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

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

Years ended December 31, 2021 and 2020

100080686 Ontario Inc. ("Eddy" or 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.

This Management's Discussion and Analysis ("MD&A") is dated as of May 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, 2021 and 2020. 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, 2021 and 2020.

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 2022 under the "Issuance of Subscription Receipts" and "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

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.

Going concern basis of accounting

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, 2021, the Company generated a net loss of $8,010,503 and negative cash flows from operating activities of $5,846,038. As at December 31, 2021, the Company has an accumulated deficit of $40,028,753 and a working capital deficit of $6,625,557. As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company is dependent on its ability to achieve positive cash flow from operations, to obtain the necessary equity or debt financing to continue with expansion in the water monitoring services market, and to ultimately attain and maintain profitable operations.

While management has a high degree of confidence that this trend of capital raising will continue, there is no assurance that it will be successful in closing additional financings in the future. 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 2021, the revenue was comprised of SFR at 56.0%, MFR at 43.5% and C&I at 0.5%.
- In 2020, the revenue was comprised of SFR at 68.9%, MFR at 30.5% and C&I at 0.6%.

The Company's cloud-based leak detection platform currently manages more than 29,778 in-building devices as of December 31, 2021 (2020 – 15,000). 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 30.5% of revenue in 2020, to 43.5% of revenue in 2021. This 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.

	2021	**2020**
Canada	72%	53%
USA	28%	47%

Sales and Distribution Channels

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

Field Operations

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

Monitoring Center and Support Services

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

Net Change in Subscribers

As at December 31, 2021, the Company had 1,794 subscribers in the SFR segment (2020 – 1,922), the installations during 2021 amounted to 350 (2020 – 272). The Company had 8,561 subscribers in the MFR segment (2020 – 3,972), the installations during 2020 amounted to 9,178 (2020 – 4,992). The Company has 38,343 square footage managed in the C&I segment (2020 – 38,343).

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

The following tables summarizes the Company's net change in subscribers and square footage aggregation by segment for the years ended December 31, 2021 and 2020.

December 31, 2021								
	Opening December 31, 2020	Additions Q1 2021	Additions Q2 2021	Additions Q3 2021	Additions Q4 2021	Total Additions	Attritions	Closing December 31, 2021
SFR Subscribers	1,922	49	24	42	60	175	(303)	1,794
MFR Subscribers	3,972	1,581	198	2,117	693	4,589	-	8,561
C& I sq ft	38,343	-	-	-	-	-	-	38,343

December 31, 2020								
	Opening December 31, 2019	Additions Q1 2020	Additions Q2 2020	Additions Q3 2020	Additions Q4 2020	Total Additions	Attritions	Closing December 31, 2020
SFR Subscribers	1,929	43	14	39	40	136	(143)	1,922
MFR Subscribers	1,476	810	174	190	1,322	2,496	-	3,972
C& I sq ft	38,343	-	-	-	-	-	-	38,343

Seasonality

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

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The Company's consolidated financial statements for the years ended December 31, 2021 and 2020 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) finance costs / 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.

	2021	2020
	$	$
Net Loss	(8,010,503)	(4,412,463)
(+) Finance Costs	1,004,208	60,155
(+) Depreciation, Property and Equipment	71,201	65,025
(+) Depreciation, Fulfillment Assets	142,670	234,997
(+) Amortization, Right-of-Use Assets	107,479	107,479
Reported EBITDA	**(6,684,945)**	**(3,944,807)**
(+) Loss / (Gain) on FX	22,023	(8,554)
(+) Share-based Compensation Expense	283,553	2,129
(-) Canadian Emergency Wage Subsidy	(36,152)	(565,155)
Adjusted EBITDA	**(6,415,521)**	**(4,516,387)**

Adjusted EBITDA for the year ended December 31, 2021, decreased by $1,899,134 to ($6,684,945) as compared to ($3,944,807) as reported in 2020. During 2021, the Reported EBITDA decreased by $2,740,138 to ($6,414,521) as compared to ($4,516,387) as reported in 2020. During 2021, the Company received $36,152 (2020 – $565,155) in government assistance related to COVID-19 to cover part of the employee wages.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

