Eddy Smart Home Solutions Inc.

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

Years ended December 31, 2020, 2019 and 2018

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

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

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements within the meaning of applicable Canadian securities laws ("**forward-looking statements**" or "**forward-looking information**") that involve various risks and uncertainties and should be read in conjunction with the accompanying consolidated financial statements for the years ended December 31, 2020, 2019, and 2018.

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

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

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

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

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

- management's views regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- the Company's financial and operating attributes as at the date hereof and its anticipated future performance;
- assumptions regarding the volume and mix of business activities remaining consistent with current trends;
- the Company's ability to obtain financing on acceptable terms;

- the Company's ability to enter into long-term revenue agreements with established developers and insurance companies;
- the concentration risk of suppliers;
- assumptions regarding foreign exchange rates; and
- the timing and amount of capital expenditures.

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

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

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

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

Liquidity

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

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

The Company has also been successful in raising capital in the past. During the year ended December 31, 2020, the Company increased its capitalization by $4,056,582, related to a convertible debenture converted into 13,666,158 common shares. Furthermore, 10,519,566 Class B Preferred share were issued for $3,261,066. In addition, on September 14, 2021, the Company completed the first tranche of a brokered private placement of an aggregate of 17,615,269 Subscription Receipts for aggregate gross proceeds of $10,569,161 (the "First Tranche"). On October 12, 2021, the Company completed the second tranche of a brokered private placement of 2,898,499 subscription receipts for additional aggregate gross proceeds of $1,739,099 (the "Second Tranche"). Including the Subscription Receipts sold under the first tranche of the Private Placement, the Company has issued an aggregate of 20,513,768 Subscription Receipts for aggregate gross proceeds of $12,308,260. Each Subscription Receipt will be automatically converted, without additional consideration or any further action on the part of the holder thereof, into two (2) common shares in the capital of the Company upon the satisfaction of certain conditions related to the qualifying transaction. The Company also has support from a shareholder who has committed to support the

Company with financing of up to $10,000,000 to meet its operational objectives if the Company does not satisfy the conditions related to the qualifying transaction.

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

OVERVIEW

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 Company believes that this provides substantial protection to single-family homes as well as commercial and residential buildings at every stage of the building cycle, including construction.

Utilizing a direct sales approach, the Company's initial go-to-market strategy focused on the retail single-family residential ("SFR") market in California. Deploying a SaaS based model that included 24/7 monitoring and data, the Company offered subscribers the technology and tools to control their water usage. The earliest product included both a remote and automatic shutoff that utilized behavioural learning to understand the unique water usage patterns of homeowners.

A market need refocused the Company into multi-family residential ("MFR") and commercial & institutional ("C&I") buildings, a value proposition enhanced by an amplified threat of water damage that includes business interruption and the displacement of residents. As such, a significant pivot opportunity emerged that represented a total addressable market encompassing not only single-family homes, but also MRFs, and C&I properties, both for retrofit and in construction.

To enable this expanded market strategy long term and to further enhance its integrated leak protection and water management approach, the Company invested significant resources into both hardware and software, which would accommodate sub-metering, commercial-scale behavioral learning, large pipe sizes, humidity, and temperature, and a commercial property management application, as well as a new form of connectivity specific to high interference environments.

The Company has invested and now has resources, knowledge base, and a fully developed product suite to meet the demands of the MRF, SFR, and C&I market at scale through its already established sales team and channel partners in insurance, telecommunications, constructors, and developers.

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: SFR, MFR and C&I.

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

- In 2020, the revenue was comprised of SFR at 68.9%, MFR at 30.5% and C&I at 0.6%.
- In 2019, the revenue was comprised of SFR at 90.7%, MFR at 9.2% and C&I at 0.1%.
- In 2018, the revenue was comprised of SFR at 92.5%, MFR at 7.0% and C&I at 0.5%.

The Company's cloud-based leak detection platform currently manages more than 15,000 in-building devices as of December 31, 2020 (2019 – 9,100, 2018 – 6,300). The Company provides its subscribers with a fully integrated solution including device installation and 24/7 monitoring.

Products and Services

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

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

Segments

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

The growth of the MFR segment from 7.0% of revenue in 2018, to 9.2% of revenue in 2019 to 30.5% of revenue in 2020 is consistent with the Company's focus on diversify revenue across segments outside of SFR.

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

	2020	**2019**	**2018**
Canada	53%	43%	24%
USA	47%	57%	76%

Sales and Distribution Channels

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

Field Operations

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

Monitoring Center and Support Services

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

Net Change in Subscribers

As of December 31, 2020, the Company had 1,922 subscribers in the SFR segment (2019 – 1,929, 2018 – 1,862), 3,972 subscribers in the MFR segment (2019 – 1,476, 2018 – 844), and 38,343 square foot managed in the C&I segment (2019 – 38,343, 2018 – 19,935).

