



KONTROL
TECHNOLOGIES CORP.

KONTROL TECHNOLOGIES CORP.

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

April 1, 2024

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NOTICE TO READER

In this annual information form (the "**AIF**"), unless otherwise noted or the context indicates otherwise, "**Kontrol**", the "**Company**", "**we**", "**us**" and "**our**" refer to Kontrol Technologies Corp. and its subsidiaries. All financial information in this AIF is prepared in Canadian dollars and using International Financial Reporting Standards ("**IFRS**"). Unless otherwise specified, in this AIF, all references to "dollars" or to "\$" are to Canadian dollars. The information contained herein is dated as of April 1, 2024 unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This AIF contains certain statements that may constitute forward-looking information under applicable securities laws. All statements, other than those of historical fact, which address activities, events, outcomes, results, developments, performance or achievements that the Company anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations and future actions of the Company. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements formed in the future tense or indicating that certain actions, events or results "may", "could", "would", "might" or "will" (or other variations of the forgoing) be taken, occur, be achieved, or come to pass. Forward-looking information is based on currently available competitive, financial and economic data and operating plans, strategies or beliefs as of the date of this AIF, but involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors may be based on information currently available to the Company, including information obtained from third-party industry analysts and other third party sources, and are based on management's current expectations or beliefs regarding future growth, results of operations, future capital (including the amount, nature and sources of funding thereof) and expenditures. Any and all forward-looking information contained in this AIF is expressly qualified by this cautionary statement.

Forward-looking information contained in this AIF include statements about: the Company's ability to compete with other companies that are developing or selling products and services that are competitive with the Company's products and services; the Company's ability to grow its active customer base; the Company's plans with respect to its business operations, including but not limited to the deployment of its products and expansion into other geographic markets; the Company's ability to attract and retain key personnel; anticipated uses of funding and costs associated with future operations; and anticipated activities to be carried out under contractual relationships.

A number of risks, uncertainties and other factors could cause actual results to differ materially from the results discussed in the forward-looking information, including the potential for changes in customer demand for the Company's products and the potential that the industry in which the Company participates does not continue to grow; the risk that the Company's contractual relationships will not continue on the same or expected terms, or at all; the risk that the Company will not have sufficient access to capital; risks related to general market conditions; and other risks discussed in the section entitled "Risk Factors" in this AIF.

Forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions it believes to be not unreasonable in light of all of the circumstances. In some instances, material factors or assumptions are discussed in this AIF in connection with statements containing forward-looking information.

This AIF also contains statistical data, estimates and forecasts that are based on independent industry publications or other publicly available information, while other information is based on the Company's internal sources. Although the Company believes that these third-party sources referred to in this AIF are reliable, the Company has not independently verified the information provided by these third parties. While the Company is not aware of any misstatements regarding any third-party information presented in this AIF, their estimates, as they relate to projections, involve numerous assumptions, are subject to risks and uncertainties, and are subject to change based on various factors, including those discussed under "Risk Factors."

INDUSTRY AND OTHER STATISTICAL INFORMATION

This AIF includes market share, industry, and other statistical information that the Company has obtained from independent industry publications, government publications, market research reports and other published independent sources. Such publications and reports generally state that the information contained therein has been obtained from sources believed to be reliable. Although the Company believes these publications and reports to be reliable, it has not independently verified any of the data or other statistical information contained therein, nor has it ascertained or validated the underlying economic or other assumptions relied upon by these sources. The Company does not intend, and undertakes no obligation, to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as, and to the extent required by applicable securities laws.

TRADEMARK AND TRADE NAMES

This AIF includes, or may include, trademarks and trade names that are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, our trade-marks and trade names referred to in this AIF may appear without the ® symbol, or other applicable symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks, and trade names.

CORPORATE STRUCTURE

Name, Address and Incorporation

Kontrol Technologies Corp. ("**Kontrol**" or the "**Company**") is a corporation incorporated on November 16, 2006 pursuant to the *Business Corporations Act* (British Columbia) (the "**BCBCA**") under the name Kakanda Resources Ltd. The Company changed its name to Otish Energy Inc. on March 28, 2008, to Arrowhead Gold Corp. on August 4, 2011, to Kontrol Energy Corp. on July 7, 2016, and to Kontrol Technologies Corp. on February 1, 2021. On August 9, 2016, the Company completed a reverse take-over transaction (the "**RTO**") pursuant to which it acquired all of the issued and outstanding shares of Nuvo Energy Grid Inc. ("**Nuvo**").

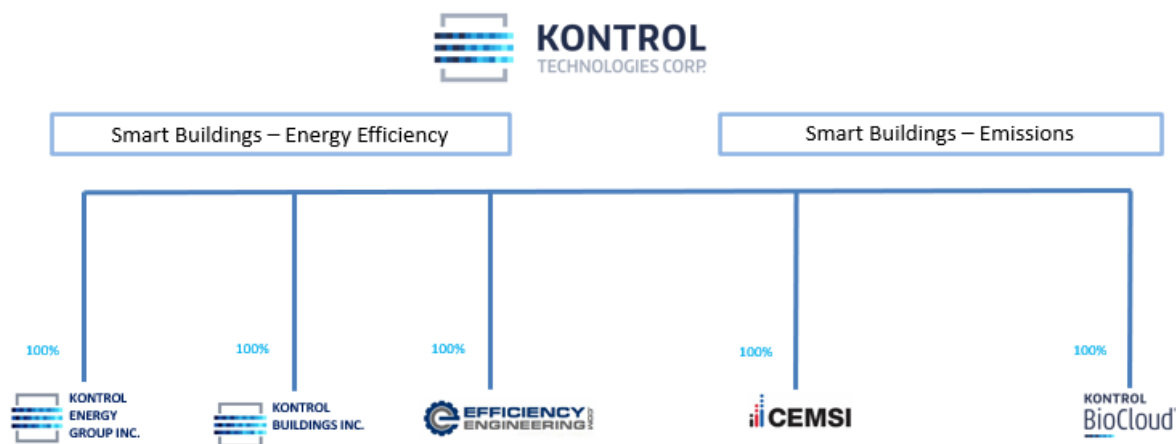
In connection with the RTO, on July 7, 2016 the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation common share for every six pre-consolidation common shares held, and changed its name from "Arrowhead Gold Corp" to "Kontrol Energy Corp.". On July 8, 2016, the Company acquired all the outstanding shares of Nuvo in exchange for 13,250,000 post-consolidation shares of the Company. As a result, Nuvo became a wholly owned subsidiary of the Company.

On February 1, 2021, the Company completed a continuance from the BCBCA to the *Business Corporations Act* (Ontario).

Kontrol is a reporting issuer in the provinces of British Columbia, Alberta and Ontario. Kontrol's common shares (the "**Common Shares**") are listed and posted for trading on the NEO Exchange ("**NEO**") under the symbol "KNR", listed and posted on the OTCQB Venture Market ("**OTCQB**") under the symbol "KNRLF", and listed and posted on the Frankfurt Stock Exchange ("") under the symbol "1K8". The Company's registered and head office is located at 11 Cidermill Avenue, Suite 201, Vaughan, Ontario, L4K 4B6 Canada. The Company's telephone number is 1 (844) 566-8123.

Intercorporate Relationships

As of December 31, 2023, the Company has five wholly-owned subsidiaries, as set out in the following chart.



On December 28, 2023, the Company's wholly owned subsidiary, New Found Air HVAC Services Inc., changed its corporate name to "Kontrol Buildings Inc.". Under this rebranding, the Company will have a unified platform delivering HVAC and real-time energy monitoring.

On December 27, 2023, two of the Company's wholly owned subsidiaries, Kontrol Energy Group Inc. and ORTECH Consulting Inc., were amalgamated with the amalgamated entity continuing as "Kontrol Energy Group Inc.". On December 29, 2023, the assets comprising the business of ORTECH Consulting Inc. were sold, as more particularly described herein.

GENERAL DEVELOPMENT OF THE BUSINESS

General Development of the Business

Corporate History

On July 8, 2016, the Company completed the RTO, pursuant to which it acquired all the issued and outstanding shares of Kontrol Energy Group Inc. (formerly Nuvo Energy Grid Inc.). Under the terms of the share exchange agreement, Kontrol Energy Corp. acquired all the outstanding shares of Kontrol Energy Group Inc. in exchange for 13,250,000 post-consolidated shares. Kontrol Energy Group Inc. became a wholly owned subsidiary of Kontrol Energy Corp.

Prior to completing the RTO, on July 7, 2016, the Company consolidated its issued and outstanding Common Shares based on one post-consolidated Common Share for every six pre-consolidated Common Shares held, reducing the issued and outstanding Common Shares to 3,490,068 from 20,940,494. The Company also changed its name from "Arrowhead Gold Corp" to "Kontrol Energy Corp."

The Company seeks to provide customers with solutions and services to enhance building intelligence and building automation in the areas of energy management, emission compliance and air quality.

Summary

The Company's operating businesses are carried on or owned by its wholly owned subsidiaries, as follows:

- Energy management: Kontrol Energy Group Inc., Efficiency Engineering Inc. and Kontrol Buildings Inc. provide turn-key solutions to building owners and asset managers in the commercial, industrial and multi-residential sector. These include software to analyze the management of HVAC systems, design and engineering of improvements and/or retrofits and ongoing mission critical services. Global HVAC & Automation Inc. provides integrated installations of complex heating, ventilation, cooling and business automation systems to its customers.
- Emission compliance: ORTECH Consulting Inc. and CEM Specialities Inc. provide greenhouse gas verification, installation of critical emission management systems and stack testing for environmental emissions. Kontrol BioCloud™, with the support and technical expertise of CEM Specialities Inc., has developed the BioCloud Analyzer to provide real-time viral detection technology.

Each of these aspects of the Company's business are described in greater detail below.

I. Energy Management and Automation

Kontrol Energy Group Inc.

Kontrol Energy Group Inc. ("KEG") is an operating company that was incorporated under the federal laws of Canada and carries on its business and operations in Ontario, Canada. KEG's patented technology is designed to make buildings more intelligent in real-time through software and building automation. KEG's customers benefit from reduced energy costs, lower operating costs, and real-time data and analytics to continuously improve operations. Revenue generation is derived from the principal markets of smart buildings and facilities and building automation services.

KEG's solutions and services include the SmartMax Gateway, the SmartSite Cloud system and the SmartSuite controller and building automation retrofits.

(NEO: KNR) | (OTCQB: KNRLF) | 9

Building Energy Management and Controls in the Cloud

70 Billion Data Records
(and growing)

The diagram illustrates the SmartSuite architecture. At the top, building systems (ELECTRICAL, NATURAL GAS, BAS, EQUIPMENT, HVAC, WATER, CHILLERS, BOILERS) are connected to a SmartMax device. The SmartMax device is connected to a Smart Network (represented by a server rack). The Smart Network is connected to the SmartSite Cloud (represented by a cloud icon). The SmartSite Cloud is connected to Controls, Analytics and AI (represented by a laptop and tablet displaying data charts).

SmartMax®
The SmartMax can integrate with any legacy Building Automation System quickly and easily.

Smart Network
Once the installation is complete, a smart network is created. Many more capabilities can be added in the future once the network is deployed.

SmartSite® Cloud
Data is collected, channeled through the building's existing internet connection, and transferred to the cloud where it is analyzed and managed in our SmartSite platform.

Controls, Analytics and AI
The owner gains immediate access with controls to energy data, analytics and savings in real-time. Complete visibility in the Cloud with enhanced decision making.

US Patent # 7594004
US Patent # 7596613
CAD # 2397695

The diagram illustrates the SmartSuite architecture. On the left, SmartSuite is connected to multiple peripheral IoT devices (represented by icons for light, fan, and other sensors). The SmartSuite is connected to a SmartSuite Power Unit. The Power Unit is connected to a Building Network (represented by a mesh of nodes). The Building Network is connected to a Gateway & Mesh Network (represented by a server rack). The Gateway & Mesh Network is connected to the Cloud (represented by a cloud icon). The Cloud is connected to Controls & Analytics (represented by a laptop and tablet displaying data charts).

SmartSuite
SmartSuite is connected to multiple peripheral IoT devices to generate utility savings and in suite data.

SmartSuite Power Unit
The Power Unit can maximize energy savings and integrate with any HVAC system.

Building Network
Once installed, SmartSuite solution creates an instant building wireless automation network that allows for HVAC system self-optimization and remote adjustment.

Gateway & Mesh Network
Once the installation is complete, a Smart network is in place. Many more capabilities can be added in the future once the network is deployed.

The Cloud
All in suite data is collected, channeled through the building's existing internet connection, and transferred to the cloud using the Kontrol Gateway.

Controls & Analytics
The owner gets access to information about energy savings, complete visibility to in-suite energy and data with streamlined trouble shooting.

KONTROL ENERGY CORP.

Efficiency Engineering Inc.

Efficiency Engineering Inc. (“EEI”) is an operating company that was incorporated under the laws of the province of Ontario and carries on its business and operations in Canada. EEI provides its customers with detailed energy efficiency analysis, energy audits, management of facility system solutions, electrical and mechanical design, and energy conservation studies. EEI has a 20-year successful operating history and an established client base. After the Company acquired EEI, EEI continued to operate under its brand and its existing operational leadership team remained in place.

