Eddy Smart Home Solutions Inc.

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

For the Three and Nine Months Ended September 30, 2021 and 2020

Table of Contents

BASIS OF PRESENATION

Eddy Smart Home Solutions Inc. (the "Company") has adopted International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), as its basis of financial reporting. The Company's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the consolidated financial statements for the fiscal years ended December 31, 2020, 2019 and 2018.

This Management's Discussion and Analysis ("MD&A") is dated as of January 6, 2022 and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company and the notes thereto as at, and for the three and nine months ended September 30, 2021 and 2020, as well as the Company's consolidated financial statements for the years ended December 31, 2020, 2019 and 2018. Unless otherwise specified, dollar amounts are expressed in Canadian dollars. Additional information on the Company can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information") that involve various risks and uncertainties and should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2021.

Statements other than statements of historical fact contained in this MD&A may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to Company, including Company business operations, business strategy and financial condition. When used herein, the words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "goal", "intends", "may", "might", "outlook", "plans", "projects", "schedule", "should", "strive", "target", "will", "would" and similar expressions may be used to identify forward-looking information, although not all forward-looking information contains these identifying words. In particular, statements regarding the Company plans for 2021 under the "Outlook and Subsequent Events" section are forward-looking statements. Forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

These forward-looking statements reflect the internal projections, expectations, future growth, results of operations, performance, business prospects and opportunities of the Company and are based on information currently available to the Company and/or assumptions that the Company believes are reasonable. Many factors may cause actual results to differ materially from the results and developments discussed in the forward-looking information.

In developing these forward-looking statements, certain material assumptions were made. These forward-looking statements are also subject to certain risks. These risks include, but are not limited to:

- actual future market conditions being different than anticipated by management;
- general economic and business conditions;
- the risk that the roll out of the monitoring of residential and commercial smart water metering products and related technologies does not meet anticipated results;
- the risks associated with the impact of existing or future waves in the COVID-19 pandemic; and
- the risks and uncertainties described under the "Risks and Uncertainties" section in this MD&A.

Such forward looking statements or information are based on a number of assumptions, all or any of which may prove to be incorrect. In addition to any other assumptions identified in this document, assumptions have been made regarding, among other things:

- management's views regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- the Company's financial and operating attributes as at the date hereof and its anticipated future performance;

- assumptions regarding the volume and mix of business activities remaining consistent with current trends;
- the Company's ability to obtain financing on acceptable terms;
- the Company's ability to enter into long term revenue agreements with established developers and insurance companies;
- concentration risk of suppliers;
- assumptions regarding foreign exchange rates; and
- the timing and amount of capital expenditures.

Readers are cautioned that the preceding list of factors or assumptions is not exhaustive. Although forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

All forward-looking information in this MD&A is made as of the date of this MD&A. These forward-looking statements are subject to change as a result of new information, future events or other circumstances, and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events, or otherwise, unless required by applicable securities law.

Please see the "Risks and Uncertainties" section in this MD&A for a discussion in respect of the material risks relating to the business of the Company.

This MD&A includes references to financial measures such as Adjusted EBITDA. The Company feels that these financial measures are important to the understanding of its business activities. These financial measures are not defined by IFRS and are therefore referred to as non-IFRS measures. The non-IFRS measures may not be comparable to similar measures presented by other companies. The Company uses these measures to evaluate its performance. The non-IFRS measures should not be considered an alternative to, or more meaningful than, measures determined in accordance with IFRS, as an indication of the Company's performance. The non-IFRS measures are reconciled to their closest IFRS measures.

Liquidity

These interim condensed 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 nine months ended September 30, 2021, the Company generated a net loss of $5,892,194 and negative cash flows from operating activities of $3,688,044. As at September 30, 2021, the Company has an accumulated deficit of $37,910,444 and a working capital shortfall of $4,076,496. As a result, based on current operational results, the Company may not have sufficient capital to fund its current planned operations during the twelve-month period subsequent to September 30, 2021. 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. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue its operations.

The Company has also been successful in raising capital, during April and May 2021, the Company increased its capitalization by issuing 2,075,002 Class B Preferred Shares for $643,250. In addition, On September 15, 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 13, 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 subsequent events note). 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 interim condensed 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.

OVERVIEW

The Company was incorporated under the Ontario Business Corporations Act on January 27, 2015. The Company is a North American provider of residential and commercial smart water metering products and related technologies, helping property owners protect, control, and conserve water usage by combining water sensing devices with behavioural learning software. The Company believes that this provides substantial protection to single-family homes as well as commercial and residential buildings at every stage of the building cycle, including construction.

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 & Industrial (C&I). Prior to 2018, the Company exclusively focused on the SFR segment through direct sales. In 2018, the Company began focusing on its MFR and C&I segments while shifting the SFR distribution strategy to focus on indirect sales through channel partners.

- For the three months ended September 30, 2021
  Total revenue was comprised of SFR at 46.9%, MFR at 52.6% and C&I at 0.5%.
- For the nine months ended September 30, 2021
  Total revenue was comprised of SFR at 58.3%, MFR at 41.3% and C&I at 0.4%.
- For the three months ended September 30, 2020
  The revenue was comprised of SFR at 73.1%, MFR at 26.4% and C&I at 0.6%.
- For the nine months ended September 30, 2020
  The revenue was comprised of SFR at 72.2%, MFR 27.2% at and C&I at 0.6%

The Company's cloud-based leak detection platform currently manages approximately 17,000 in-building devices as of September 30, 2021 (2020 – 10,800). The Company provides its subscribers with a fully integrated solution including device installation and 24/7 monitoring.

Products and Services

The Company offers its products and services under the Eddy Solutions brand, which is an award-winning brand in North America synonymous with excellence and superior customer care in the water leak detection industry. The Company's main revenue stream is water leak detection monitoring services designed to detect and prevent water leaks in multi-unit residential buildings, single family homes, and commercial properties. Upon the occurrence of certain initiating events such as a detected water leak, the Eddy Solutions leak detection system sends event-specific signals to the Company's monitoring center. The Company's monitoring center has 24/7 availability to respond to alerts by contacting the subscriber or subscriber's building manager and remotely activating shutoff valves to stop further leaks and water damage.

The Company's product and service offering consists of a hardware and software component that work together to provide comprehensive water protection. The primary hardware components include equipment such as water meters that measure the flow of water through pipes, wireless sensors that detect the presence of water leaks, shutoff valves that can turn off water flow in the building, and gateways which allow the devices to communicate with each other and with the Company's monitoring center. The Company's software component is its monitoring service which is based on its cloud-based water leak detection platform that tracks and stores data from the subscriber's in-building devices. The Company's behavioural learning algorithm builds a water usage profile for each subscriber based on historical water usage and flags irregular water flows as potential leakages or flood events, which the monitoring center can respond to.

Segments

The Company reports results on three operating and reportable segments: SFR, MFR, and C&I. The SFR segment consists of single-family homes, with each single-family home constituting one subscriber. The MFR segment consists of multi-residential buildings such as condominiums and apartments, with each unit within the multi-residential building constituting one subscriber. The C&I segment consists of buildings used for commercial and industrial activities such as office buildings and hospitals. The Company tracks performance in the C&I segment based on square footage managed as opposed to a subscriber count.

