



# TANTALUS SYSTEMS HOLDING INC.

## **Interim Condensed Consolidated Financial Statements**

For the three and six months ended  
June 30, 2024 and 2023  
*(expressed in United States dollars)*  
*(Unaudited)*

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an auditor. The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these unaudited interim condensed consolidated financial statements in accordance with the standards established by the Canadian Professional Accountants of Canada for a review of interim condensed consolidated financial statements by an entity's auditors.

## MANAGEMENT'S RESPONSIBILITY

The management of Tantalus Systems Holding Inc. ("Tantalus" or the "Company") is responsible for the preparation of the accompanying consolidated financial statements and the preparation and presentation of information in the Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are considered by management to present fairly the financial position and operating results of the Company.

The Company maintains various systems of internal control to provide reasonable assurance that transactions are appropriately authorized and recorded, that assets are safeguarded, and that financial reports are properly maintained to provide accurate reliable financial statements.

The Company's audit committee is comprised entirely of independent directors and is appointed by the Board of Directors annually. The committee meets annually with the Company's management and independent auditors to review the consolidated financial statements and the independent auditors report.

"Peter Londa"  
Chief Executive Officer  
August 6, 2024

"George Reznik"  
Chief Financial Officer  
August 6, 2024

# TANTALUS SYSTEMS HOLDING INC.

## Consolidated Statements of Financial Position

*(Expressed in United States dollars)*

	<i>Note</i>	June 30, 2024	December 31, 2023
<b>Assets</b>			
Current assets			
Cash		\$ 11,408,237	\$ 5,153,698
Restricted cash	4	-	673,474
Accounts receivable	5	8,946,519	7,870,573
Inventory	6	5,223,015	6,634,747
Prepaid expenses and other assets		1,591,022	1,465,857
Total current assets		27,168,793	21,798,349
Property and equipment	7	587,864	662,056
Intangible assets	8	5,828,311	6,213,239
Goodwill	8	3,445,149	3,445,149
Right of Use assets	9	2,358,828	2,679,800
Total assets		\$ 39,388,945	\$ 34,798,593
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 11,903,061	\$ 13,727,801
Deferred revenue and deposits		7,340,605	4,183,862
Lease liabilities	12	848,477	857,273
Bank Loan	11	7,679,000	8,500,000
EDC Loan - current portion		333,333	-
Total current liabilities		28,104,476	27,268,936
Deferred revenue and deposits		202,480	202,480
EDC Loan	11	2,562,779	2,885,723
Lease liabilities	12	1,792,279	2,122,732
Total liabilities		32,662,014	32,479,871
Shareholders' equity			
Share capital	13		
Common shares		94,582,671	88,142,625
Other capital reserves		41,985,570	41,452,343
Accumulated other comprehensive income		1,909,704	1,918,947
Deficit		(131,751,014)	(129,195,193)
Total shareholders' equity		6,726,931	2,318,722
Total liabilities and shareholders' equity		\$ 39,388,945	\$ 34,798,593

*See accompanying notes to interim condensed consolidated financial statements.*

Approved on behalf of the Board:

\_\_\_\_\_  
*"John McEwen"*  
 Director

\_\_\_\_\_  
*"Peter Londa"*  
 Director

**TANTALUS SYSTEMS HOLDING INC.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
*(Expressed in United States dollars)*

Note	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023	
Revenues	17	\$ 10,737,719	\$ 11,220,916	\$ 20,133,168	\$ 21,633,603
Cost of sales	6, 17	4,865,770	4,977,312	9,250,051	10,527,290
		5,871,949	6,243,604	10,883,117	11,106,313
<b>Expenses</b>					
Sales and marketing	13(f)	2,344,820	2,237,090	4,387,449	4,404,441
Research and development	13(f)	1,902,235	2,115,870	3,959,047	3,991,326
General and administrative	13(f)	1,884,728	1,838,298	3,555,902	3,455,947
Depreciation and amortization	7, 8, 9, 18	440,170	459,624	884,974	918,384
		6,571,953	6,650,882	12,787,372	12,770,098
<b>Operating loss</b>		(700,004)	(407,278)	(1,904,255)	(1,663,785)
<b>Other (expenses) earnings</b>					
Foreign exchange (loss) gain		118,544	(121,683)	204,266	(147,433)
Finance expenses	14	(398,483)	(389,077)	(834,411)	(743,766)
		(279,939)	(510,760)	(630,145)	(891,199)
<b>Loss before income taxes</b>		(979,943)	(918,038)	(2,534,400)	(2,554,984)
Income tax expense		21,160	23,621	21,421	23,725
Loss for the period		(1,001,103)	(941,659)	(2,555,821)	(2,578,709)
Foreign currency translation adjustment		(9,056)	(3,156)	(9,243)	(2,819)
<b>Total comprehensive loss for the period</b>		\$ (1,010,159)	\$ (944,815)	\$ (2,565,064)	\$ (2,581,528)
<b>Loss per share (basic and diluted)</b>		\$ (0.02)	\$ (0.02)	\$ (0.06)	\$ (0.06)
<b>Weighted average number of shares outstanding (basic and diluted)</b>	15	47,205,832	44,595,942	45,900,887	44,595,942

See accompanying notes to interim condensed consolidated financial statements.