The majority of the SFR subscribers are based in California and Ontario. The Company initially focused on growing the SFR segment through direct sales. SFR subscriber count has declined since 2018 primarily due to the discontinuation of new subscriber acquisition efforts as the Company attempted to diversify revenue across the MFR and C&I segments. The Company has also shifted the distribution strategy in the SFR segment away from direct sales and towards indirect sales through channel partners such as insurance carriers and home security firms. COVID-19 negatively impacted the Company's SFR segment in 2020 as many on-site installations were put on hold. The growth in subscriber count for MFR and square foot managed for C&I reflects the Company's efforts to grow these segments. The Company is focusing on generating a robust pipeline of potential contracts in these two segments. COVID-19 negatively impacted the Company's MFR and C&I segments in 2020 as there were mandated construction site shut down, which delayed the implementation of the Company's equipment and monitoring services.

The following tables summarizes the Company's net change in subscribers and square foot aggregation by segment for the years ended December 31, 2020, 2019, and 2018.

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

December 31, 2019						
	Opening Dec 31, 2018	**Net Change Q1 2019**	**Net Change Q2 2019**	**Net Change Q3 2019**	**Net Change Q4 2019**	**Closing Dec 31, 2019**
SFR Subscribers	1,862	(30)	21	61	15	1,929
MFR Subscribers	844	198	--	225	209	1,476
C&I Square Foot	19,935	--	--	--	18,408	38,343

December 31, 2018						
	Opening Dec 31, 2017	Net Change Q1 2018	Net Change Q2 2018	Net Change Q3 2018	Net Change Q4 2018	Closing Dec 31, 2018
SFR Subscribers	1,886	(14)	(21)	(30)	41	1,862
MFR Subscribers	--	1	133	426	284	844
C&I Square Foot	19,935	--	--	--	--	19,935

Seasonality

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

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

	2020	2019	2018
Consolidated			
Revenue	$944,313	$784,156	$888,484
Net Loss	($4,412,463)	($5,209,606)	($3,955,423)
EBITDA [1]	($3,503,910)	($3,973,463)	($3,653,310)
Adjusted EBITDA [1]	($4,075,386)	($3,948,315)	($3,656,846)
SFR			
Revenue	$650,872	$711,437	$822,203
Net subscriber change (in units)	(7)	67	(24)
MFR			
Revenue	$288,049	$71,969	$62,194
Net subscriber change (in units)	2,496	632	844
C&I			
Revenue	$5,392	$750	$4,087
Net subscriber change (in square footage)	--	18,408	--

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

CONSOLIDATED RESULTS OF OPERATIONS

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

(in Canadian dollars)

	2020	2019	2018
	$	$	$
Revenue	944,313	784,156	888,484
Expenses			
Cost of Sales	1,213,932	337,766	492,524
Depreciation on fulfillment assets	234,997	254,396	297,783
General and administrative	3,188,565	4,270,577	3,429,658
Selling	423,650	482,326	473,510
(Gain)/loss on foreign exchange	(8,554)	18,678	(3,536)
Provision for of expected credit losses	72,922	54,009	159,998
Stock based compensation	2,129	6,470	-
Depreciation on property and equipment	65,025	63,892	1,446
Amortization on right-of-use assets	107,479	107,479	1,412
	5,300,145	5,595,593	4,852,795
Operating loss	**(4,355,832)**	**(4,811,437)**	**(3,964,311)**
Gain on financial instruments	190,371	-	-
Interest income	3,524	7,019	9,623
Interest expenses	(250,526)	(405,188)	(736)
Net Loss before income taxes	**(4,412,463)**	**(5,209,606)**	**(3,955,424)**
Income taxes	-	-	-
Net loss	**(4,412,463)**	**(5,209,606)**	**(3,955,423)**

Revenue

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

2020 vs. 2019

Revenue for the year ended December 31, 2020, increased by $160,157 to $944,313 as compared to $784,156 as reported for the same period in 2019. This increase was a result of an increase in the Ontario market monitoring fees as the subscription base was higher in 2020 versus 2019, there two MFR construction projects in 2020 compared to none in 2019. Offset by attrition in the SFR segment in California. The attrition in California is a result of customer contracts maturing and not being renewed.

