in the statement of profit or loss.

Convertible debentures

Convertible debentures that are considered compound instruments are separated into liability and equity components based on the terms of the contract. On issuance of the convertible debentures, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. The proceeds areas allocated to the fair value of the liability component first and the remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. The liability component (net of transaction costs) is subsequently measured at amortized cost using effective interest rate method until it is extinguished on conversion or redemption. The carrying amount of the equity conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible debentures, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

Related party balances

Parties are considered to be related if one party has the ability, directly, or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted in reporting the related expense. When the grant relates to an asset, it is deducted against the related asset. Government loans are analyzed to determine whether they qualify as grants or are required to be treated as financial liabilities.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. For the purpose of segment reporting, the Company’s Chief Executive Officer (CEO) is the Chief Operating Decision Maker (CODM).

The Company operates in three operating segment, which are based on the Company's organizational structure and how the information is reported internally on a regular basis. The Company’s revenue is generated from its customers in the following market sectors: SFR, MFR and C&I. The Company's revenue is generated from customers in Canada and the USA.

Future changes

The Company is still assessing the impact of adopting these amendments on its future financial statements.

IAS 1, Presentation of Financial Statements

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively.

IFRS 7, Financial Instruments: Disclosures, IFRS 9, Financial Instruments, IFRS 16, Leases, IAS 39, Financial Instruments: Recognition and Measurement

The Interest Rate Benchmark Reform Phase 2 amendments to IFRS 7, IFRS 9, IFRS 16, and IAS 39 address specific hedge accounting requirements and permit a practical expedient for modifications of financial assets, financial liabilities and lease liabilities required by the IBOR (interbank offered rate) reform. The amendments also require additional disclosures for users to understand the nature and extent of risks arising from the IBOR reform and how the entity manages those risks. The amendments are effective for annual periods beginning on or after January 1, 2021.

IAS 16, Property, Plant and Equipment

The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

The amendments to IAS 37 provide guidance regarding the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022 with comparative figures not restated.

IAS 12, Income Taxes

The amendments in IAS 12, relate to change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are applicable for periods beginning on January 1, 2023 with early adoption permitted.

4. Accounting judgements, estimates and assumptions

Management makes judgments, estimates and assumptions in the application of the Company's accounting policies. These may affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the periods presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. The estimates and the underlying assumptions are reviewed on an ongoing basis.

Judgments

As the basis for its judgments, management uses estimates and related assumptions which are based on previous experience and various commercial, economic and other factors that are considered reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Actual outcomes may differ from these estimates under different assumptions and conditions.

Judgments, made by management in the application of IFRS that have a significant impact on the consolidated financial statements relate to the following:

Revenue recognition

The timing of revenue recognition is categorized into distinct classifications depending on whether the performance obligation is satisfied at a point in time or over time. Timing of when control of goods or services is transferred to a customer, whether goods and services are distinct, have enforceable contract terms and the amount of consideration that an entity will receive may be difficult to determine early in the life of a contract. The Company has made significant judgements in determining that the sale of hardware is not a distinct performance obligation for separate revenue recognition as the hardware and software are integrated together to fulfill the performance obligation to customers. The Company's revenue consists of providing water monitoring services under rental contracts.

Rental contracts with home owners:

Contract revenue to provide water monitoring services are recognized on a monthly basis consistent with the terms of the contract on a straight-line basis. The Company makes significant judgements in determining when there is a significant change in facts and circumstances that indicate it is no longer probable that the consideration for the contract for water monitoring services provided will be collected.

Rental contracts with developers:

Contract revenue for water monitoring services with developers are recorded on a straight-line basis consistent with fulfilling the services over the enforceable period of a contract. For these customers, the enforceable period of the contract is estimated at the inception of the contract as the period until the point in time when the developer transfers the rights to the water monitoring services to another party that has statutory cancellation rights.

Going concern

The determination as to the Company's ability to continue as a going concern is dependent on its ability to secure debt and equity financing, and to achieve profitable operations. Certain judgements were made when determining if and when the Company will secure debt and equity financing and achieve profitable operations and that the support from a shareholder who has committed to support the Company with financing to meet its operational objectives if the Company does not satisfy the conditions related to the qualifying transaction means there are no material uncertainties regarding the Company's ability to continue as a going concern (see note 1 - Liquidity).

Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Company must identify CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The composition of a CGU can directly impact the recoverability of non-financial assets included within the CGU. Management has determined that the lowest level of separately identified cash flows for testing intangibles and property and equipment is all the cash flows of the company.

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used.

Expected credit losses

The Company recognizes an amount equal to the lifetime expected credit loss ("ECL") on trade receivables and contract assets. Loss allowances are measured based on historical experience and associated credit risk and rate of default applicable to customers. The Company primarily estimates this rate based on the credit rating and historical experience with the customers. The amount of ECL is sensitive to changes in circumstances of forecast economic conditions.

Useful lives of property and equipment and intangible assets

Depreciation of property and equipment and amortization of intangible assets is dependent upon estimates of useful lives and residual value which are determined through the use of assumptions. Fixed assets under contract are depreciated over the shorter of the estimated useful or the contract term. Estimates of residual value and useful lives are based on data and information from various sources including industry practice and historic experience. Although management believes the estimated useful lives of the Company's property, equipment and intangible assets are reasonable, changes in estimates could occur, affecting the expected useful lives and salvage values of the property and equipment and intangible assets.

Impairment

In assessing the value of intangible assets or non-financial assets for potential impairment, assumptions are made regarding the fair value of the CGU. These calculations require the use of estimates. If these estimates change in the future, the Company may be required to record additional impairment charges related to intangible assets.

Determining whether an impairment has occurred requires the valuation of the respective assets or CGU's, for which the Company estimates the recoverable amount. For intangible assets, the recoverable amount has been estimated using the enterprise fair value, consistent with the determination of the CGU. The key estimates and assumptions used are the appropriate revenue multiples.

Share-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. In estimating the fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk-free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in different outcomes.

Convertible debentures

The allocation of the proceeds from the issuance of convertible debentures between the liability and equity component requires management to use estimates. In determining the fair value of the liability component, the Company estimates the market interest rate for an equivalent non-convertible instrument.

COVID-19

Public health crises, such as COVID-19, may have a material adverse impact on the Company's operations. In 2020, the Company experienced business and operational interruptions relating to COVID-19 and other such events outside of the Company's control, which reduced the ability to commence new revenue contracts. The COVID-19 pandemic and the resulting government measures have impacted the Company's business and operations and may have a material adverse impact on the Company's business.

During 2020, the Company received wage subsidies totaling $565,155, and an interest free loans totaling $40,000 from the Canadian government. The wage subsidies were recorded to general and administrative expenses in the consolidated statement of loss and comprehensive loss. The full extent of the impact of the COVID-19 outbreak on the Company's business is not known at this time.

FINANCIAL INSTRUMENTS

When measuring the fair value of an asset or a liability, the Company uses observable market data to the extent possible. Fair values are categorized into different levels of fair value hierarchy based on the inputs in the valuation techniques as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The carrying values of cash and cash equivalents, accounts receivables, other receivables, accounts payables and accrued liabilities, deferred revenue, deferred rent, due to related parties, term loan and convertible debentures, due to the short-term nature of these instruments approximated their fair value. There has been no significant change in credit and market interest rates since the date of their issuance.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following table summarizes the classification of the Company's financial instruments under IFRS 9:

Financial assets	Amortized cost
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost
Due to related parties	Amortized cost
Term loan	Amortized cost
Convertible debentures	Amortized cost

5. IFRS first-time adoption

The accounting policies described in note 2 have been applied in preparing the consolidated financial statements as at and for the years ended December 31, 2020, 2019 and 2018, and the opening IFRS statement of financial position as at January 1, 2018, the Company's date of transition to IFRS.

IFRS 1 exemptions

The general principle to be applied on first-time adoption of IFRS is that standards in force at December 31, 2020, should be applied as at the date of transition to IFRS (i.e. January 1, 2018) and throughout all periods presented in the first IFRS financial statements. However, IFRS 1 contains a number of exemptions that companies are permitted to apply. In preparing these consolidated financial statements in accordance with IFRS 1, the Company applied certain mandatory exemptions from full retrospective application of IFRS, as it relates to estimates. Hindsight was not used to create or revise estimates and, accordingly, the estimates made by the Company under ASPE are consistent with their application under IFRS.