**TANTALUS SYSTEMS HOLDING INC.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
*(Expressed in United States dollars)*

	Note	Common Shares		Other Capital	Accumulated	Deficit	Total
		Number	Amount	Reserves	Other Comprehensive Income		Shareholders' Equity
<b>Balance, December 31, 2022</b>		<b>44,595,942</b>	<b>\$ 88,142,625</b>	<b>\$ 41,029,122</b>	<b>\$ 1,916,948</b>	<b>\$ (127,509,996)</b>	<b>\$ 3,578,699</b>
Share-based compensation	13 (f)	-	-	423,221	-	-	423,221
Foreign currency translation adjustment		-	-	-	1,999	-	1,999
Loss for the period		-	-	-	-	(1,685,197)	(1,685,197)
<b>Balance, December 31, 2023</b>		<b>44,595,942</b>	<b>\$ 88,142,625</b>	<b>\$ 41,452,343</b>	<b>\$ 1,918,947</b>	<b>\$ (129,195,193)</b>	<b>\$ 2,318,722</b>
Share-based compensation	13 (f)	-	-	309,456	-	-	309,456
Issuance of common shares from financing	13 (b)	6,250,000	7,295,720	-	-	-	7,295,720
Share issuance costs	13 (b)(c)	-	(855,674)	223,771	-	-	(631,903)
Foreign currency translation adjustment		-	-	-	(9,243)	-	(9,243)
Loss for the period		-	-	-	-	(2,555,821)	(2,555,821)
<b>Balance, June 30, 2024</b>		<b>50,845,942</b>	<b>\$ 94,582,671</b>	<b>\$ 41,985,570</b>	<b>\$ 1,909,704</b>	<b>\$ (131,751,014)</b>	<b>\$ 6,726,931</b>

See accompanying notes to interim condensed consolidated financial statements.

# TANTALUS SYSTEMS HOLDING INC.

## Consolidated Statements of Cash Flows

(Expressed in United States dollars)

<i>Note</i>	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
<b>Cash (used in) provided by</b>				
Operating Activities				
Loss for the period	\$ (1,001,103)	\$ (941,659)	\$ (2,555,821)	\$ (2,578,709)
Items Not Affecting Cash:				
Unrealized foreign exchange (gain) / loss	84,917	60,151	49,557	74,298
Depreciation of equipment	7 87,220	102,135	179,074	203,407
Amortization of intangible assets	8 192,464	192,464	384,928	384,927
Amortization of right-of-use asset	9 160,486	165,025	320,972	330,050
Share-Based compensation	13(f) 86,119	118,819	309,456	224,947
Finance expenses	14 398,483	313,299	834,411	627,776
Changes in Non-Cash Operating Working Capital				
Accounts Receivable	5 1,236,466	(772,843)	(1,075,946)	(9,640)
Investment tax credits receivable	-	2,824	-	2,824
Inventories	6 548,503	(1,085,924)	1,411,732	(1,198,890)
Prepaid expenses and other assets	(39,402)	52,527	(125,165)	(192,494)
Accounts payable and accrued liabilities	10 43,282	1,722,522	(1,824,740)	2,545,089
Deferred revenue and deposits	(928,981)	(2,009,476)	3,156,743	664,290
Lease payments for interest	12 (52,069)	(63,062)	(106,518)	(128,341)
Interest paid on loans	11 (346,414)	(250,237)	(727,893)	(499,435)
Net Cash provided by (used in) Operating Activities	469,971	(2,393,435)	230,790	450,099
Investing Activities				
Purchase of equipment	7 (53,431)	(41,867)	(104,882)	(115,879)
Net Cash used in Investing Activities	(53,431)	(41,867)	(104,882)	(115,879)
Financing Activities				
Repayments of working capital loan	11 (821,000)	(405,689)	(821,000)	(405,689)
Repayments of Bank Term Loan	11 -	(282,857)	-	(565,714)
EDC Loan	11 5,195	-	10,389	-
Change in restricted cash	4 -	-	673,474	-
Repayment of lease liabilities	12 (158,479)	(150,501)	(296,501)	(276,393)
Issuance of common shares from financing	13(b) 7,295,720	-	7,295,720	-
Share issuance costs	13(b), 13(c) (631,903)	-	(631,903)	-
Net Cash provided by (used in) Financing Activities	5,689,533	(839,047)	6,230,179	(1,247,796)
Increase (decrease) in cash	6,106,073	(3,274,349)	6,356,087	(913,576)
Effect of foreign exchange on cash	(96,679)	6,818	(101,548)	7,078
Cash, beginning of period	5,398,843	8,211,947	5,153,698	5,850,914
<b>Cash, end of period</b>	<b>\$ 11,408,237</b>	<b>\$ 4,944,416</b>	<b>\$ 11,408,237</b>	<b>\$ 4,944,416</b>