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

2019 vs. 2018

Revenue for the year ended December 31, 2019, decreased by $104,328 to $784,156 as compared to $888,484 as reported for the same period in 2018. This decrease a result of attrition in the SFR segment in California, which is a result of customer expires exceeding contract renewals. This is offset by an increase in the Ontario market monitoring fees as the subscription base was higher in 2019 versus 2018.

Cost of Sales

Cost of sales primarily includes installation labour, material, monitoring services, provision for inventory and licensing fees related to monitoring services and related costs. Cost of sales related to water monitoring equipment that is sold upfront, is allocated to contracted assets and recognized on a straight-line basis over the contract term.

2020 vs. 2019

Cost of sales for the year ended December 31, 2020, increased by $876,166 to $1,213,932 compared to $337,766 as reported for the same period in 2019. During 2020, installation cost increased by $255,399, provision for inventory increased by $575,555 and licensing and network fees increased by $49,690 over the comparable period as the subscription base was marginally higher during 2020. Offset by margin decreases in materials and monitoring services.

2019 vs. 2018

Cost of sales for the year ended December 31, 2019, decreased by $154,758 to $337,766 compared to $492,524 as reported for the same period in 2018. During 2019, installation costs decreased by $37,692, materials costs decreased by $48,421 and the provision for inventory decreased by $106,609, which was offset by an increase in monitoring services of $6,738 and licensing and network fees by $31,226. The subscription base was marginally higher during 2019.

General & Administrative Expense

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

2020 vs. 2019

General & administrative expense for the year ended December 31, 2020, decreased by $1,082,013 to $3,188,565 as compared to $4,270,577 reported for the same period in 2019. This decrease was primarily a result of lower wages and benefits costs by $263,772 (as $565,150 was received from the Government related to a COVID-19 wage subsidy program), research and project expenses of $4185,962, administrative expenses of $222,200 and product subcontractor costs of $448,368. This was offset by increases professional fess of $6,293 and marketing expense of $31,996, as corporate travel was lower due to COVID-19 restrictions.

2019 vs. 2018

General & administrative expense for the year ended December 31, 2019, increased by $840,919 to $4,270,577 as compared to $3,429,658 reported for the same period in 2018. This increase was primarily a result of higher wages and benefits of $314,040, reach and project expense of $195,309, marketing of $38,761, administrative of $162,250 and product subcontractor costs of $155,030, offset by lower professional fees of $24,470.

Selling Expense

Selling expense primarily includes salaries, commissions related to obtaining a contract and travel costs.

2020 vs. 2019

Selling expense for the year ended December 31, 2020, decreased by $58,677 to $423,650 as compared to $482,326 reported for the same period in 2019. During 2020, salaries decreased by $86,750, general expense which primarily related to travel decreased by $9,158, offset by an increase in commission of $37,231 over the comparable period. There was less sales activity and travel expenses during 2020 due to COVID-19 shutdowns and travel restrictions.

2019 vs. 2018

Selling expense for the year ended December 31, 2019, increased by $8,816 to $482,326 as compared to $473,510 reported for the same period in 2018. During 2019, salaries increased by $9,786, commissions increased by $26,137 offset by general expense related to advertising and promotions which was decreased by $27,107.

Expected Credit Losses and Derecognition of Accounts Receivable

Expected credit losses and derecognition of accounts receivable primarily relate to subscribers in the SFR segment in California. See MD&A the Credit Risk section of this MD&A and note 23 of the Company's consolidated financial statements for the years ended December 31, 2020, 2019 and 2018 for additional details.

Depreciation of Fulfillment Assets

Contract fulfillment assets comprise of costs associated with obtaining and fulfilling the Company's water monitoring service contracts. Costs of fulfilling contracts include inventory costs of the installed water monitoring hardware, direct labour and materials and sales commission related to obtaining contracts, when these costs are expected to be recoverable from the contract. Once under contract, these costs are amortized into cost of sales over the contract life consistent with the pattern of revenue recognition for the performance obligations for services being provided. Sales commissions that relate directly to a contract with terms of 12 months or less (or nominal amounts) are immediately recognized as a cost of sale in the year incurred. See note 5 of the Company's consolidated financial statements for the years ended December 31, 2020, 2019 and 2018, for impact on adoption of IFRS.

2020 vs. 2019

Depreciation of fulfillment assets for the year ended December 31, 2020, decreased by $19,399 to $234,997 as compared to $254,396 as reported for the same period in 2019. This decrease in deprecation was primarily a result of attrition in the SFR segment in California. The equipment is typically not retrieved from the subscribers' premises upon completion of the contract term or attrition as the cost of retrieval outweighs the value of the equipment.