The growth of the MFR segment to 52.6% of total revenue for the three months ended September 30, 2021 (2020 – 26.4%), and for the nine months ended September 30, 2021, it represents 41.3% of total revenue (2020 – 27.2%), is consistent with the Company's focus to diversify revenue across segments outside of SFR.

The Company generates revenue from subscribers in Canada and the United States.

	Three months ended		**Nine months ended**	
	September 30, 2021	**September 30, 2020**	**September 30, 2021**	**September 30, 2020**
Canada	82%	45%	73%	49%
USA	18%	55%	27%	51%

Sales and Distribution Channels

The Company utilizes a mix of direct and indirect sales and distribution channels. The Company's direct channel subscribers are generated by its sales outreach, marketing efforts, brand awareness, and subscriber referrals, and are supported by the Company's internal salesforce. Direct channel subscribers include property owners (developers, asset managers, condominium corporations, and homeowner's associations), insurance carriers, and sub-metering companies. The Company's indirect channel customers are generated by commission-based agreements with independent third-party companies which include general contractors, developers, insurance carriers and brokers, sub-metering companies, property managers, telecom companies, restoration firms, architectural and engineering firms, and HVAC installers.

Field Operations

The Company serves its North American subscriber base from its head office in Toronto as well as its facilities in Toronto and California. The Company utilizes third-party subcontractor labor when appropriate to assist with installation and servicing. The Company maintains the relevant and necessary licenses related to the provision of installation, plumbing, and related services in the jurisdictions in which it operates. The Company's objective is to provide a white glove service experience, including by providing same-day or next-day service to the majority of its subscribers.

Monitoring Center and Support Services

The Company's monitoring center and customer support personnel are located in the Company's head office and a secondary location, both in Toronto. The Company's monitoring center provides 24/7 around-the-clock protection to provide peace of mind to subscribers. The Company's monitoring center is staffed with highly trained and skilled experts that provide immediate remediation co-ordination for water leak events. The Company's monitoring center operates from high security facilities which implement defense-in-depth security architecture based on controls designed to protect the physical, technical, and administrative aspects of the company networks.

Net Change in Subscribers

As at September 30, 2021, the Company had 1,806 subscribers in the SFR segment (December 31, 2020 – 1,922), 7,868 subscribers in the MFR segment (December 31, 2020 – 3,972), and 38,343 square foot managed in the C&I segment (December 31, 2020 – 38,343).

The majority of the SFR subscribers are based in California. The Company initially focused on growing the SFR segment through direct sales in California. SFR subscriber count has declined since 2018 primarily due to the discontinuation of new subscriber acquisition efforts as the Company attempted to diversify revenue across the MFR and C&I segments.

The Company has also shifted the distribution strategy in the SFR segment away from direct sales and towards indirect sales through channel partners such as insurance carriers and home security firms. COVID-19 negatively impacted the Company's SFR segment in 2021 as many on-site installations were put on hold. The growth in subscriber count for MFR and square foot managed for C&I reflects the Company's efforts to grow these segments. The Company is focusing on generating a robust pipeline of potential contracts in these two segments. COVID-19 negatively impacted the Company's MFR and C&I segments in 2021 as there were mandated construction site shut down, which delayed the implementation of the Company's equipment and monitoring services.

The following tables summarizes the Company's net change in subscribers and square foot aggregation by segment.

September 30, 2021					
	Opening Dec 31, 2020	Net Change Q1 2021	Net Change Q2 2021	Net Change Q3 2021	Closing September 30, 2021
SFR Subscribers	1,922	(28)	(61)	(27)	1,806
MFR Subscribers	3,972	1,581	198	2,117	7,868
C&I Square Foot	38,343	--	--	--	38,343

December 31, 2020						
	Opening Dec 31, 2019	Net Change Q1 2020	Net Change Q2 2020	Net Change Q3 2020	Net Change Q4 2020	Closing Dec 31, 2020
SFR Subscribers	1,929	20	1	9	(37)	1,922
MFR Subscribers	1,476	810	174	190	1,322	3,972
C&I Square Foot	38,343	--	--	--	--	38,343

Seasonality

The Company has exposure to the construction industry, particularly condominium construction, which in Canada is seasonal in nature. As a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, the Company will experience a seasonal pattern in its operating results, with the first half of the year, and particularly the first quarter, typically generating lower revenue and profits than the second half of the year. Therefore, results in any one quarter are not necessarily indicative of results in any other quarter, or for the year as a whole.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	$280,315	$230,126	$968,643	$656,868
Net Loss	($3,295,028)	($805,208)	($5,892,194)	($2,885,903)
EBITDA [1]	($3,161,877)	($439,258)	($5,078,595)	($2,369,135)
Adjusted EBITDA [1]	($3,057,916)	($663,317)	($4,882,742)	($2,913,103)
SFR				
Revenue	$131,432	$168,113	$564,606	$474,040
Net subscriber count	(27)	(116)	9	30
MFR				
Revenue	$147,534	$60,665	$399,957	$178,755
Net subscriber count growth	2,117	190	3,896	1,174
C&I				
Revenue	$1,349	$1,348	$4,080	$4,073
Net subscriber square footage growth	--	--	--	--

Refer to the "Non-IFRS Financial and Performance Measures" section of this MD&A.

INTERIM CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(in Canadian dollars)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	$	$	$	$
Revenue	280,315	230,126	968,643	656,868
Expenses				
Cost of Sales	272,340	255,687	662,705	1,003,650
Depreciation on fulfillment assets	10,868	61,290	59,288	190,649
General and administrative	2,699,583	615,109	4,927,620	1,874,652
Selling	235,518	106,979	500,101	283,493
(Gains)/loss on foreign exchange	30,198	939	22,215	(8,840)
Provision and derecognition of accounts receivable	122,031	(68,517)	130,934	23,382
Stock based compensation	73,763	739	209,790	2,226
Depreciation on property and equipment	18,020	16,256	52,273	48,769
Amortization on right-of-use assets	26,870	26,870	80,609	80,609
	3,489,191	1,015,352	6,645,535	3,498,590
Operating loss	**(3,208,876)**	**(785,226)**	**(5,676,892)**	**(2,841,722)**
Interest income	91	1,640	939	3,293
Interest expenses	(86,243)	(21,622)	(216,241)	(227,845)
Gain on financial instrument	-	-	-	180,371
Net Loss before income taxes	**(3,295,028)**	**(805,208)**	**(5,892,194)**	**(2,885,903)**
Income taxes	-	-	-	-
Net loss	**(3,295,028)**	**(805,208)**	**(5,892,194)**	**(2,885,903)**
Other comprehensive income (loss):				
Items that may subsequently be reclassified to income				
Gain (loss) on foreign currency translation, for foreign operation	(3,236)	(294)	(9,710)	(441)
Total comprehensive loss	**(3,298,264)**	**(805,502)**	**(5,901,904)**	**(2,886,345)**
Net loss per share - basic and diluted	**(0.05)**	**(0.01)**	**(0.10)**	**(0.05)**
Weighted average number of common shares outstanding - Basic and diluted	61,169,428	61,069,428	61,169,428	61,069,428

Revenue

The Company generates revenue in Canada and the United States primarily through water monitoring services. Revenue represents the revenue earned from subscribers, which is billed monthly. Any upfront sales earned from subscribers who purchase equipment is recognized on a straight-line basis over the term of the contract. Monitoring revenue represents the revenue earned from subscribers for monitoring the water leak detection system and is billed on a monthly basis.