See accompanying notes to interim consolidated financial statements.

**TANTALUS SYSTEMS HOLDING INC.**  
**Notes to Interim Condensed Consolidated Financial Statements**  
*(Expressed in United States dollars, unless otherwise indicated)*  
Three and six months ended June 30, 2024 and 2023

---

## **1. Reporting Entity**

The Company is a technology company dedicated to helping utilities modernize their distribution grids by harnessing the power of data across all their devices and systems deployed throughout the entire distribution grid. Tantalus' business operations are in Canada and in the United States.

The Company's head office is located in Burnaby, British Columbia, Canada. The Company's registered office is located in Vancouver, British Columbia, Canada. The Company's direct and indirect operating subsidiaries have offices in Kanata, Ontario, Canada; Raleigh, North Carolina, United States; and Norwalk, Connecticut, United States.

## **2. Basis of Presentation**

### *Statement of Compliance*

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), and have been prepared using the historical cost basis and the same accounting policies as those disclosed in the Company's annual financial statements for the year ended December 31, 2023, except as noted in Note 3, which describes the impact of new accounting policies adopted effective January 1, 2024. Accordingly, these interim financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2023.

The Board of Directors authorized these interim financial statements for issue on August 6, 2024.

### *Presentation*

These interim financial statements are presented in United States dollars. The functional currency of the operating entities is the United States dollar, with the exception of Energate Inc., where the functional currency is the Canadian dollar ("CND").

Selected explanatory notes are included in these interim financial statements to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements of the Company.

These interim financial statements include the accounts of the Company and its subsidiaries with intercompany balances and transactions eliminated upon consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim financial statements. The entities contained in the interim financial statements are as follows:

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 2. Basis of Presentation (continued)

<b>Company Entity</b>	<b>Active</b>	<b>Country of Incorporation</b>	<b>Ownership Interest</b>
TSH Canada Inc.	Yes	Canada	100%
Tantalus Systems Corp.	Yes	Canada	100%
Tantalus Systems Inc.	Yes	U.S.	100%
Energate Inc.	Yes	Canada	100%
DLC Systems, Inc. d/b/a Congruitive	Yes	U.S.	100%

#### *Use of Judgements, Estimates and Assumptions*

The preparation of the interim financial statements in accordance with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Judgment, estimates, and assumptions are continuously evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The areas of significant judgement and estimation were identified in the Company's most recent audited consolidated financial statements for the year ended December 31, 2023, except for judgements pertaining to the adoption of new accounting policies effective on January 1, 2024 (Note 3).

#### *Going Concern*

These interim 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 June 30, 2024, the Company's current liabilities exceed its current assets by \$935,683. During the six months ended June 30, 2024, the Company incurred a comprehensive loss of \$2,565,064 and generated cash flows for operating activities of \$230,790. 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 interim financial statements, management has forecasted its cash flow requirements, considering the Company's current liabilities exceed its current assets and its cash balance as of June 30, 2024, and believes that it has sufficient cash resources to support operations for at least the next twelve months from June 30, 2024. However, the Company is dependent on the annual renewal of its Bank Loan (see Note 11) 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 a term loan with Export Development Canada ("EDC") of up to \$7,000,000 which has a principal balance outstanding of \$3,000,000 as of June 30, 2024, with access to an additional \$4,000,000 up to December 29, 2024, providing access to additional capital.



# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

---

### 2. Basis of Presentation (continued)

#### *Going Concern (continued)*

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. These interim financial statements do not give effect to any adjustments to the carrying value of recorded assets and liabilities, revenue and expenses, the interim statements of financial position classifications used and disclosures that might be necessary should the Company be unable to continue as a going concern.