Reconciliation from ASPE to IFRS

In preparing the consolidated financial statements, the Company adjusted amounts reported previously in its consolidated financial statements prepared under ASPE. An explanation of how the transition from ASPE to IFRS affected the Company's financial position is presented in the following reconciliations and adjustments (as required by IFRS 1) and explanatory notes.

Reconciliation of financial position as at January 1, 2018

(in Canadian dollars)

	ASPE Balances January 1, 2018	**Note**	**IFRS Adjustment**	**January 1, 2018**
Assets				
Current assets				
Cash	685,007		-	685,007
Accounts receivable (note 6)	161,423	C	(104,572)	56,851
Prepaid expenses	415,715		-	415,715
Other assets (note 7)	117,677	I	(117,677)	-
Inventory (note 7)	1,652,403		-	1,652,403
	3,032,225		**(222,249)**	**2,809,976**
Fulfillment assets (note 12)	-	B, D, J	943,745	943,745
Property and equipment (note 13)	2,847,819	D, J	(2,847,819)	-
Intangible assets	1,729,597	J	(1,729,597)	-
	4,577,416		(3,633,671)	943,745
Total Assets	**7,609,641**		**(3,855,920)**	**3,753,721**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 14)	457,228		-	457,228
Deferred revenue (note 8)	-	B	726	726
Current portion of lease liabilities (note 19)	-		-	-
Due to related parties (note 17)	54,398		-	54,398
Term loan (note 17)	-		-	-
	511,626		**726**	**512,352**
Deferred revenue (note 8)	-	B	5,442	5,442
Lease liabilities (note 19)	-		-	-
Long Term Debt (note 17)	-		-	-
Total Liabilities	**511,626**		**6,168**	**517,794**
Shareholders' Equity				
Share Capital (note 21)	21,676,686		-	21,676,686
Contributed Surplus (note 16, 17)	-		-	-
Deficit	(14,578,671)	A, B, C, D, J	(3,862,087)	(18,440,758)
Accumulated other comprehensive income	-	A, B, C, D,	-	-
Total shareholders equity	**7,098,015**		**(3,862,087)**	**3,235,928**
Total Liabilities & shareholders' equity	**7,609,641**		**(3,855,920)**	**3,753,721**

Reconciliation of comprehensive income as previously reported under ASPE to IFRS
For the year ended December 31, 2019

	ASPE	Note	Adjustment	IFRS
	$		$	$
Revenue (note 9)	1,120,631	B, C	(336,475)	784,156
Expenses				
Cost of Sales (note 10)	213,681	B	124,085	337,766
Amortization on intangible assets	556,970	F, J	(556,970)	-
Depreciation on fulfillment assets (note 12)	-	D	254,396	254,396
General and administrative (note 9, 23)	4,491,463	F	(220,886)	4,270,577
Selling (note 11)	476,748		5,578	482,326
Gains/(loss) on foreign exchange	17,259	A	1,419	18,678
Provision/(recovery) of expected credit losses (note 23)	-	C	54,009	54,009
Stock based compensation (note 16)	-	G	6,470	6,470
Depreciation on property and equipment (note 13)	624,906	F	(561,014)	63,892
Amortization on right-of-use assets (note 19)	-	E	107,479	107,479
	6,381,027		(785,434)	5,595,593
Operating loss	**(5,260,397)**		**448,960**	**(4,811,437)**
Interest income	7,019		-	7,019
Provision for inventory impairment	(48,248)	F, J	48,248	-
Loss on disposal of property and equipment	(199,615)	F, J	199,615	-
Interest expenses	(318,257)	E, F, H	(86,931)	(405,188)
Net Loss before income taxes	**(5,819,498)**		**609,892**	**(5,209,606)**
Income taxes (note 22)	-		-	-
Net loss	**(5,819,498)**		**609,892**	**(5,209,606)**
Other comprehensive income (loss):				
Items that may subsequently be reclassified to income				
Gain on foreign currency translation, of foreign operation	-	A	12,511	1,421
Total comprehensive loss	**(5,819,498)**		**622,402**	**(5,208,185)**

Reconciliation of shareholders equity as previously reported under ASPE to IFRS
For the year ended December 31, 2018

	ASPE Balances December 31, 2018	Note	IFRS Adjustment	December 31, 2018
	$		$	$
Class A Preferred shares issued (note 21)	25,222,556		-	25,222,556
Contributed surplus (note 15, 16)	-		-	-
Deficit	(19,298,014)	A, B, C, D, E	(3,098,167)	(22,396,181)
Accumulated other comprehensive income	-	A	28,514	28,514
	5,924,542		**(3,069,653)**	**2,854,889**

Reconciliation of shareholders equity as previously reported under ASPE to IFRS
For the year ended December 31, 2019

	ASPE Balances December 31, 2019	Note	IFRS Adjustment	December 31, 2019
	$		**$**	**$**
Common Shares and Class A Preferred shares (note 21)	25,222,556		-	25,222,556
Contributed surplus (note 15, 16)	-	H	11,462	11,462
Deficit	(25,117,512)	A, B, C, D, E	(2,488,275)	(27,605,787)
Accumulated other comprehensive income	-	A	29,935	29,935
	105,044		**(2,446,878)**	**(2,341,834)**

Adjustments to the statement of cash flows

The transition from ASPE to IFRS had the following significant impacts on cash flows generated by the company:

Under IFRS, cash flows relating to interest are classified in a consistent manner as operating, investing or financing each period. The company has chosen to present interest cash flows as financing activities. Under ASPE, cash flows relating to interest payments were classified as operating.

Under IFRS, revenue contracts have only one performance obligation, resulting in the inventory and installation costs being recorded as fulfillment assets rather that property and equipment, with a corresponding reclassification of cash outflows for fulfillment assets to be recorded as operating cash flows, rather than investing cash flows.

In the conversion from ASPE to IFRS the Company recorded the following adjustments

A - The Company has elected an exemption under IFRS 1, to deem the cumulative translation adjustment at the date of adoption to zero, related to the Company's US subsidiary, which has a USD functional currency under IFRS. Under ASPE the subsidiary was considered to be an self sustaining subsidiary.

B - In the transition from ASPE to IFRS, in accordance with revenue recognition under IFRS 15, the Company now records revenue on a straight-line basis for one performance obligation and any amounts received in advance are recorded as deferred revenue and amortized over the life of the contracts.

C - In the transition from ASPE to IFRS, the Company adopted the ECL model in relations to accounts receivable, and recorded additional expected credit losses for certain customers.

D - Under ASPE, hardware used to fulfill contracts remained in property & equipment.

E - Upon transition to IFRS, the Company adopted IFRS 16 lease accounting, under ASPE leases were reflected as operating expenses, with the adoption of IFRS leases are recognized as a right-of-use assets with a lease liability on the statement of financial position with the corresponding depreciation and interest expense reflected in the statement of loss and comprehensive loss.

F - To adhere to the IFRS classifications and required presentation, certain amounts presenter under ASPE were reclassified.

G - Upon transition to IFRS, the Company adopted IFRS 2 share based payments, which requires recognizing share-based compensation on a graded vesting basis.

H - Includes the convertible debenture equity component in the amount of $5,380 (note 15) and share based compensation expense, net of exercise, in the amount of $6,082 (note 16).

I - IFRS 15 and IFRS 9, including and ECL adjustment was an adjustment to other assets for customer rebate contracts.

J - Upon the transition to IFRS (January 1, 2018), due to certain economic changes to ensure that the applicable assets are measured in accordance with IFRS, the Company performed an impairment assessment of these assets, using the valuation representing the CGU of the Company. The valuation methodology used was a market approach using a multiple of revenue which represents the fair value related to disposal and is a level 3 in the fair value hierarchy. The key assumption used in the valuation is 2.3 times revenue.