	Years ended December 31	
	2021	**2020**
Consolidated statement of operations highlights		
Revenue - SFR	$684,494	$650,872
Revenue - MFR	$532,707	$288,049
Revenue - C&I	$5,635	$5,392
Total revenue	$1,222,836	$944,313
Net loss	($8,010,503)	($4,412,463)
Net loss per share - basic and diluted	($0.13)	($0.08)
Non-IFRS measures		
EBITDA [1]	($6,434,419)	($3,694,280)
Adjusted EBITDA [1]	($6,164,995)	($4,265,860)

	December 31	
	2021	**2020**
Consolidated statement of financial position highlights		
Total assets	$5,363,681	$3,254,702
Total liabilities	$11,735,074	$2,571,678
Total shareholders (deficiency)/equity	($6,371,393)	$683,025

[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, 2021 and 2020
(in Canadian dollars)

	Three month ended			
	December 31, 2021	**December 31, 2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Revenue	254,193	287,445	1,222,836	944,313
Expenses				
Cost of Sales	(110,817)	271,130	700,263	1,522,929
Selling	152,982	163,181	806,504	518,585
General and administrative	1,545,772	1,366,958	6,704,490	3,267,185
	1,587,937	1,801,269	8,211,257	5,308,699
Operating loss	**(1,333,744)**	**(1,513,824)**	**(6,988,421)**	**(4,364,386)**
Interest income	3,210	231	4,149	3,524
(Loss)/gain on foreign exchange	192 -	286	(22,023)	8,554
Finance cost	(787,967)	(12,681)	(1,004,208)	(60,155)
Net Loss before income taxes	**(2,118,309)**	**(1,526,560)**	**(8,010,503)**	**(4,412,463)**
Income taxes	-	-	-	-
Net loss	**(2,118,309)**	**(1,526,560)**	**(8,010,503)**	**(4,412,463)**

Revenue

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.

Revenue for the three months ended December 31, 2021, decreased by $33,252 to $254,193 as compared to $287,445 reported for the same period in 2020. This decrease was a result of higher attrition in the SFR segment in California, which is a result of customer contracts maturing and not being renewed, and less MFR installs for construction projects over the comparable period.

Revenue for the year ended December 31, 2021, increased by $278,523 to $1,222,836 as compared to $944,313 reported for the same period in 2020. This increase was a result of growth in SFR revenue by $33,622, MFR revenue increased by $244,658 with C&I revenue being inline with 2020.

COVID-19 negatively impacted the Company's SFR segment in both 2021 and 2020 as many on-site installations were put on hold. COVID-19 also adversely impacted the Company's MFR and C&I segments in both years as there were mandated construction site shut down, which delayed the implementation of the Company's equipment and monitoring services.

Cost of Sales

Cost of sales primarily includes unrecoverable installation costs, stock-based compensation of operations staff, materials, provision for inventory, warehouse rent, monitoring service, depreciation on costs to obtain and fulfill a contract 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.

Cost of sales for the three months ended December 31, 2021, was ($110,817) compared to $271,130 as reported for the same period in 2020. The improvement in cost of sales during the current period was a result of capitalizing installation labour to costs to obtain and fulfill a contract assets based on recoverability and a lower provision for inventory impairment, which was offset by higher licensing and network fees due to more MFR deployments.

Cost of sales for the year ended December 31, 2021, decreased by $822,666 to $700,263 compared to $1,522,929 as reported for the same period in 2020. The lower cost of sales for the year ended December 31, 2021, is mainly due to direct labour being assessed as recoverable and capitalized to costs to obtain and fulfill a contact asset assets, and the inventory provision being lower by $524,590 over 2020.

General & Administrative Expense

General & administrative expense primarily includes wages and benefits for office staff, consulting expense, professional fees, provision for expected credit losses, stock-based compensation for administrative staff, depreciation on property and equipment, amortization of right-of-use assets and administrative.

General & administrative expense for the three months ended December 31, 2021, increased by $178,814 to $1,545,772 as compared to $1,366,958 reported for the same period in 2020.

General & administrative expense for the year ended December 31, 2021, increased by $3,437,305 to $6,704,490 as compared to $3,267,185 reported for the same period in 2020. During 2021, wages and benefits increased by $1,580,381, consulting expense increased by $220,290, professional fees increase by $1,577,541, stock-based compensation increased by $63,248, deprecation on property and equipment increased by $6,176, administrative expense increased by $4,825, and this was offset by a decrease the provision for expected credit losses of $15,156. During 2021, professional fees related to the public listing amounted to approximately $1.6 million.