### 3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### *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.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 4. Restricted Cash

Restricted cash in the comparative period of \$673,474 pertained to collateral for a letter of credit facility from the Bank that was associated with a surety performance insurance bond secured in connection with a key customer contract. The Company satisfied its performance obligations pertaining to the surety performance insurance bond during the period ended March 31, 2024, resulting in the release of the surety performance insurance bond allowing for the termination of the above-referenced letter of credit facility resulting in the restricted cash referenced above being returned to Tantalus (see also Note 16(a)).

As of June 30, 2024, the restricted cash balance is nil (\$673,474 as of December 31, 2023).

### 5. Accounts Receivable

	June 30, 2024	December 31, 2023
Accounts receivable	\$ 9,748,123	\$ 8,522,177
Less: allowance for doubtful accounts	(801,604)	(651,604)
<b>Net Accounts receivable</b>	<b>\$ 8,946,519</b>	<b>\$ 7,870,573</b>

The Company did not have any accounts receivable balances from related parties as of June 30, 2024, and December 31, 2023, respectively.

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 \$3,000,000 with certain customers excluded from this coverage.

During the six months ended June 30, 2024, the Company recorded credit losses of \$150,000 (six months ended June 30, 2023 - \$nil), in general and administrative expense.

Aging analysis of trade receivables is as follows:

	June 30, 2024	December 31, 2023
Not past due	\$ 3,708,074	\$ 3,815,709
31-90 days	2,339,189	1,645,955
91-180 days	1,407,937	1,135,488
Over 180 days	1,491,319	1,273,421
<b>Total</b>	<b>\$ 8,946,519</b>	<b>\$ 7,870,573</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 6. Inventory

	June 30, 2024	December 31, 2023
Finished goods	\$ 2,125,921	\$ 3,735,485
Raw materials	3,097,094	2,899,262
<b>Inventory</b>	<b>\$ 5,223,015</b>	<b>\$ 6,634,747</b>

During the three months ended June 30, 2024, and June 30, 2023, the Company charged \$3,582,014 and \$3,780,357, respectively, of inventory related amounts to cost of sales. During the six months ended June 30, 2024, and June 30, 2023, the Company charged \$6,536,370 and \$8,193,411, respectively, of inventory related amounts to cost of sales.

Management assesses the valuation of inventory at the end of each period resulting in valuation adjustments accounted for in the respective period based upon management estimates. During the period, inventories were reviewed for obsolescence as part of ongoing operations. Inventory adjustments for obsolescence were recorded in cost of sales during the three months ended June 30, 2024, and June 30, 2023, of \$141,960 and \$200,406, respectively, and during the six months ended June 30, 2024, and June 30, 2023, of \$314,518 and \$234,996, respectively.

An inventory obsolescence reserve of \$805,000 as of June 30, 2024 (\$620,000 as of December 31, 2023) has been recorded.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 7. Property & Equipment

The following table presents details of movement in the carrying value of equipment by type:

Cost	Computers and Equipment	Furniture and Fixtures	Laboratory and Test Equipment	Leasehold Improvement	Total
Balance,					
December 31, 2022	\$ 3,461,480	\$ 544,470	\$ 5,235,472	\$ 1,635,284	\$ 10,876,706
Additions	36,240	3,460	229,661	-	269,361
Balance,					
December 31, 2023	\$ 3,497,720	\$ 547,930	\$ 5,465,133	\$ 1,635,284	\$ 11,146,067
Additions	5,075	26,707	42,172	30,928	104,882
Balance,					
June 30, 2024	\$ 3,502,795	\$ 574,637	\$ 5,507,305	\$ 1,666,212	\$ 11,250,949

Accumulated Depreciation	Computers and Equipment	Furniture and Fixtures	Laboratory and Test Equipment	Leasehold Improvement	Total
Balance,					
December 31, 2022	\$ 3,382,618	\$ 497,219	\$ 4,631,331	\$ 1,563,735	\$ 10,074,903
Additions	47,631	24,067	312,922	24,488	409,108
Balance,					
December 31, 2023	\$ 3,430,249	\$ 521,286	\$ 4,944,253	\$ 1,588,223	\$ 10,484,011
Additions	19,014	10,027	137,166	12,867	179,074
Balance,					
June 30, 2024	\$ 3,449,263	\$ 531,313	\$ 5,081,419	\$ 1,601,090	\$ 10,663,085

Net Book Value	Computers and Equipment	Furniture and Fixtures	Laboratory and Test Equipment	Leasehold Improvement	Total
Balance,					
December 31, 2023	\$ 67,471	\$ 26,644	\$ 520,880	\$ 47,061	\$ 662,056
Balance,					
June 30, 2024	\$ 53,532	\$ 43,324	\$ 425,886	\$ 65,122	\$ 587,864