The allocation of the impairment is as follows:

Intangible assets	$	1,729,597
Property & equipment		431,132
	$	2,160,729

The Company also determined that certain costs capitalized to fulfillment assets were not recoverable and were written off in the amount of $1,408,350.

6. Accounts receivable

	December 31, 2020	December 31, 2019	December 31, 2018	January 1, 2018
	$	$	$	$
Accounts receivable	299,735	428,142	470,192	222,104
Direct write-off	(113,590)	(200,755)	(97,141)	-
Expected credit losses	(40,696)	(81,364)	(228,111)	(165,253)
	145,449	**146,022**	**144,940**	**56,851**

7. Inventory

	December 31, 2020	December 31, 2019	December 31, 2018	January 1, 2018
	$	$	$	$
Installation supplies	337,746	355,550	396,072	420,417
Water monitoring equipment	1,685,818	1,832,248	1,926,567	1,729,062
Provision	(579,610)	(244,790)	(651,932)	(497,076)
	1,443,953	**1,943,008**	**1,670,707**	**1,652,403**

The inventory provision relates to water monitoring equipment that is not expected to be put into use and a write-down of certain inventory items to net realizable value.

8. Revenue

The Company's main revenue stream is water leak detection monitoring services designed to detect and prevent water leaks in multiunit residential buildings, single family homes and commercial properties. The Company has contracts with owners as well as developers. Revenue is recorded monthly on a straight-line basis in accordance with the Company's revenue recognition policy.

Deferred revenue is comprised of upfront prepayments received for the water leak detection monitoring services, which are recognized over the contract term. For the year ended December 31, 2020, deferred revenue amounted to $559,908 (2019 – $450,691, 2018 – $120,781).

During 2019, the Company committed to issue 2,879,505 Eddy Common Shares, to a customer upon the installation of 5,000 leak detection equipment units. During 2020, 1,063 units (2019 - 257 units), were installed and included in revenue is the related non-cash consideration of discounts of $6,122 (2019 - $1,480), which represents the value of the non-cash consideration (see subsequent events note).

The following table summarizes the remaining future contractual water monitoring services revenue expected from the current contractual arrangements in place.

Fiscal year	December 31, 2020
	$
2021	1,310,049
2022	2,141,389
2023	2,289,833
2024	2,107,198
2025	1,994,548
Thereafter	5,799,583

9. General and administrative

	2020	2019	2018
	$	$	$
Wages and benefits	1,695,920	1,959,692	1,645,652
Research and project expenses	430,752	616,714	421,405
Professional fees	45,465	39,172	63,642
Marketing	94,935	62,939	24,178
Administrative	602,839	825,039	662,789
Product subcontractor costs	318,654	767,022	611,992
	3,188,565	**4,270,577**	**3,429,658**

During 2020, the Company has received a subsidy of $565,155 during the COVID-19 pandemic to cover part of the employee wages, this was allocated to general and administrative expenses.

The Company leases warehouse space on a month-to-month basis, during 2020 the lease expense was $75,000 (2019 - $84,000, 2018 - $84,000). Included in accounts payable on December 31, 2020 is an amount owing of $11,000.

10. Cost of sales

	2020	2019	2018
	$	$	$
Director labour	331,715	76,316	114,008
Materials	75,600	77,903	126,324
Monitoring service	28,171	30,346	23,608
Provision of inventory	623,802	48,247	154,856
Licensing and network fees	154,644	104,954	73,728
	1,213,932	**337,766**	**492,524**

During 2020, an additional amount of $140,291 related to internal installation labour was allocated to cost of sales.

11. Selling

	2020	2019	2018
	$	$	$
Salaries	303,950	390,700	380,914
Commissions related to obtaining a contract	63,368	26,137	-
General	56,331	65,490	92,597
	423,650	**482,326**	**473,510**

12. Fulfillment assets

Fulfillment assets consisted of the following:

	December 31, 2020
	Fulfillment assets
	$
Cost	
Balance at December 31, 2019	1,342,076
Additions	171,981
Disposals	(20,366)
Balance at December 31, 2020	**1,493,691**

	Fulfillment assets
	$
Accumulated depreciation	
Balance at December 31, 2019	(989,867)
Depreciation	(234,997)
Balance at December 31, 2020	(1,224,864)
Net book value at December 31, 2020	**268,827**

	December 31, 2019
	Fulfillment assets
	$
Cost	
Balance at December 31, 2018	1,417,520
Additions	39,276
Disposals	(114,720)
Balance at December 31, 2019	**1,342,076**

	Fulfillment assets
	$
Accumulated depreciation	
Balance at December 31, 2018	(735,471)
Depreciation	(254,396)
Balance at December 31, 2019	(989,867)
Net book value at December 31, 2019	**352,209**

	December 31, 2018
	Fulfillment assets
	$
Cost	
Balance at January 1, 2018	1,381,432
Additions	48,559
Disposals	(12,471)
Balance at December 31, 2018	**1,417,520**

	Fulfillment assets
	$
Accumulated depreciation	
Balance at January 1, 2018	(445,724)
Depreciation	(297,783)
Disposals	8,036
Balance at December 31, 2018	(735,471)
Net book value at December 31, 2018	**682,049**

Disposals relate to non recoverable equipment costs.

13. Property and equipment

Property, equipment and other assets consisted of the following:

				December 31, 2020
	Office equipment, furniture and fixtures	**Computer hardware**	**Leasehold improvements**	**Total**
	$	$	$	$
Cost				
Balance at December 31, 2019	89,530	1,752	345,952	437,234
Additions	2,200	8,800	-	11,000
Balance at December 31, 2020	**91,730**	**10,552**	**345,952**	**448,234**

	Office equipment, furniture and fixtures	**Computer hardware**	**Leasehold improvements**	**Total**
			$	$
Accumulated depreciation				
Balance at December 31, 2019	(16,843)	(551)	(47,944)	(65,338)
Depreciation	(15,732)	(1,101)	(48,192)	(65,025)
Balance at December 31, 2020	(32,575)	(1,652)	(96,136)	(130,363)
Net book value at December 31, 2020	**59,154**	**8,900**	**249,816**	**317,871**

				December 31, 2019
	Office equipment, furniture and fixtures	**Computer hardware**	**Leasehold improvements**	**Total**
			$	$
Cost				
Balance at December 31, 2018	85,404	1,752	333,773	420,929
Additions	4,126	-	12,179	16,306
Balance at December 31, 2019	**89,530**	**1,752**	**345,952**	**437,235**

	Office equipment, furniture and fixtures	**Computer hardware**	**Leasehold improvements**	**Total**
			$	$
Accumulated depreciation				
Balance at December 31, 2018	(1,243)	(203)	-	(1,446)
Depreciation	(15,600)	(348)	(47,944)	(63,892)
Balance at December 31, 2019	(16,843)	(551)	(47,944)	(65,338)
Net book value at December 31, 2019	**72,687**	**1,201**	**298,008**	**371,896**

				December 31, 2018
	Office equipment, furniture and fixtures	Computer hardware	Leasehold improvements	Total
			$	$
Cost				
Balance at January 1, 2018	-	-	-	-
Additions	85,404	1,752	333,773	420,929
Disposals	-	-	-	-
Balance at December 31, 2018	**85,404**	**1,752**	**333,773**	**420,929**

	Office equipment, furniture and fixtures	Computer hardware	Leasehold improvements	Total
			$	$
Accumulated depreciation				
Balance at January 1, 2018	-	-	-	-
Depreciation	(1,243)	(203)	-	(1,446)
Disposals	-	-	-	-
Balance at December 31, 2018	(1,243)	(203)	-	(1,446)
Net book value at December 31, 2018	**84,161**	**1,549**	**333,773**	**419,483**

During 2018, 2019 and 2020, there was no triggering event related to impairment of property & equipment.

14. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2020	December 31, 2019	December 31, 2018	January 1, 2018
	$	**$**	**$**	**$**
Accounts payables	684,091	446,084	242,473	356,572
Accruals and other payables	211,562	119,437	186,808	100,656
	895,653	**565,521**	**429,281**	**457,228**

15. Convertible debentures, term Loan and loans payable

	Note	December 31, 2020	December 31, 2019	December 31, 2018	January 1, 2018
		$	$	$	$
Term loan - current	A	250,000	550,000	-	-
Convertible debentures - non current	B	-	4,099,045	-	-
Loan payable - non current	C	30,000	-	-	-
		280,000	**4,649,045**	**-**	**-**

A - Term loans

On December 4, 2020, term loan financing was received by the Company in the amount of $250,000, which bears interest at 9% and set to mature on September 30, 2021 (the amended maturity date is February 28, 2022).

On May 7, 2020, term loans in the amount of $1,250,000 (plus accrued interest of $11,066) were converted into 4,067,953 Eddy Class B Preferred shares (the details are outlined below).

On March 9, 2020, term loan financing was received by the Company in the amount of $200,000, with interest at 9% per annum and set to mature on December 31, 2020. On May 7, 2020, the term loan of $200,000 with accrued interest of $1,770 was converted into 650,873 Eddy Class B Preferred shares.

On February 13, 2020, term loan financing was received by the Company in the amount of $250,000, with interest at 9% per annum set to mature on December 31, 2020. On May 7, 2020 the term loan of $250,000 with accrued interest of $2,213 was converted into 813,591 Eddy Class B Preferred shares.

On January 21, 2020, term loan financing was received by the Company in the amount of $250,000, with interest at 9% per annum and set to mature on December 31, 2020. On May 7, 2020 the term loan of $250,000 plus accrued interest of $2,213 was converted into 813,591 Eddy Class B Preferred Shares.

On December 24, 2019, term loan financing was received by the Company in the amount of $300,000, with interest at 9% per annum set to mature on December 31, 2020. On May 7, 2020 the term loan of $300,000 plus accrued interest of $2,656 was converted into 976,309 Eddy Class B Preferred Shares.

On November 7, 2019, term loan financing was received by the Company in the amount of $250,000, with interest at 9% per annum and set to mature on December 31, 2020. On May 7, 2020, the term loan of $250,000 plus accrued interest of $2,214 was converted into 813,591 Eddy Class B Preferred Shares.

B - Convertible debentures

On March 1, 2020, the convertible debentures (issued on March 23, 2019 and December 31, 2019) in the amount of $4,236,953 (principal of $4,033,267 and accrued interest of $203,686), were converted into 13,666,156 Eddy Common Shares. On March 20, 2020, the conversion feature of the originally issued convertible debenture was modified (from a price of $1 per Class A Preferred Shares of the Company plus one common share for every $3 converted), for each $1 the convertible debenture holders would get shares equal to 1/.31 or 3.22, so for each dollar a debenture holder gets approximately 3.23 shares (each individual share was worth 1/3.23 or 31 cents). As a result, the Company recorded a gain of $180,371 (note 21).

On May 23, 2019, the Company issued convertible debentures in the amount of $1,640,000 at 12% interest per annum, payable semi-annually, with a term of five years. The equity component on the date of issuance was calculated at $2,188. The issue costs related to this issuance was $57,000.

On December 31, 2019, the Company exchanged term loans in the in the amount of $2,000,000 plus accrued interest of 193,267 and trade payable of $200,000 into convertible debentures (amounting to $2,393,267) at 12% per annum payable semi-annually, with a term of five years, the equity component on the date of issuance was calculated at $3,192.

The fair value of these convertible debentures equity component was calculated Black-Scholes.

Exercise price	$3.00
Risk free rate	1.53% to 1.68%
Expected life	5 years
Expected volatility	95%
Expected dividends	Nil

C - Loan payable

On April 23, 2020, the Company received the Canada Emergency Business Account ("CEBA") loan in the amount of $40,000, which was provided interest free with 25% of the amount forgivable if repaid on or before December 31, 2022. The Company will fully repay the outstanding balance of $30,000 on or before December 31, 2022, and $10,000 will be forgiven.

16. Share-based compensation

In September 2019, the company granted options to certain of the officers and employees of the Company to purchase up to 1,935,000 shares at a price of $0.01 per share with the expiry date of September 2029. These options vested 25% upon issue, 25% on each of January 1, 2020, and 2021 and afterwards 12.5% on each of January 1, 2022, and 2023. The fair value of these options was estimated at $10,785 using the Black-Scholes options pricing model.

Exercise price	$0.01
Risk free rate	1.46%
Expected life	5 years
Expected volatility	70%
Expected dividends	Nil

	December 31, 2020			**December 31, 2019**		
	Number of Options	Weighted Average Exercise Price	Amount	Number of Options	Weighted Average Exercise Price	Amount
Outstanding, beginning of year	1,600,000	$0.01	$16,000	-		-
Options Granted	-	$0.01	-	1,935,000	$0.01	$19,350
Exercised	(100,000)	$0.01	(1,000)	(335,000)	$0.01	(3,350)
Forfeited	(150,000)	$0.01	(1,500)	-	$0.01	-
Expired	-	$0.01	-	-	$0.01	-
Outstanding, end of year	**1,350,000**	**$0.01**	**13,500**	**1,600,000**	**$0.01**	**$16,000**
Number of Options exercisable	**675,000**	**$0.01**	**-**	**337,500**	**$0.01**	

The following options were issued and outstanding as at December 31, 2020:

Expiry Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price
September 29, 2029	1,350,000	675,000	$0.01
Number of Options exercisable	**1,350,000**	**675,000**	

Total stock options outstanding as at December 31, 2020 are 1,350,000 (December 31, 2019 – 1,600,000), of which 675,000 are exercisable (December 31, 2019 – 337,500).

During 2020, 100,000 options were exercised under the stock options plan (2019 – 335,000 options were exercised).

During 2020, the expense related to the Company's employee and officers stock based compensation was $2,129 (2019 - $6,470, 2018 - $nil).

17. Related party transactions and balances

Balances due to related parties are as follows:

	December 31, 2020	December 31, 2019	December 31, 2018	January 1, 2018
	$	$	$	$
Due to shareholder	-	6,833	1,056,014	54,398

On March 27, 2020, the Company issued 11,000,000 Eddy Common Shares to the current CEO of the Company as a settlement for certain compensation in the amount of $110,000. The CEO holds the 11,000,000 Eddy Common Shares through a Holding Company (the "Holding Company") which he controls.

The Company and the Holding Company (controlled by the current CEO of the Company) entered into a Forfeiture Agreement dated May 7, 2020 (effective March 27, 2020) (the "Forfeiture Agreement") which relates to 5,500,000 of the 11,000,000 Eddy Common Shares issued to the Holding Company. Under the terms of the Forfeiture Agreement, 5,500,000 of such Eddy Common Shares (the "Forfeiture Shares") may not be transferred without the consent of the Company. In the event of Default (as defined below) occurs prior to January 1, 2023, 23% of the Forfeiture Shares shall be forfeited to the Company, and the Company shall pay as consideration for the Forfeiture Shares the price of $0.01 per share forfeited. The following constitutes an "Event of Default": (a) if the Holding Company becomes insolvent, or makes a general assignment for the benefit of its creditors or otherwise acknowledges insolvency or if a bankruptcy petition or receiving order is filed or made against it; (b) any proceeding is instituted by or against the Holding Company seeking to adjudicate it a bankrupt or insolvent; (c) the Holding Company permits, creates or grants any security or encumbrance against the Forfeiture Shares except as permitted by the Forfeiture Agreement; (d) any charge or encumbrance against the Forfeiture Shares becomes enforceable and steps are taken to enforce it; (e) the current CEO resigns from his employment with the Company or termination for cause; or (f) a breach by the Holding Company of the restrictions of transfer set forth in the Forfeiture Agreement.

On March 27, 2020, the Company issued 161,682 Eddy Common Shares to the former president of the Company, the share issuance was part of a severance agreement.

The following financings for working capital and general and administrative purposes were provided by shareholders, no single shareholder has a controlling interest in the Company:

Term loans to Eddy Class B Preferred Shares:

On March 9, 2020, term loan financing was received by the Company in the amount of $200,000, with interest at 9% per annum and set to mature on December 31, 2020. On May 7, 2020, the term loan of $200,000 with accrue interest of $1,770 was converted into 650,873 Eddy Class B Preferred shares.