2019 vs. 2018

Depreciation of fulfillment assets for the year ended December 31, 2019, decreased by $43,387 to $254,396 as compared to $297,783 as reported for the same period in 2018. The decrease was primarily a result due to attrition in the SFR segment in California. The equipment is typically not retrieved from the subscribers' premises upon attrition as the cost of retrieval outweighs the value of the equipment. Upon subscriber attrition, the Company derecognizes the asset related to the equipment, which results in lower depreciation expense.

Depreciation of Property and Equipment

Depreciation of property and equipment primarily consists of the depreciation of office and warehouse equipment, furniture and fixtures, computer hardware, vehicles, and leasehold improvements (see note 5 of the Company's consolidated financial statements for the years ended December 31, 2020, 2019 and 2018, for impairment on adoption of IFRS).

2020 vs. 2019

Depreciation of property and equipment for the year ended December 31, 2020, increased by $1,133 to $65,025 as compared to $63,892 as reported for the same period in 2019.

2019 vs. 2018

Depreciation of property and equipment for the year ended December 31, 2019, increased by $62,446 to $63,892 as compared to $1,446 as reported for the same period in 2019. During 2019, deprecation of property and equipment deprecation increase, given the increase of acquisitions which pertained to leasehold improvements.

Depreciation of Right-of-Use Assets

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

2020 vs. 2019

Depreciation of right-of-use assets for the year ended December 31, 2020, was $107,479, inline with the comparable period.

2019 vs. 2018

Depreciation of right-of-use assets for the year ended December 31, 2019, increased by $106,067 to $107,479 as compared to $1,412 as reported for the comparable period in 2019. This increase was a result of entering in the Toronto head office lease.

Income Taxes

Note 22 of the accompanying consolidated financial statements presents reconciliation of income tax for the year ended December 31, 2020, 2019 and 2018.

Basic and Diluted Loss Per Share

2020 vs. 2019

Basic and diluted loss per share for the year ended December 31, 2020, was ($0.08) as compared to ($0.49) as reported in the same period in 2019. This increase was primarily due to an improvement in the net loss to ($4,412,463) from ($5,209,606) over the comparable period. And an increase in the weighted average number of Eddy Common Shares outstanding during the year to 52,707,186 (2019 – 10,594,728). During 2020, 25,395,612 Class A preferred shares were converted to Eddy Common Shares and 24,827,838 Eddy Common Shares were issued upon the conversion of convertible debentures.

2019 vs. 2018

Loss per Share for the year ended December 31, 2019, was ($0.49) as compared to ($0.38) as reported in the same period in 2018. This increase was primarily due to the increase in net loss and offset by a marginal increase in weighted average number of Eddy Common Shares outstanding.

Adjusted EBITDA[1]

	2020	2019	2018
	$	$	$
Net Loss	(4,412,463)	(5,209,606)	(3,955,423)
(+) Tax Expense / (Recovery)	--	--	--
(+) Interest Expense	250,526	405,188	736
(+) Depreciation, Property and Equipment	65,025	63,892	1,446
(+) Depreciation, Fulfillment Assets	234,997	254,396	297,783
(+) Amortization, Right-of-Use Assets	107,479	107,479	1,412
Reported EBITDA	**(3,503,910)**	**(3,973,463)**	**(3,653,310)**
(+) Loss / (Gain) on FX	(8,554)	18,678	(3,536)
(+) Share-based Compensation Expense	2,233	6,470	--
(-) Canadian Emergency Wage Subsidy	(565,155)	--	--
Adjusted EBITDA	**(4,075,386)**	**(3,948,315)**	**(3,656,846)**

<u>*2020 vs. 2019*</u>

Adjusted EBITDA for the year ended December 31, 2020, decreased by $127,071 to ($4,075,386) as compared to ($3,948,315) as reported for the same period in 2019. During 2020, the Reported EBITDA was higher by $469,553 to ($3,503,910) as compared to ($3,975,463) as reported for the same period in 2019. During 2020, the Company received $565,155 in government assistance related to COVID-19.

<u>*2019 vs. 2018*</u>

Adjusted EBITDA for the year ended December 31, 2019, decreased by $291,469 to ($3,948,315) as compared to ($3,653,846) as reported for the same period in 2018. During 2019, the Reported EBITDA was lower by $320,153 ($3,973,463) as compared to ($3,653,310) as reported for the same period in 2018. During 2019, the net loss was primarily higher as reported over the comparable period in 2018.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in Canadian dollars)

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

Total Assets

2020 vs. 2019

Total assets as at December 31, 2020 decreased by $1,015,674 to $3,254,702 as compared to $4,270,376 reported for the same period in 2019. The decrease is a result of lower carrying values of asset over the comparable period, offset by an increase in the contracted assets (relates to straight-line revenue recognition for the upfront sales), and prepaid expenses.