Kontrol Buildings Inc. (previously New Found Air HVAC Services Inc.)

Kontrol Buildings Inc. (“**Kontrol Buildings**”) was incorporated under the laws of the province of Ontario. Kontrol Buildings leads a building energy and service platform that provides monitoring, operation and service of essential heating, cooling, ventilation, and utility systems. The operations of Kontrol Buildings are diversified across the commercial, industrial, and multi-residential building sector.

II. Emission Verification

ORTECH Consulting Inc.

ORTECH Consulting Inc. (“**ORTECH**”) is an operating company that was incorporated under the federal laws of Canada and carries on its business and operations in Ontario, Canada. ORTECH provides monitoring services, specializing in GHG reporting, air quality testing, emission testing and renewable energy generation. ORTECH has a 20-year successful operating history and has a customer base which includes some of Canada’s largest integrated oil and gas companies.

CEM Specialties Inc.

CEM Specialties Inc. (“**CEMSI**”) was incorporated under the laws of the province of Ontario. It has over 25 years of operating history and provides the Canadian and US markets with value added solutions for continuous emissions and process monitoring installations and ongoing monitoring. CEMSI has developed complex air quality monitoring solutions for large, integrated conglomerates spanning the industrial sector. CEMSI was involved in the development and commercialization of the BioCloud™ technology.

Kontrol BioCloud™

Kontrol BioCloud™ (“**BioCloud**”) was incorporated under the laws of the province of Ontario. The BioCloud™ technology has been designed to operate as an ambient air monitoring system by sampling the air quality over time. With a proprietary detection chamber that can be replaced as needed, viruses are detected, and an alert system is created in the Cloud or over local intranet. The BioCloud technology is not a medical device.

Three Year History

Delisting from CSE and Listing on CBOE Canada

On December 16, 2020, Kontrol’s board of directors authorized management to review the process to delist the Common Shares of the Company from the CSE and list the Common Shares on the Toronto Stock Exchange (TSX). Subsequently, management determined to pursue a listing on CBOE Canada (formerly the NEO Exchange) rather than the TSX. Kontrol’s Common Shares began trading on NEO on May 6, 2021.

Change to the Board

On January 6, 2021, the Company announced the resignation of Mr. Kristian Lavereau and appointment of Zhengquan (Philip) Chen from the board of directors of the Company.

Ontario Government Invests \$2 Million in Kontrol BioCloud™ COVID-19 Technology

On February 4, 2021, the Company announced that the Ontario government is providing \$2 million to CEMSI, through the Ontario Together Fund, to help commercialize and accelerate production of BioCloud™.

Approval of Proposed Debenture Exchange of 2021 7% Unsecured Debentures

On April 22, 2021, the registered holders of the 7% unsecured debentures of the Company maturing on April 25, 2021 (the “**2021 7% Debentures**”), representing 92.43% of the outstanding principal amount of the 2021 7% Debentures, accepted and approved by an extraordinary resolution, the solicitation by the Company to exchange the principal amount outstanding of 2021 7% Debentures due April 25, 2021 into debentures designated as 8% unsecured debentures (the “**2022 8% Debentures**”) due October 31, 2022 (the “**Debenture Exchange**”).

Completion of Debenture Exchange

On April 29, 2021, the Company announced that it completed the Debenture Exchange and an additional non-brokered private placement of 2022 debenture units (the “**2022 Debenture Units**”) for gross proceeds of \$229,500. Each 2022 Debenture Unit is comprised of one \$1,000 2022 8% Debenture and 10 Common Shares. Holders of the 2021 7% Debentures exchanged an aggregate principal amount of \$860,500 of for 2022 8% Debentures.

On April 25, 2021, the Company repaid all principal and accrued but unpaid interest on the 2021 7% Debenture totalling \$61,250 in cash.

\$8.5 Million Private Placement

On June 2, 2021, Kontrol closed a private placement for gross proceeds of approximately \$8.5 million through the issuance of 5,666,332 units at a price of \$1.50 per unit, with each unit comprised of one Common Share and one-half common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$1.75 per Common Share at any time prior June 1, 2024.

Acquisition of Global HVAC & Automation Inc.

On July 30, 2021, the Company completed the acquisition of Global HVAC & Automation Inc. (“**Global**”). Global provides integrated installations of complex heating, cooling, ventilation and building automation systems to its customers.

All of the outstanding shares of Global were purchased by the Company for a purchase price of book value at the acquisition date plus \$3,750,000 subject to post closing adjustments to the purchase price and any additional contingent performance-based consideration (“**Earn-out**”). The Earn-out was assigned a fair value of \$1,229,293, however, this value remains subject to change based on actual performance achieved over a three-year period. Post-closing of the acquisition, the book value was determined to be \$7,527,592 and the purchase price remains subject to post closing adjustments and any additional contingent performance-based consideration. The purchase price was paid through the following: (i) cash of \$6,500,000; (ii) \$3.5 million vendor take back at a 3% annual interest rate with bullet repayment at the end of three years from the closing date; (iii) post closing adjustments; and (iv) a vendor performance payment equal to 45% of adjusted three years cumulative earnings after-tax in excess of \$4.5 million.

New Share Compensation Plan

At an annual general and special meeting of the Company’s shareholders held on September 30, 2021, the shareholders adopted a new share compensation plan, pursuant to which Common Shares and securities exercisable or convertible into Common Shares may be issued directly to employees (including officers), directors and consultants (collectively, Participants) of the Company.

Change to the Board and Management

On September 30, 2021, at an annual general and special meeting of the Company’s shareholders, Joseph Ragusa was elected to the Board, setting the number of Directors to seven. In addition, Kristian Lavereau transitioned from the role of Chief Operating Officer to the role of Director of Smart Building Technologies.

Launch of Kontrol Carbon Brand and New US REIT Customer

On March 25, 2022, the Company announced the launch of Kontrol Carbon as its branded solution to support its commercial and industrial customers in the areas of GHG emission monitoring, management and carbon credit monetization. Solutions offered under the Kontrol Carbon brand will include GHG emission verification, carbon offsets and carbon capture verification, which will be offered by the Company’s wholly-owned subsidiaries and are expected to cover the industrial and commercial sector. To accelerate its focus on the industrial building and customer market, the Company has also welcomed Ian Colquhoun to work with the Kontrol Carbon brand as Director of GHG Emissions.

The Company also announced that it had been selected by a US-based REIT to provide an energy management solution for the common areas of two commercial buildings. The Company was selected following a submission and review process which began in 2021. As part of the energy management solution, the Company intends to install its SmartSuite technology and Cloud

platform to provide visibility, analytics and smart control over areas which have experienced a large increase in energy costs. The installation is anticipated to be completed by the end of June 2022.

Kontrol wins 9 new buildings under multi-year service agreements

On April 22, 2022, the Company was selected to provide ongoing building energy system management services to 9 new buildings, under multi-year service agreements, for 2 new commercial building customers.

Carbon Credits

On March 23, 2022, the Company announced its intention to monetize carbon credits from energy efficiency upgrades through the CSA Clean Projects Registry. For each energy efficiency project which provides for a reduction in GHG emissions which can be quantified and verified, the Company will seek to create a verified carbon credit. To qualify for the CSA Clean Projects Registry independent verification is required subject to project performance.

Launch of Kontrol BioWater, an Extension of the Kontrol BioCloud™ Technology for Early Viral Detection in Water Systems

On April 26, 2022, the Company announced the development of Kontrol BioWater, an extension of the Company's current Kontrol BioCloud technology, for early viral detection in water systems. The Kontrol BioWater technology is being designed with the goal of being the first real-time, in the cloud, detection technology for virus in wastewater. The intention of the Kontrol BioWater is to advance sampling automation for faster, on-site detection which can potentially accelerate a response plan.

The Company launched the development of the Kontrol BioWater and budgeted \$300,000 in research and development for the initial phase of development which includes modifying the current Kontrol BioCloud technology. The Kontrol BioWater viral detection system will utilize the core scientific technique of the BioCloud technology and will include a new proprietary sample extraction process for wastewater.

At-the-Market Equity Program Established

On May 5, 2022, the Company established an at-the-market equity program (the "**ATM Program**") that allows the Company to issue and sell up to \$10,000,000 of Common Shares from treasury to the public, from time to time, at the Company's discretion. All Common Shares sold under the ATM Program were made through sales through the CBOE Canada or such other "marketplace" in Canada as defined under applicable securities laws. Distributions of the Common Shares under the ATM Program were made pursuant to the terms of an equity distribution agreement dated May 5, 2022 entered into between the Company and Echelon Wealth Partners Inc.

Kontrol wins Multi-Year Emission Monitoring Revenues for Rail Infrastructure Expansion in Ontario

On May 24, 2022, the Company was selected to provide multi-year monitoring of emissions for the expansion of rail infrastructure in the Province of Ontario. Industrial facilities and infrastructure projects, operating continuously, and with a high level of constant emissions are often required to install a permanent, fixed, continuous emissions monitoring system (CEMS). CEMS must be able to identify correct ranges, response times and accuracy of measurement as well as have a reliable uptime and operation life so that the plant can continue to run.

Kontrol announced it will be installing a customized CEMS solution as well as providing real-time monitoring over 3 years for a new rail infrastructure project. The rail infrastructure project is part of the current expansion of high-speed commuter rail expansion in the Province of Ontario.

First SmartSuite Installation in the USA with Leading National REIT

On May 27, 2022, the Company completed its first SmartSuite installation in Florida for a leading National USA REIT. SmartSuite operates by integrating with heating, cooling, and ventilation (HVAC) equipment and provides a proprietary Cloud platform to deliver real-time visibility, analytics and smart controls. By regulating temperature settings and adapting to occupancy through smart learning algorithms, SmartSuite is designed to reduce energy waste and create long term energy savings. For each kilowatt of energy saved a corresponding reduction in GHG emissions can be derived.

Kontrol delivers Integrated Energy Audit and Carbon Reduction RoadMap for Major Canadian University

On May 31, 2022, the Company announced that it has been selected by a leading Canadian University, following a competitive process, to provide detailed energy assessments and a carbon reduction roadmap. The university campus market is new vertical opportunity for the Company as it seeks to expand its energy management and carbon reduction solutions. The University has set a sustainability goal of Net Zero by 2040. In addition to providing energy assessments over 32 buildings and 2.5 million square feet of real estate, across the University campus, the Company will provide real-time monitoring under its SmartSite platform in various buildings.

Funding and Development of Kontrol BioWater

On July 13, 2022, the Company announced that its subsidiary, CEM Specialties Inc., received funding of up to \$300,000 from the National Research Council of Canada Industrial Research Assistance Program supporting a research and development project to accelerate its new wastewater testing technology, the Kontrol BioWater analyzer, for the detection of viruses including COVID-19.

Delivery of Net Zero Emissions and Climate Action Plan for Ontario Municipality

On August 5, 2022, the Company was selected by a municipality to deliver a net zero emission and climate action plan. Kontrol won the new customer through a competitive bid process. The customer is a municipality with hundreds of buildings under management and has a goal of advancing their target of net zero emissions by 2030.

ESG and Kontrol Carbon

On August 5, 2022, the Company announced that it had developed, through its operating subsidiaries, the Kontrol Carbon platform which includes initial design, feasibility, implementation, and potential carbon credit monetization.

\$50 Million Credit Agreement with Schedule 1 Bank Completed

On August 31, 2022, the Company announced that it entered into a credit agreement with a Schedule 1 bank for up to \$50 million in senior secured credit facilities (the "**Facilities**"). The Facilities consist of: (i) a term loan facility of up to \$20 million (the "**Term Loan**"), (ii) a revolving credit facility of up to \$10 million, subject to borrowing base requirements based on eligible receivables, and inventory, and (iii) an accordion feature of up to \$20 million. At closing of the Facilities, the Company had drawn approximately \$6 million on the Term Loan.

The Facilities bear interest on a monthly basis at bank prime rate plus a margin (between 1.25% and 2.0%) with principal repayments under the Term Loan equal to 1.25% of the drawn amount, payable in quarterly installments. The Facilities are secured by a general security agreement and Company guarantees.

The Term Loan was used to pay off the Company's existing operating line of credit and to refinance the Company's 2022 8% Debentures, which matured on October 31, 2022.

Upon release of the Q3 2022 results, the Company was not in compliance with the financial covenants and as a result the Company's term loan has been classified as a current liability as at December 31, 2022.

Energy Savings Retrofit and Energy Efficient Building Solution for Cannabis Company

On October 11, 2022, the Company was selected by a cannabis company to provide an energy efficiency building upgrade with corresponding emission reductions and real-time monitoring. The cannabis company operates in Ontario and British Columbia, Canada.

The project involved an upgrade to the customers current HVAC system designed to deliver energy savings, lower energy consumption and real-time monitoring for ongoing optimization.

Maturity of 2022 8% Debenture Offering

On October 31, 2022, the Company repaid all principal, monthly interest, bonus interest, and any unpaid and accrued interest on outstanding 2022 8% Debentures, totalling \$5,759,506.05.