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 8. Intangible assets and Goodwill

#### *Intangible Assets*

The following table presents details of movement in the intangible assets by type:

Cost	Computer Software	Technology	Customer Relations	Intellectual Property	Total
Balance,					
December 31, 2022	\$ 1,998,567	\$ 6,530,000	\$ 1,507,509	\$ 1,290,058	\$ 11,326,134
Additions	-	-	-	-	-
Balance,					
December 31, 2023	\$ 1,998,567	\$ 6,530,000	\$ 1,507,509	\$ 1,290,058	\$ 11,326,134
Additions	-	-	-	-	-
Balance,					
June 30, 2024	\$ 1,998,567	\$ 6,530,000	\$ 1,507,509	\$ 1,290,058	\$ 11,326,134

Accumulated Amortization	Computer Software	Technology	Customer Relations	Intellectual Property	Total
Balance,					
December 31, 2022	\$ 1,998,518	\$ 598,583	\$ 753,718	\$ 992,175	\$ 4,342,994
Additions	49	653,000	83,754	33,098	769,901
Balance,					
December 31, 2023	\$ 1,998,567	\$ 1,251,583	\$ 837,472	\$ 1,025,273	\$ 5,112,895
Additions		326,500	41,878	16,550	384,928
Balance,					
June 30, 2024	\$ 1,998,567	\$ 1,578,083	\$ 879,350	\$ 1,041,823	\$ 5,497,823

Net Book Value	Computer Software	Technology	Customer Relations	Intellectual Property	Total
Balance,					
December 31, 2023	\$ -	\$ 5,278,417	\$ 670,037	\$ 264,785	\$ 6,213,239
Balance,					
June 30, 2024	\$ -	\$ 4,951,917	\$ 628,159	\$ 248,235	\$ 5,828,311

#### *Goodwill*

As of June 30, 2024, the Company has goodwill of \$3,445,149 (\$3,445,149 as of December 31, 2023).

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 9. Right-of-Use Assets

The following table presents details of movement in the carrying value of the right-of-use assets:

	<b>June 30,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
<b>Beginning Balance</b>	\$ 2,679,800	\$ 3,335,361
Additions	-	-
Amortization of ROU	(320,972)	(655,561)
<b>Ending Balance</b>	<b>\$ 2,358,828</b>	<b>\$ 2,679,800</b>

### 10. Accounts Payable and Accrued Liabilities

	<b>June 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2023</b>
Trade payables and other payables	\$ 6,155,605	\$ 7,799,257
Accrued warranty	846,257	677,570
Employee benefits	1,591,933	1,825,535
Vendor goods and services received	1,728,752	1,898,170
Professional fees	1,389,689	1,138,225
Other accrued liabilities	190,825	389,044
<b>Total</b>	<b>\$ 11,903,061</b>	<b>\$ 13,727,801</b>

### 11. Loans

#### Comerica Bank

The Company has a loan agreement with Comerica Bank (the “Bank”) since April 12, 2012 to fund ongoing working capital requirements which the Company has renewed on an annual basis since such date (the “Bank Loan”). The loan agreement is comprised of a line of credit facility in United States dollars up to a maximum of \$8,500,000 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 at June 30, 2024 of \$7,679,000 (\$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. The Bank Loan previously had a maturity date of February 27, 2024. During the period ended March 31, 2024, the Bank Loan was renewed to extend the maturity date to June 30, 2025. In conjunction with entering the EDC Loan (see below), the credit facility with the Bank increased from \$8,100,000 to \$8,500,000. The average interest rate during the six months ended June 30, 2024, for the Bank Loan was 10.50% (June 30, 2023: 9.69%).

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

*(Expressed in United States dollars, unless otherwise indicated)*

Three and six months ended June 30, 2024 and 2023

---

### 11. Loans (continued)

The Company had a term loan with the Bank that carried a principal amount of \$3,300,000 repayable over three years with the proceeds used for the Company's acquisition of Congruitive as announced on February 1, 2022 and bore interest at the Bank's prime rate plus 2.00% per annum, payable monthly (the "Term Loan"). The Term Loan was paid in full during 2023 with proceeds from the EDC Loan (see below) and had a balance of \$nil as of June 30, 2024 (\$nil as of December 31, 2023).

The Bank Loan is secured by a general security agreement over all assets, inclusive of the borrowing base assets comprised of accounts receivable and inventory.

As of June 30, 2024, the Company was in compliance with its financial covenants.