2019 vs. 2018

Total assets as at December 31, 2019 decreased by $198,804 to $4,270,376 as compared to $4,469,180 reported for the same period in 2018. The decrease is a result of lower carrying values of asset over the comparable period, offset by an increase in accounts receivables, inventory and right-of-use assets (related to the Toronto head office lease).

2018 vs. January 1, 2018

Total assets as at December 31, 2018 increased by $715,459 to $4,469,180 as compared to $3,753,721 reported as at January 1, 2018.

Total Liabilities

2020 vs. 2019

Total liabilities as at December 31, 2020, decreased by $4,040,533 to $2,571,678 as compared to $6,612,210 reported for the same period in 2019. The decrease is a result of lower carrying values for term loans, convertible debentures, lease liabilities and due to related parties offset by higher carrying values for accounts payable and accrued liabilities and deferred revenue.

2019 vs. 2018

Total liabilities as at December 31, 2019, increased by $4,997,919 to $6,612,210 as compared to $1,614,291 reported for the same period in 2018. The increase is a result of higher carrying values for term loans, lease liabilities, deferred revenue and accounts payable and accrued liabilities, offset by due to related parties.

2018 vs. January 1, 2018

Total liabilities as at December 31, 2018 increased by $1,096,497 to $1,614,291 as compared to $517,794 reported as at January 1, 2018. The increase is a result of higher carrying values for deferred revenue, lease liabilities, and due to related parties, offset by lower carrying values for accounts payable and accrued liabilities.

Total Shareholders' Equity

2020 vs. 2019

Total shareholders' equity as at December 31, 2020, increased $3,024,859 to $683,025 as compared to ($2,341,834) reported for the same period in 2019. The increase was primarily due to the conversion of term loan and long-term debt into equity offset by the net loss recognized in 2020.

2019 vs. 2018

Total shareholders' equity as at December 31, 2019, decreased $5,198,723 to ($2,341,834) as compared to $2,854,889 reported for the same period in 2018. The decrease was primarily due to the net loss recognized in 2019, offset by the contributed surplus.

2018 vs. January 1, 2018

Total shareholder's equity as at December 31, 2018 decreased by $498,716 to $2,854,889 as compared to $3,353,605 reported as at January 1, 2018. The decrease was primarily due to the net loss recognized in 2018, offset by Class A preferred share issuance.

SEGMENTED RESULTS OF OPERATIONS

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

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

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

Year ended December 31, 2019	SFR	MFR	C&L	Corporate	Total
	$	$	$	$	$
Revenue	711,437	71,969	750	-	784,156
Cost of sales	306,443	31,000	323	-	337,766
Depreciation of fulfillment costs	230,849	23,304	243	-	254,396
Selling	437,682	44,184	460	-	482,326
Provision for expected credit losses	49,000	4,956.89	52	-	54,009
General and administrative	-	-	-	4,270,577	4,270,577
(Gain)/loss on foreign exchange	-	-	-	18,678	18,678
Stock based compensation	-	-	-	6,470	6,470
Depreciation on property and equipment	-	-	-	63,892	63,892
Depreciation on right-of-use assets	-	-	-	107,479	107,479
Interest income	-	-	-	(7,019)	(7,019)
Interest expense	-	-	-	405,188	405,188
Income taxes	-	-	-	-	-
Net loss	**(312,538)**	**(31,476)**	**(328)**	**(4,865,265)**	**(5,209,606)**

Year ended December 31, 2018	SFR	MFR	C&L	Corporate	Total
		$	$	$	$
Revenue	822,203	62,194	4,087	-	888,484
Cost of sales	455,782	34,477	2,266	-	492,524
Depreciation of fulfillment costs	205,248	90,834	1,700	-	297,783
Selling	433,430	37,596	2,484	-	473,510
Provision for expected credit losses	148,062	11,200	736	-	159,998
General and administrative	-	-	-	3,429,658	3,429,658
(Gain)/loss on foreign exchange	-	-	-	(3,536)	(3,536)
Stock based compensation	-	-	-	-	-
Depreciation on property and equipment	-	-	-	1,446	1,446
Depreciation on right-of-use assets	-	-	-	1,412	1,412
Interest income	-	-	-	(9,623)	(9,623)
Interest expense	-	-	-	736	736
Income taxes	-	-	-	-	-
Net loss	**(420,319)**	**(111,913)**	**(3,099)**	**(3,420,093)**	**(3,955,423)**

SFR Segment

2020 vs. 2019

SFR revenue for the year ended December 31, 2020, decreased by $60,565 to $650,872 as compared to $711,437 reported for the same period in 2019. The decrease was primarily driven by attrition in the SFR segment in California.

