



TANTALUS SYSTEMS HOLDING INC.

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

May 7, 2024

For the three months ended March 31, 2024

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of Tantalus Systems Holding Inc. (together with its subsidiaries and predecessors, the "Company", "we" or "Tantalus") is provided to assist our readers in assessing our financial condition and our financial performance, including our liquidity and capital resources, as at and for the three months ended March 31, 2024 compared with the three months ended March 31, 2023. The information in this MD&A is current as of May 7, 2024, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024 and 2023, and the Company's audited consolidated financial statements as of December 31, 2023, included with Tantalus' continuous disclosure filings with Canadian securities regulatory authorities available at www.sedarplus.ca.

The Company's unaudited interim condensed consolidated financial statements and notes thereto as at March 31, 2024 and for the three months ended March 31, 2024 and 2023 have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee, and are presented in United States ("US") dollars which is the functional currency of the Company. Where balances are also expressed in Canadian dollars ("CND\$") in this MD&A, an average foreign exchange rate of 0.7414 for the three months ended March 31, 2024 (0.7369 for three months ended March 31, 2023) for income statement items and a foreign exchange rate of 0.7380 as at March 31, 2024 (0.7389 as at March 31, 2023 and 0.7561 as at December 31, 2023) for balance sheet items has been applied. Certain dollar amounts in this MD&A have been rounded to the nearest millions or thousands of dollars.

This MD&A was prepared by management of the Company and approved by its Board of Directors prior to its release.

Non-IFRS and Other Financial Measures

This MD&A refers to the following non-IFRS measures:

"EBITDA" is comprised as income (loss) less interest, income tax and depreciation and amortization. Management believes that EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See "Selected Financial Information - Reconciliation of Net (Loss) Income to Adjusted EBITDA", "Trailing Eight Quarter Selected Financial Information - Reconciliation of Quarterly Net (Loss) Income to Adjusted

EBITDA” and “Financial Results for the Three Months Ended March 31, 2024 – Adjusted EBITDA” for a quantitative reconciliation of EBITDA to the most directly comparable financial measure.

“Adjusted EBITDA” is comprised as income (loss) less interest, income tax, depreciation, amortization, stock-based compensation, foreign exchange gain (loss) and other income / expenses not attributable to the operations of the Company. Management believes that Adjusted EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See “Selected Financial Information - Reconciliation of Net (Loss) Income to Adjusted EBITDA”, “Trailing Eight Quarter Selected Financial Information - Reconciliation of Quarterly Net (Loss) Income to Adjusted EBITDA” and “Financial Results for the Three Months Ended March 31, 2024 – Adjusted EBITDA” for a quantitative reconciliation of Adjusted EBITDA to the most directly comparable financial measure.

“Gross Profit” is comprised as the Company’s revenues less cost of sales. Management believes that Gross Profit is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See “Selected Financial Information” and “Financial Results for the Three Months Ended March 31, 2024 – Gross Profit” for a quantitative reconciliation of Gross Profit to the most directly comparable financial measure.

“Adjusted Working Capital” is comprised as current assets less current liabilities exclusive of the Company’s loans and contingent consideration relating to the acquisition of DLC Systems, Inc. d/b/a Congruitive (“Congruitive”). Management believes Adjusted Working Capital is a useful indicator for investors, and is used by management, for evaluating the operating liquidity to the Company. See “Liquidity and Capital Resources - Cash, Restricted Cash, and Adjusted Working Capital” for a quantitative reconciliation of Adjusted Working Capital to the most directly comparable financial measure.

This MD&A also refers to the following non-IFRS ratios:

“Gross Profit Margin” is comprised of Gross Profit expressed as a percentage of the Company’s revenues. Management believes that Gross Profit Margin is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.

“Adjusted EBITDA Margin” is comprised of Adjusted EBITDA expressed as a percentage of the Company’s revenues. Management believes that Adjusted EBITDA Margin is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.

This MD&A also refers to the following supplementary financial measures:

“Recurring Revenue” is comprised of the Company’s revenues recognized in a period that are recurring in nature and attributable to its analytics and other software as a service (“SaaS”) offerings, hosting services, software maintenance and technical support agreement services.

“Annual Recurring Revenue” or “ARR” is comprised of the Company’s Recurring Revenue as expressed on an annualized revenue basis attributable to its analytics and other SaaS offerings, hosting services, software maintenance and technical support services agreements at a point in time.

The non-IFRS measures and non-IFRS ratios described above do not have a standardized meaning under IFRS and may not be comparable to a similar measure disclosed by other issuers.

NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information” within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words “believes”, “may”, “plans”, “will”, “anticipates”, “intends”, “could”, “estimates”, “expects”, “forecasts”, “projects” and similar expressions, and the negative of such expressions. Forward-looking information in this MD&A includes statements regarding: expectations regarding industry trends and challenges; exchange rate fluctuations; overall market growth rates and our growth rates and growth strategies; addressable markets for our solutions; expectations regarding the future demand for and adoption of distributed energy resources, extended asset life, distribution grid technology and electric vehicles (EVs); expectations regarding supply chain shortages; expectations regarding the development of the TRUSense Gateway™; the achievement of advances in and expansion of our offerings and markets; the growth of the Company’s sales pipeline (including the Company’s ability to close sales in the current sales pipeline); expectations regarding our revenue and the revenue generation potential of our products, services and other solutions; further investments in sales and marketing; our business plans and strategies; our ability to achieve positive cash flow from operations, maintain or obtain additional debt or equity financing and achieve and maintain profitable operations; the sufficiency of the Company’s cash resources to support operations for the next twelve months; continuing as a going concern; meeting the eligibility requirements of the United States Employee Retention Tax Credit (ERTC); our competitive position in our industry; expansion into the investor-owned utility (IOU) market; the TRUSense Gateway initiative expanding the Company’s total addressable market; and our continued investment in the research and development of new products as well as the continuous enhancement of our existing products and software applications offering.