<u>*Q3 2021 vs. Q3 2020*</u>

Revenue for the three months ended September 30, 2021, increased by $50,189 to $280,315 as compared to $230,126 as reported for the same period in 2020. The change was a result of an increase in MFR revenue offset by a decrease in SFR revenues, with C&I being largely inline, over the comparable period.

COVID-19 negatively impacted the Company's SFR segment in 2020 as many on-site installations were put on hold. COVID-19 negatively impacted the Company's MFR and C&I segments in 2020 as there were mandated construction site shut down, which delayed the implementation of the Company's equipment and monitoring services.

YTD Q3 2021 vs. YTD Q3 2020

Revenue for the nine months ended September 30, 2021, increased by $311,775 to $968,643 as compared to $656,868 as reported for the same period in 2020. The change was a result of an increase in both SFR and MFR revenues, with C&I revenue being largely inline, over the comparable period.

Cost of Sales

Cost of sales primarily includes the cost of network and license fees related to monitoring services and related costs. Cost of sales does not include the cost of equipment that is sold upfront or rented over the contract term. These costs are allocated to property, equipment and other assets and are recognized in depreciation expenses over the contract term.

Q3 2021 vs. Q3 2020

Cost of sales for the three months ended September 30, 2021, increased by $16,653 to $272,340 as compared to $255,687 as reported for the same period in 2020. The change was a largely a result of increases in MFR cost of sales, which was driven by growth in the segment over the comparable period.

YTD Q3 2021 vs. YTD Q3 2020

Cost of sales for the nine months ended September 30, 2021, decreased by $340,945 to $662,705 as compared to $1,003,650 as reported for the same period in 2020. The change was a result of a decrease in the SFR segment, and with the MFR and C&I segments being largely inline.

General & Administrative Expense

General & administrative expense primarily includes wages and benefits for office staff, research and project expenses, professional fees, marketing, administrative and product subcontractor costs. General & administrative expense also included direct labour and material costs of fulfillment assets that are expensed until recoverable from contracts.

Q3 2021 vs. Q3 2020

General & administrative expense for the three months ended September 30, 2021, increased by $2,084,474 to $2,699,583 as compared to $615,109 reported for the comparable period in 2020. The changes were a result of increases in wages & benefits of $620,567 (a government wage subsidy was received in the amount of $225,737, during the comparable period), research and project expense of $64,032, professional fees of $1,402,062 (this reflects $1,3000,000 of addition fees related to the listing process), administrative of $23,026. This was offset by decreases in marketing spend by $25,213.

For the three months ended September 30, 2021, the Company received the government wage subsidy of $nil (2020 - $225,737). This subsidy related to 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, for the three months ended September 30, 2021, the lease expense was $16,500 (2020 - $16,500).

YTD Q3 2021 vs. YTD Q3 2020

General & administrative expense for the nine months ended September 30, 2021, increased by $3,052,968 to $4,927,620 as compared to $1,874,652 reported for the comparable period in 2020. The changes were a result of increases in wages & benefits of $1,323,701 (a government wage subsidy was received in the amount of $537,354 during the comparable period), research and project expenses of $298,414, professional fees of $1,460,203 (addition fees of $1,300,000 are reflected related to the listing process), and administrative expense of $17,055. This was offset by decreases in marketing spend of $46,405.

For the nine months ended September 30, 2021, the Company received the government wage subsidy of $36,152 (2020 - $537,354). This subsidy related to 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, for the nine months ended September 30, 2021, the lease expense was $49,500 (2020 - $58,500). Included in accounts payable on September 30, 2021 is an amount owing of $27,500.

Selling Expense

Selling expense primarily includes salaries, sales commissions, and travel for sales team.

Q3 2021 vs. Q3 2020
Selling expense for the three months ended September 30, 2021, increased by $128,539 to $235,518 as compared to $106,979 as reported for the same period in 2020. This change is a result of increases in salaries by $79,309, commissions related to obtaining contracts of $35,755 and general (relates primarily to travel spend) of $13,475.

YTD Q3 2021 vs. YTD Q3 2020
Selling expense for the nine-month ended September 30, 2021, increased by $216,608 to $500,101 as compared to $283,493 as reported for the comparable period in 2020. The change is a result of increases in salaries by $110,175, commissions related to fulfilling contracts of $60,589 and generally (related primarily to travel spend) of $45,844.

Depreciation of 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. See note 5 of the Company's consolidated financial statements for the years ended December 31, 2020, 2019 and 2018, for impact on adoption of IFRS.

Q3 2021 vs. Q3 2020
Depreciation of fulfillment assets for the three months ended September 30, 2021, decreased by $50,422 to $10,868 (2020 – $61,290), over the comparable period in 2020. The depreciation is lower during the period as contracts related to the California SFR segment are approaching the end of their contract term.

YTD Q3 2021 vs. YTD Q3 2020
Depreciation of fulfillment assets for the nine-months ended September 30, 2021, decreased by $131,361 to $59,288 (2020 – $190,649), over the comparable period in 2020. The deprecation is lower during the period as contracts related to the California SFR segment are approaching the end of their contract term.

Depreciation of Property and Equipment

Depreciation of property and equipment primarily consists of the depreciation of monitoring equipment owned by the Company, amortization of revenue from monitoring equipment sales over the contract term, depreciation of leasehold improvements, and depreciation of office equipment.

Q3 2021 vs. Q3 2020

Depreciation of property and equipment for the three months ended September 30, 2021, increased by $1,764 to $18,020 as compared to $16,256 as reported for the same period in 2020. The depreciation expense is largely inline with the comparable period.

YTD Q3 2021 vs. YTD Q3 2020

Depreciation of property and equipment for the nine-months ended September 30, 2021, increased by $3,504 to $52,273 as compared to $48,769 as reported for the comparable period in 2020. The depreciation expense is largely inline with the comparable period.

See Note 5 of the accompanying consolidated financial statements regarding impairment on the adoption of IFRS.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets consists of depreciation related to the Toronto head office and office equipment leases.

Q3 2021 vs. Q3 2020

Depreciation of right-of-use assets for the three months ended September 30, 2021, remained unchanged at $26,870 as compared to the same period in 2020. There were no additions or disposals during the period.

YTD Q3 2021 vs. YTD Q3 2020

Depreciation of right-of-use assets for the nine-months ended September 30, 2021, remained unchanged at $80,609 as compared to the same period in 2020. There were no additions or disposals during the period to date.