2019 vs. 2018

SFR revenue for the year ended December 31, 2019, decreased by $110,766 to $711,437 as compared to $822,203 reported for the same period in 2018. The decrease was primarily driven by attrition in the SFR segment.

MFR Segment

2020 vs. 2019

MFR revenue for the year ended December 31, 2020, increased by $216,080 to $288,049 as compared to $71,969 reported for the same period in 2019. The increase was primarily driven by higher subscriber count.

2019 vs. 2018

MFR revenue for the year ended December 31, 2019, increased by $9,775 to $71,969 as compared to $62,194 reported for the same period in 2018.

C&I Segment

2020 vs. 2019

C&I revenue for the year ended December 31, 2020, increased by $4,642 to $5,392 as compared to $750 reported for the same period in 2019.

2019 vs. 2018

C&I revenue for the year ended December 31, 2019, decreased by $3,337 to $750 as compared to $4,087 reported for the same period in 2018. During 2018, there was a non-recuring sale to a customer.

Corporate

2020 vs. 2019

The aggregate corporate expenditures for the year ended December 31, 2020, decreased by $1,453,991 to $3,411,275 as compared to $4,865,265 reported for the same period in 2019. During 2020, the Company received wage subsidies totaling $565,155 from the Canadian government, which was allocated to general and administrative expenses.

2019 vs. 2018

The aggregate corporate expenditures for the year ended December 31, 2019, increased by $1,445,172 to $4,865,265 as compared to $3,420,093 reported for the same period in 2019.

QUARTERLY FINANCIAL INFORMATION

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

OFF-BALANCE SHEET ITEMS

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

The Company has no financial obligations under derivative instruments.

RELATED PARTY TRANSACTIONS

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

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:

Term loans to Eddy Class Preferred Shares:

- On March 9, 2020, term loan financing was received by the Company in the amount of $200,000, at 9% per annum with a maturity date of December 31, 2020. This term loan was converted into 650,873 Eddy Class B Preferred Shares on May 7, 2020.

- On February 13, 2020, term loan financing was received by the Company in the amount of $250,000, at 9% per annum with a maturity date of December 31, 2020. This term loan was converted into 813,591 Eddy Class B Preferred Shares on May 7, 2020.
- On January 21, 2020, term loan financing was received by the Company in the amount of $250,000, at 9% per annum with a maturity date of December 31, 020. This term loan was converted into 813,591 Eddy Class B Preferred Shares on May 7, 2020.
- On December 24, 2019, term loan financing was received by the Company in the amount of $300,000, at 9% per annum with a maturity date of December 31, 2020. This term loan was converted into 976,309 Eddy Class B Preferred Shares on May 7, 2020.
- On November 7, 2019, term loan financing was received by the Company in the amount of $250,000, at 9% per annum with a maturity date of December 31, 2020. This term loan was converted into 813,591 Eddy Class B Preferred Shares on May 7, 2020.

Term loans to convertible debentures to Eddy Common Preferred Shares:

- On September 30, 2019, the Company received one promissory note of $250,000. Upon issuance, there was no interest payable on this loan and no specified term of maturity. On June 30, 2019, this promissory note was rolled into a term loan, at 12% interest and set to mature December 31, 2019. At maturity, on December 31, 2019, the term loan plus accrued interest in the amount $7,562 were rolled into a convertible debenture, at 12% per annum payable semi-annually, amounting to $257,562. On March 1, 2020, the convertible debenture plus accrued interest of $5,067, amounting to $262,629 were rolled into 847,188 Eddy Common Shares.
- On April 23, 2019, the Company received one promissory note of $250,000. Upon issuance, there was no interest payable on the loan and no specified term of maturity. On June 30, 2019, the promissory note was rolled into a term loan, at 12% per annum and set to mature December 31, 2019. At maturity, on December 31, 2019, the term loan plus accrued interest in the amount $21,050 were rolled into a convertible debenture, at 12% interest payable semi-annually, amounting to $271,050. On March 1, 2020, the convertible debenture plus accrued interest of $6,665, amounting to $277,715 were rolled into 895,857 Eddy Common Shares.
- On March 12, 2019, the Company received one promissory note for a total of $500,000. Upon issuance, there was no interest payable on this loan and no specified term of maturity. On June 30, 2019, the promissory note was rolled into a term loan, at 12% per annum and set to mature December 31, 2019. At maturity, on December 31, 2019, the term loan plus accrued interest in the amount $44,193 were rolled into a convertible debenture, at 12% interest payable semi-annually, amounting to $544,193. On March 1, 2020, the convertible debenture plus accrued interest of $13,382, amounting to $557,575 were rolled into 1,798,628 Eddy Common Shares.
- On December 10, 2018, the Company received two promissory notes for a total of $1,000,000. Upon issuance, there was interest payable on these loans and no specified term of maturity. On June 30, 2019, these promissory notes were rolled into a term loan, at 12% per annum and set to mature December 31, 2019. At maturity, on December 31, 2019, the term loan plus accrued interest in the amount $120,462 were rolled into a convertible debenture, at 12% interest payable semi-annually, amounting to $1,120,462. On March 1, 2020, the convertible debenture plus accrued interest of $27,552, amounting to $1,148,014 were rolled into 3,703,272 Eddy Comon Shares.

