Consolidated Financial Statements of

100080686 Ontario Inc. (formerly Eddy Smart Home Solutions Inc.)

And Independent Auditor's Report thereon

Years ended December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Eddy Smart Home Solutions Inc.

Opinion

We have audited the consolidated financial statements of Eddy Smart Home Solutions Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of income (loss) and comprehensive income (loss) for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

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

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

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 6, 2022.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

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

We obtained the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis of Financial Condition and Results of Operations as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity has generated a net loss of $8,010,503 and negative cash flows from operating activities of $5,846,038 for the year ended December 31, 2021 along with an accumulated deficit of $40,028,753 and a working capital deficit of $6,625,557 as at December 31, 2021. As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 6, 2022

100080686 Ontario Inc. (formerly Eddy Smart Home Solutions Inc.)

Consolidated Statements of Financial Position

(in Canadian dollars)

	December 31, 2021	December 31, 2020
Assets	**$**	**$**
Current assets		
Cash	111,225	192,518
Restricted cash (note 4)	56,491	-
Accounts receivable (note 5)	699,156	145,449
Prepaid expenses	1,140,318	299,764
Inventory (note 6)	1,648,619	1,443,953
	3,655,809	**2,081,684**
Costs to obtain and fulfill a contract (note 11)	958,011	277,631
Right-of-use assets (note 18)	470,036	577,515
Property and equipment (note 12)	279,825	317,871
	1,707,872	1,173,017
Total Assets	**5,363,681**	**3,254,702**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	3,344,384	895,653
Deferred revenue (note 7)	365,284	102,303
Current portion of lease liabilities (note 18)	134,227	118,350
Conversion derivative of term loan (note 14)	778,680	-
Term loans (note 14)	2,556,125	250,000
Demand loans (note 14)	3,102,666	-
Total Current Liabilities	**10,281,366**	**1,366,306**
Lease liabilities (note 18)	583,541	717,767
Deferred revenue (note 7)	830,167	457,605
Loan payable (note 14)	40,000	30,000
Total Liabilities	**11,735,074**	**2,571,678**
Shareholders’ (Deficiency)/Equity		
Share capital (note 20)	33,306,141	32,658,151
Contributed surplus (note 14, 15)	334,104	13,776
Deficit	(40,028,753)	(32,018,250)
Accumulated other comprehensive income	17,115	29,348
Total Shareholders (Deficiency)/Equity	**(6,371,393)**	**683,025**
Contingencies (note 19)		
Going concern (note 2)		
Total Liabilities & Shareholders' Equity	**5,363,681**	**3,254,702**

See accompanying notes to consolidated financial statements

On behalf of the Directors:

"signature"
Mark Silver
Director

"signature"
Travis Allan
Director

100080686 Ontario Inc. (formerly Eddy Smart Home Solutions Inc.)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2021 and 2020

(in Canadian dollars)

	2021	2020
	$	$
Revenue (note 7)	1,222,836	944,313
Expenses		
Cost of Sales (note 9)	700,263	1,522,929
Selling (note 10)	806,504	518,585
General and administrative (note 8)	6,704,490	3,267,185
	8,211,257	5,308,699
Operating loss	**(6,988,421)**	**(4,364,386)**
Interest income	4,149	3,524
(Loss)/gain on foreign exchange	(22,023)	8,554
Finance cost (note 14, 20)	(1,004,208)	(60,155)
Net loss before income taxes	**(8,010,503)**	**(4,412,463)**
Income taxes (note 21)	-	-
Net loss	**(8,010,503)**	**(4,412,463)**
Other comprehensive loss:		
Items that may subsequently be reclassified to income		
Loss on foreign currency translation, of foreign operation	(12,233)	(587)
Total comprehensive loss	**(8,022,736)**	**(4,413,050)**
Net loss per share - basic and diluted (note 17)	**($0.13)**	**($0.08)**
Weighted average number of common shares outstanding (note 17)		
- Basic and diluted	61,222,853	52,707,186

See accompanying notes to consolidated financial statements

100080686 Ontario Inc. (formerly Eddy Smart Home Solutions Inc.)

Consolidated Statements of Changes in Shareholders' (deficiency)/equity

For the years ended December 31, 2021 and 2020

(in Canadian dollars)

	Number of Common Shares	Common Shares	Number of Class A Preferred Shares	Class A Preferred Shares	Number of Class B Preferred Shares	Class B Preferred Shares	Contributed Surplus	Accumulated OCI	Accumulated Deficit	Shareholder's Equity/ (deficiency)
Balance, January 1, 2021	**61,169,428**	**$ 29,397,086**	**-**	**$ -**	**10,519,566**	**$ 3,261,066**	**$ 13,774**	**$ 29,348**	**$ (32,018,250)**	**$ 683,025**
Conversion of Class A Pref shares to Common shares	-	-	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-	-	-
Exercise of stock options	300,000	4,740	-	-	-	-	(1,740)	-	-	3,000
Class B Preferred shares issued (note 20)	-	-	-	-	2,075,000	643,250	-	-	-	643,250
Share-based compensation (note 8, 9, 10, 15)	-	-	-	-	-	-	322,069	-	-	322,069
Contributed surplus	-	-	-	-	-	-	-	-	-	-
Cumulative translation adjustment	-	-	-	-	-	-	-	(12,233)	-	(12,233)
Net loss for the year	-	-	-	-	-	-	-	-	(8,010,503)	(8,010,503)
Balance, December 31, 2021	**61,469,428**	**$ 29,401,826**	**-**	**$ -**	**12,594,566**	**$ 3,904,316**	**$ 334,103**	**$ 17,115**	**$ (40,028,753)**	**$ (6,371,393)**