New City Customer for Net Zero Emission and Climate Action Platform

On January 31, 2023, the Company announced that it has been selected by another city in Ontario to deliver a net zero emission and climate action plan. Kontrol won the new customer through a competitive bid process. With hundreds of buildings under management, the customer has a goal of advancing their target of net zero emissions by 2030.

CEM Specialties Inc. selected by New USA Customer for Multiple Integration Projects; Enters New Growth Market for Emission Monitoring

On February 6, 2023, an operating subsidiary of the Company, CEM Specialties Inc. (CEMSI), was selected by a new customer in the United States to design and integrate specialized emission technology in order to monitor ethylene oxide in real-time. The customer provides advanced emission technology solutions globally. CEMSI won the opportunity based on its expertise in the regulated emission monitoring market as well as its ability to integrate highly complex emission systems which include real-time monitoring.

The ability to monitor and quantify Ethylene oxide (EtO or EO) is central to eliminating sources and reducing long-term exposure to this hazardous air pollutant. Ambient air monitoring systems for Ethylene oxide continuously and automatically monitors and quantifies low, ambient levels of EtO. It is ideal for use in community monitoring stations and at industrial fence-lines.

According to the Environmental Protection Agency (EPA) Ethylene oxide is a flammable, colorless gas used to make other chemicals that are used in making a range of products, including antifreeze, textiles, plastics, detergents, and adhesives. Ethylene oxide also is used to sterilize equipment and plastic devices that cannot be sterilized by steam, such as medical equipment. EPA is committed to reducing risks from ethylene oxide (see www.epa.gov).

Exclusive Negotiations with European Manufacturer of Emission Technology for North American Joint Venture

On February 13, 2023, the Company entered into exclusive negotiations with a European manufacturer of emission technology to establish a joint venture for the North American market (USA, Canada and Mexico). The purpose of the joint venture is to establish a North American, jointly owned company, which will distribute continuous emission technology across North America, and leverage the manufacturer's success in Europe and non-North American markets. The manufacturer operates globally with more than 30 years of history.

Discontinued Operations

On February 14, 2023, the Company's former wholly owned subsidiary, Global HVAC & Automation Inc., made an assignment pursuant to the *Bankruptcy and Insolvency Act* and a trustee in bankruptcy was appointed. As a result of the voluntary bankruptcy, the Company is deemed to have lost control of Global, and as such, has deconsolidated the subsidiary effective February 14, 2023 and treated as a discontinued operation.

Secured Lender Forbearance Agreement

On February 16, 2023, the Company entered into a Forbearance Agreement (the "FBA") with its secured lender for a six-month term up to July 31, 2023. Under the FBA the Company is required to remain current on principal and interest obligations and is subject to a minimum EBITDA and cash thresholds. In addition, the Company is required to make principal payments of \$2.75 million over the next four months. The Company has sufficient cash and working capital to meet the principal payment requirements. The Company is current on its principal and interest payments for its secured debt obligations.

\$5 Million CAD Equity Private Placement Completed

On February 22, 2023, the Company completed a private placement (the “**2023 Private Placement**”) of units (the “**2023 Units**”) for aggregate gross proceeds of approximately \$5 million. Each 2023 Unit consists of one Common Share in the capital of the Company or one common share equivalent (a “**Common Share Equivalent**”) and one common share purchase warrant (a “**2023 Warrant**”) for a purchase price of \$0.65. Each 2023 Warrant is exercisable immediately and entitles the holder thereof to purchase one Common Share at an exercise price of \$0.81 for a period of five years from the date of issuance. The Common Share Equivalents are pre-funded with \$0.649 per Common Share Equivalent, requiring an additional \$0.001 per Common Share Equivalent to have it converted into a Common Share. The Common Share Equivalents will expire upon the exercise of all outstanding Common Share Equivalents. The 2023 Private Placement was comprised of 7,695,840 2023 Units, with underlying securities that consist of, in the aggregate, 5,400,000 Common Shares, 2,295,840 Common Share Equivalents and 7,695,840 2023 Warrants.

The Common Share Equivalents prevent any exercise if such exercise would result in the holder acquiring more than 9.99% of the Company’s current issued and outstanding Common Shares. The 2023 Warrants prevent any exercise if such exercise would result in the holder acquiring more than 4.99% of the Company’s current issued and outstanding Common Shares.

The net proceeds of the 2023 Private Placement was used for sales, marketing, research and development, debt retirement and working capital requirements. A.G.P./Alliance Global Partners acted as the exclusive placement agent for the 2023 Private Placement in the United States, and the Company paid A.G.P./Alliance Global Partners a cash commission equal to 7% of the aggregate gross proceeds of the 2023 Private Placement. The Common Share Equivalents were exercised in the second quarter of 2023.

Multiple New Projects with Liquefied Natural Gas Emission Monitoring and Analytics Customer

On March 22, 2023, the Company announced that it expanded into new projects with its previously announced customer in the liquefied natural gas (LNG) market to provide emission monitoring and analytics. The Company’s portfolio was expanded to four projects in total as a result. The Company has a long history of providing continuous emissions, compliance and monitoring solutions through its operating subsidiaries. Historically the Company has provided emission technology deployment and solutions to large industrial customers in the oil, gas and cement industries across Canada and the USA. The LNG market opportunity is new revenue vertical for the Company and the majority of interest is in the USA market.

CEM Specialties Launches New Technology Solution for the Cement Industry with Government Funding and Global Customer Pilot Partner

On March 23, 2023, the Company’s operating subsidiary, CEMSI, launched its “High-Temperature Dry Kiln Probe” beta technology for the global cement industry and has been approved for government funding to support the launch. The technology development will consist of the design and engineering of the dry kiln probe, testing and validation with CSA standards approval, and evaluation of the probe in a high temperature kiln application in the facilities of one of the largest global cement companies in a specified facility in Ontario, Canada. The current design

development has focused on reducing power consumption by up to 83%, installation footprint by up to 90%, and capital costs by approximately 50%, when compared to current technology in the market.

The environmental and process monitoring of emissions is critical in industries, both for production (quality of finished products), reducing green house gases (GHG) and harmful emissions, but also fuel savings which reduces consumption of natural gas, coal, and alternative fuels. Cement plants are one of the major contributors to GHG emissions globally. Enhanced monitoring and management can improve operating efficiency and lead to GHG emission reductions.

Fortune 100 Customer for Energy Monitoring and Facility Optimization

On March 28, 2023, the Company announced that it has been selected by a Fortune 100 customer for energy monitoring and facility optimization spanning 1.6 million square feet of built environment. The Company will provide its technology solution for real-time energy monitoring and facility optimization, which includes initial design, implementation, and ongoing monthly recurring revenues.

The customer operates globally with approximately \$40 billion in annual revenues and their footprint includes thousands of buildings across the commercial, industrial and government sectors. The customer is a leader in the ESCO (energy services company) and performance contracting markets.

Initial implementation of Kontrol's technology will commence in early Q2, 2023. The Kontrol technology platform is a building energy software technology designed to optimize the operation and management of complex heating, ventilation, cooling and building automation systems. For every unit of energy saved there is a corresponding GHG equivalent emission reduction which will support the customer's sustainability initiatives.

Amendment of Warrants

At the special meeting of shareholders dated April 12, 2023, shareholders approved an ordinary resolution to amend 1,211,500 warrants that were issued in June 2021. The exercise price was reduced from \$1.75 to \$0.81, and the expiry date was extended from June 1, 2024 to February 22, 2028.

Continuous Emission Monitoring solutions

In June 2023, Kontrol Technologies received multiple continuous emission monitoring system orders from the U.S. and Canada. As emission regulations increase at the state and provincial level, we are well positioned to provide emission monitoring solutions based on our strong history and track record of servicing the oil, gas, cement and petrochemical industries. We continue to focus on growing our recurring and multi-year agreements with our blue-chip customer base.

Net Zero order activity

On June 21, 2023, the Company announced it was selected by a municipal customer to deliver decarbonization and net zero emission design for multiple buildings. This represents the 10th successful bid on a net zero emission request for proposal (RFP) for the Company.

Repayment of 2023 Convertible Debenture Private Placement

On June 30, 2023, the 8% unsecured debenture of the Company (the “**2023 Convertible Debentures**”) matured, and the Company made the final principal payment of \$25,000 plus interest.

Expansion of emissions market

In August 2023, the Company’s operating subsidiary, CEMSI received additional orders from a customer in the United States as expansion continues into new growth market. CEMSI will design and integrate advanced emission technology in order to monitor ethylene oxide in real-time. CEMSI has received additional orders for the emission market, in support of its customer, totalling approximately \$1 Million CAD. Ethylene oxide (EtO or EO) is widely used across various industries for the production of solvents, detergents, adhesives, antifreeze, textiles, and pharmaceuticals. Ethylene oxide is also present in sterility for cosmetics, fumigants, and hospitals for sterility of surgical equipment. The EPA (Environmental Protection Agency) is proposing new health protections to reduce exposure to EtO including more stringent air emissions standards and additional protections for workers.

Secured Lender Forbearance Agreement Renewal

On August 10, 2023, the Company entered into a renewed forbearance agreement (the “**FBA Extension**”) with its secured lender for a six-month term up to January 31, 2024. Under the FBA Extension the Company is required to remain current on principal and interest obligations and is subject to a minimum EBITDA and cash thresholds. The FBA Extension provides an extension of the original FBA to March 31, 2024.

Kontrol Technologies Wins Continuous Air and Water Monitoring Customer

On November 7, 2023, the Company announced the addition of a new industrial customer providing real-time monitoring of air quality and water quality across a number of petrochemical facilities. The Company will operate and manage air monitoring and water assets including a network of monitoring stations, associated data acquisition software and equipment, and calibration equipment.

Early Repayment of 2024 Convertible Debenture

On November 29, 2023, in advance of the maturity date, the Company made the final principal payment of \$20,000 plus interest which represented the remaining balance of the 8% unsecured convertible debentures of the Company originally to mature on August 31, 2024.

Changes to the Board

Following the annual general meeting of shareholders of the Company held on December 28, 2023, the Company announced the appointment of Danny Carestia as a director of the Company. The Company additionally accepted the resignation of the following directors: Zhengquan Chen, Joseph Ragusa, and Ernest Belyea prior to the December 28, 2023, shareholders' meeting.

Sale of ORTECH Consulting Inc.

On December 29, 2023, the Company completed the sale of the assets of ORTECH, one of its operating subsidiaries. The structure of transaction involved the sale of certain assets to the purchaser and the purchaser will assume certain liabilities based upon the terms and conditions contained in this agreement. The sale price was \$6.1 million plus or minus adjustments for any account balances where actuals differ from estimates. Working capital of approximately \$600,000 was retained by the vendor. Cash proceeds were \$6.1 million less closing costs and less an indemnity holdback of \$300,000.

Subsequent to Period End

On February 16, 2024, the Company announced that it has finalized its government funding report with positive results for its Dry Kilne probe technology. The Company has received a total of \$130,000 in funding to support the development of its new technology. Over a 5-month period of continuous operation the Company's Kilne probe was able to operate with 70 percent less power consumption, 90 percent less facility footprint and 90 percent improvement in unscheduled downtime as compared to traditional technology in the market.

On February 16, the Company further announced that it is in compliance with the FBA, as extended, and is working closely with its secured lender. The Company is in discussions with multiple Schedule A Banks as it continues to deleverage and reduce its secured debt obligations. The Company anticipates a transition to a traditional lending agreement in 2024.

THE BUSINESS

Overview

The Company seeks to provide customers with solutions and services to enhance building intelligence and building automation in the areas of energy management, emission compliance and air quality.

Management reports its financial statements as one operating segment for reporting purposes. The Company's operating businesses are carried on or owned by its wholly-owned subsidiaries. With respect to energy management, KEG, EEI and Kontrol Buildings provide turn-key solutions to building owners and asset managers in the commercial, industrial and multi-residential sector.

These include software to analyze the management of HVAC systems, design and engineering of improvements and/or retrofits and ongoing mission critical services.

In the emission compliance area, ORTECH and CEMSI provide greenhouse gas verification, installation of critical emission management systems and stack testing for environmental emissions.

The Company's revenue generation is derived from the provision of its principal products and services, comprising technology software and hardware, building automation services, HVAC, and emission verification and compliance.

To date, Kontrol's patented technology has analyzed more than 70 billion data records related to building performance, is delivering more than \$200 million annually in energy savings and has delivered an equivalent reduction of 142 million kilograms of CO₂ emissions.

Through its smart technology platform, the Company seeks to help customers address and manage their energy problems, including:

- reducing energy waste in buildings and industrial facilities;
- improving energy and building asset performance through real-time data and analytics; and
- providing a corresponding reduction in GHG emissions.

The rise in the cost of electricity over the past several years has outpaced the rate of inflation. As a result, high electricity costs can have a detrimental impact on overall industry competitiveness, impact profitability and result in lower market valuations for the commercial real estate sector. Further, with increased regulations surrounding GHG at the provincial, state, and national level, the energy efficiency sector, as one of the world's fastest growing fuel sources, the Company anticipates an ongoing need for the products and services it provides.

The world of energy consumption and demand, at the commercial level, is directly intersecting with the growth and advancement of IoT, the Cloud and SaaS technology. Kontrol will endeavour to take a leadership position in shaping the way our customers use, manage and strategically allocate energy resources. The intent is that customers can gain immediate energy savings, more control over their energy consumption and demand in real-time and experience a progression towards achieving sustainability objectives.