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: our ability to capitalize on growth opportunities and implement our growth strategy; our ability to retain key personnel; our ability to maintain existing customer relationships and to continue to expand our customers’ use of our products solutions; our ability to acquire new customers; our ability to enhance our offerings to remain at the forefront of our industry; the impact of competition; the successful integration of Congruitive and future acquisitions; the absence of material adverse changes in our business, our industry or the global economy; and that the risks and uncertainties described under the “Risk Factors” section of Tantalus’ Annual Information Form dated March 31, 2024 will not materialize. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

Additionally, there are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. Known risk factors include, but are not limited to, the factors described in the “Risk Factors” section of Tantalus’ Annual Information Form dated March 31, 2024.

If any of these risks or uncertainties materialize, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above should be considered carefully by prospective investors.

All forward-looking information herein is qualified in its entirety by this cautionary statement, and we disclaim any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.

DESCRIPTION OF BUSINESS

Tantalus is a technology company dedicated to helping utilities modernize their distribution grids by harnessing the power of data across all of their devices and systems deployed throughout the distribution grid – from the substation to the EV charger located behind the meter. Tantalus offers smart grid solutions across multiple levels: intelligent connected devices, communications networks, data management, enterprise applications and analytics.

Tantalus enables utilities to modernize their distribution grids through the Tantalus Grid Modernization Platform™ (“TGMP™”), which delivers visibility, command and control across a utility’s operations and provides a secure, flexible and affordable path forward. TGMP is a technology architecture designed to deliver true data interoperability across new and existing devices, systems and vendors. While Tantalus offers a suite of cutting-edge and innovative connected devices, our approach is to integrate a suite of solutions, from Tantalus or third-party vendors, to support the modernization of substations, distribution circuits and feeders, metering and distributed energy resources located behind the meter.

TGMP offers a flexible approach to provide utilities with autonomy and control of their grid modernization journey. Coupled with an unwavering commitment to ensuring the Company’s solutions are backward-compatible to earlier Company products and a customer support team that has helped Tantalus build a dynamic user community of utilities over multiple decades, the Company serves as a partner to the utilities it supports and to the communities they serve.

Tantalus is a publicly traded company listed on the Toronto Stock Exchange (TSX: GRID). See www.tantalus.com for more information.

Q1 2024 HIGHLIGHTS

Sales Orders: The Company converted record sales orders of US\$21.6 million (CND\$29.2 million) during Q1 of 2024 representing the highest total sales orders generated during a quarter in its history.

Annual Recurring Revenue: ARR grew to approximately US\$11.6 million (CND\$15.7 million) as of March 31, 2024, representing approximately 16% growth over ARR of approximately \$10 million (CND\$13.6 millions) as of March 31, 2023. Recurring Revenue recognized during Q1 2024 grew to approximately \$2.6 million (CND\$3.5 million), representing 11% growth over the prior year period and represented 28% of total revenue generated within the quarter. The growth in Recurring Revenue is resulting from the Company's additional conversions of new utilities from the sales pipeline, ongoing efforts to secure subscriptions to the Company's data analytics offerings (SaaS model) and the sale of term-based software licenses. Since 2016, the compounded annual growth rate of the Company's ARR is approximately 18%.

Expansion of our User Community: Tantalus added five new utilities during the three months ended March 31, 2024, bringing the user community to a total of 293 utilities. While Tantalus' user community historically focused on the public power and electric cooperative market segment of the United States utility industry, the Company is expanding into the larger IOU market segment through its previous acquisition of Congruitive and the launch of the TRUSense Gateway™ product offerings.

TRUSense Gateway: The Company continues to make progress in developing its TRUSense Gateway which is anticipated to be a market-leading solution to assist utilities in deploying next-generation metering infrastructure, delivering broadband services, accessing granular advanced power quality metrics to protect assets and integrating distributed resources located behind the meter, such as EV chargers, roof-top solar inverters and power walls. On April 22, 2024, the Company announced that the TRUSense Fiber Gateway ("TFG") had received Underwriter Laboratories ("UL®") safety certification. Receiving this UL certification validates that the TFG and TRUSense Cellular Gateway satisfy the necessary electric safety requirements to be deployed across the electric grid.

TRUSync™ Grid Data Management: The Company launched TGMP, including TRUSync Grid Data Management, which is expected to be an industry-defining grid data management system. TRUSync, an expansion of the software acquired through the Company's acquisition of Congruitive, is anticipated to be a ground-breaking middleware layer that delivers true interoperability and automates the integration of all utility data captured from any device, any system and any vendor.

TRUGrid™ Transformer: The Company launched TRUGrid Transformer, which leverages AI-enabled data analytics to accelerate grid modernization. This offering enables utilities to access, analyze and visualize up to 36 months of data from transformers across the grid to not only detect voltage issues but also to identify anomalies in real time from changing weather patterns and evolving consumer behaviour.

Partnerships: During Q1 2024, the Company entered into a partnership with GE Appliances, a Haier company, which is America's number one appliance company. Becoming part of GE Appliance's EcoBalance Program, Tantalus will integrate GE Appliance's FlexCapacity electric water heater through the Company's TRUSense Gateway to provide enhanced demand-side flexibility for utilities whereby the water heaters will become sources of thermal storage.