	Number of Common Shares	Common Shares	Number of Class A Preferred Shares	Class A Preferred Shares	Number of Class B Preferred Shares	Class B Preferred Shares	Contributed Surplus	Accumulated OCI	Accumulated Deficit	Shareholder's Equity
Balance, January 1, 2020	**10,510,978**	**$ 197,180**	**25,395,612**	**$ 25,025,377**	**-**	**$ -**	**$ 11,462**	**$ 29,935**	**$ (27,605,787)**	**$ (2,341,833)**
Conversion of Class A Pref shares to Common shares	25,395,612	25,025,377	(25,395,612)	(25,025,377)	-	-	-	-	-	-
Conversion of convertible debentures to common shares (note 20)	13,666,156	4,056,582	-	-	-	-	-	-	-	4,056,582
Class B Preferred shares issued (note 20)	-	-	-	-	10,519,566	3,261,066	-	-	-	3,261,066
Share-based compensation (note 8, 9, 10, 15)	11,596,682	117,947	-	-	-	-	7,692	-	-	125,639
Contributed surplus	-	-	-	-	-	-	(5,380)	-	-	(5,380)
Cumulative translation adjustment	-	-	-	-	-	-	-	(587)	-	(587)
Net loss for the year	-	-	-	-	-	-	-	-	(4,412,463)	(4,412,463)
Balance, December 31, 2020	**61,169,428**	**$ 29,397,086**	**-**	**$ -**	**10,519,566**	**$ 3,261,066**	**$ 13,774**	**$ 29,348**	**$ (32,018,250)**	**$ 683,025**

100080686 Ontario Inc. (formerly Eddy Smart Home Solutions Inc.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(in Canadian dollars)

	2021	2020
	$	$
Cash provided by (used in)		
Operating activities		
Net loss for the year	(8,010,503)	(4,412,463)
Add items not affecting cash		
Depreciation of property and equipment (note 12)	71,201	65,025
Depreciation of fulfillment assets (note 11)	142,670	234,997
Amortization of right-of-use assets (note 18)	107,479	107,479
Interest paid on lease liabilities (note 18)	(76,737)	(87,751)
Gain on financial instruments (note 14)	(10,000)	(190,371)
Loss on financial instruments (note 14)	359,669	-
Interest expense (note 14)	652,873	250,525
Interest income	(4,149)	(3,523)
Stock-based compensation (note 8, 9, 10, 15)	283,553	2,129
	(6,483,944)	(4,033,953)
Changes in non-cash working capital		
Restricted cash (note 4)	(56,491)	-
Accounts receivable (note 5)	(553,707)	573
Prepaid expenses	(840,554)	(95,744)
Cost to obtain and fulfill a contract (note 11)	(823,050)	(180,785)
Disposal of fulfillment assets (note 11)	-	20,366
Inventory (note 6)	(204,666)	499,055
Deferred revenue (note 7)	635,543	109,217
Accounts payable and accrued liabilities (note 13)	2,480,831	438,411
	637,906	791,093
Net cash flow (used in) operating activities	**(5,846,038)**	**(3,242,860)**
Investing activities		
Purchase of property and equipment (note 12)	(33,155)	(11,000)
Net cash flow (used in) investing activities	**(33,155)**	**(11,000)**
Financing activities		
Proceeds from equity offering (note 14, 20)	643,250	2,000,000
Exercise of stock options	3,000	-
Lease payments (note 18)	(118,350)	(104,002)
Interest on term loan	-	(7,847)
Proceeds from loan payable (note 14)	20,000	40,000
Proceeds from term loans (note 14)	2,250,000	950,000
Proceeds from demand loans (note 14)	3,000,000	-
Net cash flow from financing activities	**5,797,900**	**2,878,151**
Decrease in cash during the year	(81,293)	(375,709)
Cash, beginning of year	192,518	568,227
Cash, end of year	**111,225**	**192,518**

See accompanying notes to consolidated financial statements

1. Nature of operations and basis of presentation

100080686 Ontario Inc. ("Eddy" or the "Company") was incorporated under the Ontario Business Corporations Act on January 27, 2015. The Company is a North American provider and developer of residential and commercial smart water metering products and monitoring services, helping property owners protect, control, and conserve water usage by combining water sensing devices with behavioural learning software.

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

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

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

2. Significant accounting policies

Statement of compliance

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

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

Going concern basis of accounting

These consolidated financial statements have been prepared on a going concern 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 going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern, management considers all available information and actions within its control with respect to the future which is at least, but not limited to, twelve months from the end of the reporting period.

During the year ended December 31, 2021, the Company generated a net loss of $8,010,503 and negative cash flows from operating activities of $5,846,038. As at December 31, 2021, the Company has an accumulated deficit of $40,028,753 and a working capital deficit of $6,625,557. As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. 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.

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 or that the Company will achieve profitable operations. These consolidated financial statements do not give effect to any adjustments to the carrying value of recorded assets and liabilities, revenue and expenses, the statement of financial position classifications used and disclosures that might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

Basis of consolidation

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

Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets:

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. The Company has not classified any financial assets as FVTPL.

Financial assets at amortized cost:

Financial assets classified at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Financial assets classified as measured at amortized cost include trade receivables.

Financial assets at FVOCI:

Debt investments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. The Company has not classified any financial assets as FVTOCI.

Financial liabilities:

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets:

The Company derecognises a financial asset when:

(a) the contractual rights to the cash flows from the financial asset expire; or

(b) it transfers the rights to receive the contractual cash flows in a transaction in which either:

substantially all of the risks and rewards of ownership of the financial asset are transferred; or

the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities:

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

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Derivative financial instruments

Derivative financial instruments are recorded at their fair value at the reporting date, with changes in fair value recognized in the consolidated statements of loss and comprehensive loss. Derivative instruments with positive fair values are reported as derivative assets. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit and loss (“FVTPL”).

(vi) Convertible instruments

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

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

Impairment of trade receivables and contract assets

For trade receivables and contract assets, the Company measures its credit loss allowances using the simplified expected credit loss (“ECL”) model which estimates expected lifetime credit losses on initial recognition of the receivables. In determining the expected credit loss allowance, the Company utilized a provision matrix and groups trade receivables and contract assets based on shared credit characteristics and the days past due and takes into account evidence of non-payment risk, which may include account aging, previous experience and general economic conditions. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

the financial asset is more than 90 days past due

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

significant financial difficulty of the debtor;

a breach of contract such as a default or being more than 90 days past due;

it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

When a receivable amount is determined to be uncollectable, it is written off against the gross carrying amount of the asset and the expected credit loss provision adjusted accordingly.