Income Taxes

Note 22 of the accompanying consolidated financial statements presents a reconciliation of income tax for the year ended December 31, 2020.

Basic and Diluted Loss Per Share

Q3 2021 vs. Q3 2020

Basic and diluted loss per share for the three months ended September 30, 2021, was ($0.05) per Eddy Common Share as compared to ($0.01) per Eddy Common Share reported for the same period in 2020. This change is primarily a result of a higher net loss during the quarter.

YTD Q3 2021 vs. YTD Q3 2020

Basic and diluted loss per share for the nine months ended September 30, 2021, was ($0.10) per Eddy Common Share as compared to ($0.05) per Eddy Common Share reported for the same period in 2020. This change is primarily a result of a higher net loss during the quarter.

Adjusted EBITDA[1]

	Three months ended		Nine months ended	
	September 30, 2021	**September 30, 2020**	**September 30, 2021**	**September 30, 2020**
		$	$	$
Net Loss	(3,295,028)	(805,208)	(5,892,194)	(2,885,903)
(+) Tax Expense / (Recovery)		--	--	--
(+) Interest Expense	86,243	21,622	216,241	227,845
(+) Depreciation, Property and Equipment	18,020	16,256	52,273	48,769
(+) Depreciation, Fulfillment Assets	10,868	61,290	59,288	190,649
(+) Amortization, Right-of-Use Assets	18,020	16,256	80,609	48,769
Reported EBITDA	**(3,161,877)**	**(439,258)**	**(5,078,595)**	**(2,369,135)**
(+) Loss / (Gain) on FX	30,198	939	22,215	(8,840)
(+) Share-based Compensation Expense	73,763	739	209,790	2,226
(-) Canadian Emergency Wage Subsidy	-	(225,737)	(36,152)	(537,354)
Adjusted EBITDA	**(3,057,916)**	**(663,317)**	**(4,882,742)**	**(2,913,103)**

Q3 2021 vs. Q3 2020

Adjusted EBITDA for the three months ended September 30, 2021, decreased by $2,394,599 to ($3,057,916) from ($663,317) as reported in the comparable period. The EBITDA decreased by $2,722,619 to ($3,161,877) from ($439,258) as reported in the comparable period.

YTD Q3 2021 vs. YTD Q3 2020

Adjusted EBITDA for the nine months ended September 30, 2021, decreased by $1,969,639 to ($4,882,742) from ($2,913,103) as reported in the comparable period. The EBITDA decreased by $2,709,460 to ($5,078,595) from ($2,369,135) as reported in the comparable period.

[1] Refer to the "Non-IFRS Financial and Performance Measures" section of this MD&A.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Interim Condensed Consolidated Statements of Financial Position

(in Canadian dollars) (unaudited)

	September 30, 2021	December 31, 2020
Assets	**$**	**$**
Current assets		
Cash	422,745	192,518
Restricted cash	50,000	-
Accounts receivable	332,813	145,449
Prepaid expenses	853,446	299,764
Inventory	1,545,695	1,443,953
	3,204,699	**2,081,684**
Contracted assets	281,254	8,804
Fulfillment assets	189,043	268,827
Right-of-use assets	496,906	577,515
Property and equipment	293,679	317,871
	1,260,882	1,173,017
Total Assets	**4,465,581**	**3,254,702**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,820,104	895,653
Deferred revenue	171,253	102,303
Derivative liability	373,335	-
Current portion of lease liabilities	130,621	118,350
Term loans	3,785,882	250,000
	7,281,195	**1,366,306**
Lease liabilities	618,375	717,767
Deferred revenue	932,668	457,605
Loans payable	30,000	30,000
Total Liabilities	**8,862,238**	**2,571,677**
Shareholders' (Deficiency)/Equity		
Share capital	33,266,143	32,658,151
Contributed surplus	228,006	13,776
Deficit	(37,910,444)	(32,018,250)
Accumulated other comprehensive income	19,638	29,348
Total shareholders (deficiency)/equity	**(4,396,657)**	**683,025**
Total Liabilities & shareholders' equity	**4,465,581**	**3,254,702**

Total Assets

September 30, 2021 vs. December 31, 2020

Total assets as at September 30, 2021, amounted to $4,465,581 which is an increase of $1,210,879 over the December 31, 2020 amount of $3,254,702. The increase is a result of higher carrying values for cash by $230,227, restricted cash by $50,000, accounts receivable by $187,364, prepaid expense by $553,682, inventory by $101,742 and contracted assets by $272,450. Offset by lower carrying values for fulfillment asset by $79,784, right-of-use assets by $80,609 and property and equipment by $24,192.

Total Liabilities

September 30, 2021 vs. December 31, 2020

Total liabilities as at September 30, 2021, amounted to $8,862,238, which is an increase of $6,290,561 over the December 31, 2020 amount of $2,571,677. The increase is a result of higher carrying values for accounts payable and accrued liabilities increased by $1,924,451 (this is a professional fees accrual related to a public listing of $1,300,000), deferred revenue increased by $544,013, term loans by $3,535,882, derivative liabilities of $373,335, offset by a decease in the carrying value of lease liabilities of $87,120.

Total Shareholders' Equity

September 30, 2021 vs. December 31, 2020

Total shareholder's equity as at September 30, 2021, amounted to ($4,396,657), which is a decrease of $5,079,682 over the December 31, 2020 amount of $683,025. The decrease in a result of larger deficit in the amount of $5,892,194, reduction in accumulated other comprehensive in come in the amount of $9,710 offset by an increase in share capital of $607,992 and contributed surplus of $214,230.

SEGMENTED RESULTS OF OPERATIONS

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:

Three months ended September 30, 2021	**SFR**	**MFR**	**C&L**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue	131,432	147,534	1,349	-	280,315
Cost of sales	179,650	91,928	763	-	272,341
Depreciation of fulfillment costs	5,096	5,720	52	-	10,868
Selling	110,428	123,957	1,133	-	235,518
Provision for expected credit losses	57,217	64,227	587	-	122,031
General and administrative	-	-	-	2,699,583	2,699,583
(Gain)/loss on foreign exchange	-	-	-	30,198	30,198
Stock based compensation	-	-	-	73,763	73,763
Depreciation on property and equipment	-	-	-	18,020	18,020
Depreciation on right-of-use assets	-	-	-	26,870	26,870
Interest income	-	-	-	(91) -	91
Interest expense	-	-	-	86,243	86,243
Income taxes	-	-	-	-	-
Net loss	**(220,959)**	**(138,297)**	**(1,187)**	**(2,934,586)**	**(3,295,028)**

Three months ended September 30, 2020	SFR	MFR	C&L	Corporate	Total
	$	$	$	$	$
Revenue	168,113	60,665	1,348	-	230,126
Cost of sales	179,042	75,882	763	-	255,687
Depreciation of fulfillment costs	44,774	16,157	359		61,290
Selling	78,151	28,201	627	-	106,979
Provision for expected credit losses	(50,053)	(18,062)	(401)	-	(68,517)
General and administrative	-	-	-	615,109	615,109
(Gain)/loss on foreign exchange	-	-	-	939	939
Stock based compensation	-	-	-	739	739
Depreciation on property and equipment	-	-	-	16,256	16,256
Depreciation on right-of-use assets	-	-	-	26,870	26,870
Interest income	-	-	-	(1,640)	(1,640)
Interest expense	-	-	-	21,622	21,622
Income taxes	-	-	-	-	-
Net loss	**(83,800)**	**(41,513)**	**-**	**(679,895)**	**(805,208)**