TRAILING EIGHT QUARTER SELECTED FINANCIAL INFORMATION

The Company's quarterly operating results have varied in the past and may vary in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter. Selected quarterly information of the results of the Company's operations is as follows:

	Three months ended March 31, 2024	Three months ended December 31, 2023	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022
Revenue	\$ 9,395,449	\$ 10,370,092	\$ 10,143,287	\$ 11,220,916	\$ 10,412,687	\$ 12,164,972	\$ 9,071,109	\$ 9,075,464
Cost of sales	4,384,281	5,042,655	4,718,621	4,977,312	5,549,978	6,640,844	4,283,858	4,911,669
Gross Profit	5,011,168	5,327,437	5,424,666	6,243,604	4,862,709	5,524,128	4,787,251	4,163,795
Expenses	6,215,419	5,446,444	5,928,476	6,650,882	6,119,216	5,909,095	5,905,550	6,412,784
Operating loss	(1,204,251)	(119,007)	(503,810)	(407,278)	(1,256,507)	(384,967)	(1,118,299)	(2,248,989)
Other (expenses) earnings	(350,206)	1,796,799	(293,509)	(510,760)	(380,439)	(368,403)	(36,298)	(130,674)
(Loss) income before income taxes	(1,554,457)	1,677,792	(797,319)	(918,038)	(1,636,946)	(753,370)	(1,154,597)	(2,379,663)
Income tax expense (recovery)	261	(13,039)	-	23,621	104	(912,580)	-	30,983
(Loss) income for the period	(1,554,718)	1,690,831	(797,319)	(941,659)	(1,637,050)	159,210	(1,154,597)	(2,410,646)
Earnings (loss) per share (basic and diluted)	(0.03)	0.04	(0.02)	(0.02)	(0.04)	0.00	(0.03)	(0.05)
Adjusted EBITDA	\$ (536,110)	\$ 348,423	\$ 63,220	\$ 251,165	\$ (691,619)	\$ 103,646	\$ (384,123)	\$ (1,495,824)

Reconciliation of Quarterly Net (Loss) Income to Adjusted EBITDA

	Three months ended March 31, 2024	Three months ended December 31, 2023	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022
(Loss) income for the period	\$ (1,554,718)	\$ 1,690,831	\$ (797,319)	\$ (941,659)	\$ (1,637,050)	\$ 159,210	\$ (1,154,597)	\$ (2,410,646)
Finance expense (a)	435,928	369,046	396,646	389,077	354,689	297,713	283,137	252,249
Income taxes	261	(13,039)	-	23,621	104	(912,580)	-	30,983
Depreciation and amortization	444,804	454,458	461,728	459,624	458,760	318,945	535,362	551,225
EBITDA	(673,725)	2,501,296	61,055	(69,337)	(823,497)	(136,712)	(336,098)	(1,576,189)
Stock-based compensation (b)	223,337	92,972	105,302	118,819	106,128	169,668	198,814	201,940
Foreign exchange (c)	(85,722)	122,176	(58,456)	121,683	25,750	70,690	(246,839)	(121,575)
EDC Loan related legal costs (d)	-	(80,000)	-	80,000	-	-	-	-
Government subsidy (e)	-	44,681	(44,681)	-	-	-	-	-
Recovery of contingent liability (f)	-	(2,332,702)	-	-	-	-	-	-
Adjusted EBITDA	\$ (536,110)	\$ 348,423	\$ 63,220	\$ 251,165	\$ (691,619)	\$ 103,646	\$ (384,123)	\$ (1,495,824)

- (a) Finance expense comprised of interest and related finance expense on bank loans and lease liabilities.
- (b) Stock-based non-cash compensation expense.
- (c) Foreign exchange comprised of unrealized loss/(gain) from non-functional currency assets and liabilities.
- (d) Legal fees pertaining to the EDC Loan (as defined herein) which were capitalized to the face value of the EDC Loan (see Note 11 in March 31, 2024 financial statements).
- (e) Government assistance relating to ERTC credit received and recognized against research and development expenses to which it pertains (see Note 7(b) in December 31, 2023 financial statements).
- (f) Recovery of contingent liability relating to Congruitive acquisition.

Selected quarterly excerpts from the Company's statement of financial position are as follows:

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Cash	\$ 5,398,843	\$ 5,153,698	\$ 4,208,294	\$ 4,944,416	8,211,947	5,850,914	5,739,561	\$ 9,808,998
Adjusted Working Capital	\$ 1,971,805	\$ 3,029,413	\$ 2,570,963	\$ 2,136,099	3,362,870	4,956,420	4,223,455	\$ 6,590,368
Total assets	\$ 35,511,857	\$ 34,798,593	\$ 36,447,394	\$ 37,048,949	38,930,821	37,359,751	34,216,532	\$ 37,771,907
Shareholders' equity	\$ 987,154	\$ 2,318,722	\$ 529,932	\$ 1,222,118	2,048,114	3,578,699	3,249,088	\$ 4,198,813

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Adjusted Working Capital								
Total current assets	\$ 22,904,966	\$ 21,798,349	\$ 23,031,109	\$ 23,286,001	\$ 24,750,116	\$ 22,794,298	\$ 19,925,342	\$ 23,131,694
Less: current liabilities	(29,599,828)	(27,268,936)	(30,288,159)	(32,402,915)	(30,587,246)	(27,037,878)	(23,821,887)	(25,741,326)
	(6,694,862)	(5,470,587)	(7,257,050)	(9,116,914)	(5,837,130)	(4,243,580)	(3,896,545)	(2,609,632)
Add: Bank Loan - current portion	8,500,000	8,500,000	7,369,311	8,794,311	9,200,000	9,200,000	8,120,000	9,200,000
Add: EDC Loan - current portion	166,667	-	-	-	-	-	-	-
Add: Contingent consideration	-	-	2,458,702	2,458,702	-	-	-	-
Adjusted Working Capital	\$ 1,971,805	\$ 3,029,413	\$ 2,570,963	\$ 2,136,099	\$ 3,362,870	\$ 4,956,420	\$ 4,223,455	\$ 6,590,368

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

Revenue

<i>Revenue by Source</i>	Three months ended March 31, 2024		Three months ended March 31, 2023	
	\$	%	\$	%
Connected Devices and Infrastructure	\$ 5,797,117	62%	\$ 7,048,713	68%
Utility Software Applications and Services	3,598,332	38%	3,363,974	32%
Total revenue	\$ 9,395,449	100%	\$ 10,412,687	100%

The Company's revenue declined by approximately 10% from the prior year due to lower contributions from Connected Devices and Infrastructure. The reduction in revenue tied to the timing of converting orders from the Company's sales pipeline and corresponding capacity allocations with metering partners.