Costs to Obtain and Fulfill a Contract

The Company capitalizes costs incurred to fulfill its contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract and (iii) are expected to be recovered through revenue generated under the contract. These costs primarily pertain to installation costs that relate to the satisfaction of a future performance obligation in the Company's contracts. Contract fulfillment costs are amortized on a straight-line basis over the expected contract term to cost of sales, which is consistent with the performance obligation of providing the water monitoring services to which the contract fulfillment asset relates.

Incremental direct costs of obtaining a contract primarily include sales commissions paid to sales people and agents in connection with water monitoring service contracts. These costs are deferred and amortized on the straight-line basis over the estimated contract term. 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.

Incremental direct costs of obtaining a contract primarily include sales commissions paid to sales people and agents in connection with water monitoring service contracts. These costs are deferred and amortized on the straight-line basis over the estimated contract term. 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.

The Company will recognize an impairment loss in profit or loss to the extent that the carrying amount of the contract fulfillment asset recognized exceed the remaining amount of consideration that the entity expects to receive in exchange for the water monitoring services to which the asset relates; less the costs that relate directly to providing those goods or services and that have not been recognized as expenses

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

Inventory

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

Foreign currencies

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

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

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

Property and equipment

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

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

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

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

Repairs and maintenance costs that do not improve or extend productive life are recognized in profit or loss in the period in which the costs are incurred.

Internally generated intangible assets

The Company’s invests in the research & development of proprietary software algorithms for the effective monitoring of water flow rates and identification of leaks. The Company is also continuously developing added features and solutions, as well as increasing the functionality and enhancement of optimizer algorithms.

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

Internally generated intangible assets arising from development phase of an internal project are recognized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

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

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

Impairment of non-financial assets

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

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

An impairment loss is recognized in the statement of profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

Leases

At the inception of an arrangement, the Company assesses whether the arrangement is, or contains, a lease. An arrangement is, or contains, a lease if the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether an arrangement conveys the right to control the use of an identified assets, the Company assesses whether:

the arrangement involves the use of an identified asset;

the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

the Company has the right to direct the use of the asset.

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

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

Provisions

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

Revenue recognition

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

Water monitoring services are typically billed monthly, although some customers pay annually. Amounts received in advance of fulfilling the contact are recorded as deferred revenue (usually seven years for MFR and up to five years for SFR). Payments are usually due 30 days after the invoice is issued.

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

Share-based payments

The Company grants stock options to employees, directors, officers, and consultants.

Stock options granted to employees are measured at fair value at the grant date and recognized as compensation expense over the vesting period of the underlying options with a corresponding increase in contributed surplus. The fair value of options is determined using the Black-Scholes option pricing model which incorporates all the market vesting conditions.

Stock options granted to non-employees are measured at the fair value of the goods or services received except where the fair value cannot be estimated, in which case it is measured at the fair value of the equity instrument granted at the date the entity obtains the goods or the counterparty renders service.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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

Taxation

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

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

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

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

Loss per share

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

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

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

Share capital

Incremental costs directly attributable to the issuance of capital stock are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

Related party balances

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

Government grants

Government grants related to assets are initially recognized as deferred revenue at fair value if there is reasonable assurance that the grant will be received and the Company will comply with the conditions associated with the grant. Grants related to the acquisition of assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable. Government loans are analyzed to determine whether they qualify as grants or are required to be treated as financial liabilities.

Future changes

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

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

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

IAS 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.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted. The Company is still evaluating the impact of this amendment on the consolidated financial statements.

3. Accounting judgements, estimates and assumptions

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

Judgments

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

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

Revenue recognition

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

Rental contracts with home owners:

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

Rental contracts with developers:

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

Going concern

The determination as to the Company’s ability to continue as a going concern is dependent on its ability to secure debt and equity financing, and to achieve profitable operations. Certain judgements were made when determining if and when the Company will secure debt and equity financing and achieve profitable operations and that there is a material uncertainties regarding the Company’s ability to continue as a going concern (see note 1 – Going Concern).

Determination of CGUs

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

Estimates

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

Expected credit losses

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

Useful lives of property and equipment and intangible assets

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

Impairment

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

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

Share-based compensation

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

Convertible loans

The allocation of the proceeds from the issuance of convertible loans between its components, and the subsequent remeasurement of the conversion right embedded derivative requires management to use estimates (which is the market rate for the equivalent instruments). In determining the fair value of the host debt component (which was deemed to be the most reliable measure), the Company estimated the market interest rate for an equivalent non-convertible instrument, and deducted the conversion derivative on term loan from the fair value of the convertible loan. An option pricing model is used to determine the fair value of the conversion right embedded derivative and at each reporting date which requires management to make certain assumptions and estimates. Changes in assumptions used to estimate fair value could result in different outcomes.

Fair value

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

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

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

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

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

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

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

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

4. Restricted cash

The Company has an externally imposed restriction related to credit card borrowing limits, requiring the Company to maintain cash balances to support these facilities, which amounted to $56,491 (2020 - $nil).

5. Accounts receivable

	December 31, 2021	December 31, 2020
	$	$
Accounts receivable	797,318	186,145
Expected credit losses	(98,162)	(40,696)
	699,156	**145,449**

6. Inventory

	December 31, 2021	December 31, 2020
	$	$
Installation supplies	235,395	337,746
Water monitoring equipment	1,758,104	1,685,818
Provision for inventory	(344,880)	(579,610)
	1,648,619	**1,443,953**

Inventory provision

	December 31, 2021	December 31, 2020
	$	$
Beginning of year balance	(579,610)	(244,790)
Inventory write-off	333,940	288,982
Increase in inventory provision (note 9)	(99,210)	(623,802)
End of year balance	**(344,880)**	**(579,610)**

7. Revenue

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. The Company has contracts with owners as well as developers. Revenue is recorded monthly on a straight-line basis in accordance with the Company's revenue recognition policy.

Deferred revenue is comprised of upfront prepayments received for the water leak detection monitoring services, which are recognized over the contract term. For the year ended December 31, 2021, deferred revenue amounted to $1,195,451 (2020 – $559,908). During 2021, deferred revenue addition was $822,355 (2020 - $253,369) and recognition was $186,805 (2020 - $144,152).

During 2019, the Company committed to issue 2,879,505 Eddy Common Shares, to a customer upon the installation of 5,000 leak detection equipment units. The agreement was amended on December 15, 2021 (see note 15). During 2021, 983 units (2020 - 1,063), were installed and recorded as contributed surplus. Total units installed as at December 31, 2021 amounted to 2,303 units.