Products and Services

Through its operating subsidiaries, the Company operates as a single unified smart energy technology provider, which serves three principal markets (as described below), totaling a servable obtainable market of 90 billion square feet of multi-residential and commercial buildings in the U.S. and Canada. Management of the Company considers its products and services to fall within one operating segment, being the provision of energy compliance and consulting services.

The Company's principal method of production is software development associated with the evolution of the Kontrol Smart Technology platform, which was initially acquired as part of the Company's acquisition strategy and subsequently developed internally by the Company. Actual delivery and ongoing asset management is provided through the use of real-time analytics supports by an internal team of energy and asset management support staff. Certain aspects of the Smart Technology platform such as installation and maintenance may from time to time involve third party service provides.

As noted above, the Company's primary services and products include the following:

- 1) Smart Buildings and Facilities** (SmartSuite, SmartSite, SmartMax aka Smart Technology)
- 2) Emission verification, air monitoring, compliance, and air quality**
 - Installation of continuous emissions and process equipment
 - Ongoing monitoring and service

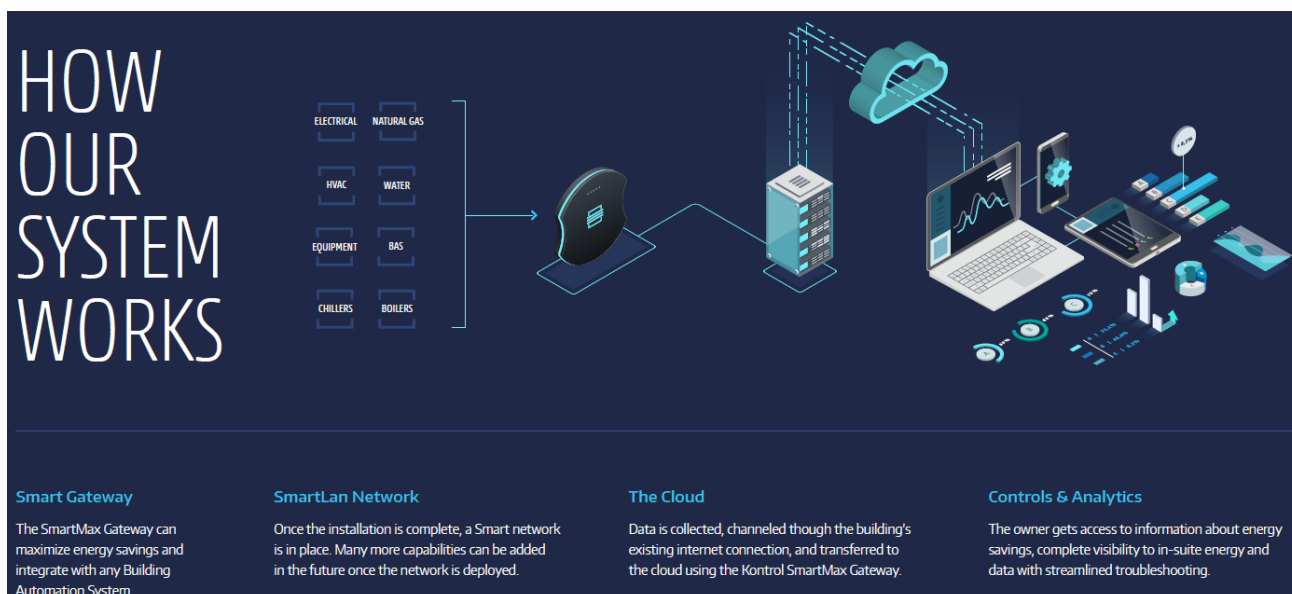
1) Smart Buildings and Facilities

The Company offers its Smart Technology to customers through both a multi-year subscription contract basis (Software-as-a Service) and upfront purchase. Kontrol's Smart Technology is deployed to customers through a cloud-based interface accessible on desktops and mobile devices. The Company collects real-time and historical data through the use of IoT sensors and direct connection to industrial control systems, bringing various sources of asset performance data in the cloud where smart-learning software is applied to optimize performance.

The underlying technologies that make up Kontrol's Smart Technology are derived from the various acquisitions the Company has completed since 2016. Each acquisition provides a key piece of the end-to-end asset management capability that the Company provides to its customers. Kontrol continues to invest in the development of its Smart Technology to enhance software and IoT device integration. Continued development of the Kontrol Smart Technology platform extends the solution suite to the creation of increasing customer value.

SmartSite® Software

This SmartSite® software is a building energy software technology designed to assist in the operation and management of complex heating, ventilation, and cooling systems for factories, large multi-residential, commercial, and mission critical buildings. Kontrol's IoT technology can be rapidly deployed within any building and can send energy data into Kontrol's cloud architecture where the data is analyzed in real-time. Through comparison and analysis to over 30 billion data points spanning more than 200 buildings, Kontrol can quickly identify inefficiencies, savings, and mission critical risk for its customers.



SmartSite® capabilities include the following:

- Fast installation (typically one hour or less)
- Immediate access to energy data
- Secure export to Kontrol's energy management system in the cloud
- Interoperability across building automation systems and HVAC equipment
- Immediate visibility into energy demand and consumption

SmartSuite®

Designed for commercial buildings, multi-residential buildings, factories, and the hospitality industry and driven by the move to smart buildings and smart cities, the SmartSuite® thermostat can connect into existing building automation systems and to also communicate with utilities.

The SmartSuite® thermostat provides in-suite energy management with rich analytics and user interfaces, which in turn is intended to deliver energy savings, comfort and measurable GHG reductions.

Application of the Technology

In addition to the installation of Smart Technology, the Company provides building automation and retrofits to improve the energy efficiency of buildings and facilities. These are typically one-time projects with annual recurring service revenues generated to managed and maintain the energy and building assets following their installation.

Kontrol and its subsidiaries provide technical services to help building owners across North America improve their facilities, save money, and conserve valuable energy resources. These

services are intended to uncover, design, and manage facility systems solutions, with an emphasis on economic feasibility and energy savings.

The Company's subsidiary, EEI, works with clients to provide thorough and cost-effective energy auditing, monitoring and verification, energy project assessment, mechanical, electrical, and renewable design, and LEED facilitation. In addition, Kontrol Buildings leads a building energy and service platform that provides monitoring, operation and service of essential heating, cooling, ventilation, and utility systems to customers in the commercial, industrial, and multi-residential building sector. Global provides integrated installations of complex heating, cooling, ventilation and building automation systems to its customers. Kontrol has integrated its facility management technology, SmartSite, with the Global project platform to drive software growth. Kontrol's SmartSite platform integrates into building automation systems and provides data analysis, reporting and smart learning algorithms to drive improvements in overall energy management and sustainability.

2) Emission verification, air monitoring, compliance, and air quality

Through two operating subsidiaries, ORTECH and CEMSI, the Company provides emission verification and compliance services. For industrial facilities, these services include the installation of continuous emission monitoring equipment and ongoing monitoring and management of industrial emissions which must be reported to local, state and provincial authorities.

ORTECH is an atmospheric science consulting firms, providing a range of environmental and engineering services including stack emission testing, continuous emission testing, power generation, due diligence, odour assessment and analytics, compliance, and other engineering services. ORTECH provides a stable industrial client base with high quality services in technical problem solving, and evaluation with an emphasis on air quality and renewable energy.

On December 29, 2023, the Company completed the sale of the assets of ORTECH. The structure of transaction involved the sale of operational assets to the purchaser and the purchaser will assume certain liabilities based upon the terms and conditions contained in this agreement. The sale price was \$6.1 million plus or minus adjustments for any account balances where actuals differ from estimates. A gain on sale was recorded in the amount of \$2.5 million.

CEMSI is a leading integrator of turn-key emission monitoring equipment and generates revenue from continuous emission systems, integration design, manufacturing, service, repairs, and on-site performance certification testing. Together CEMSI and ORTECH have expanded the Company's emission monitoring and solutions business by capturing a growing footprint across Canada and the United States.

We have earned a leadership position in emission compliance and verification. Our business is based on regulatory compliance and includes a wide range of blue-chip customers across Canadian industry. The Company continues to expand its service offerings to deal with the increasing regulations from local and provincial governments in new industries.

We provide the Canadian, U.S., and international markets with value added solutions for continuous emissions, process monitoring applications and instrumentation. The Company works with customers across diverse industries to provide consulting, integration design, manufacturing, service, repairs, and on-site performance certification testing. Through deep industry experience, knowledge, and technical capability we have been able to leverage existing air quality monitoring technology process and add viral detection technology.

High Temperature Dry Kiln Probe Development Project

The “High Temperature Dry Kiln Probe Development Project” started in the first half of 2023. The project consists of the design and engineering phase, BETA development and manufacturing of the dry kiln probe, in-house testing and validation with CSA approval. The environmental monitoring and process monitoring of greenhouse gases is critical in industries, both for production, reducing greenhouse gases and harmful emissions, but also fuel savings which reduces consumption of natural gas, coal, coke, and alternative fuels. The Company has received \$120,000 of funding from the National Research Council of Canada Industrial Research Assistance Program in connection with the project.

Ethylene Oxide Emissions

The Company continues to expand with new orders coming from the US market to design and integrate advanced emission technology in order to monitor ethylene oxide in real-time. Ethylene oxide is widely used across various industries for the production of solvents, detergents, adhesives, antifreeze, textiles, and pharmaceuticals. Ethylene oxide is also present in sterility for cosmetics, fumigants, and hospitals for sterility of surgical equipment. In a short period, the Company has been able to deliver leading hardware and software solutions to assist its customer with the real-time monitoring of ethylene oxide emissions.

In addition to the installation of Smart Technology, the Company provides building HVAC integration, automation and retrofits to improve the energy efficiency of buildings and facilities. These are typically one-time projects with annual recurring service revenue generated to manage and maintain the energy and building assets following their installation.

Kontrol and its subsidiaries provide technical services to help building owners across North America improve their facilities, save money, and conserve valuable energy resources. These services are intended to uncover, design, and manage facility systems solutions, with an emphasis on economic feasibility and energy savings. The Company works with clients to provide thorough and cost-effective energy auditing, monitoring and verification, energy project assessment, mechanical, electrical, and renewable design, and LEED facilitation.

The Company’s presence in buildings allows for revenue generation from multiple sources including project integration, recurring revenues through software and service, maintenance, energy management, and engineering/design. The Company’s building technology and cloud-based platform are key offerings we seek to expand in addressing sustainability, energy conservation and greenhouse gas emission reduction.

The Company's subsidiary, Global, previously provided integrated installations of complex heating, cooling, ventilation and building automation systems to its customers. Global's large-scale HVAC operation was focussed primarily on high rise multi-residential. The acquisition of Global in 2021 added substantial new revenue and scale. However, as the Company was nearing completion of many sizable construction projects, Global's operation was heavily impacted by cost overruns and material disruption which resulted in significant revenue and earnings reduction. Accordingly, on February 14, 2023, Global made an assignment pursuant to the *Bankruptcy and Insolvency Act* and a trustee in bankruptcy was appointed. As a result of the voluntary bankruptcy, the Company is deemed to have lost control of Global, and as such, has deconsolidated the subsidiary effective February 14, 2023 and treated as a discontinued operation.

Impairment of assets

As at December 31, 2023 the Company had determined that a full impairment of Product Development, Goodwill and Customer Relationships relating to a CGU was required. The CGU's activities are designed for commercial building applications and include energy retrofits and conservation solutions. The Company will continue to provide energy management services through a rebranding under Kontrol Buildings Inc. (formerly NFA) in delivering a unified HVAC and real-time energy monitoring platform. The total impairment which also includes an inventory write down was \$2.3 million for the year ended December 31, 2023.

Specialized Skill and Knowledge

The Company requires specialized skills and knowledge within each of its lines of business. With respect to its Smart Technology platform, Kontrol possesses talent and experience in building energy management software, managing and servicing critical building infrastructure, monitoring for GHG emissions and improving air quality. Within the emissions component of its business operations, Kontrol has a team of experienced environmental scientists and field technologists.

From a core technology perspective, the team also retains specialized skills and expertise in specific areas of software development, namely the development of real-time energy and assets managed with smart-learning capabilities.

At this time, the Company believes that it has sufficient internal skills and expertise required in order to operate its business effectively.

Competitive Conditions

In the principal markets that Kontrol operates in, being Canada and the United States the Company has numerous competitors, including Honeywell, Siemens, Schneider, Rockwell Automation and Johnson Controls which also operate commercial offerings that overlap or compete with Kontrol's Smart Technology platform. Kontrol believes that its competitive advantage lies in its combined use of IoT, Cloud and software to deliver a unified platform to the

customer at a lower price point than the majority of its primary competitors. In addition, Kontrol is able to service customers to an underserved mid-market customer which may be too small for larger incumbent competitors as conventional solutions have been too expensive or uneconomical. Kontrol's proprietary and patented technology delivers a more simplified installation process and has the ability to aggregate actionable data in real-time efficiently. The Company observes that in the principal markets it serves, most solutions place a heavy focus on acquiring data, storing it, then reporting it to make it available to end customers. Kontrol attempts to differentiate itself from its competitors by using real-time data and analytics to create actionable insight that help customers determine what actions and automation improvements are the best ones to take to get the most out of their assets.