Revenue from the Company's Utility Software Applications and Services increased year-over-year and represented 38% of total revenue generated in the quarter. As the Company continues to secure additional utility customers and expands the adoption of new AI-enabled analytics, revenue from software and services continues to increase.

<i>Revenue by Type</i>	Three months ended March 31, 2024		Three months ended March 31, 2023	
	\$	%	\$	%
Recurring Revenue	\$ 2,606,060	72%	\$ 2,354,313	70%
Other Utility Software Applications and Services revenue	992,272	28%	1,009,661	30%
Total Utility Software Applications and Services revenue	\$ 3,598,332	100%	\$ 3,363,974	100%

As a subset of the revenue contributions from the Utility Software Applications and Services segment, the Recurring Revenue recognized during the quarter represented 72% of total Utility Software Applications and Services revenue. Total Recurring Revenue recognized during the three months ended March 31, 2024, increased by 11% over the prior year period.

<i>Revenue by Type</i>	Three months ended March 31, 2024		Three months ended March 31, 2023	
	\$	%	\$	%
Recurring Revenue	\$ 2,606,060	28%	\$ 2,354,313	23%
Other revenue	6,789,389	72%	8,058,374	77%
Total revenue	\$ 9,395,449	100%	\$ 10,412,687	100%

ARR grew to approximately US\$11.6 million (CND\$15.7 million) as of March 31, 2024, representing approximately 16% growth over the ARR from a year ago.

The Company continues to scale the business without customer concentration risk. No customer represented more than 10% of total revenues for the three months ended March 31, 2024, and 2023.

The Company generated revenues attributed to the following geographical regions based on the location of the customer:

	Three months ended March 31, 2024		Three months ended March 31, 2023	
		%		%
United States (1)	\$ 9,176,777	98%	\$ 10,355,821	99%
Canada	202,121	<1%	51,981	0%
Other	16,551	<1%	4,885	<1%
	\$ 9,395,449	100%	\$ 10,412,687	100%

(1) – United States includes revenues attributed to the US Virgin Islands based in the Caribbean basin.

Gross Profit

The Company's Gross Profit during the three months ended March 31, 2024, is as follows:

Three months ended March 31, 2024	Connected Devices and Infrastructure		Utility Software Applications and Services		Total	
	\$	%	\$	%	\$	%
Revenue	5,797,117	100%	3,598,332	100%	9,395,449	100%
Cost of sales	3,370,483	58%	1,013,798	28%	4,384,281	47%
Gross Profit	\$ 2,426,634	42%	\$ 2,584,534	72%	\$ 5,011,168	53%
Percentage of total Gross Profit	48%		52%		100%	

Three months ended March 31, 2023	Connected Devices and Infrastructure		Utility Software Applications and Services		Total	
	\$	%	\$	%	\$	%
Revenue	7,048,713	100%	3,363,974	100%	10,412,687	100%
Cost of sales	4,674,951	66%	875,027	26%	5,549,978	53%
Gross Profit	\$ 2,373,762	34%	\$ 2,488,947	74%	\$ 4,862,709	47%
Percentage of total Gross Profit	49%		51%		100%	

Gross Profit Margin remained strong for the three months ended March 31, 2024. In addition to witnessing a higher contribution of revenue from software and services in the quarter, the Company also had favorable product mix that led to higher Gross Profit Margin from Connected Devices and Infrastructure as compared to the prior year. The higher Gross Profit Margin for Connected Devices and Infrastructure generated in the quarter resulted from prudent management of the Company's supply chain, normalizing of logistics expenses and mitigating the impact of inflationary pressures through previously instituted increases in pricing.

Expenses

	Three months ended March 31, 2024		Three months ended March 31, 2023	
	\$	% of Revenue	\$	% of Revenue
Sales and marketing	2,042,629	22%	2,167,351	21%
Research and development	2,056,812	22%	1,875,456	18%
General and administrative	1,671,174	18%	1,617,649	16%
Depreciation and amortization	444,804	5%	458,760	4%
Total expenses	\$ 6,215,419	66%	\$ 6,119,216	59%
As a percentage of total revenue	66%		59%	

Sales and marketing expenses consist primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, marketing and branding, advertising costs and facilities. The decrease in expenses year-over-year is primarily attributable to lower variable sales commission, costs incurred pertaining to marketing activities and lower travel expenses. As momentum continues to develop across the utility industry and in conjunction with launching the TRUSense Gateway, Tantalus anticipates making further investments in sales and marketing to expand its presence and position itself for broader growth in the future.

Research and development (“R&D”) expenses are primarily attributable to salaries and related personnel costs, contractors and materials related to the development of the Company’s solutions. The increase in R&D expenses increased year-over-year primarily due to the timing of certain engineering activities, inclusive of external third-party vendor and contractor costs contributing to the commercialization of the TRUSense Gateway. The Company has cumulatively invested approximately \$11.7 million through March 31, 2024, to develop and commercialize the TRUSense Gateway. Of this amount, approximately \$4.2 million is attributable to external contractors, certifications, prototyping and other non-recurring items. The Company is also investing in its suite of data analytics products and continuing to enhance the TRUSync offering, formerly known as C.IQ Connect.

General and administrative (“G&A”) expenses include executive and administrative staff, insurance, corporate variable compensation, public company costs, office expenses, accounting, legal and consulting fees. General and administrative expense for the three months ended March 31, 2024, also includes stock-based compensation expenses of \$152,603 and \$76,124, respectively. G&A expenses increased year-over-year primarily to higher professional fees, insurance costs, and office related expenses.