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

Fiscal year	**December 31, 2021**
	$
2022	2,609,793
2023	2,477,473
2024	2,373,814
2025	2,253,541
2026	2,183,897
Thereafter	4,618,026

8. General and administrative

	2021	2020
	$	$
Wages and benefits	3,276,301	1,695,920
Consulting expense	969,696	749,406
Professional fees	1,623,006	45,465
Provision for expected credit losses (note 22)	57,766	72,922
Stock based compensation (note 15)	65,377	2,129
Depreciation on property and equipment (note 12)	71,201	65,025
Amortization on right-of-use assets (note 18)	107,479	107,479
Administrative	533,664	528,839
	6,704,490	**3,267,185**

During 2021, the Company has received a subsidy of $36,152 (2020 - $565,155) during the COVID-19 pandemic to cover part of the employee wages, this was allocated to general and administrative expenses.

During 2021, the Company has received a subsidy of $30,419 related to the head office rent (2020 - $nil) during the COVID-19 pandemic to cover part of the rental costs, this was allocated to general and administrative expenses.

9. Cost of sales

	2021	2020
	$	$
Unrecoverable installation costs	-	331,715
Stock based compensation (note 15)	76,278	-
Materials	49,659	75,600
Provision for inventory	99,210	623,802
Warehouse rent	66,000	74,000
Monitoring service	82,786	69,148
Depreciation on costs to obtain and fulfill a contract (note 11)	142,670	234,997
Licensing and network fees	183,660	113,667
	700,263	**1,522,929**

The Company leases warehouse space on a month-to-month basis, during 2021 the lease expense was $66,000 (2020 - $75,000). Included in accounts payable on December 31, 2021 is an amount owing of $49,720.

10. Selling

	2021	2020
	$	$
Salaries	393,391	303,950
Marketing	88,170	94,935
Stock based compensation (note 15)	141,898	-
Commission expense	66,185	63,368
General	116,860	56,331
	806,504	**518,585**

11. Costs to obtain and fulfill a contract

Cost to obtain and fulfill a contract consisted of the following:

	December 31, 2021
	Cost to obtain and fulfill a contract
	$
Cost	
Balance at December 31, 2020	1,502,495
Additions	823,050
Disposals	-
Balance at December 31, 2021	**2,325,545**

	Cost to obtain and fulfill a contract
	$
Accumulated depreciation	
Balance at December 31, 2020	(1,224,864)
Depreciation	(142,670)
Balance at December 31, 2021	(1,367,534)
Net book value at December 31, 2021	**958,011**

	December 31, 2020
	Cost to obtain and fulfill a contract
	$
Cost	
Balance at December 31, 2019	1,342,076
Additions	180,785
Disposals	(20,366)
Balance at December 31, 2020	**1,502,495**

	Cost to obtain and fulfill a contract
	$
Accumulated depreciation	
Balance at December 31, 2019	(989,867)
Depreciation	(234,997)
Balance at December 31, 2020	(1,224,864)
Net book value at December 31, 2020	**277,631**

Disposals relate to non recoverable equipment costs.

12. Property and equipment

Property, equipment and other assets consisted of the following:

				December 31, 2021
	Office equipment, furniture and fixtures	Computer hardware	Leasehold improvements	Total
	$	$	$	$
Cost				
Balance at December 31, 2020	91,730	10,552	345,952	448,234
Additions	-	33,155	-	33,155
Balance at December 31, 2021	**91,730**	**43,707**	**345,952**	**481,389**

	Office equipment, furniture and fixtures	Computer hardware	Leasehold improvements	Total
			$	$
Accumulated depreciation				
Balance at December 31, 2020	(32,575)	(1,652)	(96,136)	(130,363)
Depreciation	(16,597)	(6,471)	(48,133)	(71,201)
Balance at December 31, 2021	(49,172)	(8,123)	(144,269)	(201,564)
Net book value at December 31, 2021	**42,558**	**35,584**	**201,683**	**279,825**

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

	Office equipment, furniture and fixtures	Computer hardware	Leasehold improvements	Total
			$	$
Accumulated depreciation				
Balance at December 31, 2019	(16,843)	(551)	(47,944)	(65,338)
Depreciation	(15,732)	(1,101)	(48,192)	(65,025)
Balance at December 31, 2020	(32,575)	(1,652)	(96,136)	(130,363)
Net book value at December 31, 2020	**59,155**	**8,900**	**249,816**	**317,871**

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2021	December 31, 2020
	$	**$**
Accounts payables	2,697,668	684,091
Accruals and other payables	646,716	211,562
	3,344,384	**895,653**

14. Term loans, demand loans, convertible debentures and loan payable

	Note	December 31, 2021 $	December 31, 2020 $
Term loans - current	A	2,556,125	250,000
Demand loans - current	B	3,102,666	-
Convertible debentures - non current	C	-	-
Loan payable - non current	D	40,000	30,000
		5,698,791	**280,000**

A - Term loans

On January 6, 2021, the Company issued a convertible loan, to several shareholders, for interim financing in the amount of $2,000,000 (the funding received in December 4, 2020 was $250,000 and the funding received on January 6, 2021 was $1,750,000), 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 Eddy Common Shares at a twenty percent discount to the amount paid for the shares by the other participants in the equity raise. The conversion feature is considered a derivative as it is not on a fixed-for-fixed basis and has been recorded at fair value using the effective interest method and subsequently measured at amortized cost. The embedded derivative associated with the conversion feature is a Level 3 (see note 22) on the fair value hierarchy and amounts to $778,680. The fair value of the conversion derivative of the term loan was determined by discounting the accrued interest of the convertible loan held to maturity by the estimated market yield on a straight debt (non-convertible) for an issuance of similar term and credit quality.

On June 4, 2021, the convertible loan was further increased by $500,000 (for a total of $2,500,000), with the same terms as stated for the January 6, 2021 loan. The modification associated with this transaction resulted in recognizing a gain of $19,840.

On September 14, 2021, the convertible loan was amended to extend the maturity date to February 28, 2022 (from September 30, 2021). The modification associated with this transaction resulted in recognizing a gain of $221,337.