Nine months ended September 30, 2021	SFR	MFR	C&L	Corporate	Total
		$	$	$	$
Revenue	564,606	399,957	4,080	-	968,643
Cost of sales	488,699	171,717	2,290	-	662,706
Depreciation of fulfillment costs	34,558	24,480	250	-	59,288
Selling	291,501	206,494	2,106	-	500,101
Provision for expected credit losses	76,319	54,063	552	-	130,934
General and administrative	-	-	-	4,927,620	4,927,620
(Gain)/loss on foreign exchange	-	-	-	22,215	22,215
Stock based compensation	-	-	-	209,790	209,790
Depreciation on property and equipment	-	-	-	52,273	52,273
Depreciation on right-of-use assets	-	-	-	80,609	80,609
Interest income	-	-	-	(939)	(939)
Interest expense	-	-	-	216,241	216,241
Income taxes	-	-	-	-	-
Net loss	**(326,471)**	**(56,797)**	**(1,118)**	**(5,507,809)**	**(5,892,194)**

Nine months ended September 30, 2020	SFR	MFR	C&L	Corporate	Total
		$	$	$	$
Revenue	474,040	178,755	4,073	-	656,868
Cost of sales	828,307	173,665	1,679	-	1,003,651
Depreciation of fulfillment costs	137,585	51,882	1,182	-	190,649
Selling	204,588	77,148	1,758	-	283,493
Provision for expected credit losses	16,874	6,363	145	-	23,382
General and administrative	-	-	-	1,874,652	1,874,652
Gains (loss) on foreign exchange	-	-	-	(8,840)	(8,840)
Stock based compensation	-	-	-	2,226	2,226
Depreciation on property and equipment	-	-	-	48,769	48,769
Depreciation on right-of-use assets	-	-	-	80,609	80,609
Interest income	-	-	-	(3,293)	(3,293)
Interest expense	-	-	-	227,845	227,845
Income taxes	-	-	-	(180,371)	(180,371)
Net loss	**(713,314)**	**(130,302)**	**(691)**	**(2,041,597)**	**(2,885,903)**

SFR Segment

Q3 2021 vs. Q3 2020

SFR revenue for the three months ended September 30, 2021, decreased by $36,681 to $131,432 compared to $168,113 as reported for the same period in 2020. This decrease was primarily due to attrition from the California SFR market, which offset marginal growth in the Ontario SFR market.

YTD Q3 2021 vs. YTD Q3 2020

SFR revenue for the nine-months ended September 30, 2021, increased by $90,566 to $564,606 compared to $474,040 as reported for the same period in 2020. This increase was a result of marginal growth in the Ontario SFR market offsetting the attrition from the California SFR market.

MFR Segment

Q3 2021 vs. Q3 2020

MFR revenue for the three months ended September 30, 2021, increased by $86,869 to $147,534 compared to $60,665 as reported for the same period in 2020. The increase was primarily driven by a higher subscription count in the MFR segment during the current period.

YTD Q3 2021 vs. YTD Q3 2020

MFR revenue for the nine months ended September 30, 2021, increased by $221,202 to $399,957 compared to $178,755 as reported for the comparable period in 2020. The increase was primarily due to growth in the segment, the customer count at September 30, 2021 was 7,868 (2020 – 3,972).

C&I Segment

Q3 2021 vs. Q3 2020

C&I revenue for the quarter ended September 30, 2021, was largely inline with the comparable quarter in 2020.

YTD Q3 2021 vs. YTD Q3 2020

C&I revenue for the nine months ended September 30, 2021, was largely inline with the comparable period in 2020.

QUARTERLY FINANCIAL INFORMATION

The Company does not have quarterly financial information that is readily available.

OFF-BALANCE SHEET ITEMS

The Company has no material off-balance sheet arrangements in place.

FINANCIAL INSTRUMENTS

The fair values of accounts receivable, prepaid expenses, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities. See the interim condensed consolidated financial statements, three and nine months ended September 30, 2021, note 15.

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business in accordance with the applicable IFRS.

On September 3, 2021, the Company established a demand loan with several shareholders, in the amount of $1,500,000 at 9% per annum, payable at the demand date.

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 (amended to mature on February 28, 2022) 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 term 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.

The accrued interest of $148,174 on the term loans (of $2,500,000) is allocated to carrying value amount. liabilities.

On March 27, 2020, the Company issued 11,000,000 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. As at September 30, 2021, $125,000 is accrued as compensation expense and allocated to accounts payable.

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.

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 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.

KEY MANAGEMENT PERSONNEL COMPENSATION

For the quarter ended September 30, 2021 and 2020, the compensation awarded to key management personnel is as follows:

	Three months ended		Nine months ended	
	September 30, 2021	**September 30, 2020**	**September 30, 2021**	**September 30, 2020**
	$	$	$	$
Salaries, fees and other short-term benefits	285,633	202,214	723,695	531,516
Stock-based compensation	73,523	-	143,685	-
	359,156	202,214	867,380	531,516

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

During the three and nine months ended September 30, 2021, compensation expense of $73,763 (2020 - $739) and $209,790 (2020 - $2,226) was recognized as a result of stock options granted under the Company's plan.

CONTRACTUAL OBLIGATIONS

Contractual obligations as at September 30, 2021, are due as follows:

	Carrying Amount	Less than 6 months	6 - 12 months	1 - 3 years	4 - 5 years
Accounts payable and accrued liabilities	2,820,104	2,792,217	-	27,887	-
Term loan	3,785,882	3,785,882	-	-	-
Loans payable	30,000	-	-	30,000	-
	6,635,986	**6,578,099**	**-**	**57,887**	**-**

Accounts payable and accrued liabilities includes a warranty provision of $27,887, related to water monitoring equipment.

Contractual obligations for the nine months ended September 30, 2021, totaled $6,635,986 with $6,578,099 due within 6 months, $27,887 due between 1-3 years, and $nil due between 4-5 years.

During the three months ended September 30, 2021, the Company entered into a commitment to purchase inventory in the amount of $1,740,758.

Accounts payables & accrued liabilities are amounts owed to vendors related to expenses that arise from business operations.

The term loan consists of $2,500,000 in convertible loans from shareholders of the Company, at 9% per annum payable to maturity, set to mature on September 30, 2021 (which has been amended to mature on February 28, 2022), and accrued interest of $148,174. The term 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. The derivative liability associated with the conversion feature is a Level 3 on the fair value hierarchy and amounts to $277,588. Also, includes a demand loan with several shareholders, in the amount of $1,500,000 at 9% per annum, payable at the demand date, plus accrued interest of $11,043.