	Three months ended March 31, 2024	Three months ended December 31, 2023	Three months ended March 31, 2023
Total expenses	\$ 6,215,419	\$ 5,446,444	\$ 6,119,216
Depreciation and amortization	(444,804)	(454,458)	(458,760)
Stock-based compensation	(223,337)	(92,972)	(106,128)
	\$ 5,547,278	\$ 4,899,014	\$ 5,554,328
As a percentage of total revenue	59%	47%	53%

The Company’s total expenses, exclusive of depreciation and amortization and stock-based compensation, were \$5.5 million for the three months ended March 31, 2024. The increase from the three-month period ending December 31, 2023, ties to investments the Company is making in R&D and the addition of key staff members to its team.

Depreciation and Amortization

	Three months ended March 31, 2024	Three months ended March 31, 2023
Depreciation and amortization	\$ 91,854	\$ 101,272
Amortization of intangible assets	192,464	192,463
Amortization of right-of-use assets	160,486	165,025
Total depreciation and amortization	\$ 444,804	\$ 458,760

The Company’s depreciation and amortization is attributable to property and equipment, intangible assets and right-of-use assets pertaining to its facility leases.

Other Expenses

	Three months ended March 31, 2024	Three months ended March 31, 2023
Foreign exchange gain (loss)	\$ 85,722	\$ (25,750)
Finance expense	(435,928)	(354,689)
Total other earnings (expenses)	\$ (350,206)	\$ (380,439)

Finance expense is comprised of interest expense and fees on the Company's loans and lease liabilities.

The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency. The Company experienced a foreign exchange gain of \$85,722 during the three months ended March 31, 2024, which is primarily attributable to the foreign exchange impact on the Company's Canadian dollar denominated cash compared to a foreign exchange loss of \$25,750 in the prior year period.

Total Comprehensive Loss

	Three months ended March 31, 2024	Three months ended March 31, 2023
Operating loss	\$ (1,204,251)	\$ (1,256,507)
Total other (expenses) earnings	(350,206)	(380,439)
Income tax expense	(261)	(104)
Loss for the period	(1,554,718)	(1,637,050)
Foreign currency translation adjustment	(187)	337
Total comprehensive loss	\$ (1,554,905)	\$ (1,636,713)
Loss per share (basic and fully diluted)	\$ (0.03)	\$ (0.04)

Adjusted EBITDA

	Three months ended March 31, 2024	Three months ended March 31, 2023
Loss for the period	\$ (1,554,718)	\$ (1,637,050)
Finance expense (a)	435,928	354,689
Income taxes	261	104
Depreciation and amortization	444,804	458,760
EBITDA	(673,725)	(823,497)
Stock-based compensation (b)	223,337	106,128
Foreign exchange (c)	(85,722)	25,750
Adjusted EBITDA	\$ (536,110)	\$ (691,619)

(a) Finance expense comprised of interest and related finance expense on loans and lease liabilities (see Financial Statements).

- (b) Share-based non-cash compensation expense (see Financial Statements).
- (c) Foreign exchange comprised of unrealized loss / (gain) from non-functional currency assets and liabilities (see Financial Statements).

During the three months ended March 31, 2024, the Company generated negative Adjusted EBITDA of (\$536,110). The negative Adjusted EBITDA is attributable to the ongoing investment to commercialize the TRUSense Gateway and the timing of revenue from Connected Devices and Infrastructure.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

The Company's capital management objective is to ensure that the Company's balance sheet is capitalized in a manner which appropriately supports working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position and, to that end, the Company regularly assesses its capital management practices in response to changing economic conditions. The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, business expansion and other strategic objectives.

Cash, Restricted Cash, and Adjusted Working Capital

Cash as of March 31, 2024, increased to \$5.4 million from \$5.2 million as of December 31, 2023. The increase in cash during the three months ended March 31, 2024, is primarily attributable to collection of ARR invoiced for 2024, the release of restricted cash that was tied to a surety performance insurance bond for a customer deployment, the timing of revenue within the quarter, cash flow from operations which impacted working capital, accounting for deferred revenue and increased financing expenses.

With respect to the restricted cash, the Company entered into a contract in 2022 that required a surety performance insurance bond (referred to as a surety bond). To secure the surety bond, the Company had to allocate \$0.7 million of cash to a restricted cash account. During the quarter ended March 31, 2024, the performance criteria pertaining to the surety bond was satisfied by the Company resulting in the release of restricted cash.

The Company's bank loan ("Bank Loan") from Comerica Bank ("Comerica" or the "Bank") was renewed during the quarter ended March 31, 2024, with the term and related maturity date extended to June 30, 2025. This facility has been renewed on an annual basis since 2012.

The Company secured a loan from EDC on June 29, 2023, of up to \$7.0 million of capital. A portion of these proceeds was used to refinance an existing term loan with Comerica that was associated with the acquisition of Congruitive on January 31, 2022 (the "Term Loan"). Additionally, proceeds were used to provide additional working capital and to fund the TRUSense Gateway development and commercialization. The EDC Loan principal balance as of March 31, 2024, was \$3.0 million.

The Company had Adjusted Working Capital as follows:

Adjusted Working Capital	March 31, 2024	December 31, 2023
Total current assets	\$ 22,904,966	\$ 21,798,349
Less: current liabilities	<u>(29,599,828)</u>	<u>(27,268,936)</u>
	(6,694,862)	(5,470,587)
Add: Bank Loan - current portion	8,500,000	8,500,000
Add: EDC Loan - current portion	<u>166,667</u>	<u>-</u>
Adjusted Working Capital	<u>\$ 1,971,805</u>	<u>\$ 3,029,413</u>

Adjusted Working Capital as of March 31, 2024, decreased from December 31, 2023, primarily due to Adjusted EBITDA, repayment of lease liabilities, capital expenditures and finance expenses during the three months ended March 31, 2024.