During 2021, the accrued interest of the 9% per annum lending rate amounted to $205,257 (2020 - $1,721) on the term loans of $2,500,000 (2020 - $250,000) and is reflected in the carrying value of the term loans.

The carrying value of the term loan on December 31, 2021:

Opening balance - January 1, 2021	$	250,000
Proceeds from issuance - January 6, 2021		1,750,000
Conversion derivative on term loan		(177,835)
Proceeds from issuance - June 4, 2021		500,000
Gain on modification		(19,840)
Gain on modification, on amendment		(221,337)
Accrued interest		475,137
Carrying value - December 31, 2021	$	2,556,125

Issued in 2020

On May 7, 2020, term loans (issued as follows: November 2019 - $250,000, December 2019 - $300,000, January 2020 - $250,000, February 2020 - $250,000 and March 2020 - $200,000) in the amount of $1,250,000 (plus accrued interest of $11,066) were converted into 4,067,953 Eddy Class B Preferred shares (the details are outlined below).

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

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

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

B - Demand loans

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. During 2021, accrued interest of $52,542 is reflected in carrying amount of the demand loan.

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. During 2021, accrued interest of $50,124 is reflected in carrying amount of the demand loan.

C - Convertible debentures

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

D - Loan payable

During 2021, the Company received the Canada Emergency Business Account (“CEBA”) loan in the amount of $20,000 (2020 - $40,000, which was provided interest free with 33% of the amount forgivable if repaid on or before December 31, 2023. The Company will fully repay the outstanding balance of $40,000 on or before December 31, 2023, and $20,000 will be forgiven.

Finance cost includes:

	Note	2021	2020
		$	$
Modification gains, increased convertible loan	A	(19,840)	-
Modification gains, extended maturity of convertible loan	A	(221,337)	-
Modification gains, debt conversion	C	-	(180,371)
Loans payable, gain on repayment	D	(10,000)	(10,000)
Remeasurement of conversion derivative on term loan	A	600,845	-
Interest on term loan	A	475,137	37,523
Interest on demand loan	B	102,666	-
Convertible debenture interest	C	-	125,252
Accretion on lease obligations		76,737	87,751
		1,004,208	**60,155**

15. Share-based compensation

On June 1, 2021, the company granted options to an officer of the Company to purchase up to 250,000 shares at a price of $0.33 per share with the expiry date of June 30, 2031. These options vested 33% one year after issuance, 33% two years after issuance and 33% three years after issuance. The fair value of these options was estimated at $59,675 using the Black-Scholes options pricing model.

On May 28, 2021, the company granted options to an officers of the Company to purchase up to 750,000 shares at a price of $0.33 per share with the expiry date of May 28, 2031. These options vested 33% one year after issuance, 33% two years after issuance and 33% three years after issuance. The fair value of these options was estimated at $179,025 using the Black-Scholes options pricing model.

On April 30, 2021, the company granted options to an employee of the Company to purchase up to 1,000,000 shares at a price of $0.33 per share with the expiry date of April 30, 2031. These options vested 33% one year after issuance, 33% two years after issuance and 33% three years after issuance. The fair value of these options was estimated at $238,700 using the Black-Scholes options pricing model.

In January 4, 2021, the company granted options to certain of the officers and employees of the Company to purchase up to 450,000 shares at a price of $0.31 per share with the expiry date of January 4, 2031. These options vested on issuance and the fair value of these options was estimated at $99,000 using the Black-Scholes options pricing model.

The following assumptions were used in arriving at the grant-date fair value associated with the stock options:

	2021 issuance	**Prior years**
Exercise price	$0.31 to $0.33	$0.01
Risk free rate	0.39% to 0.94%	1.46%
Expected life	5 years	5 years
Expected volatility	94% to 96%	70%
Expected dividends	Nil	Nil

	December 31, 2021		**December 31, 2020**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,350,000	$0.01	1,600,000	$0.01
Options Granted	450,000	$0.31	-	-
Options Granted	2,000,000	$0.33	-	-
Exercised	(300,000)	$0.01	(100,000)	$0.01
Forfeiture	(120,000)	$0.01	(150,000)	$0.01
Expired	-	$0.01	-	-
Outstanding, end of year	**3,380,000**	**$0.24**	**1,350,000**	**$0.01**
Number of Options exercisable	**1,147,500**	**$0.13**	**675,000**	**$0.01**

The following options were issued and outstanding as at December 31, 2021:

Expiry date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price
June 1, 2031	250,000	-	$0.33
May 28, 2031	750,000	-	$0.33
April 30, 2031	1,000,000	-	$0.33
January 4, 2031	450,000	450,000	$0.31
September 29, 2029	930,000	697,500	$0.01
Number of Options exercisable	**3,380,000**	**1,147,500**	**$0.13**

Total stock options outstanding as at December 31, 2021 were 3,380,000 (December 31, 2020 – 1,350,000), of which 1,147,500 are exercisable (December 30, 2020 – 675,500).

During 2021, the Company issued 2,450,000 options under the stock options plan (During 2020, nil options were issued under the stock options plan).

During 2021, 300,000 options were exercised under the stock options plan (During 2020, 100,000 options were exercised under the stock options plan).

During 2021, 120,000 options were forfeited (During 2020, 150,000 options were forfeited).

During 2021, stock based compensation expense amounted to $283,553 (2020 - $2,129). During 2021, the stock base compensation expense was allocated to general and administrative expense amounted to $65,377 (2020 - $2,129), to cost of sales $76,278 (2020 - $nil) and selling expense $141,898 (2020 - $nil).

During 2020, stock based compensation expense amounted to $2,129 and was allocated to general and administrative expense. During 2020, $557 was allocated to common shares on the exercise of employee stock options.

The Company had issued 113,000 warrants (with an exercise price of $1.30) as partial compensation for its equity raises. The warrants expire as follows: 35,000 on June 25, 2022, 21,000 on October 30, 2022 and 57,000 on May 23, 2023.

In January 2019, an exclusive supplier agreement as entered into with a developer and also customer of the Company (the "Developer") to issue 2,879,505 Common Shares only after the Company's leak detection equipment has been installed in 5,000 Condominium units. In addition, the same developer received 1,869,152 Preferred Share Warrants with $1 exercise price. If the developer does not exercise at least 467,288 warrants by December 31, 2021, they will forfeit all remaining un-exercised warrants. The expiry date for exercising the warrants is December 31, 2023. During 2021, $38,516 (2020 - $6,122) was recorded in contributed surplus related to 983 units installs performed by the developer.