#### Export Development Canada

On June 29, 2023, the Company entered into a debt facility with EDC of up to \$7,000,000 (the "EDC Loan") with advances available during the eighteen months period after the loan commencement date. 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. On July 20, 2023, the Company repaid the Term Loan comprised of principal of \$1,697,143 and accrued interest, funded by EDC Loan proceeds of \$2.0 million and received additional EDC Loan proceeds of \$1.0 million for working capital requirements to fund sales and commercialization of the Company's new product initiatives. During the period ended June 30, 2024, the balance outstanding is \$3,000,000 (\$3,000,000 as of December 31, 2023). The EDC Loan bears interest of United States prime interest rate plus 5.00% per annum. In conjunction with the EDC Loan, the Company incurred legal expenses of \$80,000 and other loan fees of \$42,500 during the year ended December 31, 2023, which have been 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 six months ended June 30, 2024, for the EDC Loan was 13.50%.

### 12. Lease Liabilities

The Company has leases with respect to its operating premises in Burnaby, British Columbia, Canada ("Burnaby"), Kanata, Ontario, Canada ("Kanata"), Raleigh, North Carolina, United States ("Raleigh") and Norwalk, Connecticut, United States ("Norwalk") in addition to equipment leases. Upon acquisition of Congruitive, the Company had an operating premise in San Jose, California, United States ("San Jose") with a lease for that premise that expired on October 31, 2023. With the exception of short-term and low-value leases, leases are reflected on the balance sheet as a right-of-use asset and a lease liability.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 12. Lease Liabilities (continued)

Below is a summary of the activity related to the Company's fixed minimum operating premises and short-term equipment lease liabilities:

	June 30, 2024	December 31, 2023
<b>Maturity Analysis – contractual undiscounted cash flows from minimum lease</b>		
Less than one year	\$ 743,245	\$ 769,129
One to five years	2,245,701	2,613,283
More than five years	-	49,521
<b>Total undiscounted lease liabilities</b>	<b>\$ 2,988,946</b>	<b>\$ 3,431,933</b>

The following is a reconciliation of undiscounted lease liabilities as of June 30, 2024, to the lease liabilities recognized at June 30, 2024:

<b>Total undiscounted lease liabilities at June 30, 2024</b>	<b>\$ 2,988,946</b>
Discounted using incremental borrowing rate	(348,190)
<b>Total lease liabilities recognized under IFRS 16 at June 30, 2024</b>	<b>\$ 2,640,756</b>

The following table presents details of movement in the carrying value of the lease liabilities:

	June 30, 2024	December 31, 2023
<b>Beginning Balance</b>	<b>\$ 2,980,005</b>	<b>\$ 3,476,264</b>
Additions	-	-
Add: Interest	106,518	245,891
Less: Payments	(403,019)	(865,069)
Impact of foreign exchange	(42,748)	122,919
Ending Balance	2,640,756	2,980,005
Less: Current portion	(848,477)	(857,273)
<b>Non-current portion</b>	<b>\$ 1,792,279</b>	<b>\$ 2,122,732</b>



# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 12. Lease Liabilities (continued)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
<b>Amounts Recognized in Statements of Operations</b>				
Finance charge on lease liabilities	\$ 52,069	\$ 63,062	\$ 106,518	\$ 128,341
Variable lease payments expensed	140,438	136,976	280,877	273,953
<b>Total amounts recognized in Statements of Operations</b>	<b>\$ 192,507</b>	<b>\$ 200,038</b>	<b>\$ 387,395</b>	<b>\$ 402,294</b>

The aggregate of the Company's variable lease payments as of June 30, 2024, is as follows and reflects the estimated future payments of the variable operating costs of the long-term operating premises leases in Burnaby, Kanata, Raleigh, and Norwalk.

2024	280,877
2025	488,457
2026	498,940
2027	513,908
2028	529,326
	<b>\$ 2,311,508</b>

### 13. Share Capital

(a) Authorized share capital:

Unlimited common shares, with no par value.

Unlimited preferred shares, with no par value.

The holders of common shares are entitled to one vote per share, to receive dividends when declared and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to Shareholders.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

*(Expressed in United States dollars, unless otherwise indicated)*

Three and six months ended June 30, 2024 and 2023

---

### 13. Share Capital (continued)

#### (b) Financing

The Company completed a bought deal financing on May 23, 2024, by issuing an aggregate of 6,250,000 common shares at a price of CND\$1.60 per common share for total gross proceeds of approximately CND\$10,000,000 (US\$7,295,720) (the “Offering”). Cormark Securities Inc. and Canaccord Genuity Corp. acted as co-leads and joint bookrunners of the Offering on behalf of a syndicate of other underwriters (collectively the “Underwriters”) (the “May 2024 Financing”). The offering was completed pursuant to the terms of an underwriting agreement (the “Underwriting Agreement”) between the Company and the Underwriters. The Offering consisted of 4,937,500 common shares issued pursuant to the listed issuer financing exemption available under Part 5A of National Instruments 45-106 (“NI 45-106”) - Prospectus Exemptions, for gross proceeds of CND\$7,900,000 (the “LIFE Tranche”). In addition, the Company completed, concurrently with the LIFE Tranche, a brokered private placement of 1,312,500 common shares on the same terms as the LIFE Tranche, for gross proceeds of CND\$2,100,000 (the “Concurrent Private Placement Tranche”) pursuant to applicable exemptions under NI 45-106 other than the listed issuer financing exemption.