Cash Flows

The Company generated \$0.3 million of cash during the three months ended March 31, 2024. The Company used \$0.2 million of cash from operations, made capital expenditures of \$0.1 million, and generated positive cashflow of \$0.5 million from financing activities primarily attributable to the release of restricted cash of \$0.7 million offset by lease liabilities repayment during the three months ended March 31, 2024. Within the capital expenditures, the Company purchased computer and other equipment to support its operations. Within financing activities, the Company made payments associated with its lease liabilities offset by the return of restricted cash.

Cash provided by:	Three months ended March 31, 2024	Three months ended March 31, 2023
Operating activities	\$ (239,181)	\$ 2,843,534
Investing activities	(51,451)	(74,012)
Financing activities	540,646	(408,749)
Effect of foreign exchange on cash	(4,869)	260
Increase in cash	\$ 245,145	\$ 2,361,033

Staffing Levels

The following table summarizes the Company's headcount, consisting of employees, by functional group:

	March 31, 2024	March 31, 2023
Customer operations	32	24
Sales and marketing	23	22
Research and development	56	61
General and administration	18	17
Total	129	124

Tantalus is an equal opportunity employer and promotes a culture of inclusion and diversity. The Company monitors its progress through various programs and policies. Tantalus offers wages and a range of

company-paid benefits that it believes are competitive with other companies in its industry. In anticipation of corporate growth, the Company added headcount as compared to the prior year period to support its operations and strategic initiatives.

Commitments

The Company has the following commitments as of March 31, 2024:

Contractual Obligations	Total	Less than 1 year	1 - 5 years	After 5 years
Accounts Payable and accrued liabilities	\$ 11,859,779	\$ 11,859,779	\$ -	\$ -
Bank Loan ^(a)	8,500,000	8,500,000	-	-
EDC Loan ^(a)	2,724,250	166,667	2,390,917	333,333
Lease liabilities ^(b)	5,649,835	1,178,412	4,471,423	-
Total Contractual Obligations	\$ 28,733,864	\$ 21,704,858	\$ 6,862,340	\$ 333,333

(a) – See “Loans” below.

(b) – See facilities below and includes estimated variable operating expenses associated with leases.

The Company may enter surety performance bonds with customers as part of a sales contract from time to time. As of March 31, 2024, the Company did not have any performance bonds outstanding.

In the ordinary course of business, the Company enters purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors. As of March 31, 2024, the Company had outstanding purchase order commitments of \$12,502,199.

Loans

Comerica Bank

The Company initially entered into a loan agreement with the Bank on April 12, 2012 to fund ongoing working capital requirements. The Company has renewed this facility on an annual basis since the origination date. The loan agreement is comprised of a line of credit facility in United States dollars up to a maximum of \$8,500,000 originally subject to a borrowing base in the amount equal to the aggregate of a percentage of eligible receivables, accrued investment tax credits, inventory and purchase orders. The Company had an aggregate balance drawn on its line of credit facilities with the Bank as of March 31, 2024, of \$8,500,000 (\$8,500,000 as of December 31, 2023). The facility bears interest at the Bank’s prime rate plus 2.00% per annum, payable monthly and is secured by a general security agreement and security over accounts receivable and inventory. In conjunction with entering into the EDC Loan (see below), the credit facility with Comerica increased from \$8,100,000 to \$8,500,000. The average interest rate during the three months ended March 31, 2024, for the Bank Loan was 10.50% (March 31, 2023: 9.69%). This facility previously had a maturity date of February 27, 2024; however, the facility was renewed and extended with a new maturity date of June 30, 2025.

As of March 31, 2024, the Company remained in compliance with its financial covenants.

Export Development Canada (“EDC”)

On June 29, 2023, the Company entered into a debt facility with EDC of up to \$7,000,000 (the “EDC Loan”). The EDC Loan has a six-year term with interest payable on a monthly basis during the initial 18 months with amortized principal and interest repayments through the remainder of the term. The EDC Loan bears interest of United States prime interest rate plus 5.00% per annum. A portion of the EDC Loan was used to pay the outstanding principal of the Term Loan. The remainder of the EDC Loan will provide

additional working capital and support the Company's research and development and related commercialization activities. The EDC Loan principal balance as of March 31, 2024, was \$3,000,000. In conjunction with the EDC Loan, the Company incurred legal expenses of \$80,000 and other loan fees of \$42,500 during the period ended December 31, 2023, which were recorded against the fair value of the loan and amortized over the life of the loan as finance expense using the effective interest rate method, in accordance with IFRS 9. The average interest rate during the period ended March 31, 2024, for the EDC Loan was 13.50%.

Facilities

Tantalus maintains four office locations across North America, including:

- Burnaby, British Columbia, Canada (headquarters);
- Kanata, Ontario, Canada;
- Norwalk, Connecticut, United States of America; and
- Raleigh, North Carolina, United States of America.

Each office is based on a lease with a third-party building manager or landlord and are with arm's length parties.

Tantalus' Burnaby office lease, of approximately 32,000 square feet was entered into on August 1, 2014, most recently extended by the Company on June 4, 2021, and expected to expire January 31, 2029.

Tantalus' Kanata office lease, of approximately 8,200 square feet was entered into on November 1, 2017, and is expected to expire on February 1, 2025.

Tantalus' Norwalk office lease, of approximately 800 square feet was entered into on March 1, 2018, and expires on January 1, 2026.

Tantalus' Raleigh office lease, of approximately 5,602 square feet was entered into on February 1, 2016. The Raleigh office lease was extended by the Company on June 7, 2022, to expire October 31, 2027.