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 the Developer. Pursuant to the Addendum, the Company agreed to issue, or to cause to be issued, 1,453,767 Resulting Issuer Shares and 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 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.

16. Related party transactions and balances

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. (See note 14).

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. (See note 14).

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 (see note 14).

On June 4, 2021, the convertible loan was further increased by $500,000 (for a total of $2,500,000), with the same terms as stated for the January 6, 2021 loan (see note 14).

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

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

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

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

Term loans to Eddy Class B Preferred Shares:

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

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

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

Key management personnel compensation

For the year ended December 31, 2021 and 2020, the compensation awarded to key management personnel is as follows:

	2021	**2020**
	$	$
Salaries, fees and other short-term benefits	918,021	959,783
Stock-based compensation (note 16, 21)	97,671	-
	1,015,692	959,783

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

17. Net loss per share

	2021	**2020**
	$	$
Net loss for the year	(8,010,503)	(4,412,463)
Weighted average number of common shares outstanding	61,222,853	52,707,186
Basic and diluted loss per share	**($0.13)**	**($0.08)**

As at January 1, 2021, 61,169,428 common shares were outstanding and on October 27, 2021 there was an exercise of 300,000 stock options. The weighted average share count during 2021 were 61,222,853. As at December 31, 2021, 61,469,428 common shares were outstanding.

The affect of the conversion of 2,075,000 Class B preferred shares, 697,500 stock options (in the money) exercisable at $0.01/share, warrants (out of the money) and convertible term loans into the Company's common shares (note 14) were not included into the computation of the fully diluted earnings per share, as the affect of the conversion would be anti-dilutive.

18. Leases

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

Right-of-use assets

	Equipment	Office	Total
	$	$	$
Balance at December 31, 2020	**4,519**	**572,996**	**577,515**
Addition during the period	-	-	-
Amortization charge for the period	(1,695)	(105,784)	(107,479)
Balance at December 31, 2021	**2,824**	**467,212**	**470,036**

Lease liabilities

	December 31, 2021	December 31, 2020
Maturity analysis - contractual undiscounted cash flow		
Less than one year	198,328	195,086
One to five years	683,324	881,652
More than five years	-	-
Total undiscounted lease liabilities	**881,652**	**1,076,738**
Lease liabilities	**717,768**	**836,117**
Current	**134,227**	**118,350**
Non-current	**583,541**	**717,767**

Amount recognized in consolidated statement of loss and comprehensive loss

	December 31, 2021	December 31, 2020
Leases under IFRS 16		
Interest on lease liabilities recorded on operating activities	**76,737**	**87,751**

Amount recognized in consolidated statement of cash flows

	December 31, 2021	December 31, 2020
Total cash outflow for leases included in financing activities	**118,350**	**104,002**

The Company leases warehouse space on a month-to-month basis, during 2021 the lease expense was $66,000 (2020 - $78,000). Included in accounts payable on December 31, 2021 is an amount owing of $44,000.

19. Contingencies

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

On September 14, 2021, a former employee filed a $267,000 claim related to wrongful dismissal by the Company. This claim was settled on March 24, 2022, for an amount of $48,000.

20. Share capital

The following share were issued and outstanding as at December 31, 2021

	Number of Common Shares	Common Shares	Number of Class A Preferred Shares	Class A Preferred Shares	Number of Class B Preferred Shares	Class B Preferred Shares	Amount
Balance, January 1, 2020	**61,169,428**	**$ 29,397,086**	**-**	**-**	**10,519,566**	**$ 3,261,066**	**$ 32,658,152**
Conversion of Class A Pref to Common shares	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
Exercise of stock options	300,000	4,740	-	-	-	-	4,740
Class B Preferred shares issued	-	-	-	-	2,075,000	643,250	643,250
Stock option compensation	-	-	-	-	-	-	-
Balance, December 31, 2020	**61,469,428**	**$ 29,401,826**	**-**	**$ -**	**12,594,566**	**$ 3,904,316**	**$ 33,306,141**

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

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

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

During 2021, the Company issued 2,075,000 (2020 - 10,519,566) Class B Preferred Shares for $643,250 (2020 - $3,261,066).

During 2020, 10,519,566 Eddy Class B Preferred shares were issued for $3,261,066 (this includes the term loans in the amount of $1,250,000, plus accrued interest of $11,066, converted into 4,067,953 Eddy Class B Preferred shares). See note 14 and 15.

On March 27, 2020, the Company issued 11,000,000 Eddy Common Shares to the current CEO of the Company as a settlement for certain compensation in the amount of $110,000. The CEO holds the 11,000,000 Eddy Common Shares through a Holding Company (the "Holding Company") which he controls (note 16).

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

On March 27, 2020, the Company issued 161,682 Eddy Common Shares to the former president of the Company, the share issuance was part of a severance agreement (note 16).

On March 1, 2020, the convertible debentures in the amount of $4,236,953 (principal of $4,033,267 and accrued interest of $203,686), were converted into 13,666,158 Eddy Common Shares, upon conversion a gain of $180,371 was recognized (note 14).

21. Income tax

Provision for income taxes:

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

Rate reconciliation	December 31, 2021	December 31, 2020
	$	$
Loss before income taxes	(8,010,503)	(4,412,463)
Combined basic Canadian corporate income tax rate	26.5%	26.5%
Income tax expense (recovery) based on the above rate	(2,122,783)	(1,169,303)
Non-deductible expenses and other	79,142	581
Change in unrecognized deductible temporary differences	2,043,641	1,168,722
Deferred income tax recovery	-	-

Unrecognized deferred tax assets	December 31, 2021	December 31, 2020
	$	$
Operating losses carried forward	37,285,233	30,040,206
Depreciable capital assets	2,018,056	1,424,168
Share issuance costs / deferred financing fees	32,232	106,280
Other	(53,011)	57,601
Total unrecognized temporary differences	39,282,510	31,570,654

The company has loss for income tax purposes of approximately $37,290,000 (2020 - $30,050,000), of which approximately US $2,160,000 (2020 - US $2,300,000) relate to the US operations, available to reduce future years' income for tax purposes which expire between 2035 and 2041. The potential tax benefit of these loses has not been recognized.