In accordance with the terms of the Underwriting Agreement, the Company paid a fee to the Underwriters in connection with the Offering comprised of (i) a cash fee equal to 6.0% of the aggregate gross proceeds of the Offering (“Cash Commission”), and (ii) an aggregate number of compensation warrants (“Compensation Warrant”) equal to 6.0% of the aggregate number of common shares issued as part of the Offering. Each Compensation Warrant is exercisable to acquire one common share at an exercise price equal to the Offering price (for Compensation Warrants issued pursuant to the LIFE Tranche) or CND\$1.71 (for Compensation Warrants issued pursuant to the Concurrent Private Placement Tranche) for a period of 24 months from the closing date of the Offering. Each of the Cash Commission payable and Compensation Warrants issuable to the Underwriters was reduced to 3.0% with respect to certain purchasers identified on the Company’s president’s list. The Underwriters did not receive any Cash Commission or Compensation Warrants in connection with sales completed to any US purchasers on the Company’s president’s list.

Share issuance costs related to this financing totaled \$855,674 (CND\$1,172,844) inclusive of Cash Commissions of \$412,662 (CND\$565,644) and Compensation Warrants valued at \$223,771 (CND\$306,716).

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

*(Expressed in United States dollars, unless otherwise indicated)*

Three and six months ended June 30, 2024 and 2023

---

### 13. Share Capital (continued)

#### (c) Warrants

As part of the May 2024 Financing, 274,764 warrants with an exercise price of CND\$1.60 valued at CND\$0.721 each totaling CND\$233,134 (US\$170,088) and 78,750 warrants with an exercise price of CND\$1.71 valued at CND\$0.697 each totaling CND\$73,582 (US\$53,683) have been recorded as share issuance costs and charged against share capital. The fair value of the warrants granted were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions: volatility rate of 97.6%, risk-free rate of 4.19%, dividend yield of 0% and weighted average life of two years.

#### (d) Stock Option Plan

The Company adopted the Omnibus Long Term Incentive Plan (“LTIP”) that was effective as of the closing of the plan of arrangement pursuant to which the Company may grant stock options to provide incentives to eligible persons. In connection with the Company’s annual general and special meeting of shareholders on June 10, 2022, the LTIP was amended and restated as approved by the Company’s shareholders. As of June 30, 2024, the LTIP allows for a maximum of 8,919,188 common shares to be available under the plan. As of June 30, 2024, the Company had total stock options of 7,725,656 and 211,018 restricted stock units (“RSUs”) outstanding resulting in 982,514 common shares available for issuance under the plan.

The stock options are settled by way of issuance of common shares. The exercise price of stock options is determined by a committee of the Board of Directors and shall not be less than fair market value of a common share. The expiry date of stock options is designated on the date of grant and shall be no later than 10-years from the date of grant. Unless otherwise approved by the Board of Directors, the stock options typically vest over a 4-year term with 25% of the options vesting after 12-months and the remaining 75% of the options vesting monthly in equal amounts over the following 36-months.

During the three months ended June 30, 2024, no shares were issued as a result of stock options being exercised (nil for the three months ended June 30, 2023). During the six months ended June 30, 2024, no shares were issued as a result of stock options being exercised (nil for the six months ended June 30, 2023).

Stock option activity under the former stock option plan of TSH Canada Inc. and the LTIP, as its successor option plan, is provided below:

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 13. Share Capital (continued)

#### (d) Stock Option Plan (continued)

	Number of Options	Weighted Average Exercise Price (CND\$)
Balance at December 31, 2022	6,898,077	\$ 1.21
Granted during the period	964,647	\$ 1.35
Forfeited during the period	(9,385)	\$ 1.00
Expired during the period	(85,969)	\$ 1.00
Balance at December 31, 2023	7,767,370	\$ 1.24
Granted during the period	42,500	\$ 1.57
Forfeited during the period	(42,141)	\$ 1.00
Expired during the period	(42,073)	\$ 1.00
<b>Balance at June 30, 2024</b>	<b>7,725,656</b>	<b>\$ 1.24</b>

The range of fair value of the outstanding stock options is \$0.29 to \$0.82.