Intangible Properties

Kontrol's success depends in part on its ability to create unique intellectual property that improves the Company's ability to create and deliver customer value in the principal markets where it does business. The Company relies on the use of intellectual property rights, including patents, copyrights, and trade secrets in Canada and the United States.

The Company retains a portfolio of three software patents in the areas of HVAC energy efficiency, smart learning algorithms, real time energy management and rich data analytics.

Patent	Patent No. / App. Serial No.	Jurisdiction	Status	Registered Owner
A system, computer product and method for monitoring and disseminating data from a plurality of intelligent devices via the Internet	7,594,004	US Patent	Granted	Kontrol Technologies Corp.
A system, computer product and method for monitoring and disseminating data from a plurality of intelligent devices via the Internet	2,397,695	CDN Patent	Granted	Kontrol Technologies Corp.

A system, computer product and method for monitoring and disseminating data from a plurality of intelligent devices via the Internet	7,596,613	US Patent	Granted	Kontrol Technologies Corp.
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File No.	Application/Patent No.	Status
347-0001CAP1	2,397,695	Granted
347-0001USP1	7,594,004	Granted
347-0001USP2	7,596,613	Granted
347-0003CAP1	3,101,060	Pending
347-0003USP1	US 11,662,278 B2	Granted
347-0004USP1	17/105,804	Allowed
347-0005USP1	US 11,821,837 B2	Granted

The Company has applied for a portfolio of 3 trademarks in the usage of trademark "Safe Space Technology".

Patent	Trademark No. / App. Serial No.	Jurisdiction	Status	Registered Owner
"Safe Space Technology"	2051186	Canada	Pending	Kontrol Technologies Corp.
"Safe Space Technology"	90/573,516	U.S.	Pending	Kontrol Technologies Corp.

"Safe Space Technology"	18424034	European Union	Registered	Kontrol Technologies Corp.
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The Company also uses key domain names, including, but not limited to: energysimple.ca, energysimple.co, energysimple.info, energysimplenow.com, kontrolcloud.com, kontrolportal.com, kontrolenergy.ca, kontrolbiocloud.com, kontrolenergy.com, kontrolcorp.com, kontrolsmartsuite.com, kontrolsmartbuildings.com, netzeroworld.ca and smartsuiteportal.com.

The Company further protects its proprietary source code and algorithms as trade secrets, limiting access to these to employees who have a need to know such information.

Cycles

The demand for the Company's products and services is fairly consistent throughout the calendar year. Accordingly, the business of the Company is not seasonal or cyclical to any significant extent.

Environmental Protection

The Company does not foresee any financial or operational effects from environmental protection requirements on capital expenditures, profit or loss, and competitive position in the current financial year. While the financial and operational effects of environmental protection requirements on the capital expenditures, profits or losses and competitive position of the Company in future financial years is difficult to determine at this time, in the future, the Company may see enhanced demand for SmartSite, SmartSuite and SmartMax in businesses who have a mandate to become more energy efficient.

Employees

As at December 31, 2023, the Company and its subsidiaries had approximately 80 employees working out of five offices in Canada and the United States.

Foreign Operations

The Company operates in multiple provinces in Canada and states in the United States, with the majority of its business taking place in Canada.

RISK FACTORS

AN INVESTMENT IN SECURITIES OF THE COMPANY IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

Prior to making an investment decision, investors should consider the risk factors set forth below and those described elsewhere in this AIF, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of Kontrol consider the risks set forth below to be the most significant, but do not consider them to be all of the risks associated with an investment in securities of Kontrol. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in connection with Kontrol's business actually occur, Kontrol's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of Kontrol's securities could decline and investors may lose all or part of their investment.

Going Concern Assumption and Forbearance Agreement

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements. Such adjustments could be material.

On August 10, 2023, the Company entered into a renewed Forbearance Agreement ("FBA") with its secured lender for a six-month term up to January 31, 2024. The FBA was extended to March 31, 2024. Under the FBA the Company is required to remain current on principal and interest obligations and is subject to a minimum EBITDA and cash thresholds. The facility is secured by a general security agreement and Company guarantees. The FBA replaces a three-year maturing term facility was entered into during the third quarter of 2022. Due to non-compliance in fiscal year 2022 of financial covenants in connection with the 2022 term facility and revolver, the Company's term loans have been classified as a current liability at December 31, 2023 and December 31, 2022.

Kontrol may be unable to identify and complete suitable platform acquisitions and acquisitions in its existing vertical markets.

Kontrol cannot be certain that it will be able to identify suitable new acquisition candidates that are available for purchase at reasonable prices. Even if Kontrol is able to identify such candidates, it may be unable to consummate an acquisition on suitable terms. When evaluating an acquisition opportunity, there is no assurance that the Company will correctly identify the risks and costs inherent in the business that it is acquiring. If Kontrol is to proceed with one or more significant future acquisitions in which the consideration consists of cash, a substantial portion of its available cash resources may be used or it may have to seek additional financing to complete such acquisitions.

Potential acquisitions could be difficult to consummate and integrate into Kontrol's operations, and these acquisitions and other investment transactions could disrupt Kontrol's business, dilute stockholder value or impair Kontrol's financial results.

As part of Kontrol's business strategy, it may continue from time to time to seek to grow its business through acquisitions of or investments in new or complementary businesses, technologies or products that it believes can improve its ability to compete in its existing customer markets or allow it to enter new markets. The potential risks associated with acquisitions and investment transactions include, but are not limited to:

- failure to realize anticipated returns on investment, cost savings and synergies;
- difficulty in assimilating the operations, policies, and personnel of the acquired company;
- unanticipated costs associated with acquisitions;
- challenges in combining product offerings and entering into new markets in which the Company's management team may not have experience;
- distraction of management's attention from normal business operations;
- potential loss of key employees of the acquired company;
- difficulty implementing effective internal controls over financial reporting and disclosure controls and procedures;
- impairment of relationships with customers or suppliers;
- possibility of incurring impairment losses related to goodwill and intangible assets; and
- other issues not discovered in due diligence, which may include product quality issues or legal or other contingencies.

Acquisitions and/or investments may also result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the expenditure of available cash, and amortization expenses or write-downs related to intangible assets such as goodwill, any of which could have a material adverse effect on Kontrol's operating results or financial condition. Investments in immature businesses with unproven track records and technologies have an especially high degree of risk, with the possibility that Kontrol may lose its entire investment or incur unexpected liabilities. Kontrol may experience risks relating to the challenges and costs of closing a business combination or investment transaction and the risk that an announced business combination or investment transaction may not close. There can be no assurance that Kontrol will be successful in completing additional acquisitions in the future or in integrating or executing on its business plan for existing or future acquisitions.

Kontrol may acquire contingent liabilities through acquisitions that could adversely affect Kontrol's operating results.

Kontrol may acquire contingent liabilities in connection with acquisitions it has completed, which may be material. Although management uses its best efforts to estimate the risks associated with these contingent liabilities and the likelihood that they will materialize, their estimates could differ materially from the liabilities actually incurred.

Acquisitions, investments, joint ventures, and other business initiatives may negatively affect Kontrol's operating results.

The growth of Kontrol through the successful acquisition and integration of complementary businesses is a critical component of its corporate strategy. Kontrol continually evaluates acquisition opportunities within its respective marketplace and may be in various stages of discussions with respect to such opportunities. Kontrol plans to continue to pursue acquisitions that complement its existing business, represent a strong strategic fit, and are consistent with its overall growth strategy and disciplined financial management. Kontrol may also target future acquisitions to expand or add functionality and capabilities to its existing portfolio of solutions, as well as add new solutions to its portfolio. Kontrol may also consider opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. These activities create risks such as: (i) the need to integrate and manage the businesses and products acquired with Kontrol's own business and products; (ii) additional demands on its resources, systems, procedures and controls; (iii) disruption of its ongoing business; and (iv) diversion of management's attention from other business concerns. Moreover, these transactions could involve: (a) substantial investment of funds or financings by issuance of debt or equity or equity-related securities; (b) substantial investment with respect to technology transfers and operational integration; and (c) the acquisition or disposition of product lines or businesses.

Also, such activities could result in charges and expenses and have the potential to either dilute the interests of existing shareholders or result in the issuance or assumption of debt. This could have a negative impact on the credit ratings of Kontrol's outstanding debt securities.

Such acquisitions, investments, joint ventures, or other business collaborations may involve significant commitments of financial and other resources of Kontrol. Any such activity may not be successful in generating revenues, income, or other returns to Kontrol, and the resources committed to such activities will not be available to it for other purposes. Moreover, if Kontrol is unable to access capital markets on acceptable terms or at all, it may not be able to consummate a specific acquisition, or a series of acquisitions. Alternatively, Kontrol may have to complete a transaction on the basis of a less than optimal capital structure. Kontrol's potential inability (i) to take advantage of growth opportunities for its business or for its products and services, or (ii) to address risks associated with acquisitions or investments in businesses, may negatively affect its operating results. Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges associated with any acquisition or investment

activity, may materially impact Kontrol's results of operations which, in turn, may have an adverse material effect on the market price of Shares or credit ratings of its outstanding debt securities.

The loss of one or more of Kontrol's key personnel, or its failure to attract and retain other highly qualified personnel in the future, could harm its business.

Kontrol currently depends on the continued services and performance of its key personnel, including its executive officers. The loss of key personnel could disrupt Kontrol's operations and have an adverse effect on its business and financial results.

As Kontrol continues to grow, it cannot guarantee that it will continue to attract the personnel it needs to maintain its competitive position. As Kontrol scales, the total cash and equity compensation structure necessary to retain and attract key personnel may have to change to be in line with market rates for the verticals in which Kontrol competes. If Kontrol does not succeed in attracting, hiring, and integrating key personnel with industry-specific experience, or retaining and motivating existing personnel, it may be unable to grow effectively.

Kontrol cannot be certain that additional financing will be available on reasonable terms when required, or at all.

From time to time, Kontrol may need additional financing, including to fund potential acquisitions. Its ability to obtain additional financing, if and when required, will depend on investor demand, Kontrol's operating performance, the condition of the capital markets, and other factors. To the extent Kontrol draws on its credit facilities, if any, to fund certain obligations, it may need to raise additional funds, and Kontrol cannot provide assurance that additional financing will be available to it on favorable terms when required, or at all. If Kontrol raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of Kontrol's Shares, and existing shareholders may experience dilution.

Kontrol may not be able to protect its intellectual property rights, which could make it less competitive and cause it to lose market share.

Kontrol's software is proprietary. Kontrol's strategy is to rely on a combination of copyright, patent, trademark and trade secret laws in the United States, Canada and other jurisdictions, and to rely on license and confidentiality agreements and software security measures to further protect its proprietary technology and brand. Kontrol has obtained or applied for patent protection with respect to some of its intellectual property, but generally does not rely on patents as a principal means of protecting its intellectual property. Kontrol has registered or applied to register some of its trademarks in the Canada and in selected other countries. Kontrol generally enters into non-disclosure agreements with its employees and customers, and historically has restricted third-party access to its software and source code, which it regards as proprietary information.

The steps Kontrol has taken to protect its proprietary rights may not be adequate to avoid the misappropriation of its technology or independent development by others of technologies that may be considered a competitor. Kontrol's intellectual property rights may expire or be challenged, invalidated or infringed upon by third parties or it may be unable to maintain, renew or enter into new licenses on commercially reasonable terms. Any misappropriation of Kontrol's technology or development of competitive technologies could harm its business and could diminish or cause it to lose the competitive advantages associated with its proprietary technology, and could subject it to substantial costs in protecting and enforcing its intellectual property rights, and/or temporarily or permanently disrupt its sales and marketing of the affected products or services. The laws of some countries in which Kontrol's products are licensed do not protect its intellectual property rights to the same extent as the laws of Canada. Moreover, in some other jurisdictions, laws affecting intellectual property rights are uncertain in their application, which can affect the scope of enforceability of Kontrol's intellectual property rights.

Kontrol's software research and development initiatives and its customer relationships could be compromised if the security of its information technology is breached as a result of a cyberattack. This could have a material adverse effect on Kontrol's business, operating results, and financial condition, and could harm its competitive position.

Kontrol devotes resources to continually updating its software and from time to time may devote resources to developing new products (for instance, BioCloud™), and its financial performance is dependent in part upon its ability to bring updated versions of its current products and services as well as new products and services to market. Kontrol's customers use its software to monitor their assets and rely on Kontrol to provide updates and releases as part of its software maintenance and support services. The security of Kontrol's information technology environment is therefore important to any research and development initiatives, and an important consideration in its customers' purchasing decisions. If the security of Kontrol's systems is impaired, its development initiatives might be disrupted, and it might be unable to provide service. Kontrol's customer relationships might deteriorate, its reputation in the industry could be harmed, and it could be subject to liability claims. This could reduce Kontrol's revenues, and expose it to significant costs to detect, correct and avoid any breach of security and to defend any claims against it.