Deferred income tax

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

	December 31, 2021	December 31, 2020
DTA	1,229,215	613,532
DTL	249,120	153,041

22. Risk management

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

Covid

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

During 2021, the Company received wage subsidies totaling $36,152 (2020 - $565,155), and an interest free loans totaling $20,000 (2020 - $40,000) from the Canadian government. The wage subsidies were recorded to general and administrative expenses in the consolidated statement of loss and comprehensive loss. The full extent of the impact of the COVID-19 outbreak on the Company's business is not known at this time.

Capital and risk management

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

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

Credit risk

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

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

Provisions for outstanding balances are established based on forward-looking information and revised when there are changes in circumstances that would create doubt over the receipt of funds. Such reviews are conducted on a continued basis through the monitoring of outstanding balances as well as the frequency of payments received. Accounts receivables are completely written off once management determines the probability of collection to be remote. During 2021, $76,870 (2020 - $97,141) of receivables written off are still subject to collection enforcement activity. Payment terms are usually 30 days after the invoice is issued.

The following tables present the provision for credit losses in the accounts receivable based on the Company's operating sectors: single-family residence ("SFR"), multi-family residence ("MFR") and customer & industrial ("C&I").

The provision for credit losses on accounts receivable as at December 31, 2021:

Accounts receivable		**Current**		**60 - 120 days**		**Over 120 days**		**Total**
SFR	$	200,854	$	1,526	$	1,428	$	203,808
MFR		332,282		18,492		41,236		392,010
C&I		201,500		-		-		201,500
	$	**734,636**	**$**	**20,018**	**$**	**42,664**	**$**	**797,318**

Provision for credit losses		**Current**		**60 - 120 days**		**Over 120 days**		**Total**
SFR	$	39,643	$	763	$	1,071	$	41,477
MFR		33,635		2,774		10,201		46,610
C&I		10,075		-		-		10,075
	$	**83,353**	**$**	**3,537**	**$**	**11,272**	**$**	**98,162**
Accounts receivable, net							**$**	**699,156**

The provision for credit losses on accounts receivable as at December 31, 2020:

Accounts receivable		**Current**		**60 - 120 days**		**Over 120 days**		**Total**
SFR	$	61,756	$	2,804	$	41,663	$	106,223
MFR		79,103		-		-		79,103
C&I		481		-		338		819
	$	**141,340**	**$**	**2,804**	**$**	**42,001**	**$**	**186,145**

Provision for credit losses		**Current**		**60 - 120 days**		**Over 120 days**		**Total**
SFR	$	4,140	$	835	$	27,690	$	32,665
MFR		8,032		-		-		8,032
C&I		-		-		-		-
Expected credit losses	**$**	**12,172**	**$**	**835**	**$**	**27,690**	**$**	**40,697**
Accounts receivable, net							**$**	**145,449**

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

Balance - December 31, 2020	$40,697
Net allowance recognized as an expense	136,788
Receivable written off	(79,323)
Balance - December 31, 2021	$98,162

Currency risk

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

Regarding translation exposure, if the Canadian dollar had been 5% stronger/weaker versus the US dollar for the year ended December 31, 2021, with all other variables held constant, income for the period would have been $612 higher/lower (2020 – $116).

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 2021, approximately 27% (2020 – 47%) of the Company's total sales were in US dollars. Consequently, some assets are exposed to foreign exchange fluctuations.

As at December 31, 2021, operating cash was $80,282 (US $25,930) and accounts receivable of $2,396 (US $1,890). As at December 31, 2020, operating cash was $101,474 (US $79,700) and accounts receivable of $32,199 (US $25,290). These are US dollars balances.

Interest rate risk

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

Liquidity risk

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

Contractual obligations as at December 31, 2021 are due as follows:

	Total	Less than 6 months	6 - 12 months	1 - 3 years	4 - 5 years
Accounts payable and accrued liabilities	3,344,384	1,924,970	1,391,527	27,887	-
Term Loans (note 14)	2,705,257	2,705,257	-	-	-
Demand Loans (note 14)	3,102,666	3,102,666	-	-	-
Lease obligation, office (note 18)	877,969	98,059	98,059	407,503	274,347
Lease obligation, equipment (note 18)	3,684	1,105	1,105	1,473	-
Loan payable (note 14)	40,000	-	-	40,000	-
	10,073,959	**7,832,058**	**1,490,691**	**476,863**	**274,347**

Accounts payable and accrued liabilities includes a warranty provision of $27,887 (2020 - $12,900), related to water monitoring equipment, and $205,257 (2020 - $1,721) of accrued interest related to term loan.

As at December 31, 2021, the contractual obligation related to the term loans included principal of $2,500,000 and accrued interest amounting to $205,257.

As at December 31, 2021, the contractual obligation related to the demand loans included principal of $3,000,000 and accrued interest amounting to $102,666.

Fair value of financial instruments

The fair value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and demand loans approximate their carrying amounts largely due to the short-term maturities of these instruments and are considered to be Level 1 fair value estimates.

The fair value of the term loans (host liability) and loan payable are estimated at a specific point in time, based on relevant market information. This estimate is based on quoted market prices for the same of similar issues or on the current rates offered to the Entity for similar financial instruments subject to similar risk and maturities. Fair value measurements of these instruments were estimated using Level 2 inputs.

The fair value of the Company's conversion derivative of term loan was determined using a probability weighted expected return method as quoted market prices or third-party consensus pricing information is not available. In applying this method, an expected payment was determined under two potential scenarios, each payment was then weighted by an estimated probability of the corresponding scenario occurring, and then the probability weighted payments were discounted to the valuation date and summed. The probability of a liquidity event occurring and discount rate represents Level 3 inputs. The scenarios probability ranged from 80%-100% as at December 31, 2021, the annual discount rate ranged from 22% - 26%, the timing of liquidity event was considered to be at maturity date given the instrument has a short life.

The following table summarizes the sensitivity impact to the embedded derivative fair value from a change in certain assumptions:

Input	**Relationship between the key unobservable inputs and fair value measurement**
Scenario probability	Depending on the scenario the probability is applied to, a change in this input can either increase or decrease the estimated fair value
Discount rate	Increase (decrease) of the discount rate would decrease (increase) the estimated fair value respectively.