January 1, 2018, the Company had entered into a loan agreement with a shareholder for an interest free loan in the amount of $54,398. On December 31, 2019, this was rolled into a convertible debenture, at 12% interest payable semi-annual. On March 1, 2020, the convertible debenture plus accrued interest of $1,070, amounting to $55,468 was rolled into 178,928 Eddy Common Shares.

Key management personnel compensation

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

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

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

FINANCIAL INSTRUMENTS

The fair values of accounts receivable, prepaid expenses, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

CONTRACTUAL OBLIGATIONS

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

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

Contractual obligations for the year ended December 31, 2020, totaled $1,175,653 with $818,150 due within six months, $314,603 due between 6-12 months, $42,900 due between 1-3 years, and $nil due between 4-5 years.

Accounts payables & accrued liabilities are amounts owed to vendors related to expenses that arise from business operations. The term loan consists of a $250,000 advance by a shareholder of the Company, at 9% per annum payable to maturity, set to mature on September 30, 2021 (which has been amended to mature on February 28, 2022). During 2020, the Company received a $40,000 interest-free Canada Emergency Business Account loan. The Company will fully repay the outstanding balance of $30,000 on or before December 31, 2022, and $10,000 will be forgiven.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

As at December 31, 2020, the Company had $280,000 of debt obligations outstanding, consisting of a $250,000 term loan and a government COVID-19 loan recorded at $30,000. As at December 31, 2019, the Company had a carrying value of $4,649,045 of debt obligation consisting of a $550,000 term loan, and convertible debentures with a net carrying value of $4,099,045. Upon issuance of the convertible debentures, the convertibility feature was valued at $5,380 and allocated to contributed surplus, and the issuance costs were $57,000.

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

We believe the ability to obtain financing from existing shareholders will continue and will be sufficient to fund our anticipated operating expenses for more than the next twelve months from December 31, 2020. Please see the "Outlook and Subsequent Events" section of the MD&A below for a discussion regarding a brokered private placement completed by the Company subsequent to year-end. The Company may eventually require additional working capital and general and administrative requirements to fund growth.

	2020	**2019**	**2018**
Cash Flow From Operating Activities	($3,155,109)	($3,643,937)	($3,813,304)
Cash Flow From Investing Activities	($11,000)	($16,306)	($420,929)
Cash Flow From Financing Activities	$2,790,400	$3,193,912	$4,583,783
Change in Cash During the Period	($375,709)	($466,331)	$349,550
Opening Cash Balance	$568,227	$1,034,558	$685,007
Ending Cash Balance	$192,518	$568,227	$1,034,558

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 water monitoring services payments. Management of the Company monitors the creditworthiness of its customers by performing background checks on all new customers focusing on publicity, reputation in the market, and relationships with customers and other vendors. Further, management monitors the frequency of payments from ongoing customers and performs frequent reviews of outstanding balances.

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

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

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

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

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

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

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

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

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

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

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

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

FOREIGN CURRENCY RISK

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

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 $31 higher/lower (2019 – $112 and 2018 – $1,426).

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. During 2020, approximately 46% (2019 – 57%, 2018 - 73%) of the Company's total sales were in US dollars. Consequently, some assets are exposed to foreign exchange fluctuations.

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

ACCOUNTING JUDGMENTS, ESTIMATE AND ASSUMPTIONS

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

Judgments

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

Judgments, made by management in the application of IFRS that have a significant impact on the 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 homeowners:

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

Rental contracts with developers:

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

Going concern

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

Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Company must identify CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The composition of a CGU can directly impact the recoverability of non-financial assets included within the CGU. Management has determined that the Company has three CGUs: single family homes, multi-residential units and commercial & industrial.