FINANCIAL POSITION

The Company's financial position as of March 31, 2024, compared to December 31, 2023, is as follows:

Assets	March 31, 2024	December 31, 2023	Variance
Cash	\$ 5,398,843	\$ 5,153,698	\$ 245,145
Restricted cash	-	673,474	(673,474)
Accounts receivable	10,182,985	7,870,573	2,312,412
Inventory	5,771,518	6,634,747	(863,229)
Prepaid expenses and deposits	1,551,620	1,465,857	85,763
Total current assets	\$ 22,904,966	\$ 21,798,349	\$ 1,106,617
Property and equipment	621,653	662,056	(40,403)
Intangible assets	6,020,775	6,213,239	(192,464)
Goodwill	3,445,149	3,445,149	-
Right of Use assets	2,519,314	2,679,800	(160,486)
Total assets	\$ 35,511,857	\$ 34,798,593	\$ 713,264
Liabilities			
Accounts payable and accrued liabilities	11,859,779	13,727,801	(1,868,022)
Deferred revenue and deposits	8,219,943	4,183,862	4,036,081
Lease liabilities	853,439	857,273	(3,834)
EDC Loan - current portion	166,667	-	166,667
Bank Loan	8,500,000	8,500,000	-
Total current liabilities	\$ 29,599,828	\$ 27,268,936	\$ 2,330,892
Deferred revenue and deposits	252,123	202,480	49,643
EDC Loan	2,724,250	2,885,723	(161,473)
Lease liabilities	1,948,502	2,122,732	(174,230)
Total liabilities	\$ 34,524,703	\$ 32,479,871	\$ 2,044,832

Restricted Cash

Restricted cash of \$673,474 pertained to collateral for a letter of credit facility of \$2,693,895 from the Bank that was associated with a surety bond secured in conjunction with a contract from a key customer. The Company satisfied its performance obligations pertaining to the surety bond during the three months ended March 31, 2024, resulting in the release of the surety bond allowing for the termination of the above-referenced letter of credit facility resulting in the restricted cash referenced above being returned to Tantalus.

Accounts Receivable

The Company had accounts receivable as of March 31, 2024, of \$10.2 million compared to \$7.9 million as of December 31, 2023. The increase in this balance is primarily due to the timing of revenue generated during the quarter and the timing of invoicing annual 2024 ARR to utility customers. The Company has an agreement with EDC whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales up to a maximum of \$3.0 million with certain customers excluded from this coverage.

Inventory

The Company ended the quarter with an inventory balance of \$5.8 million as compared to \$6.6 million as of December 31, 2023. The Company continues to prioritize the management of its inventory relative to the timing of order fulfilment, anticipated customer orders and the commercialization of the TRUSense Gateway.

Accounts Payable and Accrued Liabilities

The Company had accounts payable and accrued liabilities as of March 31, 2024, of \$11.9 million compared to \$13.7 million as of December 31, 2023. The decrease is primarily due to the timing of revenue and related cost of sales experienced during the quarter as well as inventory investment and related vendor payments.

OTHER ITEMS

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company's consolidated financial statements as of March 31, 2024, inclusive of Note 12 Lease Liabilities and Note 16 Commitments and Contingencies.

Transactions with Related Parties

Related parties are comprised of the Company's key management. The remuneration of key management of the Company for the three months ended March 31, 2024, and March 31, 2023, are as follows:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Short-term compensation	\$ 325,403	\$ 362,994
Share-based payments	77,770	39,738
	\$ 403,173	\$ 402,732

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The following financial instruments are all measured at amortized cost. The fair value of each approximates the carrying value due to their short-term nature.

	<u>March 31, 2024</u>		<u>December 31, 2023</u>	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Financial Assets</u>				
Cash	\$ 5,398,843	\$ 5,398,843	\$ 5,153,698	\$ 5,153,698
Restricted cash	\$ -	\$ -	\$ 673,474	\$ 673,474
Accounts receivable	\$ 10,182,985	\$ 10,182,985	\$ 7,870,573	\$ 7,870,573
<u>Financial Liabilities</u>				
Accounts payable and accrued liabilities	\$ 11,859,779	\$ 11,859,779	\$ 13,727,801	\$ 13,727,801
Bank Loan	\$ 8,500,000	\$ 8,500,000	8,500,000	8,500,000
EDC Loan	\$ 2,890,917	\$ 2,890,917	\$ 2,885,723	\$ 2,885,723

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash trade receivables and investment tax credits receivable. With respect to trade and other receivables, the Company engages EDC to perform ongoing credit evaluations of the Company's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within one month.

Going Concern

The consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. As of March 31, 2024, the Company's current liabilities exceed its current assets by \$6,694,862. During the three months ended March 31, 2024, the Company incurred a comprehensive loss of \$1,554,905 and used cash flows for operating activities of \$239,181. As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Based on the Company's liquidity position as at the date of these consolidated financial statements, management has forecasted its cash flow requirements, considering the Company's current liabilities exceed its current assets and cash balance as of March 31, 2024, and believes that it has sufficient cash resources to support operations for at least the next twelve months from March 31, 2024. Historically, the Company has been dependent on the annual renewal of its Bank loan (see Bank Loan) and has a history of successive annual renewals. During the three months ended March 31, 2024, the Bank Loan was renewed on similar terms until June 30, 2025. On June 29, 2023, the Company entered into the EDC Loan of up to \$7,000,000 which has a principal balance outstanding of \$3,000,000 as of March 31, 2024, with access to an additional \$4,000,000 up to December 29, 2024, providing access to additional capital.

The continuity of the Company as a going concern is dependent on its ability to achieve positive cash flow from operations, to maintain or obtain additional debt or equity financing and to achieve and maintain profitable operations. The consolidated financial statements do not give effect to any adjustments to the carrying value of recorded assets and liabilities, revenue and expenses, the consolidated statements of financial position classifications used and disclosures that might be necessary should the Company be unable to continue as a going concern.