On February 13, 2020, term loan financing was received by the Company in the amount of $250,000, with interest at 9% per annum and set to mature on December 31, 2020. On May 7, 2020, the term loan of $250,000 plus accrued interest of $2,213 was converted into 813,591 Eddy Class B Preferred shares.

On January 21, 2020, term loan financing was received by the Company in the amount of $250,000, with interest at 9% per annum and set to mature on December 31, 2020. On May 7, 2020, the term loan of $250,000 plus accrued interest of $2,213 was converted into 813,591 Eddy Class B Preferred shares.

On December 24, 2019, term loan financing was received by the Company in the amount of $300,000, with interest at 9% per annum set to mature on December 31, 2020. On May 7, 2020, the term loan of $300,000 plus accrued interest of $2,656 was converted into 976,309 Eddy Class B Preferred shares.

On November 7, 2019, term loan financing was received by the Company in the amount of $250,000, with interest at 9% per annum and set to mature on December 31, 2020. On May 7, 2020, the term loan of $250,000 plus accrued interest of $2,213 was converted into 813,591 Eddy Class B Preferred shares.

Term loans to convertible debentures to Eddy Common Shares:

On September 30, 2019, the Company received a term loan in the amount of $250,000, at 12% interest per annum and set to mature December 31, 2019. At maturity, on December 31, 2019, the term loan of $250,000 in principal plus accrued interest in the amount $7,562 was exchange for convertible debentures, at 12% per annum payable semi-annually, amounting to $257,562. On March 1, 2020, the convertible debenture of $250,000 in principal plus aggregate accrued interest of $12,629, amounting to $262,629 was converted into 847,188 Eddy Common Shares.

On April 23, 2019, the Company received a promissory notes for $250,000, with no interest and no specified term of maturity. On June 30, 2019, the promissory note totaling $250,000 was exchanged for a term loan of $250,000, at 12% per annum and set to mature December 31, 2019. At maturity, on December 31, 2019, the term loan of $250,000 in principal plus accrued interest in the amount $21,050 was exchanged for a convertible debenture, at 12% interest payable semi-annually, amounting to $271,050. On March 1, 2020, the convertible debenture of $250,000 in principal plus aggregate accrued interest of $26,383 amounting to $276,383 were converted into 891,557 Eddy Common Shares.

On March 12, 2019, the Company received a promissory notes for $500,000, with no interest and on specified term of maturity. On June 30, 2019, the promissory notes totaling $500,000 was exchanged for a term loan of $500,000, at 12% per annum and set to mature on December 31, 2019. At maturity, on December 31, 2019, the term loan of $500,000 in principal plus accrued interest in the amount $44,193 was exchanged into a convertible debenture, at 12% interest payable semi-annually, amounting to $544,193. On March 1, 2020, the convertible debenture of $500,000 in principal plus aggregate accrued interest of $54,898, amounting to $554,898 was converted into 1,789,994 Eddy Common Shares.

On December 10, 2018, the Company received two promissory notes totaling $1,000,000, with no interest and no specified term of maturity. On June 30, 2019, these promissory notes totaling $1,000,000 were exchanged for term loans totaling $1,000,000, at 12% per annum and set to mature December 31, 2019. At maturity, on December 31, 2019, the term loans of $1,000,000 in principal plus accrued interest in the amount $120,462 were exchanged for a convertible debenture, at 12% interest payable semi-annually, amounting to $1,120,462. On March 1, 2020, the convertible debentures of $1,000,000 in principal plus aggregate accrued interest of $142,504 amounting to $1,142,504 was converted into 3,685,496 Eddy Common Shares.

January 1, 2018, the Company had an interest free loan in the amount of $54,398 from a shareholder. On December 31, 2019, the interest free loan was exchanged for convertible debentures, at 12% interest payable semi-annual. On March 1, 2020, the convertible debenture plus accrued interest of $1,070, amounting to $55,468 was converted into 178,929 Eddy Common Shares.

Key management personnel compensation

For the year ended December 31, 2020 and 2019, the compensation awarded to key management personnel is as follows:

	2020	2019	2018
	$	$	$
Salaries, fees and other short-term benefits	959,783	1,034,592	687,360
Stock-based compensation (note 17, 21)	-	2,320	1,617
	959,783	1,036,912	688,977

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company defines key management personnel as being the directors and key officers.

During 2020, the expense related to the Company's employee and officers stock based compensation was $2,129 (2019 - $6,470, 2018 - $nil).

18. Earnings per share

	2020	2019	2018
	$	$	$
Net loss for the year	(4,412,463)	(5,209,606)	(3,955,423)
Weighted average number of common shares outstanding	52,707,186	10,594,728	10,448,978
Basic and diluted loss per share	**($0.08)**	**($0.49)**	**($0.38)**

The affect of the conversion of Class A preferred shares, Class B preferred shares, stock options, warrants and convertible debentures into the Company's common shares was not included into the computation of the fully diluted earnings per share, as the affect of the conversion would be anti-dilutive.

19. Leases

The Company leases a building for its office space and a warehouse to store inventory. The lease for office space runs for a period of 7 years and the lease for the warehouse is a month-to-month basis. The office lease includes an option to renew for an additional period of the same duration after the end of the lease contract term which has not been included in the lease term. The Company also leases office equipment with lease terms of five to seven years. In some cases, the Company has the option to purchase the assets at the end of the contract term. The Company received a total inducement from the lessor, related to an office lease, in the amount of $192,840. The discount rate inherent in the lease is 10%, which approximates its incremental borrowing rate.

The payments on the warehouse leased on a month-to-month basis, are as follows: during 2018, 2019, through to June 30, 2020 the monthly payments were $7,000, commencing July 1, 2020, the monthly payments related to the warehouse became $5,500.

Right-of-use assets

	Equipment	Office	Total
	$	$	$
Balance at January 1, 2018	**-**	**-**	**-**
Addition during the period	9321	-	9,321
Depreciation charge for the period	(1,412)	-	(1,412)
Balance at December 31, 2018	**7,909**	**-**	**7,909**
Addition during the period	-	784,563	784,563
Depreciation charge for the period	(1,695)	(105,784)	(107,479)
Balance at December 31, 2019	**6,214**	**678,779**	**684,993**
Addition during the period	-	-	-
Depreciation charge for the period	(1,695)	(105,784)	(107,479)
Balance at December 31, 2020	**4,519**	**572,995**	**577,515**

Lease liabilities

	December 31, 2020	December 31, 2019	December 31, 2018	January 1, 2018
Maturity analysis - contractual undiscounted cash flow				
Less than one year	195,086	191,754	2,210	-
One to five years	881,652	802,391	8,104	-
More than five years	-	274,347	-	-
Total undiscounted lease liabilities	**1,076,738**	**1,268,492**	**10,314**	-
Lease liabilities	**836,117**	**940,120**	**8,217**	
Current	**118,350**	**104,003**	**1,454**	-
Non-current	**717,767**	**836,117**	**6,762**	-

Amount recognized in consolidated statement of loss and comprehensive loss

	December 31, 2020	December 31, 2019	December 31, 2018
Leases under IFRS 16			
Interest on lease liabilities recorded on finance costs	**87,751**	**86,430**	**736**

Amount recognized in consolidated statement of cash flows

	December 31, 2020	December 31, 2019	December 31, 2018
Total cash outflow for leases included in financing activities	**191,753**	**(60,912)**	**1,842**

20. Contingencies

The Company, from time to time, may be subject to various legal proceedings and complaints arising in the normal course of business. These proceedings primarily include matters related to employment laws, various provincial regulations governing debt collection and contractual obligations. The Company has liability insurance coverage in excess of certain limits from various insurance carriers, which cover in part many of these matters. It is the Company's policy to accrue for amounts related to these legal matters when it is probable a liability has been incurred and an amount is reasonably estimable.