Kontrol's information assets and critical infrastructure may be subject to cyber security risks. Kontrol is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of Kontrol's information technology systems by third parties or insiders. Despite Kontrol's security measures and controls, which are designed to mitigate these risks, a breach of its security measures and/or a loss of information could occur and result in a loss of material and confidential information and reputation, breach of privacy laws and a disruption to Kontrol's business activities by limiting its capacity to effectively monitor and control Kontrol's operations and adjust to changing market conditions. Kontrol's failure to appropriately maintain the security of the data it holds, whether as a result of its own error or the malfeasance or errors of others, could harm Kontrol's reputation or give rise to legal liabilities

leading to lower revenues, increased costs and other adverse effects on Kontrol's results of operations. Any future cyber security attacks that affect Kontrol's facilities, communications systems, Kontrol's customers or any of Kontrol's financial data could have a material adverse effect on Kontrol's business. In addition, cyber-attacks on Kontrol's customer and employee data may result in a financial loss and may negatively impact Kontrol's reputation. Third-party systems on which Kontrol relies could also suffer operational system failure. The significance of any such event is difficult to quantify, but may in certain circumstances be material to Kontrol and could have adverse effects on Kontrol's business, financial condition and results of operations.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In the future, Kontrol may expend additional resources to continue to enhance Kontrol's information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that Kontrol will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on Kontrol's systems, or that any such incident will be discovered in a timely manner. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change frequently; accordingly, Kontrol may be unable to anticipate these techniques or implement adequate preventative measures.

If Kontrol does not allocate and effectively manage the resources necessary to build and sustain reliable information technology infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or Kontrol's or its customers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, Kontrol's business could be disrupted and Kontrol could, among, other things, be subject to: the loss of or failure to attract new residents; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

The loss of Kontrol's rights to use technology currently licensed by third parties could increase operating expenses by forcing Kontrol to seek alternative technology and adversely affect Kontrol's ability to compete.

Kontrol occasionally licenses technology, including software and related intellectual property, from third parties for use in its products and may be required to license additional intellectual property. There are no assurances that Kontrol will be able to maintain its third-party licenses or obtain new licenses when required on commercially reasonable terms, or at all.

Information technology systems.

Kontrol's operations depend in part upon IT systems. Kontrol's IT systems are subject to disruption, damage, or failure from many sources, including computer viruses, security breaches,

natural disasters, power loss, and defects in design. To date, Kontrol has not experienced any material losses relating to IT system disruptions, damage, or failure, but there are no assurances that it will not incur such losses in the future. Any of these and other events could result in IT systems failures, operational delays, production downtimes, destruction or corruption of data, security breaches, or other manipulation or improper use of Kontrol's systems and networks.

Kontrol's products are highly technical, and if they contain undetected errors Kontrol's business and financial results could be adversely affected.

Kontrol's products are highly technical and complex. Kontrol's products may now or in the future contain undetected errors, bugs, or vulnerabilities. Some errors in Kontrol's products may only be discovered after they have been released. Any errors, bugs, or vulnerabilities discovered in Kontrol's products after release could result in damage to Kontrol's reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect Kontrol's business and financial results.

If Kontrol's products are unable to work with devices, platforms, or interfaces to deliver targeted user experiences, this could adversely affect Kontrol's business and financial results.

Kontrol is dependent on the interoperability of Smart Technology with popular cloud systems that it does not control, such as Google. Any changes in such systems that degrade the functionality of Kontrol's products or give preferential treatment to competitive products could adversely affect Kontrol's business and financial results.

Reliance on third party networks.

Kontrol is dependent on third party mobile networks such as those provided by major telecommunications companies to provide services. These third-party networks are controlled by third parties and are subject to compromise or failure. Extended disruptions of such networks could adversely affect Kontrol's business and financial results.

If Kontrol is not able to maintain and enhance the Smart Technology brands, or if events occur that damage the Smart Technology reputation and brand, Kontrol's ability to expand its base of users may be impaired, which could adversely affect Kontrol's business and financial results.

Kontrol believes that the Smart Technology brands will significantly contribute to the success of its business. Kontrol also believes that maintaining and enhancing its own brands, in particular the Smart Technology brands, is critical to expanding its base of users. Many of its new users are referred by existing users, and therefore Kontrol strives to ensure that users remain favorably inclined towards Smart Technology. Maintaining and enhancing the Smart Technology™ brand will depend largely on Kontrol's ability to continue to provide useful, reliable, trustworthy, and innovative products, which it may not do successfully. Kontrol may introduce new products or terms of service that users do not like, which could adversely affect Kontrol's business and financial results.

If Kontrol fails to increase market awareness of Smart Technology and expand sales and marketing operations, Kontrol's business and financial results could be adversely affected.

Kontrol believes that the Smart Technology brands will continue to significantly contribute to the success of its business. Kontrol intends to spend significant resources on increasing the market awareness of the Smart Technology brands and expanding its sales and marketing operations. There is no guarantee that Kontrol will be successful in its efforts to increase market awareness. Failure to increase market awareness of the Smart Technology brands or the failure of customers to adopt the Smart Technology brands could adversely affect Kontrol's business and financial results.

If Kontrol does not continue to develop technologically advanced products that successfully integrate with the software products and enhancements used by its customers, its future revenues and operating results may be negatively affected.

Kontrol's success depends upon its ability to design, develop, test, market, license and support new software products, services, and enhancements of current products and services on a timely basis in response to both competitive threats and marketplace demands. The software industry is increasingly focused on cloud computing, mobility, social media, and SaaS, among other continually evolving shifts. In addition, Kontrol's software products, services, and enhancements must remain compatible with standard platforms and file formats. Often, Kontrol must integrate software licensed or acquired from third parties with its proprietary software to create or improve its products. If Kontrol is unable to achieve a successful integration with third party software, it may not be successful in developing and marketing its new software products, services, and enhancements. If Kontrol is unable to successfully integrate third party software to develop new software products, services, and enhancements to existing software products and services, or to complete the development of new software products and services which it licenses or acquires from third parties, its operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, Kontrol's operating results will materially suffer. Moreover, if new industry standards emerge that Kontrol does not anticipate or adapt to, or with rapid technological change occurring, if alternatives to its services and solutions are developed by its competitors, its software products and services could be rendered obsolete, causing it to lose market share and, as a result, harm its business and operating results and its ability to compete in the marketplace.

Kontrol's new products and changes to existing products could fail to attract or retain users or generate revenue.

Kontrol's ability to retain, increase, and engage its user base and to increase its revenue will depend heavily on Kontrol's ability to create or acquire successful new products, both independently and in conjunction with software and platform developers or other third parties.

Kontrol may introduce significant changes to its existing products or develop and introduce new and unproven products, including using technologies with which it has little or no prior

development or operating experience. If new or enhanced products fail to engage users, Kontrol may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify certain investments, and the business may be adversely affected. In the future, Kontrol may invest in new products and initiatives to generate revenue. There is no guarantee these approaches will be successful. If Kontrol is not successful with new approaches to monetization, it may not be able to maintain or grow its revenue as anticipated or recover any associated development costs, which could adversely affect Kontrol's business and financial results.

Kontrol may incur liability as a result of information retrieved from or transmitted over or through Kontrol products or network.

Kontrol may face claims relating to information that is retrieved from or transmitted over the Internet or through Kontrol and claims related to Kontrol's products. In particular, the nature of Kontrol's business exposes it to claims related to intellectual property rights, rights of privacy, and personal injury torts.

Risks related to COVID-19.

Since March 2020, the global pandemic outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgements and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Company is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgements and estimates. ***Worldwide efforts to contain capital spending, general uncertainty as to continued economic growth during the current post-recessionary global economy, the possibility of another recession and a continued weakened global economy could have a material adverse effect on Kontrol.***

One factor that significantly affects Kontrol's financial results is the impact of economic conditions on the willingness of Kontrol's current and potential customers to make capital investments. Given the general uncertainty as to continued economic growth during the current post-recessionary global economy, Kontrol believes that customers continue to be cautious about sustained economic growth and have tried to maintain or improve profitability through cost control and constrained capital spending, which places additional pressure on departments to demonstrate acceptable return on investment. Current uncertain worldwide economic and political environments make it increasingly difficult for Kontrol, its customers and suppliers to accurately predict future product demand, which could result in an inability to satisfy demand for Kontrol's products and a loss of market share. Kontrol's revenues may decline in such circumstances and profit margins could be eroded, or Kontrol could incur significant losses.

Moreover, economic conditions worldwide may contribute to slowdowns in the markets in which Kontrol operates, resulting in reduced demand for Kontrol's solutions as a result of customers choosing to refrain from capital investments.

Continuing turmoil in the geopolitical environment in many parts of the world, including terrorist activities and military actions, as well as political and economic issues in many regions, continue to put pressure on global economic conditions. Kontrol's business and financial results and its ability to expand into other international markets may also be affected by changing economic conditions particularly germane to that sector or to particular customer markets within that sector.

Kontrol's business is subject to complex and evolving laws and regulations. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to Kontrol's business practices, increased cost of operations, or declines in user growth or engagement, or otherwise harm Kontrol's business.

Kontrol is subject to a variety of laws and regulations in Canada and, potentially, in other jurisdictions that involve matters central to its business, including user privacy, data protection, intellectual property, distribution, contracts and other communications, competition, consumer protection, and taxation. These laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which Kontrol operates. Existing and proposed laws and regulations may be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase Kontrol's operating costs, require significant management time and attention, and subject Kontrol to claims or other remedies, including fines or demands that Kontrol modify or cease existing business practices.

Kontrol's business is highly competitive. Competition presents an ongoing threat to the success of its business. If Kontrol fails to compete successfully against industry peers, Kontrol's ability to increase revenues and achieve profitability will be impaired. As Kontrol introduces new products and as its existing products evolve, or as other companies introduce new products and services, Kontrol may become subject to additional competition.

In the principal markets that Kontrol operates in, it has numerous competitors, including Honeywell, Siemens, Schneider, Rockwell Automation and Johnson Controls which also operate commercial offerings that overlap or compete with Kontrol's Smart Technology platform.

Some of Kontrol's current and potential competitors have significantly greater resources and hold advantageous competitive positions in certain market segments than Kontrol currently holds. These factors may allow Kontrol's competitors to respond more effectively than Kontrol to new or emerging technologies and changes in market requirements. Kontrol's competitors may develop products that are similar to Kontrol's or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing

campaigns, or may adopt more aggressive pricing policies. Certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against Kontrol. As a result, Kontrol's competitors may acquire and engage users of Kontrol's current products at the expense of the growth or engagement of its user base, which could adversely affect Kontrol's business and financial results.

Kontrol believes that its ability to compete effectively depends upon many factors both within and beyond Kontrol's control, including:

- the usefulness, ease of use, performance, and reliability of Kontrol's products compared to its competitors;
- the size and composition of Kontrol's user base;
- the engagement of Kontrol's users with its products;
- the timing and market acceptance of Kontrol's products, including developments and enhancements, or similar improvements by its competitors;
- Kontrol's ability to monetize its products, including its ability to successfully monetize its technology platform, Smart Technology;
- customer service and support efforts;
- marketing and selling efforts;
- Kontrol's financial condition and results of operations;
- changes mandated by legislation, regulatory authorities, or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on Kontrol;
- acquisitions or consolidation within Kontrol's industry, which may result in more formidable competitors;
- Kontrol's ability to attract, retain, and motivate talented employees, particularly computer engineers;
- Kontrol's ability to cost-effectively manage and grow its operations; and
- the Kontrol reputation and brand strength relative to competitors.

If Kontrol is not able to effectively compete, its user base and level of user engagement may decrease, which could adversely affect Kontrol's business and financial results.

Kontrol's compensation structure may hinder its efforts to attract and retain vital employees.

A portion of Kontrol's total compensation program for its executive officers and key personnel includes the award of options or restricted stock units to buy Shares. If the market price of the Common Shares performs poorly, such performance may adversely affect Kontrol's ability to retain or attract critical personnel. In addition, any changes made to Kontrol's stock option plan, or to any other of its compensation practices, which are made necessary by governmental regulations or competitive pressures, could adversely affect its ability to retain and motivate existing personnel and recruit new personnel. For example, any limit to total compensation which may be prescribed by the government or applicable regulatory authorities or any significant increases in personal income tax levels levied in countries where Kontrol has a significant operational presence may hurt its ability to attract or retain its executive officers or other employees whose efforts are vital to its success. Additionally, payments under Kontrol's long-term incentive plan are dependent to a significant extent upon the future performance of Kontrol both in absolute terms and in comparison, to similarly situated companies. Any failure to achieve the targets set under Kontrol's long-term incentive plan could significantly reduce or eliminate payments made under this plan, which may, in turn, materially and adversely affect its ability to retain the key personnel who are subject to this plan.

The requirements of being a public company may strain Kontrol's resources, divert management's attention and affect its ability to attract and retain executive management and qualified board members.