In 2020, the Company received a $40,000 interest-free Canada Emergency Business Account loan. During 2021, the Company applied for an addition $20,000 expansion as part of the program, this amount has not been received. The Company will fully repay the outstanding balance of $30,000 on or before December 31, 2022, and $10,000 will be forgiven.

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.

LIQUIDITY AND CAPITAL RESOURCES

The interim condensed 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.

See Liquidity section above.

The Company's principal liquidity requirements are to finance current operations, invest in acquiring and retaining subscribers, purchase inventory and property, equipment and other assets, and finance potential mergers and acquisitions. The Company's primary source of liquidity has been cash from the issuances of debt and equity.

The Company's cash flows provided by operating activities include cash received from monthly recurring revenue and upfront fees received from subscribers, less cash costs to provide services to subscribers, including general and administrative costs, and certain costs associated with acquiring new subscribers.

The water monitoring equipment is purchased by the Company at the start of the contract. The Company recoups the cost through monthly payments from the subscriber over the life of the term. The contract periods are usually five years for the SFR segment, seven years for the MFR segment and seven years for the C&I segment.

As of September 30, 2021, the Company had $3,815,882 of debt obligations outstanding (December 31, 2020 - $280,000). See the "Contractual Obligation" section of MD&A.

The Company is developing a pipeline with long term revenue agreements with established developers and insurance companies. The Company has access to credit channels to bridge working capital and general and administrative requirements until projects under development start to produce cash flows. To date, the Company has generated losses from operations, and we anticipate that the Company may continue to generate losses for the medium term as we continue to focus on building the pipeline of future business and deploying equipment on the contracts that come due. We also expect to incur additional costs associated with operating as a public company.

We believe the ability to obtain financing from existing shareholders will continue and will be sufficient to fund our anticipated operating expenses for more than the next twelve months from September 30, 2021. Please see the "Operational Outlook and Subsequent Events" section in this MD&A below for a discussion regarding a brokered private placement completed by the Company subsequent to quarter-end. The Company may eventually require additional working capital and general and administrative requirements to fund growth.

	Three months ended		**Nine months ended**	
	September 30, 2021	**September 30, 2020**	**September 30, 2021**	**September 30, 2020**
Cash Flow From Operating Activities	($1,945,665)	($661,543)	($3,903,884)	($2,358,240)
Cash Flow From Investing Activities	--	--	($28,081)	--
Cash Flow From Financing Activities	$1,440,482	($47,939)	$4,212,192	$2,588,338
Change in Cash During the Period	($505,183)	($709,482)	$280,227	$230,098
Opening Cash Balance	$977,928	$1,507,807	$192,517	$568,227
Restricted cash	($50,000)	--	($50,000)	--
Ending Cash Balance	$422,745	$798,325	$422,745	$798,325

Cash flow used in operating activities

The cash flows used in operating activities for the three months ended September 30, 2021, decreased by $1,284,122 to ($1,945,665) from ($661,543) over the comparable period. The increase in the net flow used in operating activities is primarily due to changes in non-cash and working capital items which offset a larger net loss for the period.

The cash flows used in operations for the nine-months ended September 30, 2021, decreased by $1,545,644 to ($3,903,884) from ($2,358,240) over the comparable period. The decrease in the operating cash flows is primarily due to larger net losses for the period, offset by changes in the non-cash and working capital items.

Cash flow used in investing activities

The cash flows used in investing activities for the nine-months ended September 30, 2021, decrease by $28,081 which related to purchases of property and equipment in the amount of $28,081.

Cash flow from financing activities

The cash flows from financing activities for the three months ended September 30, 2021, increased by $1,488,421 to $1,440,482 from ($47,939) over the comparable period. The increase in the cash flows used in financing activities for the period, was primarily due to term loan financing.

The cash flows from financing activities for the nine months ended September 30, 2021, increased by $1,623,854 to $4,212,192 from $2,588,338 over the comparable period. The increase in cash flows from financing activities for the period to date was primarily due to term loan financing and equity financing.

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 subscriber fails to meet its contractual obligation of the monthly water monitoring services payments. Management of the Company monitors the creditworthiness of its subscribers by performing background checks on all new subscribers focusing on publicity, reputation in the market, and relationships with subscribers and other vendors. Further, management monitors the frequency of payments from ongoing subscribers 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.

Payments 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 September 30, 2021:

The following tables presents the provision for credit losses on accounts receivable as at September 30, 2021.

Accounts receivable	**Current**	**60 - 120 days**	**Over 120 days**	**Total**
SFR	$ 91,766	$ 2,337	$ 4,567	$ 98,671
MFR	287,010	59,430	2,985	349,425
C&I	-	-	-	-
	$ 378,776	**$ 61,768**	**$ 7,552**	**$ 448,096**

Provision for credit losses	**Current**	**60 - 120 days**	**Over 120 days**	**Total**
SFR	$ 39,435	$ 1,637	$ 2,665	$ 43,737
MFR	57,402	11,886	2,258	71,546
C&I	-	-	-	-
Expected credit losses	**$ 96,837**	**$ 13,523**	**$ 4,923**	**$ 115,283**
Accounts receivable, net				**$ 332,813**

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		Stage 2		Stage 3		Over 120 days		Total
SFR	$	4,140	$	835	$	27,690	$	32,665
MFR		8,032		-		-		8,032
C&I		-		-		-		-
Expected credit losses	**$**	**12,172**	**$**	**835**	**$**	**27,690**	**$**	**40,697**
Accounts receivable, net							**$**	**145,449**

FOREIGN 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 due to the expectations of growing the US operations. 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.

Currency and interest rate risk has not significantly changed since the annual consolidated financial statements for the year ended December 31, 2020.

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 the three and nine months ended September 30, 2021, approximately 18% (2020 - 55%) and 22% (2020 - 32%) of the Company's total sales were in US dollars. Consequently, some assets are exposed to foreign exchange fluctuations.

As at September 30, 2021, operating cash was $36,959 (US $29,008) and accounts receivable was $16,672 (US $13,085). As at December 31, 2020, operating cash was $101,474 (US $79,700) and accounts receivable was $32,199 (US $25,290).

ACCOUNTING JUDGMENTS, ESTIMATE 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. Actual results may differ from these estimates, which are revised 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 interim condensed 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.

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.

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 Company has three CGUs: single family residential, multi-family residential, and commercial & industrial.

Lease term

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of the lease liabilities and right-of-use assets recognized.

Taxation

Calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income. The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

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 and long term receivables, other receivables, unbilled revenue and amounts due from related parties for which there has been a significant increase in credit risk since initial recognition. Loss allowances are measured based on historical experience and forecasted economic conditions. The Company 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. 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 and 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 future cash flows. These calculations require the use of estimates. If these estimates change in the future, the Company may be required to record impairment charges related to intangible assets. Determining whether an impairment has occurred requires the valuation of the respective assets or CGU's, which the Company estimate the recoverable amount using a discounted cash flow method. The key estimates and assumptions used are revenue growth, gross margin, and discount rate. These estimates are based on experience and management's expectations of future changes in the market and forecasted growth initiatives.