21. Share capital

The following share were issued and outstanding as at December 31, 2020

	Number of Common Shares	Number of Class A Preferred Shares	Number of Class B Preferred Shares	Common Shares	Class A Preferred Shares	Class B Preferred Shares	Amount
Balance, January 1, 2020	**10,510,978**	**25,395,612**	**-**	**$ 197,180**	**$ 25,025,377**	**$ -**	**$ 25,222,557**
Conversion of Class A Pref to Common shares	25,395,612	(25,395,612)	-	25,025,377	(25,025,377)	-	-
Conversion of convertible debentures to common shares	13,666,156	-	-	4,056,582	-	-	4,056,582
Class B Preferred shares issued	-	-	10,519,566	-	-	3,261,066	3,261,066
Stock option compensation	11,596,682	-	-	117,947	-	-	117,947
Balance, December 31, 2020	**61,169,428**	**-**	**10,519,566**	**$ 29,397,086**	**$ -**	**$ 3,261,066**	**$ 32,658,151**

The following share were issued and outstanding as at December 31, 2019

	Number of Common Shares	Number of Class A Preferred Shares	Number of Class B Preferred Shares	Common Shares	Class A Preferred Shares	Class B Preferred Shares	Amount
Balance, January 1, 2019	**10,510,978**	**25,395,612**	**-**	**$ 197,180**	**$ 25,025,376**	**-**	**$ 25,222,556**
Balance, December 31, 2019	**10,510,978**	**25,395,612**	**-**	**197,180**	**25,025,376**	**-**	**$ 25,222,556**

The following share were issued and outstanding as at December 31, 2018

	Number of Common Shares	Number of Class A Preferred Shares	Number of Class B Preferred Shares	Common Shares	Class A Preferred Shares	Class B Preferred Shares	Amount
Balance, January 1,2018	**10,417,978**	**21,895,612**	**-**	**$ 104,180**	**$ 21,572,505**	**-**	**$ 21,676,686**
Class A Preferred shares issued		3,500,000			3,500,000		3,500,000
Issuance cost	-	-	-	-	(47,129)	-	(47,129)
Common shares issues	93,000	-	-	93,000	-	-	93,000
Balance, December 31, 2018	**10,510,978**	**25,395,612**	**-**	**197,180**	**25,025,376**	**-**	**$ 25,222,556**

The Class B Preferred shares will be converted automatically into common shares, either (i) following payment of dividends to each preferred shareholder equal to at least the issuance price or (ii) prior to or conterminously on the closing of a qualified initial public offering. The preferred shares will be converted at a rate of one preferred share for one common share.

On May 7, 2020, 10,519,566 Eddy Class B Preferred shares were issued for $3,261,066 (this includes the term loans in the amount of $1,250,000, plus accrued interest of $11,066, converted into 4,067,953 Eddy Class B Preferred shares). See note 15 and 17.

On March 27, 2020, the Company issued 11,000,000 Eddy Common Shares to the current CEO of the Company as a settlement for certain compensation in the amount of $110,000. The CEO holds the 11,000,000 Eddy Common Shares through a Holding Company (the "Holding Company") which he controls (note 17).

The Company and the Holding Company (controlled by the current CEO of the Company) entered into a Forfeiture Agreement dated May 7, 2020 (effective March 27, 2020) (the "Forfeiture Agreement") which relates to 5,500,000 of the 11,000,000 Eddy Common Shares issued to the Holding Company. Under the terms of the Forfeiture Agreement, 5,500,000 of such Eddy Common Shares (the "Forfeiture Shares") may not be transferred without the consent of the Company. In the event of Default (as defined below) occurs prior to January 1, 2023, 23% of the Forfeiture Shares shall be forfeited to the Company, and the Company shall pay as consideration for the Forfeiture Shares the price of $0.01 per share forfeited. The following constitutes an "Event of Default": (a) if the Holding Company becomes insolvent, or makes a general assignment for the benefit of its creditors or otherwise acknowledges insolvency or if a bankruptcy petition or receiving order is filed or made against it; (b) any proceeding is instituted by or against the Holding Company seeking to adjudicate it a bankrupt or insolvent; (c) the Holding Company permits, creates or grants any security or encumbrance against the Forfeiture Shares except as permitted by the Forfeiture Agreement; (d) any charge or encumbrance against the Forfeiture Shares becomes enforceable and steps are taken to enforce it; (e) the current CEO resigns from his employment with the Company or termination for cause; or (f) a breach by the Holding Company of the restrictions of transfer set forth in the Forfeiture Agreement.

On March 27, 2020, the Company issued 161,682 Eddy Common Shares to the former president of the Company, the share issuance was part of a severance agreement (note 17).

On March 1, 2020, the convertible debentures in the amount of $4,236,953 (principal of $4,033,267 and accrued interest of $203,686), were converted into 13,666,158 Eddy Common Shares, upon conversion a gain of $180,371 was recognized (note 15).

On May 23, 2019, the Company issued convertible debentures in the amount of $1,640,000 at 12% interest per annum, payable semi-annually, with a term of five years. The equity component on the date of issuance was calculated at $2188. The issue costs related to this issuance was $57,000 (note 15).

On December 31, 2019, the Company exchanged term loans in the in the amount of $2,000,000 plus accrued interest of 193,267 and trade payable of $200,000 into convertible debentures (amounting to $2,393,267) at 12% per annum payable semi-annually, with a term of five years, the equity component on the date of issuance was calculated at $3,192 (note 15).

During 2019, the Company committed to issue 2,879,505 Eddy Common Share, to a customer upon leak detection equipment installation of 5,000 condominium units (see note 16 and subsequent events note). The same customer also received 1,869,152 preferred share warrants, with a $1 exercise price. 467,288 of the preferred share warrants have to be exercised by December 31, 2021, or all the warrants will be forfeited. The expiry date for the warrants is December 31, 2023.

During 2019, the Company issued 419,453 Eddy Common Share warrants as part of a capital raise, the exercise price is $1.30. These warrants expire as follows: 2021 - 263,453, 2022 - 56,000, 2023 - 100,000.

22. Income tax

Provision for income taxes:

The combined tax rate is determined using the substantively enacted tax rates as at December 31, 2020 and 2019. A reconciliation to the provision for income tax reported in the consolidated statement of loss and comprehensive loss is summarized as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
	$	$	$
Loss before income taxes	(4,412,463)	(5,209,606)	(3,955,423)
Statutory rate	26.5%	26.5%	26.5%
Expected income tax recovery at the statutory tax rates	(1,169,303)	(1,380,546)	(1,048,187)
Change in benefits not recognized	1,169,303	1,380,546	1,048,187
Deferred income tax recovery	-	-	-

The company has loss for income tax purposes of approximately $30,050,000 (2019 - $25,800,000, 2018 - $20,900,000), of which approximately US $2,300,000 (2019 - 2,430,000, 2018 - $2,530,000) relate to the US operations, available to reduce future years' income for tax purposes which expire between 2035 and 2040. The potential tax benefit of these loses has not been recognized.

Deferred income tax:

The tax affects of temporary differences that give rise to deferred tax assets ("DTA") and deferred tax liabilities ("DTL"):

	December 31, 2020	December 31, 2019	December 31, 2018
DTA	539,485	558,988	345,224
DTL	153,041	181,523	41,846

23. Risk management

The Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition, and operating results. Many of the risk factors are beyond the Company's direct control. The Company's management and Board of Directors plan an active role in monitoring the Company's key risks and in determining the polices that are best suited to manage these risk.

Capital and risk management

The Company's objective and polices for managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes changes based on economic conditions, risks that impact the consolidated operations and future significant capital investment opportunities. In order to maintain or adjust its capital structure, the Company may issue new equity instruments or considers other financing opportunities.

The Company is exposed to a variety of financial risks by virtue of its activities: market risk credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board of Directors has overall responsibility for the determination of the Company's capital and risk management objectives and policies while retaining ultimate responsibility for them. The Company's overall capital and risk management program has not changed throughout the year. It focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the finance department under policies approved by the Board of Directors. The finance department identifies and evaluates financial risks in close cooperation with management.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its trade accounts receivable. The Company installs residential and commercial water leak mitigation technology at its customers locations in the normal course of its operations.

Credit risk is the risk of a financial loss to the Company if a customer fails to meet its contractual obligation of the monthly equipment rental and monitoring payments. Management of the Company monitors the creditworthiness of its customers by performing background checks on all new customers focusing on publicity, reputation in the market, and relationships with customers and other vendors. Further, management monitors the frequency of payments from ongoing customers and performs frequent reviews of outstanding balances.