As a reporting issuer, Kontrol is subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the continued listing requirements of the CSE and other applicable securities rules and regulations. Compliance with these rules and regulations require legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on Kontrol's systems and resources. Applicable securities laws require Kontrol to, among other things, file certain annual and quarterly reports with respect to its business and results of operations. In addition, applicable securities laws require Kontrol to, among other things, maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required from time to time to meet evolving requirements, improve its disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. Specifically, due to the increasing complexity of its transactions, it is anticipated that Kontrol will improve its disclosure controls and procedures and internal control over financial reporting primarily through the continued development and implementation of formal policies, improved processes and documentation procedures, as well as the continued sourcing of additional finance resources. As a result, management's attention may be diverted from other business concerns, which could harm Kontrol's business and results of operations. To comply with these requirements, Kontrol may need to hire more employees in the future or engage outside consultants, which will increase its costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These laws, regulations and

standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Kontrol intends to continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If its efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against Kontrol, which could adversely affect Kontrol's business and financial results.

As a public company subject to these rules and regulations, Kontrol may find it more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for Kontrol to attract and retain qualified members of its Board, particularly to serve on its Audit Committee and Compensation Committee, and qualified executive officers.

As a result of disclosure of information in filings required of a public company, Kontrol's business and financial condition is subject a certain degree of visibility, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, Kontrol's business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in its favor, these claims, and the time and resources necessary to resolve them, could divert the resources of Kontrol's management and harm its business and results of operations.

The price of the securities of Kontrol may fluctuate significantly, which may make it difficult for holders of securities of Kontrol to sell its securities at a time or price they find attractive.

The market price of Common Shares may be subject to wide fluctuations in response to many factors, due to a variety of factors, many of which are beyond its control. Some of these factors include the following:

- actual or anticipated quarterly fluctuations in the financial results and financial condition of Kontrol and its subsidiaries;
- changes in financial estimates or publication of research reports and recommendations by financial analysts with respect to it or other financial institutions;
- reports in the press or investment community generally or relating to Kontrol's reputation or the industry in which it operates;
- changes in the business prospectus for Kontrol and its subsidiaries;

- strategic actions by Kontrol or its competitors, such as acquisitions, restructurings, dispositions, or financings;
- fluctuations in the stock price and financial results of Kontrol's competitors;
- future sales of Kontrol's equity or equity-related securities;
- proposed or adopted regulatory changes or developments;
- domestic and international economic factors unrelated to Kontrol's performance; and
- general market conditions and, in particular, developments related to market conditions for Kontrol's industry.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect Kontrol's stock price, notwithstanding Kontrol's financial results. Kontrol expects that the market price of the Common Shares will fluctuate and there can be no assurances about the levels of the market prices for such Common Shares.

Kontrol does not know whether an active, liquid and orderly trading market will be sustained for the securities of Kontrol or what the market price of the securities of Kontrol will be, and as a result it may be difficult for investors to sell its securities of Kontrol.

An active trading market for securities of Kontrol may not be sustained. The lack of an active market may impair an investor's ability to sell its securities of Kontrol at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair market value of an investor's securities of Kontrol. Further, an inactive market may also impair Kontrol's ability to raise capital by selling securities of Kontrol and may impair its ability to enter into collaborations or acquire companies or products by using securities of Kontrol as consideration. The market price of securities of Kontrol may be volatile, and an investor could lose all or part of their investment.

Kontrol does not intend to pay dividends on the Common Shares for the foreseeable future.

Kontrol currently does not plan to declare dividends on the Common Shares in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of the Board. Consequently, an investor's only opportunity to achieve a return on the investment in Kontrol will be if the market price of Common Shares appreciates and the investor sells shares at a profit. There is no guarantee that the trading price of Kontrol's Common Shares in the market will ever exceed the price that an investor paid.

If research analysts do not publish research about Kontrol's business or if they issue unfavorable commentary or downgrade the Common Shares, Kontrol's stock price and trading volume could decline.

The trading market for the securities of Kontrol may depend in part on the research and reports that research analysts publish about Kontrol and its business. If Kontrol does not maintain adequate research coverage, or if one or more analysts who covers Kontrol downgrades its stock, or publishes inaccurate or unfavorable research about Kontrol's business, the price of Kontrol's Shares could decline. If one or more of the research analysts ceases to cover Kontrol or fails to publish reports on it regularly, demand for securities of Kontrol could decrease, which could cause Kontrol's stock price or trading volume to decline.

Kontrol may issue additional equity securities or engage in other transactions that could dilute its book value or affect the priority of the Common Shares, which may adversely affect the market price of the Common Shares.

The Board may determine from time to time that it needs to raise additional capital by issuing additional Common Shares or other securities. Except as otherwise described in this AIF, Kontrol will not be restricted from issuing additional Common Shares, including securities that are convertible into or exchangeable for, or that represent the right to receive, Common Shares. Because Kontrol's decision to issue securities in any future offering will depend on market conditions and other factors beyond Kontrol's control, it cannot predict or estimate the amount, timing, or nature of any future offerings, or the prices at which such offerings may be affected. Additional equity offerings may dilute the holdings of its existing shareholders or reduce the market price of its common stock, or both. Holders of Common Shares are not entitled to pre-emptive rights or other protections against dilution. New investors also may have rights, preferences and privileges that are senior to, and that adversely affect, Kontrol's then-current holders of Common Shares. Additionally, if Kontrol raises additional capital by making offerings of debt or preference shares, upon liquidation of Kontrol, holders of its debt securities and preference shares, and lenders with respect to other borrowings, may receive distributions of its available assets before the holders of Common Shares.

Kontrol is a holding company.

Kontrol is a holding company and may have no material non-financial assets other than its direct ownership of its subsidiaries. Kontrol has no independent means of generating revenue. To the extent that Kontrol needs funds beyond its own financial resources to pay liabilities or to fund operations, and its subsidiaries are restricted from making distributions to it under applicable laws or regulations or agreements, or do not have sufficient earnings to make these distributions, Kontrol may have to borrow or otherwise raise funds sufficient to meet these obligations and operate its business and, thus, its liquidity and financial condition could be materially adversely affected.

Kontrol may be subject to changes in tax laws.

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to the Company. These enactments and events could require the Company to pay additional tax amounts on a prospective or retroactive basis, thereby substantially increasing the amount of taxes the Company is liable to pay in Canada and in other jurisdictions in which it may operate in the future. Accordingly, these events could decrease the capital that the Company has available to operate its business.

Shareholders may be subject to tax consequences relating to the Common Shares.

There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor. Shareholders and prospective investors should seek independent advice from their own tax and legal advisers.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

DIVIDENDS

As of the date of this AIF, the Company has not declared dividends since inception and has no current intention to declare dividends on the Common Shares in the foreseeable future. Any decision to pay dividends on the Common Shares in the future will be at the discretion of the Board and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The authorized capital of the Company consists of an unlimited number of Common Shares. As of the date of this AIF, there were 57,737,669 Common Shares outstanding. The holders of Common Shares are entitled to one vote per Common Share at all meetings of the shareholders of the Company either in person or by proxy. The holders of Common Shares are also entitled to dividends, if and when declared by the directors of the Company, and the distribution of the residual assets of the Company in the event of dissolution or winding up of the Company.

The Common Shares are not subject to any pre-emptive rights, any conversion, or any exchange rights. The Common Shares are not subject to any redemption, retraction, purchase for cancellation, surrender, sinking or purchase fund provisions. Additionally, the Common Shares are not subject to any provisions permitting or restricting the issuance of additional securities and any other material restrictions or any provisions requiring a securityholder to contribute additional capital to the Company.

Warrants

The Company currently has warrants outstanding to purchase up to an aggregate of 10,829,006 Common Shares. Each warrant is exercisable for one Common Share.

Warrants Outstanding	December 31, 2023		December 31, 2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Opening	3,753,745	\$2.06	3,881,972	\$2.01
Granted	7,729,320	\$0.81	-	\$-
Exercised	-	\$-	(122,452)	\$0.61
Expired	(654,059)	\$1.65	(5,775)	\$0.80
Closing	10,829,006	\$1.09	3,753,745	\$2.06

Stock Options

Pursuant to the Company's stock option plan, the Company currently has incentive stock options outstanding, which entitle the holders thereof to purchase 3,197,500 Common Shares.

Range of Exercise Prices	Number of Options Outstanding	Number of Options Vested	Weighted Average Remaining Life (Years)
\$0.30	2,150,000	268,750	4.96
\$0.60	50,000	50,000	1.06
\$0.65	550,000	550,000	2.22
\$0.70	37,500	37,500	1.08
\$0.80	50,000	50,000	0.36
\$1.14	15,000	15,000	1.85
\$1.67	140,000	140,000	3.29
\$1.95	10,000	10,000	1.67
\$1.96	18,500	18,500	1.11
\$2.15	60,000	60,000	1.68
\$2.70	10,000	10,000	0.88
\$2.82	6,500	6,500	0.71
\$3.00	50,000	50,000	2.02
\$3.74	50,000	50,000	1.96
	3,197,500	1,316,250	4.02

MARKET FOR SECURITIES

The Company's outstanding Common Shares are listed on the Cboe Exchange under the symbol "KNR".

The following table sets forth the high and low sale prices and the trading volumes for the Common Shares on a monthly basis as reported by the NEO during the most recently completed financial year.

Month	High (\$)	Low (\$)	Volume
December 2023	0.225	0.195	1,163,824
November 2023	0.25	0.20	2,205,622
October 2023	0.27	0.20	1,252,396
September 2023	0.255	0.19	1,280,144
August 2023	0.345	0.245	2,208,695
July 2023	0.27	0.225	1,329,597
June 2023	0.395	0.205	2,754,489
May 2023	0.42	0.33	1,407,092
April 2023	0.445	0.365	757,868
March 2023	0.53	0.38	1,425,150
February 2023	0.90	0.48	2,037,355
January 2023	0.57	0.36	1,204,263

PRIOR SALES

Other than as set forth in the following table, the Company has not sold or issued any securities not listed on Cboe during the 12 month period ended December 31, 2023.

Date of Issuance	Security	Issue/ Sale/ Exercise Price per Security	Number of Securities
March 21, 2023	Stock Options ⁽¹⁾	0.65	580,000
December 15, 2023	Stock Options ⁽²⁾	0.30	2,150,000

Notes:

1. The stock options have an exercise price of \$0.65 per option and an expiry date of March 21, 2026.
2. The stock options have an exercise price of \$0.30 per option and an expiry date of December 15, 2028.

DIRECTORS AND OFFICERS

The following table sets out the names of the directors and officers of the Company, their province and country of residence, their position and offices held with the Company and their principal occupations during the five preceding years. It also sets out the period or periods during which each director has served as a director and when his or her term of office will expire as well as the number and percentage of Common Shares beneficially owned, directly or indirectly, or controlled or directed, directly or indirectly, by each of the directors and officers as of the date of this AIF.

Name, Municipality of Residence and Position with Company ⁽¹⁾	Director/ Officer Since	Principal Occupation During Last 5 Years	Number of Shares Owned or Controlled ⁽²⁾⁽³⁾	Independent Director
Paul Ghezzi (Ontario, Canada) <i>Chief Executive Officer, Director</i>	July 8, 2016	Chief Executive Officer and Director of the Company since July 2016.	5,948,500	No
Claudio Del Vasto⁽⁴⁾ (Ontario, Canada) <i>Chief Financial Officer, Director</i>	July 8, 2016	Chief Financial Officer and Director of the Company since July 2016.	514,454	No
Andrew Bowerbank⁽⁵⁾ (Ontario, Canada) <i>Director</i>	July 8, 2016	Managing Partner Cetana since July 2022. VP Market Development Canadian Wood Council Jul 2020 - Jul 2022. Chair at The Transformation Initiative January 2020. Infrastructure Advisory Group Member at Global Affairs Canada since December 2019. National Vice President, Sustainability & Energy at WSP in Canada, June 2018 – November 2019.	10,000	Yes

Name, Municipality of Residence and Position with Company ⁽¹⁾	Director/ Officer Since	Principal Occupation During Last 5 Years	Number of Shares Owned or Controlled ⁽²⁾⁽³⁾	Independent Director
		Global Director, Sustainable Building Services at EllisDon, June 2015 – June 2018. Council Member- Green Municipal Fund at Federation of Canadian Municipalities, January 2012 – March 2018.		
Joanna Osawe⁽⁵⁾ (Ontario, Canada) <i>Director</i>	February 20, 2020	Sr. Business Development Manager. Burns & McDonnell since December 12, 2022. Global Business Development Manager at DMC Power since 2018. Business Development Manager – Major Projects at DMC Power since May 2014.	Nil	Yes
Danny Carestia⁽⁵⁾ (Ontario, Canada) <i>Director</i>	December 28, 2023	Certified Financial Planner with Generations Family Wealth and iA Private Wealth since 1997.	Nil	Yes

Notes:

1. The information as to country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and/or officers individually.
2. Common Shares beneficially owned or controlled as of the date of this AIF.
3. The information as to number of Common Shares beneficially owned or over which a director or officer exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective directors and/or officers individually and reviewed based upon public disclosure.
4. Claudio Del Vasto is the corporate secretary of the Company.
5. Current member of the Audit Committee.

As at the date of this AIF, the directors and executive officers of the Company as a group beneficially owned, or controlled or directed, directly or indirectly, a total of 6,472,954 Common Shares, representing approximately 11% of the total number of Common Shares outstanding.

Officer and Director Biographies

The following is a brief description of the directors and officers of the Company.