Estimates

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

Expected credit losses

The Company recognizes an amount equal to the lifetime expected credit loss ("ECL") on trade and long term receivables, other receivables, unbilled revenue and amounts due from related parties for which there has been a significant increase in credit risk since initial recognition. Loss allowances are measured based on historical experience and forecasted economic conditions. The Company estimates this rate based on the credit rating and historical experience with the customers. The amount of ECL is sensitive to changes in circumstances of forecast economic conditions.

Useful lives of property and equipment – and intangible assets

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

Impairment

In assessing the value of intangible assets or non-financial assets for potential impairment, assumptions are made regarding future cash flows. These calculations require the use of estimates. If these estimates change in the future, the Company may be required to record impairment charges related to intangible assets. Determining whether an impairment has occurred requires the valuation of the respective assets or CGU's, which the Company estimate the recoverable amount using a discounted cash flow method. The key estimates and assumptions used are revenue growth, gross margin, and discount rate. These estimates are based on experience and management's expectations of future changes in the market and forecasted growth initiatives.

Share-based compensation

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

Convertible debentures

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

COVID-19

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. A consolidated subsidiary is an investee controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has (i) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee), (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect its returns.

All intercompany balances and transactions are eliminated in full upon consolidation. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent company and to the noncontrolling interests.

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

CHANGES IN ACCOUNTING POLICIES

Future Changes

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

IAS 1, Presentation of Financial Statements

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

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

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

IAS 16, Property, Plant and Equipment

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

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

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

IAS 12, Income Taxes

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

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The Company's consolidated financial statements for the years ended December 31, 2020, 2019, and 2018 are prepared in accordance with IFRS. The Company reports on certain non-IFRS measures that are used by management to evaluate the performance of the Company. Since non-IFRS measures do not have standardized meanings prescribed by IFRS, securities regulations require that non-IFRS measures be clearly defined, qualified, and reconciled with their nearest IFRS measure. These measures do not have standardized meanings or interpretations and may not be comparable to similar terms and measures provided by other issuers.

Reported EBITDA and Adjusted EBITDA

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

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

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

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

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

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

	IFRS			Operational		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Revenue	$944,313	$784,156	$888,484	$1,123,103	$1,120,631	$991,390
Cost of Sales	$1,213,932	$337,766	$492,524	$332,950	$213,680	$212,230
Gross Margin	**($269,619)**	**$446,390**	**$395,960**	**$790,153**	**$906,951**	**$779,160**

During 2020, the Company's IFRS revenue reported on a straight-line basis per IFRS 15, was $178,790 less than the operational revenue, the cost of sales reported was $880,982 higher than the operational cost of sales and the gross margin was $1,059,772 less than the operational gross margin. During 2020, the Company derecognized revenue in the amount of $113,590 and charged a provision for inventory in the amount of $623,802.

During 2019, the Company's IFRS revenue reported on a straight-line basis per IFRS 15, was $336,475 less than the operational revenue, the cost of sales reported was $124,086 greater than the operational cost of sales and the gross margin was $460,561 less than the operational gross margin. During 2019, the Company derecognized revenue in the amount of $200,755 and charged a provision for inventory in the amount of $48,247.

During 2018, the Company's IFRS revenue reported on a straight-line basis per IFRS 15, was $102,906 less than the operational revenue, the cost of sales reported was $280,294 greater than the operational cost of sales and the gross margin was $383,200 less than the operational gross margin. During 2018, the Company derecognized revenue in the amount of $97,141 and charged a provision for inventory in the amount of $154,856.

RISKS AND UNCERTAINTIES

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

Attrition and Competition

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

Concentration of Suppliers

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

COVID-19

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

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

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

Credit Risk

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

Cybersecurity

The Company collects, processes, transmits and retains confidential, sensitive and personal information including personal financial information ("Confidential Information") regarding its subscribers, employees, and contractors.

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

Foreign Exchange Impacts

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

Geographic Concentration and New Building Construction

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

Labour Relations

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

Leverage Risk and Restrictive Covenants

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

Litigation Risk

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

Regulatory Matters

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

Reliance on Third Party Contractors

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

Uninsured or Underinsured Risks

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

Useful Life of Equipment

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

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures, and controls to ensure that the information used internally by management and disclosed externally is complete, reliable, and timely. In addition, the Company's Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed and approved this MD&A as well as the consolidated financial statements for the years ended December 31, 2020, 2019 and 2018.

OUTLOOK AND SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

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

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

On October 12, 2021, the Company completed the second tranche of its Private Placement, issuing an additional 2,898,499 Subscription Receipts for additional aggregate gross proceeds of $1,739,099. Including the Subscription

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

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

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

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