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. The Company's business, operations, financial condition and operating results could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the outbreak of the COVID-19. Such public health crises can result in operational and supply chain delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labor shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit risk and inflation. The Company may experience business and operational interruptions relating to COVID-19 and other such events outside of the Company's control, there could be shutdowns and delays in construction projects which could have a material adverse impact on the business, financial condition, operating results and the market for the securities. In addition, the Company procures equipment that is manufactured in China. The COVID-19 pandemic in China 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 if such operations are unable to run at full capacity.

For the three months ended September 30, 2021, the Company received the government wage subsidy of $nil (2020 - $225,737). For the nine months ended September 30, 2021, the Company received the government wage subsidy of $36,152 (2020 - $537,354). For the three and nine months ended September 30, 2021, the Company received rent subsidies totaling $30,419 (2020 – $nil) and $30,419 (2020 – $nil). The wage and rent subsidies were allocated to general and administrative expenses. The full extent of the impact of the COVID-19 outbreak on the Company's business is not known at this time.

SIGNIFICANT ACCOUNTING POLICIES

The Company prepares its consolidated financial statements in accordance with IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee. The Company has consistently applied the same accounting policies for all of the periods presented except for the new standards adopted during the year. The Company adopted IFRS from January 1, 2018. The impact of the transition from Canadian Accounting Standard for Private Enterprise to IFRS is presented in note 5 of the consolidated annual financial statements for the years ended December 31, 2020, 2019 and 2018.

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value. Certain comparative balances were reclassified to conform with current financial statements presentation.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent company and to the noncontrolling interests.

See note 2 and 3 of the Company's consolidated financial statements for the years ended December 31, 2020, 2019 and 2018 for additional details.

CHANGES IN ACCOUNTING POLICIES

Future Changes

The Company is still assessing the impact of adopting these amendments on its future financial statements and cannot reasonably estimate the effect of the new accounting policies.

Classification of Liabilities as Current or Non-current (Amendments to 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.

Disclosure of Accounting Policies (Amendments to IAS 1)

The amendments to IAS 1 require an entity to disclose its material accounting policies instead of its significant accounting policies. The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied prospectively.

Reference to the Conceptual Framework (Amendments to IFRS 3, Business Combinations)

The amendments to IFRS 3 update an outdated reference in IFRS 3 without significantly changing its requirements and add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after January 1, 2022 and are to be applied prospectively.

Definition of Accounting Estimates (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8 provide guidance to assist entities in distinguishing between accounting policies and accounting estimates. The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied prospectively.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to 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.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The Company's consolidated financial statements for the quarter ended September 30, 2021 are prepared in accordance with IFRS. The Company reports on certain non-IFRS measures that are used by management to evaluate the performance of the Company. Since non-IFRS measures do not have standardized meanings prescribed by IFRS, securities regulations require that non-IFRS measures be clearly defined, qualified, and reconciled with their nearest IFRS measure. These measures do not have standardized meanings or interpretations and may not be comparable to similar terms and measures provided by other issuers.

Reported EBITDA and Adjusted EBITDA

Reported EBITDA and Adjusted EBITDA are non-IFRS measures that are used by management to evaluate the performance of the Company.

Reported EBITDA is defined as net income or loss adjusted for (a) interest expense / interest income (b) income taxes, and (c) depreciation and amortization.

Adjusted EBITDA is defined as Reported EBITDA adjusted for (a) gains / losses on disposal of assets, (b) foreign exchange, (c) share-based compensation expense, and (d) any non-recurring items.

Reconciliation of Operational Revenue, Operational Cost of Sales, and Operational Gross Profit

The Company's hardware sales involve upfront receipt of the revenue from subscribers as well as upfront disbursements of expenses to vendors. MFR revenue which is lower during the construction period than the in-service period is recognized for IFRS 15 reporting purposes on a straight-line basis.

For IFRS 15 reporting purposes, the revenue and expenses are recognized over the term of the contract on a straight-line basis. The Company uses the concepts of "operational revenue", "operational cost of sales" and "operational gross profit" to adjust for the differences between revenue and expense recognition under IFRS 15 and actual payment. The tables below show the revenue, cost of sales, and gross profit as reported under IFRS 15 and under the operational view. MFR revenue which is lower during the construction period than the in-service period is recognized for IFRS 15 reporting purposes on a straight-line basis.

	IFRS		IFRS	
	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	280,315	230,126	968,645	656,868
Cost of Sales	272,340	255,687	662,705	1,003,650
Gross Profit	7,975	(25,561)	305,940	(346,782)

	Operational		Operational	
	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	269,690	260,215	1,334,263	722,399
Cost of Sales	268,019	259,815	873,337	1,018,943
Gross Profit	1,671	400	460,926	(296,545)

For the three months ended September 30, 2021, the Company's IFRS revenue reported on a straight-line basis per IFRS 15, was $10,625 greater than the operational revenue, the cost of sales reported was $4,321 greater than the operational cost of sales and the gross margin was $6,304 greater than the operational gross margin.

For the three months ended September 30, 2020, the Company's IFRS revenue reported on a straight-line basis per IFRS 15, was $30,089 less than the operational revenue, the cost of sales reported was $4,128 less than the operational cost of sales and the gross margin was $25,961 less than the operational gross margin.

For the nine-months ended September 30, 2021, the Company's IFRS revenue reported on a straight-line basis per IFRS 15, was $365,618 less than the operational revenue, the cost of sales reported was $210,632 less than the operational cost of sales and the gross margin was $154,986 less than the operational gross margin.

For the nine-months ended September 30, 2020, the Company's IFRS revenue reported on a straight-line basis per IFRS 15, was $65,531 less than the operational revenue, the cost of sales reported was $15,293 less than the operational cost of sales and the gross margin was $50,237 less than the operational gross margin.

RISKS AND UNCERTAINTIES

The Company is faced with a number of risks, among others, including the risk factors set out below.

Attrition and Competition

The Company operates in a competitive environment and hence its financial condition and result of operations, growth, sustainability and defensive tactics may be negatively impacted by loss of market share to its competitors or due to changes in subscriber behaviors, which could result in a loss of customers and attrition to the number of subscribers.

Concentration of Suppliers

The Company relies principally on a few suppliers for its supply of equipment. Should any of these suppliers fail to deliver in a timely manner, there could be delays or disruptions in the supply and installation of equipment.

COVID-19

The magnitude of the impact of the COVID-19 pandemic on the global economy continues to evolve, with disruptive effects in jurisdictions in which the Company and its channel partners operate. The Company's operations in 2020 were temporarily impacted with the suspension of on-site water metering and sensor device installations in single-family homes. Additionally, there were mandated suspensions and shutdowns of construction projects that impacted multi-family residential and commercial construction of buildings that are being equipped the Company's water metering and sensor devices. These impacts may continue to occur in 2021 or future periods, with unpredictable frequency or degree. Governments have implemented assistance programs for businesses that provide entitlements to offset the negative economic impacts of the COVID-19 pandemic. The Company has participated in certain of such programs, including the Canadian Emergency Wage Subsidy, but there can be no assurance that the Company will continue to be eligible for such programs, or that such programs will continue to be available. A decrease in, or discontinuation of, entitlements under such programs during a period where the Company's operations are significantly impacted by the COVID-19 pandemic, could have an adverse impact on the Company's business and financial condition.