Paul Ghezzi, Chief Executive Officer, Director

Mr. Ghezzi is a leader in cleantech, proptech, renewable energy, and distributed power generation. He has global experience in power generation projects under Feed-in Tariff programs and Power Purchase Agreements programs for both commercial and utility-scale projects. With a passion towards building a sustainable future for all through energy efficiency, IOT, Cloud and SaaS technologies, he launched a Canadian public company in 2015 to consolidate energy efficiency companies and technologies under the Kontrol Energy brand. This group of companies currently delivers more than 200 million Kilowatt hours, annually, in energy savings with a corresponding reduction in greenhouse gas emissions. He has been a leader in the renewable energy sector since 2008. He created Canada's first Solar Energy Fund by securitizing cash flows from long term Power Purchase Agreements.

Mr. Ghezzi has more than 20 years of corporate finance and M&A experience with a special focus on renewable energy development, renewable energy financing, solar project financing and distributed generation. Mr. Ghezzi has been a Chartered Accountant (CPA) in good standing since 1993.

Claudio Del Vasto, Chief Financial Officer, Director

Mr. Del Vasto is a senior finance executive with an extensive background in Corporate Finance, Strategy and Business Development. He served in various Corporate Finance roles with a large industrial public company that included global experience in arranging innovative multibillion-dollar capital markets deal closings in Structured Finance. Prior to his career in industry, he was a public accountant managing accounting, tax, and assurance services.

Mr. Del Vasto leads all Kontrol's financial management, reporting, treasury, risk, and financing functions. He also provides expertise in acquisitions and is involved in the analysis and evaluation of all corporate investments.

Andrew Bowerbank, Director

Mr. Bowerbank is an accomplished executive, well known across sectors as a leader who can drive solutions to our most pressing challenges. He places strategic emphasis on marketing and communication initiatives to ensure project successes are celebrated and resources are in place to support growth. He was named one of Canada's top 16 sustainability leaders through the "Clean50" Awards, and is the recipient of the prestigious Ontario Premier's Award. His work developing new strategies in response to the latest trends has been very rewarding and he enjoys working closely with industry leaders across Canada and around the world. He has had great success developing turn-key operations for local and multinational organizations, new divisions for large corporations, as well as start-up strategies for small to medium-size

enterprises. Mr. Bowerbank is also the former CEO of the World Green Building Council, representing over 60 member nations. During his tenure with the WorldGBC, he was proud to act as the member representative at the United Nations Environmental Programme.

Joanna Osawe, Director

Joanna Osawe is the Chair, President & CEO of Women in Renewable Energy (WiRE), a group which encourages and supports women to enter the renewable energy industry. WiRE is inclusive and educates on all renewable and emerging energy technologies with chapters in St. John's, Halifax, Montreal, Ottawa, Toronto, Mississauga, Windsor, Calgary, Edmonton, Saskatchewan and Vancouver and Kamloops. WiRE has expanded with its 1st International Launch in Istanbul, Turkey with the Canadian Embassy and as of 2019 WiRE has expanded to Tbilisi Georgia, Baku Azerbaijan, and Amman Jordan. WiRE is expanding in the MENA regions currently. WiRE regularly organizes educational field trips, monthly networking meetings, an awards recognition program, student mentoring and bursaries, communications, and engagement initiatives. Joanna also works at Burns & McDonnell as Sr. Business Development Manager.

Danny Carestia, Director

Mr. Carestia is Investment Advisor and Certified Financial Planner at Generations Family Wealth and iA Private Wealth and brings over two decades of experience in the financial services industry since 1997. His mission centers on delivering personally tailored financial solutions for high-net-worth families and small business owners, skillfully integrating their core values with fundamental fiscal objectives. Mr. Carestia is also involved in various charitable initiatives in support of his clients as well as his commitment to fostering lasting legacies.

Term of Office

The term of office for each director of the Company expires immediately before the next annual meeting of the shareholders of the Company.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as described below, no director or executive officer the Company is, as at the date of the AIF, or was within 10 years before the date of the AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that:

- a) was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- b) was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that

person was acting in the capacity as director, chief executive officer or chief financial officer.

No director, executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- a) is, as at the date of the AIF, or has been within the 10 years before the date of the AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or
- b) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

- a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Some of the directors and officers of the Company are also directors, officers and/or promoters of other reporting and non-reporting issuers. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Company, notwithstanding that they are bound by the provisions of the *Business Corporations Act* (Ontario), as amended, to act at all times in good faith in the interest of the Company and to disclose such conflicts to the Company if and when they arise. Other than as disclosed herein, to the best of their knowledge, the management of the Company is not aware of the existence of any conflicts of interest between the Company or a subsidiary of the Company and any director or officer of the Company or a subsidiary of the Company.

AUDIT COMMITTEE INFORMATION

The Audit Committee is governed by an Audit Committee Charter, a copy of which is attached hereto as Schedule "A".

Composition of the Audit Committee

Name	Independent	Financially Literate
Andrew Bowerbank	Yes	Yes
Danny Carestia	Yes	Yes
Joanna Osawe	Yes	Yes

Relevant Education and Experience

The Board believes that the composition of the Audit Committee reflects financial literacy and expertise. All members of the Audit Committee have been determined by the Board to be "independent" and all members of the Audit Committee have been determined by the Board to be "financially literate" as such terms are defined under National Instrument 52-110 *Audit Committees*. The Board has made these determinations based on the education as well as breadth and depth of experience of each member of the Audit Committee.

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, and an understanding of internal controls and procedures for financial reporting. The following is a brief summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as an Audit Committee member:

Joanna Osawe

Ms. Osawe has been a director of the Company since February 2020. She has held management positions with current and past employers over the last 10 years. Ms. Osawe's experience at DMC Power as a Global Business Development Manager Burns & McDonnell as Sr. Business Development Manager has provided her with significant experience in analyzing and reading financing statements of the Company.

Andrew Bowerbank

Mr. Bowerbank has been a director of the Company since July 2016. He has held management positions at Caetana, Canadian Wood Council, WSP, and Ellis Don. Mr. Bowerbank has experience as Chair and as Council member with several organizations. Mr. Bowerbank's background has provided him with significant experience in analyzing and reading financial statements of the Company.

Danny Carestia

Mr. Carestia was nominated to the board on December 28, 2023. He is an Investment Advisor and Certified Financial Planner with over twenty years of experience in the financial services industry. Mr. Carestia brings a strong financial background to the Kontrol board of directors. Mr. Carestia's background has provided him with significant experience in analyzing and reading financial statements.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-Audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. Part 8 of NI 52-110 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Pre-Approval Policies and Procedures

The Audit Committee of the Company has adopted specific policies and procedures for the engagement of non-audit services. The approval of the appointment of the auditor for any non-audit service to be provided to the Company must be obtained from the Audit Committee in advance; provided that it will not approve any service that is prohibited under the rules of the Canadian Public Accountability Board. Before the appointment of the auditor for any non-audit service, the Audit Committee will consider the compatibility of the service with the auditor's independence. The Audit Committee may pre-approve the appointment of the auditor for any non-audit services by adopting specific policies and procedures, from time to time, for the engagement of the auditor for non-audit services.

External Auditor Service Fees (By Category)

The following table summarizes the fees paid or an estimate of fees payable to the external auditors of the Company, in each of the most recently completed fiscal years.

<i>Nature of Services</i>	<i>Fees to Auditor in Year ended 2023</i>	<i>Fees to Auditor in Year ended 2022</i>	<i>Fees to Auditor in Year ended 2021</i>
Audit Fees(1)	\$175,000	\$225,700	\$139,100
Tax Fees (2)	\$10,000	\$9,600	\$20,000
All other Fees (3)	\$12,000	\$17,000	\$15,000
Total	\$197,000	\$252,300	\$174,100

(1) "**Audit Fees**" include fees necessary to perform the annual audit or reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "**Tax Fees**" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(3) "**All Other Fees**" include all other non-audit services.

PROMOTERS

Paul Ghezzi, the Chief Executive Officer and director of the Company, has been a promoter of the Company within the two years immediately preceding the date of this AIF. As at the date of this AIF, Mr. Ghezzi beneficially owns, controls or directs, directly or indirectly, 5,948,500 Common Shares representing approximately 10.3% of the issued and outstanding Common Shares on a non-diluted basis. Within the two years immediately preceding the date of this AIF, Mr. Ghezzi has beneficially received, acting in his capacity as the Chief Executive Officer of the Company, an annual compensation of \$210,000 and has been granted an aggregate of 915,000 share-based incentive plan awards. See also the management information circular of the Company dated November 23, 2023.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company's former wholly owned subsidiary, Global, was deconsolidated effective February 14, 2023, and treated as a discontinued operation. Global is subject to several claims from suppliers and customers of which certain claims were filed in periods before Global began to

experience financial challenges; Global has counterclaimed under the *Construction Lien Act* of Ontario. While other claims relate to the fiscal year 2022 where Global was not able to complete projects. These claims are being addressed by the receiver for the Global bankruptcy in this fiscal year 2023. An estimate of the potential claims against the Company is not reliably determinable, and as such no provision has been recorded. During the first quarter of 2023, the Company was included as a defendant on a claim filed by a bonding insurance company which relates to Global and two of its former directors as indemnitors of the insurance claim. The Company has not recorded any account provisions as an outcome is not determinable at this time.

Other than as disclosed herein, the Company is not aware of: (a) any legal proceedings to which it is or was a party to or that any of its property is or was the subject of during the Company's financial year, and is not aware of any such proceedings being contemplated; (b) any penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's financial year, or any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (c) any settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's financial year.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, there are no material interests, direct or indirect of:

- (i) a director or executive officer of the Company;
- (ii) a person or company that beneficially owns, controls or directs, directly or indirectly more than 10% of any class or series of the Company's outstanding voting securities; or
- (iii) an associate or affiliate of any of the persons or companies referred to in (i) or (ii),

in any transactions within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company is Computershare Trust Company of Canada, located at 100 University Avenue, 8th Floor, Toronto, ON M5J 2Y1.

INTERESTS OF EXPERT

The financial statements of the Company for the fiscal year ended December 31, 2023 have been audited by MNP LLP, the auditors of the Company, located at 1122 International Blvd., 6th Floor, Burlington, Ontario, Canada. MNP LLP is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional financial information concerning the Company can be found on the Company's profile on SEDAR at www.sedar.com. Additional Information, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, are contained in the Company's management information circular dated November 23, 2023. Additional financial information is provided in the Company's financial statements and MD&A for the financial year ended December 31, 2023.

SCHEDULE "A" – AUDIT COMMITTEE CHARTER

KONTROL TECHNOLOGIES CORP.

I. MANDATE

National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) requires the Company to disclose annually in its management information circular certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor, as set forth below.

The Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Kontrol Technologies Corp. (the “**Company**”) shall assist the Board in fulfilling its financial oversight responsibilities. The Committee’s primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. The quality and integrity of the Company’s financial statements and other financial information;
2. The compliance of such statements and information with legal and regulatory requirements;
3. The qualifications and independence of the Company’s independent external auditor (the “**Auditor**”); and
4. The performance of the Company’s internal accounting procedures and Auditor.

II. STRUCTURE AND OPERATIONS

A. Composition

The Committee shall be comprised of three or more members.

B. Qualifications

Each member of the Committee must be a member of the Board and all members shall be independent to serve on this committee.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement.

C. Appointment and Removal

In accordance with the Articles of the Company, the members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

D. Chair

Unless the Board shall select a Chair, the members of the Committee shall designate a Chair by the majority of vote of all of the members of the committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

E. Meetings

The Committee shall meet or correspond in person or through email/video/audio format as frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

III. DUTIES

A. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Company's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

Independence of Auditor

1. Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Company.
2. Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.
3. Require the Auditor to report directly to the Committee.
4. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Company.

Performance and Completion by Auditor of its Work

1. Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, including resolution of disagreements between management and the Auditor regarding financial reporting.
2. Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Company's shareholders of the existing, Auditor for the purpose of preparing or issuing an

auditor's report or performing other audit, review or attest services for the Company.

3. Recommend to the Board the compensation of the Auditor.

4. Pre-approve all non-audit services, including the fees and terms thereof, to be performed for the Company by the Auditor.

Internal Financial Controls and Operations of the Company

1. Establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Preparation of Financial Statements

1. Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.

2. Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

3. Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

4. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

5. Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:

(a) The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the Auditor or management.

(b) The management inquiry letter provided by the Auditor and the Company's response to that letter.

(c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Public Disclosure by the Company

1. Review the Company's annual and interim financial statements, management's discussion and analysis (MD&A) and earnings press releases before the Board approves and the Company publicly discloses this information.

2. Review the Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.

3. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process of the Company's financial statements.

Manner of Carrying Out its Mandate

1. Consult, to the extent it deems necessary or appropriate, with the Auditor, but without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

2. Request any officer or employee of the Company or the Company's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

3. Meet, to the extent it deems necessary or appropriate, with management, and the Auditor in separate executive sessions.

4. Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors.

5. Make regular reports to the Board.
6. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
7. Annually review the Committee's own performance.
8. Provide an open avenue of communication among the Auditor, the Company's financial and senior management and the Board.
9. Not delegate these responsibilities.

C. Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with international financial reporting standards and applicable rules and regulations. These are the responsibilities of management and the Auditor.