The increase in corporate expenditures is largely due to increased professional fees, including accounting and legal expenses, associated with the Company's public listing on the TSX-V. However, as the Company grows, it is expected that general and administrative expenses will decrease as a percentage of revenue.

During 2021, the Company received $36,152 (2020 – $565,155) in government assistance related to COVID-19 to cover part of the employee wages, this was allocated to general and administrative expenses.

Selling Expense

Selling expense primarily includes salaries, marketing, stock-based compensation for sales staff, commission expense and general.

Selling expense for the three months ended December 31, 2021, decreased by $10,199 to $152,982 as compared to $163,181 reported for the same period in 2020.

Selling expense for the year ended December 31, 2021, increased by $287,919 to $806,504 as compared to $518,585 reported for the same period in 2020. During 2021, salaries increased by $89,441, stock-based compensation increased by $141,898, commission related to obtaining contracts increased by $2,817 and general expense which primarily relates to the warranty provision increased by $60,529 and offset by a decrease in marketing by $6,765.

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 22 of the Company's consolidated financial statements for the years ended December 31, 2021 and 2020 for additional details.

Depreciation on Costs to Obtain and Fulfill a Contract

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

Depreciation on costs to obtain and fulfill a contract for the three months ended December 31, 2021, increased by $39,034 to $83,382 as compared to $44,348 as reported for the comparable period in 2020.

Depreciation on costs to obtain and fulfill a contract for the year ended December 31, 2021, decreased by $92,327 to $142,670 as compared to $234,997 as reported in 2020. This decrease in deprecation of the costs to obtain and fulfill a contact was primarily a result of the SFR segment in California, given that the deployed assets are reaching full deprecation.

Depreciation on Property and Equipment

Depreciation on property and equipment primarily consists of the depreciation of office equipment, furniture and fixtures, computer hardware and leasehold improvements.

Depreciation on property and equipment for the three months ended December 31, 2021, increased by $2,672 to $18,928 as compared to $16,256 as reported for the comparable period in 2020.

Depreciation on property and equipment for the year ended December 31, 2021, increased by $6,176 to $71,201 as compared to $65,025 as reported for the same period in 2020. During 2021, deprecation of property and equipment deprecation increased, given the increase of acquisitions of property and equipment.

Depreciation on Right-of-Use Assets

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

Depreciation on right-of-use assets for the three months ended December 31, 2021, was $26,870, inline with the comparable period.

Depreciation on right-of-use assets for the year ended December 31, 2021, was $107,479, inline with the comparable period.

Income Taxes

Note 21 of the accompanying consolidated financial statements presents reconciliation of income tax for the year ended December 31, 2021 and 2020.

Basic and Diluted Loss Per Share

Basic and diluted loss per share for the three months ended December 31, 2021, was ($0.03) as compared to ($0.03) reported in the same period in 2020. The loss for the three months ended December 31, 2021, was $2,118,309 (2020 – loss of $1,526,560) with 61,381,385 (2020 – 60,947,201) weighted average number of common shares outstanding, basis and diluted.

Basic and diluted loss per share for the year ended December 31, 2021, was ($0.13) as compared to ($0.08) as reported in 2020. This increase was primarily due to a larger net loss of $8,010,503 from a net loss of $4,412,463 over the comparable period, offset by an increase in the weighted average number of Eddy Common Shares outstanding during the year to 61,222,853 (2020 – 52,707,186).

CONSOLIDATED FINANCIAL POSITION

Total Assets

Total assets as at December 31, 2021 increased by $2,108,979 to $5,363,681 as compared to $3,254,702 reported as at December 31, 2020. The increase is a result of higher carrying values for restricted cash, accounts receivable, prepaid expense, inventory, costs to obtain and fulfill a contract, which is offset by decreases in the carrying values of cash, right-of-use assets and property and equipment.

Total Liabilities

Total liabilities as at December 31, 2021, increased by $9,163,396 to $11,735,074 as compared to $2,571,678 reported as at December 31, 2020. The increase is a result of higher carrying values for accounts payable and accrued liabilities, deferred revenue, the conversion derivative of term loans, term loans, demand loans and loan payable, which is offset by lease liabilities.