Foreign Currency Risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition, and results of operations. The Company maintains certain financial instruments, inclusive of a portion of its cash, in Canadian dollars

which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company does have exposure to the impact of foreign exchange fluctuations pertaining to its financial position as of March 31, 2024, and December 31, 2023. With all other variables remaining constant, a 10% change of the Canadian dollar versus the U.S. dollar would have had a \$115,565 impact on net loss as of March 31, 2024, and \$104,830 as of December 31, 2023.

Interest Rate Risk

All of the Company's financial assets are non-interest bearing except for cash which generates interest at market rates. The credit facilities bear interest at a floating rate based on the Bank's prime rate and had a balance of \$8,500,000 as of March 31, 2024, and \$8,500,000 as of December 31, 2023. A potential percentage change in the Bank's prime rate of 1.00% will have an impact of \$85,000 as of March 31, 2024, and \$85,000 as of December 31, 2023, on the Company's annual interest expense pertaining its line of credit facility.

The EDC Loan bears interest of United States prime interest rate plus 5.00% per annum and had a balance of \$3,000,000 as of March 31, 2024, and \$3,000,000 as of December 31, 2023. A potential percentage change in the United States' prime rate of 1.00% will have an impact of \$30,000 for the period ended March 31, 2024, and \$30,000 for the period ended December 31, 2023, on the annual interest expense pertaining to the EDC Loan.

DISCLOSURE OF OUTSTANDING SHARE DATA

As March 31, 2024, and at the date of this report, the following securities were outstanding:

	March 31, 2024	May 7, 2024
Shares	44,595,942	44,595,942
Stock options	7,738,664	7,713,777
Restricted stock units	211,018	211,018

Each stock option is exercisable for one common share of the Company's stock, subject to customary adjustments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepares its consolidated financial statements in accordance with IFRS. In the preparation of these consolidated financial statements, Tantalus is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. To the extent that there are material differences between these estimates and actual results, the Company's financial condition or results of operations would be affected. Tantalus bases its estimates on experience and other assumptions that the Company believes are reasonable under the circumstances and re-evaluates these estimates on an ongoing basis.

Revenue Recognition

The Company's revenues are derived through two operating segments, including:

1. The Connected Devices and Infrastructure Segment. This segment is responsible for the sale of the Company's proprietary edge computing modules that are integrated into multiple devices deployed

across a utility's distribution grid including meters, sensors, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of the Company's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / internet-of-things smart grid including base stations, repeaters and collectors; and

2. The Utility Software Applications and Services Segment. This segment is responsible for the sale of the Company's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, SaaS, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services ("PCS").

Revenue from the sale of the Company's connected devices and infrastructure network products and utility software application licenses is recognized at a point in time when control of the hardware products and software is transferred to the customers, primarily upon delivery on a freight on board basis upon shipment or providing access to the customer.

Installation services are for the installation of the Company's connected devices and infrastructure network products and utility software applications. Engineering services are primarily consulting, implementation and integration services entered into either on a time and materials or fixed fee basis. Revenue from installation and engineering services is recognized over time, using the input method to measure progress towards complete satisfaction of the service.

Revenue from PCS is recognized rateably over the term of the PCS. Any unrecognized revenue is recorded in deferred revenue.

The Company recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control of its products is transferred to its customers in an amount that reflects the considerations the Company expects to receive from its customers in exchange for those products.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company's contracts often include a number of promised goods or services. Many of the Company's goods and services are distinct from other performance obligations and accounted for as separate performance obligations. When an arrangement involves multiple products and is negotiated as a package solution, the Company accounts for it as a single performance obligation. A good or service is distinct if the customer can benefit from it on its own or together with other components of the Company's products, and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. In determining the transaction price of contract with a customer, the Company considers the effects of consideration payable by the customer. If a contract has more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on estimated relative standalone selling prices of the goods and services.

Disclosure of Accounting Policies

Amendments to IAS 1, Presentation of Financial Statements

The amendments provide clarification on the conditions with which an entity must comply within 12 months after the reporting period affecting the classification of a liability as current or non-current. The adoption of this amendment has not had a material impact on the interim financial statements.

Classification of Debt with Covenants as Current or Non-Current (Amendments to IAS 1)

The IASB has published Non-Current Liabilities with Covenants (Amendments to IAS 1) which clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments:

- specify that if the right to defer settlement for at least twelve months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for purposes of classifying a liability as current or non-current;
- clarify that for non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply at the reporting date, and whether the entity expects to comply with the conditions by the date they are contractually required to be tested; and
- require that an entity present separately in its statement of financial position ‘non-current liabilities subject to conditions in the next twelve months’.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted, and amendments are applied retroactively in accordance with IAS 8. The adoption of this amendment has not had a material impact on the interim financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) have designed or caused to be designed under their supervision, disclosure controls and procedures (“DC&P”) which provide reasonable assurance that (i) material information relating to the Company is made known to them by others within the Company, and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

In addition, the CEO and CFO have designed or caused to be designed under their supervision internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework the CEO and CFO used to design the Company’s ICFR is the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (the “COSO Framework”).

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, an evaluation of the effectiveness of the Company’s DC&P as of March 31, 2024, was carried out. The evaluation was carried out under the supervision of, and with the participation of, the CEO and CFO. Based on this evaluation, the CEO and CFO concluded that the Company’s DC&P were effective as of March 31, 2024.

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, an evaluation of the effectiveness of the Company’s ICFR as of March 31, 2024, was carried out. The evaluation was carried out within the criteria set forth by the COSO Framework and under the supervision of, and with the participation of, the CEO and the CFO. Based on this evaluation, the CEO and CFO concluded that the Company’s ICFR were effective as of March 31, 2024.

There were no changes in the Company’s ICFR during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

OTHER INFORMATION

Additional information relating to the Company, including the Company’s Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.