Provisions for outstanding balances are established based on forward-looking information and revised when there are changes in circumstances that would create doubt over the receipt of funds. Such reviews are conducted on a continued basis through the monitoring of outstanding balances as well as the frequency of payments received. Accounts receivables are completely written off once management determines the probability of collection to be remote. During 2020, $97,141 (2019 - $200,755, 2018 - $113,590) of receivables written off are still subject to collection enforcement activity. Payment terms are usually 30 to 60 days after the invoice is issued.

The following tables presents the provision for credit losses on accounts receivable as at December 31, 2020:

Accounts receivable	**Current**	**60 - 120 days**	**Over 120 days**	**Total**
SFR	$ 61,756	$ 2,804	$ 41,663	$ 106,223
MFR	79,103	-	-	79,103
C&I	481	-	338	819
	$ 141,340	**$ 2,804**	**$ 42,001**	**$ 186,145**
Provision for credit losses	**Current**	**60 - 120 days**	**Over 120 days**	**Total**
SFR	$ 4,140	$ 835	$ 27,690	$ 32,665
MFR	8,032	-	-	8,032
C&I	-	-	-	-
	$ 12,172	**$ 835**	**$ 27,690**	**$ 40,697**
Accounts receivable, net				**$ 145,449**

The following tables presents the provision for credit losses on accounts receivable as at December 31, 2019

Accounts receivable	Current	60 - 120 days	Over 120 days	Total
SFR	$ 18,423	$ 3,101	$ 94,402	$ 115,926
MFR	110,921	-	-	110,921
C&I	540	-	-	540
	$ 129,884	**$ 3,101**	**$ 94,402**	**$ 227,387**

Provision for credit losses	Current	60 - 120 days	Over 120 days	Total
SFR	$ 6,951	$ 2,147	$ 72,267	$ 81,365
MFR	-	-	-	-
C&I	-	-	-	-
Expected credit losses	**$ 6,951**	**$ 2,147**	**$ 72,267**	**$ 81,365**
Accounts receivable, net				**$ 146,022**

The following tables presents the provision for credit losses on accounts receivable as at December 31, 2018

Accounts receivable	Current	60 - 120 days	Over 120 days	Total
SFR	$ 82,392	$ 4,866	$ 226,772	$ 314,030
MFR	59,021	-	-	59,021
C&I	-	-	-	-
	$ 141,413	**$ 4,866**	**$ 226,772**	**$ 373,051**

Provision for credit losses	Current	60 - 120 days	Over 120 days	Total
SFR	$ 11,077	$ 3,134	$ 213,900	$ 228,111
MFR	-	-	-	-
C&I	-	-	-	-
Expected credit losses	**$ 11,077**	**$ 3,134**	**$ 213,900**	**$ 228,111**
Accounts receivable, net				**$ 144,940**

The following tables presents the provision for credit losses on accounts receivable as at January 1, 2018

Accounts receivable	Current	60 - 120 days	Over 120 days	Total
SFR	$ 22,578	$ 3,901	$ 138,136	$ 164,615
MFR	38,654	-	-	38,654
C&I	-	-	18,835	18,835
	$ 61,232	**$ 3,901**	**$ 156,971**	**$ 222,104**

Provision for credit losses	Current	60 - 120 days	Over 120 days	Total
SFR	$ 2,735	$ 2,903	$ 130,629	$ 136,267
MFR	27,479	-	-	27,479
C&I	-	-	1,508	1,508
Expected credit losses	**$ 30,214**	**$ 2,903**	**$ 132,137**	**$ 165,254**
Accounts receivable, net				**$ 56,851**

Changes in the provision for expected credit losses result from the following:

Balance - January 1, 2018	$165,254
Net allowance recognized as an expense	159,998
Receivable written off	(97,141)
Balance - December 31, 2018	$228,111
Net allowance recognized as an expense	54,009
Receivable written off	(200,755)
Balance - December 31, 2019	$81,365
Net allowance recognized as an expense	72,922
Receivable written off	(113,590)
Balance - December 31, 2020	$40,697

Currency risk

A portion of the Company's income is generated in US dollars and is subject to currency fluctuations, the performance of the Canadian dollar relative to the US dollar could positively or negatively affect the Company's income. Thus, the Company may from time to time, experience losses resulting from fluctuations in the value of its foreign currency translations, which could adversely affect its operating results. Translation risk is not hedged.

Regarding translation exposure, if the Canadian dollar had been 5% stronger/weaker versus the US dollar for the year ended December 31, 2021, with all other variables held constant, income for the period would have been $116 higher/lower (2019 – $626 and 2018 – $9,207).

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. During 2020, approximately 47% (2019 – 57%, 2018 - 73%) of the Company's total sales were in US dollars. Consequently, some assets are exposed to foreign exchange fluctuations.

As at December 31, 2020, operating cash was $101,474 (US $79,700) and accounts receivable of $32,199 (US $25,290). As at December 31, 2019, operating cash was $221,573 (US $170,598) and accounts receivable of $80,593 (2019 – $62,052). As at December 31, 2018, operating cash was $195,056 (US $142,982) and accounts receivable of $224,922 (US $164,875). These are US dollars balances.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk with respect to its cash and cash equivalent; however, the risk is minimal because of their short-term maturity. All of the Company's interest-bearing debt instruments have fixed interest rates and are not subject to interest rate cash flow risk.

24. Segment reporting

The Company operates in three operating segments, which are based on the Company's organizational structure and how the information is reported internally on a regular basis. The Company's revenue is generated from its customers in the following market sectors: SFR, MFR and C&I. The Company's revenue is generated from customers in Canada and the USA.

The Company's revenue by operating segments are as follows:

Year ended December 31, 2020	**SFR**	**MFR**	**C&L**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue	650,872	288,049	5,392	-	944,313
Cost of sales (note 10)	823,799	382,460	7,672	-	1,213,932
Depreciation of fulfillment costs (note 12)	215,105	18,658	1,233	-	234,997
Selling (note 11)	292,003	129,228	2,419	-	423,650
Provision for expected credit losses (note 23)	50,262	22,244	416	-	72,922
General and administrative (note 9)	-	-	-	3,188,565	3,188,565
(Gain)/loss on foreign exchange	-	-	-	(8,554)	(8,554)
Stock based compensation (note 16)	-	-	-	2,129	2,129
Depreciation on property and equipment (note 13)	-	-	-	65,025	65,025
Depreciation on right-of-use assets (note 19)	-	-	-	107,479	107,479
FV gain on financial instruments (note 15, 21)	-	-	-	(190,371)	(190,371)
Interest income	-	-	-	(3,524)	(3,524)
Interest expense	-	-	-	250,526	250,526
Income taxes (note 22)	-	-	-	-	-
Net loss	**(730,297)**	**(264,542)**	**(6,349)**	**(3,411,275)**	**(4,412,463)**

Year ended December 31, 2019	**SFR**	**MFR**	**C&L**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue	711,437	71,969	750	-	784,156
Cost of sales (note 10)	306,443	31,000	323	-	337,766
Depreciation of fulfillment costs (note 12)	230,849	23,304	243	-	254,396
Selling (note 11)	437,682	44,184	460	-	482,326
Provision for expected credit losses (note 23)	49,000	4,957	52	-	54,009
General and administrative (note 9)	-	-	-	4,270,577	4,270,577
(Gain)/loss on foreign exchange	-	-	-	18,678	18,678
Stock based compensation (note 16)	-	-	-	6,470	6,470
Depreciation on property and equipment (note 13)	-	-	-	63,892	63,892
Depreciation on right-of-use assets (note 19)	-	-	-	107,479	107,479
Interest income	-	-	-	(7,019)	(7,019)
Interest expense	-	-	-	405,188	405,188
Income taxes (note 22)	-	-	-	-	-
Net loss	**(312,538)**	**(31,476)**	**(328)**	**(4,865,265)**	**(5,209,606)**