Total Shareholders' Deficiency

Total shareholders' deficiency as at December 31, 2021, was $6,371,393 as compared to the total shareholders' equity of $683,025 as at December 31, 2020. The change of $7,054,418 is a result of an increase in share capital and contributed surplus which was offset by a larger deficit and a decrease in accumulated other comprehensive income.

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 results by operating segments are as follows:

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

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

SFR Segment

SFR revenue for the year ended December 31, 2021, increased by $33,622 to $684,494 as compared to $650,872 reported in 2020. The increase was primarily driven by growth in the SFR segment in Ontario, with was offset by attrition in the SFR segment in California.

SFR cost of sales for the year ended December 31, 2021, was $391,979 as compared to $1,049,686 reported in 2020. During 2021, installation labour and commissions were assessed as recoverable and were capitalized.

MFR Segment

MFR revenue for the year ended December 31, 2021, increased by $244,658 to $532,707 as compared to $288,049 as reported in 2020. The increase was driven by the increase in the subscriber count in this segment.

MFR cost of sales for the year ended December 31, 2021, was $305,057 as compared to $464,547 as reported in 2020. During 2021, installation labour and commissions were assessed as recoverable and were capitalized.

C&I Segment

C&I revenue for the year ended December 31, 2021, increased by $243 to $5,635 as compared to $5,392 reported in 2020.

C&I cost of sales for the year December 31, 2021, was $3,227 as compared $8,696 reported in 2020.

Corporate

The aggregate corporate expenditures for the year ended December 31, 2021, increased by $4,411,310 to $7,726,572 as compared to $3,315,262 reported in 2020. During 2021, the Company received $36,152 (2020 – $565,155) in government assistance related to COVID-19 to cover part of the employee wages, this was allocated to general and administrative expenses. During 2021, professional fees related to the public listing amounted to approximately $1.6 million. The increase in corporate expenditures is largely due to increased professional fees, including accounting and legal expenses, associated with the Company's public listing on the TSX-V. However, as the Company grows, it is expected that general and administrative expenses will decrease as a percentage of revenue.

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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Note 22 of the accompanying consolidated financial statements presents the fair value hierarchy of the Company's financial instruments as at December 31, 2021.

RELATED PARTY TRANSACTIONS

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

On January 6, 2021, the Company issued a convertible loan, to several shareholders, for interim financing in the amount of $2,000,000 (the funding received in December 4, 2020 was $250,000 and the funding received on January 6, 2021 was $1,750,000), maturing on September 30, 2021 (amended to mature on February 28, 2022) and bears interest at 9% per annum, payable at maturity. The loan has conversion rights, in the event the Company completes a raise of equity prior to the termination date, the lenders have the right, at their option, to have their share of the loan converted into 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 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 B 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, 2020. This term loan was converted into 813,591 Eddy Class B Preferred Shares on May 7, 2020.

Key management personnel compensation

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

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

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

CONTRACTUAL OBLIGATIONS

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

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

Contractual obligations for the year ended December 31, 2021, totaled $10,073,959 with $7,832,058 due within six months, $1,490,691 due between 6-12 months, 476,863 due between 1-3 years and $274,347 due between 4-5 years.

Accounts payables & accrued liabilities are amounts owed to vendors related to expenses that arise from business operations. The term loans consist of $2,500,000 in advances made by the shareholders of the Company, at 9% per annum payable to maturity, set to mature on September 30, 2021 (which has been amended to mature on February 28, 2022), and accrued interest of $205,257. The term loans have conversion rights, in the event the Company completes a raise of equity prior to the termination date, the lenders have the right, at their option, to have their share of the loan converted into Eddy Common Shares at a twenty percent discount to the amount paid for the shares by the other participants in the equity raise. The demand loans consist of $1,500,000 in advances made by shareholders (on September 3, 2021) of the Company, at 9% and a subsequent (on October 7, 2021) $1,500,000 in advances made by shareholders of the Company, at 1% per month (minimum of three months of interest payments), with principal and interest due on demand, and accrued interest of $87,666.

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

LIQUIDITY AND CAPITAL RESOURCES

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

The Company'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.

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.