The Company has activated continuity plans and a rigorous COVID-19 health and safety assurance process, which meets or exceeds guidance by applicable government health authorities, to minimize disruptions to its business and adapt to evolving market conditions and safety standards. These plans include stringent pre-screening processes, heightened hygienic and disinfection practices, physical distancing, provision of additional personal protective equipment to front line workers, team separation and staggered work hours where possible, as well as extensive technology-enabled remote work initiatives.

The Company continues to monitor developments and mitigate risks related to the COVID-19 pandemic and the impact on the Company projects, operations, supply chain, and most importantly the health and safety of its employees. At this time, the Company has been deemed to be essential services and, therefore, operations are broadly continuing, although in many cases on a modified basis. As this situation may continue to evolve for some time, shifting directives and policies from clients and the government are expected to continue. The Company's access to liquidity and capital resources which is expected to be sufficient to finance its operations and working capital requirements for the foreseeable future.

Credit Risk

The Company has financial instruments that are subject to risk of a counterparty failing to meet its contractual obligations. The Company has accounts receivables due from subscribers that it may fail to collect. The non-performance of these subscribers can be directly impacted by a decline in economic conditions, which could impair the subscribers' ability to satisfy their obligations to the Company.

Cybersecurity

The Company collects, processes, transmits and retains confidential, sensitive and personal information including personal financial information ("Confidential Information") regarding its subscribers, employees, and contractors. Some of this Confidential Information is held and managed by third party service providers. The Company has implemented processes, procedures, and controls to prevent unauthorized access to Confidential Information and to build and sustain a reliable information technology infrastructure. Despite these measures, all of the Company's information systems and any third-party service provider systems that it employs are vulnerable to damage, interruption, disability or failures due to a variety of reasons. The Company or its third-party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's or its third-party service providers' security measures. Any system vulnerability or failure of security measures of the Company or its third-party service providers could result in, among others, operational interruption, harm to the Company's reputation or competitive position, the loss of or unauthorized access to Confidential Information or other assets, remediation costs, litigation, regulatory enforcement proceedings, violation of privacy or other laws and damage to the Company's subscriber relationships.

Foreign Exchange Impacts

The Company generates sales of product in Canadian and U.S. dollars and incurs its expenses in both U.S. and Canadian dollars and is therefore exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in U.S. dollars that expose the Company to foreign exchange risks. The Company does not utilize any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates.

Geographic Concentration and New Building Construction

The income generated by the Company is sensitive to changes in economic conditions in Ontario and California. Adverse changes in Ontario and California economic conditions may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations. Furthermore, most of the growth in the number of installed equipment in recent years has been principally as a result of new building construction, both residential and commercial. A slowdown in such new building construction may lead to an adverse effect on demand for the Company's products and services.

Labour Relations

The Company's success will depend in part upon the continued services of talented personnel, including, the management team, sales representatives, installation and service technicians and call center talent. The Company's ability to recruit and retain key personnel could be adversely impacted by a competitive labour market. The loss, incapacity, or unavailability for any reason of key members of the Company's management team, higher than expected payroll and other costs associated with the hiring and retention of key personnel and the inability or delay in hiring new key employees could materially adversely affect the Company's ability to manage its business and its future operational and financial results.

Leverage Risk and Restrictive Covenants

The Company has debt service obligations. The degree to which the Company is leveraged could have material adverse consequences for the Company, including but not limited to: (i) having to dedicate a portion of its cash flows from operations to the payment of interest on its indebtedness and not having such cash flows available for other purposes, including operations, capital expenditures and future business opportunities; and (ii) restricting its flexibility and discretion to operate its business.

Litigation Risk

In the normal course of the Company's operations, it may, directly or indirectly, become involved in, named as a party to or become the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to, among others, personal injuries, property damage, and contract disputes. The outcome with respect to outstanding, pending, or future proceedings cannot be predicted and may have a material adverse effect on the Company's financial condition and results of operations and on its ability to satisfy its debt service obligations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time consuming and may divert the attention of management and key personnel away from operations. Furthermore, the Company may become involved, as defendant or plaintiff, in litigation in other matters from time to time.

Regulatory Matters

The Company is subject to consumer protection laws (including the Consumer Protection Act, 2002 (Ontario)). Although the Company believes that it is in compliance with such consumer protection laws in all material respects, given the likelihood that regulatory determinations are likely to favour consumers in the event of any ambiguity in such laws, no assurance can be given that the Company will be able to comply with such laws. Furthermore, there can be no assurance that the Company will be able to comply with any future laws, regulations and policies or, if it does so comply, what the impact may be on its costs or ability to originate or retain customers. Failure by the Company to so comply may subject it to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on the Company's financial condition and results of operations and on its ability to satisfy its debt service obligations.

Reliance on Third Party Contractors

The Company at certain times utilizes third-party service providers for the installation of equipment at the subscribers' premises. As a result, the Company is reliant on the personnel, good faith, expertise, technical resources and information systems, and judgment of those service providers in providing such services. Accordingly, the Company may be exposed to adverse developments in the business and affairs of such service providers.

Uninsured or Underinsured Risks

The Company's current insurance coverage in respect of potential liabilities and the accidental loss of value of the assets of the Company from risks is in the form of comprehensive property and casualty insurance in respect of claims for bodily injury or property damage arising out of assets or operations (subject to deductible amounts). However, not all risks are covered by insurance and insurance may not be consistently available on an economically feasible basis or at all. The amounts of insurance may not at all times be sufficient to cover all losses and/or claims.

Useful Life of Equipment

Experience indicates that the average useful life of the batteries within the wireless sensors is approximately 7 years. However, there can be no assurance that the batteries within the wireless sensors will continue to have an average useful life of that length. The Company will be responsible for the capital cost and installation fees related to replacing the wireless sensors. In the event that the Company does not have sufficient cash flow or financing capabilities to fund the purchase and installation of replacement wireless sensors, the Company may not have the ability to maintain the leak detection portfolio, which could have a material adverse effect on its financial condition and results of operations.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures, and controls to ensure that the information used internally by management and disclosed externally is complete, reliable, and timely. In addition, the Company's Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed and approved this MD&A as well as the consolidated financial statements for the quarter ended September 30, 2021.

ISSUANCE OF SUBSCRIPTION RECEIPTS

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.

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 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 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, 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.

For the three months ended September 30, 2021, share issue costs amounted to $10,259 (2020 - $nil). For the nine months needed September 30, 2021, share issue costs amounted to $35,259 (2020 - $nil).

The proceeds from the subscription receipts are held in escrow ("Escrow Funds") pending the completion of certain conditions relating to the transaction. The Company does not control the funds held in escrow and is required to return the escrow funds and prorate the share of any interest accrued in respect of the escrow funds. In the event that the conditions are not satisfied.

OUTLOOK AND SUBSEQUENT EVENTS

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.

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.