Year ended December 31, 2018	SFR	MFR	C&L	Corporate	Total
		$	$	$	$
Revenue	822,203	62,194	4,087	-	888,484
Cost of sales (note 10)	455,782	34,477	2,266	-	492,524
Depreciation of fulfillment costs (note 12)	205,248	90,834	1,700	-	297,783
Selling (note 11)	433,430	37,596	2,484	-	473,510
Provision for expected credit losses (note 23)	148,062	11,200	736	-	159,998
General and administrative (note 9)	-	-	-	3,429,658	3,429,658
(Gain)/loss on foreign exchange	-	-	-	(3,536)	(3,536)
Stock based compensation (note 16)	-	-	-	-	-
Depreciation on property and equipment (note 13)	-	-	-	1,446	1,446
Depreciation on right-of-use assets (note 19)	-	-	-	1,412	1,412
Interest income	-	-	-	(9,623)	(9,623)
Interest expense	-	-	-	736	736
Income taxes (note 22)	-	-	-	-	-
Net loss	**(420,319)**	**(111,913)**	**(3,099)**	**(3,420,093)**	**(3,955,424)**

The Company's revenue by geography are as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
	$	$	$
Canada	503,092	334,378	211,397
USA	441,221	449,778	677,087
Total	**944,313**	**784,156**	**888,484**

The Company's total assets by geography are as follows

	December 31, 2020	December 31, 2019	December 31, 2018	January 1, 2018
	$	$	$	$
Canada	3,105,215	3,885,497	3,744,214	2,859,768
USA	149,487	384,879	724,966	893,953
Total	**3,254,702**	**4,270,376**	**4,469,180**	**3,753,721**

25. Subsequent events

On January 6, 2021, the Company received a convertible loan, from several shareholders, for interim financing in the amount of $2,000,000, maturing on September 30, 2021 and bears interest at 9% per annum, payable at maturity. The loan has conversion rights, in the event the Company completes a raise of equity prior to the termination date, the lenders have the right, at their option, to have their share of the loan converted into the shares of the borrower at a twenty percent discount to the amount paid for the shares by the other participants in the equity raise. The lenders wishing to exercise their conversion rights must do so in writing to the Company at least five days prior to the close of the equity raise.

On June 4, 2021, the convertible loan was further increased by $500,000 (for a total of $2,500,000), with the same terms as stated for the January 6, 2021 loan. On September 14, 2021, the maturity date of the convertible loan was amended to mature on February 28, 2022.

On June 21, 2021, the Company and Aumento Capital VIII Corporation (“Aumento”) (TSXV: AMU.P) entered into a letter of intent (the “LOI”) to complete a business combination transaction in accordance with TSXV Policy 2.4 Capital Pool Companies (the “Transaction”), that will, if consummated, result in a reverse take-over of Aumento by the Company. The entities resulting from the Transaction (the “Resulting Issuer”) will continue to carry on business of the Company. The LOI was negotiated at arm’s length.

On June 23, 2021, the Company and Aumento entered into an engagement letter with Canaccord Genuity Corp. (the “Lead Agent”) in connection with a brokered private placement (the “Private Placement”) of a minimum of 16,666,667 and a maximum of 25,000,000 subscription receipts of the Company (the “Subscription Receipts”) at a price of $0.60 per Subscription Receipt for aggregate gross proceeds of a minimum of $10,000,000 and a maximum of $15,000,000.

On September 3, 2021, the Company entered into a demand loan agreement with several shareholders, in the principal amount of $1,500,000 at 9% per annum, payable on demand.

On September 13, 2021, Aumento, the Company and 2865357 Ontario Inc. (“Subco”), a wholly-owned subsidiary of Aumento, entered into an amalgamation agreement (the “Amalgamation Agreement”), pursuant to which Subco will amalgamate with the Company (the “Amalgamation”). The Amalgamation is structured as a three-cornered amalgamation and, as a result, the amalgamated corporation will become a wholly-owned subsidiary of Aumento at the time of the completion of the Amalgamation. Pursuant to the terms of the Amalgamation Agreement each Eddy Common Share will be exchanged for common shares of the Resulting Issuer (the “Resulting Issuer Common Shares”) on the basis of 0.504867 Resulting Issuer Common Shares for each Company Common Share held in accordance with the Amalgamation Agreement. In connection with the Amalgamation, the Resulting Issuer will change its name to “Eddy Smart Home Solutions Inc.”

On September 14, 2021, a former employee filed a $267,000 claim related to wrongful dismissal by the Company. The Company believes that there is no merit to this claim.

On September 14, 2021, the Company completed the first tranche of the Private Placement of an aggregate of 17,615,269 Subscription Receipts for aggregate gross proceeds of $10,569,161 (the “First Tranche”). Each Subscription Receipt will be automatically converted, without additional consideration or any further action on the part of the holder thereof, into two Eddy Common Shares upon the satisfaction of certain conditions related to the Transaction.

In connection with the Private Placement, the Company entered into an agency agreement (the “Agency Agreement”) with Aumento, the Lead Agent and INFOR Financial Inc. (together with the Lead Agents, the “Agents”). Under the terms of the Agency Agreement, the Company granted the Agents an option to purchase up to an additional 3,750,000 Subscription Receipts, exercisable in whole or in part, at any time prior to the closing of the Private Placement, on the same terms as the Private Placement, for additional gross proceeds of up to $2,250,000.

On October 7, 2021, the Company entered into a loan agreement with a shareholder for $1,500,000, interest at 1% per month (minimum three months of interest payments), with principal and interest due on demand. The fee in consideration for this loan is $15,000.

On October 12, 2021, the Company completed the second tranche of its Private Placement, issuing an additional 2,898,499 Subscription Receipts for additional aggregate gross proceeds of $1,739,099. Including the Subscription Receipts sold under the First Tranche, the Company has issued an aggregate of 20,513,768 Subscription Receipts for aggregate gross proceeds of $12,308,260 under the Private Placement.

Pursuant to the terms of the Agency Agreement, the Company paid to the Agents: (i) a cash commission equal to 7.0% of the aggregate gross proceeds of the Private Placement, other than in respect of any Subscription Receipts sold to members of a president's list provided by the Company (the President's List Purchases"), which commission is 3.5% of the gross proceeds from President's List Purchasers; and (ii) such number of warrants (the "Agents Warrants") as is equal to 7.0% of the number of Subscription Receipts sold pursuant to the Private Placement, other than any Subscription Receipts sold to President's List Purchasers, which commission is 3.5% of the number of Subscription Receipts sold to the President's List Purchasers. Each Agents' Warrant is exercisable for two Eddy Common Shares at a price of $0.60 until the date that is 36 months from the date of satisfaction or waiver, as applicable, of certain conditions (the "Escrow Release Conditions"). Upon completing of the Transaction, each Agent's Warrant will be automatically exchanged for 0.504867 Resulting Issuer agents' warrants exercisable to purchase Resulting Issuer Common Shares at a purchase price equal to the issue price divided by 0.504867 for a period of 36 months following the date the Escrow Release Conditions are satisfied.

On December 15, 2021, the Company entered into an addendum (the "Addendum") to amend an exclusive supplier agreement that was entered into in January 2019 with a developer that is also a customer of the Company (the "Developer"). Pursuant to the Addendum, the Company agreed to issue, or to cause to be issued, 1,453,767 Resulting Issuer Common Shares and warrants of the Resulting Issuer ("Resulting Issuer Warrants") to purchase 1,900,000 Resulting Issuer Common Shares upon consummation of the Qualifying Transaction of Aumento. The Resulting Issuer Warrants shall have an exercise price of $0.61 and be exercisable for a period of 3 years from the date of issuance. In addition, the Company agreed to issue, or cause to be issued, 750,000 Resulting Issuer Common Shares which will be contingent on the Developer permitting the Company to install equipment in at least 12,500 units of its condominium projects. Finally, an aggregate of 1,869,152 warrants of the Company issued to the Developer on February 4, 2019 were terminated under the terms of the Addendum.

An aggregate of 420,000 stock options of the Resulting Issuer will be issued to the Eddy directors concurrently with the closing of the Transaction with an exercise price of $0.60 and a 5 year term.