	2021	**2020**
Cash Flow From Operating Activities	($5,846,038)	($3,242,860)
Cash Flow From Investing Activities	($33,155)	($11,000)
Cash Flow From Financing Activities	$5,797,900	$2,878,151
Change in Cash During the Period	($81,293)	($375,709)
Opening Cash Balance	$192,518	$568,228
Ending Cash Balance	$111,225	$192,518

Cash flow used in operating activities

The cash flows used in operations for the year ended December 31, 2021, decreased by $2,603,178 to ($5,846,038) from ($3,242,860) over the comparable period. The decrease in the operating cash flows is primarily due to larger net losses for the period, offset by changes in the non-cash and working capital items.

Cash flow used in investing activities

The cash flows used in investing activities for the year ended December 31, 2021, decrease by $22,155 which related to purchases of property and equipment.

Cash flow from financing activities

The cash flows from financing activities for the year ended December 31, 2021, increased by $2,919,749 to $5,797,900 from $2,878,151 over the comparable period. The increase in cash flows from financing activities for the period to date was primarily due to term and demand loans financing.

CREDIT RISK

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

Credit risk is the risk of a financial loss to the Company if a 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 2021, $79,323 (2020 – $97,141) of accounts receivable were written off, but 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, 2021:

Accounts receivable	**Current**	**60 - 120 days**	**Over 120 days**	**Total**
SFR	$ 200,854	$ 1,526	$ 1,428	$ 203,808
MFR	332,282	18,492	41,236	392,010
C&I	201,500	-	-	201,500
	$ 734,636	**$ 20,018**	**$ 42,664**	**$ 797,318**
Provision for credit losses	**Current**	**60 - 120 days**	**Over 120 days**	**Total**
SFR	$ 39,643	$ 763	$ 1,071	$ 41,477
MFR	33,635	2,774	10,201	46,610
C&I	10,075	-	-	10,075
	$ 83,353	**$ 3,537**	**$ 11,272**	**$ 98,162**
Accounts receivable, net				**$ 699,156**

The 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	-	-	-	-
Expected credit losses	**$ 12,172**	**$ 835**	**$ 27,690**	**$ 40,697**
Accounts receivable, net				**$ 145,449**

FOREIGN CURRENCY RISK

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

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

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. During 2021, approximately 27% (2020 – 47%) of the Company's total sales were in US dollars. Consequently, some assets are exposed to foreign exchange fluctuations.

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

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, 2021 and 2020.

ISSUANCE OF SUBSCRIPTION RECEIPTS

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

Pursuant to the terms of the Agency Agreement, the Company paid to the Agents: (i) a cash commission equal to 7.0% of the aggregate gross proceeds of the Private Placement, other than in respect of any Subscription Receipts sold to members of a president's list provided by the Company (the President's List Purchases"), which commission is 3.5% of the gross proceeds from President's List Purchasers; and (ii) such number of warrants (the "Agents

Warrants") as is equal to 7.0% of the number of Subscription Receipts sold pursuant to the Private Placement, other than any Subscription Receipts sold to President's List Purchasers, which commission is 3.5% of the number of Subscription Receipts sold to the President's List Purchasers. Each Agents' Warrant is exercisable for two Eddy Common Shares at a price of $0.60 until the date that is 36 months from the date of satisfaction or waiver, as applicable, of certain conditions (the "Escrow Release Conditions"). Upon completion of the Transaction, each Agent received warrants that were automatically exchanged for 0.504867 Resulting Issuer agents' warrants exercisable to purchase Resulting Issuer Common Shares at a purchase price equal to the issue price divided by 0.504867 for a period of 36 months following the date the Escrow Release Conditions are satisfied.

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

On September 13, 2021, Aumento, the Company and 2865357 Ontario Inc. ("Subco"), a wholly-owned subsidiary of Aumento, entered into an amalgamation agreement (the "Amalgamation Agreement"), pursuant to which Subco will amalgamate with the Company (the "Amalgamation"). The Amalgamation was 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 changed its name to "Eddy Smart Home Solutions Ltd."

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

The proceeds from the subscription receipts were held in escrow ("Escrow Funds") pending the completion of certain conditions relating to the transaction. The Company did not control the funds while they were held in escrow and would have been required to return the escrow funds and prorate the share of any interest accrued in respect of the escrow funds, in the event that the conditions are not satisfied.

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

OUTLOOK AND SUBSEQUENT EVENTS

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

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

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

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

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

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