December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Conversion derivative of term loan	-	-	(778,680)	(778,680)
	$ -	**$ -**	(778,680)	$ (778,680)

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1, Level 2 or Level 3 fair value measurements

23. Segment reporting

Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For the purpose of segment reporting, the Company's Chief Executive Officer (CEO) is the Chief Operating Decision Maker (CODM).

The Company operates in three operating segments, which are based on the Company's organizational structure and how the information is reported internally on a regular basis. These operating segments are managed separately because they require different sales and marketing strategies. The Company's revenue is generated from its customers in the following market sectors: single-family residence ("SFR"), multi-family residence ("MFR") and customer & industrial ("C&I"). The Company's revenue is generated from customers in Canada and the USA.

Information related to each reportable segment is set out below. Segment profit and loss information is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

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

Year ended December 31, 2021	SFR	MFR	C&I	Corporate	Total
	$	$	$	$	$
Revenue	684,494	532,707	5,635	-	1,222,836
Cost of sales (note 9)	391,979	305,057	3,227	-	700,263
Selling (note 10)	451,448	351,340	3,716	-	806,505
General and administrative (note 8)	-	-	-	6,704,490	6,704,490
Interest income	-	-	-	(4,149)	(4,149)
Loss/(gain) on foreign exchange	-	-	-	22,023	22,023
Finance costs (note 14, 20)	-	-	-	1,004,208	1,004,208
Income taxes (note 21)	-	-	-	-	-
Net loss	**(158,933)**	**(123,690)**	**(1,308)**	**(7,726,572)**	**(8,010,503)**

Year ended December 31, 2020	SFR	MFR	C&I	Corporate	Total
	$	$	$	$	$
Revenue	650,872	288,049	5,392	-	944,313
Cost of sales (note 9)	1,049,686	464,547	8,696	-	1,522,929
Selling (note 10)	357,437	158,187	2,961	-	518,585
General and administrative (note 8, 22)	-	-	-	3,267,185	3,267,185
Interest income	-	-	-	(3,524)	(3,524)
Loss/(gain) on foreign exchange	-	-	-	(8,554)	(8,554)
Finance costs (note 14, 20)	-	-	-	60,155	60,155
Income taxes (note 21)	-	-	-	-	-
Net loss	**(756,251)**	**(334,685)**	**(6,265)**	**(3,315,262)**	**(4,412,463)**

The Company's revenue by geography are as follows:

	December 31, 2021	December 31, 2020
	$	$
Canada	883,064	503,092
USA	339,772	441,221
Total	**1,222,836**	**944,313**

The Company's total assets by geography are as follows

	December 31, 2021	December 31, 2020
	$	$
Canada	5,302,085	3,105,215
USA	61,596	149,487
Total	**5,363,681**	**3,254,702**

24. 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 subsequently resulted 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 the completion of the Transaction, each Agent received warrants that were 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 was structured as a three-cornered amalgamation and, as a result, the amalgamated corporation became 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 was 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 changed its name to “Eddy Smart Home Solutions Ltd.”

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 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.

The proceeds from the subscription receipts were held in escrow ("Escrow Funds") pending the completion of certain conditions relating to the transaction. The Company did not control the funds held in escrow and would have been 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 were not satisfied.

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 issued an aggregate of 20,513,768 Subscription Receipts for aggregate gross proceeds of $12,308,260 under the Private Placement.

25. Subsequent events

On January 13, 2022, Aumento Capital VIII Corp. ("Aumento") (TSX-V: AMU.P) and the Company have completed their Qualifying Transaction (as such term is defined by the TSX Venture Exchange (the "TSXV")) pursuant to which Aumento and the Company combined their respective businesses (the "Transaction"). In connection with the Transaction: all subscription receipts of the Company issued pursuant to its brokered private placement for aggregate gross proceeds of $12,308,260.80 were converted into common shares of Eddy ("Eddy Common Shares") on the basis of two Eddy Common Shares for every one subscription receipt and the proceeds therefrom were released from escrow; all Eddy Common Shares were exchanged for common shares in the capital of Aumento ("Resulting Issuer Shares") on the basis of 0.504867 Resulting Issuer Shares for every one Eddy Common Share; and Aumento changed its name from "Aumento Capital VIII Corp." to "Eddy Smart Home Solutions Ltd." The Resulting Issuer Shares resumed trading under the symbol "EDY" on January 27, 2022. The Transaction resulted in the issuance of 65,262,619 Resulting Issuer Shares.

On March 3, 2022, a claim was filed in the amount of $175,000 against the Company, related to an employee breaching post-employment obligation and fiduciary obligations. The Company believes that there is no merit to this claim.

On March 25, 2022, the Company announced it entered into a definitive agreement on March 24, 2022 (the "Agreement") for the acquisition (the "Transaction") of all of the issued and outstanding common shares of Reed Controls Inc. (dba Reed Water) ("Reed"). Closing of the transaction remains subject to approval by the TSX Venture Exchange (the "TSXV") and other customary closing conditions.

Pursuant to the Agreement, the total purchase price for the Transaction will be C$7,359,600. The total consideration (the "Share Consideration") will be paid in common shares of the Company at a per share price of $0.60 per share with an estimated 12,266,000 shares being issued. The Share Consideration will be subject to a twenty-four (24) month lock-up period, provided that the Share Consideration will be released from the lock-up requirements on the first business day following each of the four, six, nine, twelve, fifteen, eighteen and twenty-one month anniversaries of the closing date, and such other terms, as may be imposed by the TSXV. The Share Consideration will also be subject to a statutory four month hold period.

Upon the closing of the Transaction, Reed's founders will join the Company's leadership team. Reed has also been granted a right to nominate a director to serve on Eddy's board of directors (the "Board"), and a Board observer.

On April 12, 2022, the Company initiated a claim against a former service provider seeking damages of approximately $1,300,000. On April 29, 2022, the Company received a statement of defense and counterclaim in the amount of $1,526,817, which is provided for in accounts payable and accrued liabilities.

26. Comparative information

Certain comparative information has been reclassified to conform with the financial statements presented in the current year.