As of June 30, 2024, the number of stock options outstanding and exercisable and the exercise price was as follows:

Option Grant Date	Options Outstanding	Options Exercisable	Exercise Price (CND\$)
December 18, 2018	3,357,515	3,357,515	\$ 1.00
April 1, 2019	70,000	70,000	\$ 1.00
January 1, 2020	422,899	370,037	\$ 1.00
June 20, 2020	5,000	4,063	\$ 1.00
September 1, 2020	513,646	385,235	\$ 1.00
February 9, 2021	18,284	18,284	\$ 1.64
February 9, 2021	112,000	84,000	\$ 2.25
March 25, 2021	100,000	100,000	\$ 2.17
August 17, 2021	179,000	123,063	\$ 2.11
November 17, 2021	658,900	425,540	\$ 2.10
November 17, 2021	47,619	47,619	\$ 2.10
December 24, 2021	14,000	9,042	\$ 1.79
March 24, 2022	1,185,515	666,852	\$ 1.35
May 15, 2022	34,131	21,844	\$ 1.28
May 15, 2023	445,631	133,890	\$ 1.20
July 26, 2023	100,000	75,000	\$ 0.78
July 27, 2023	27,838	-	\$ 0.78
November 6, 2023	41,500	-	\$ 0.75
December 18, 2023	349,678	-	\$ 0.79
May 24, 2024	42,500	-	\$ 1.57
<b>Balance at June 30, 2024</b>	<b>7,725,656</b>	<b>5,891,984</b>	<b>\$ 1.19</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 13. Share Capital (continued)

#### (d) Stock Option Plan (continued)

The stock options expire ten years after option grant date unless exercised.

During the six month period ended June 30, 2024, and June 30, 2023, the fair value of options granted was \$36,516 and \$213,423, respectively. Remaining unrecognized cost of the LTIP as of June 30, 2024, and December 31, 2023, was \$232,844 and \$409,571, respectively. The weighted average remaining life expressed in years of outstanding options was 1.97 years as of June 30, 2024, and 2.37 years as of December 31, 2023.

As of June 30, 2024, the Company had total vested options of 5,891,982 with a weighted average exercise price of CND\$1.19 and total vested options of 5,375,476 with a weighted average exercise price of CND\$1.18 as of December 31, 2023.

The fair value of the options granted was estimated on the date of grant using the Black- Scholes option-pricing model with the following assumptions with volatility based upon historical experience:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Risk free interest rate	4.38%	0.39% - 4.38%
Dividend yield	0%	0%
Expected life (in years)	5.5 years	1 to 7 years
Forfeiture rate	7.54%	6.74%
Volatility	100.30%	50% - 86.9%

#### (e) Restricted Stock Units

Under the LTIP, the Company may grant RSUs subject to approval by the Company's board of directors which have a vesting period and RSU term as determined by the Company's board of directors.

During the year ended December 31, 2023, the Company issued 211,018 RSUs with a fair value of \$124,928 and vest five years after the date of issuance.

	<b>Restricted Stock Units</b>
Balance at December 31, 2022	-
Granted during the period	211,018
Exercised during the period	-
Balance at December 31, 2023	211,018
Granted during the period	-
Exercised during the period	-
<b>Balance at June 30, 2024</b>	<b>211,018</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 13. Share Capital (continued)

#### (e) Restricted Stock Units (continued)

The fair value of the RSUs granted during the year ended December 31, 2023 were estimated on the date of grant based upon the fair value of the Company's common shares of CDN\$0.79 as at the date of issuance and the volume of RSUs granted with related share based compensation being amortized over the five year vesting period.

#### (f) Stock-based compensation expense

The Company has allocated the stock-based compensation expense by respective function of each respective employees and directors as follows:

<b>Three months ended June 30, 2024</b>	<b>Cost</b>	<b>Stock-based Compensation</b>	<b>Total</b>
Sales and marketing	2,280,836	13,984	2,294,820
Research and development	1,843,037	9,198	1,852,235
General and administrative	1,721,791	62,937	1,784,728
Total	\$ 5,845,664	\$ 86,119	\$ 5,931,783

<b>Three months ended June 30, 2023</b>	<b>Cost</b>	<b>Stock-based Compensation</b>	<b>Total</b>
Sales and marketing	2,214,431	22,659	2,237,090
Research and development	2,102,315	13,555	2,115,870
General and administrative	1,755,693	82,605	1,838,298
Total	\$ 6,072,439	\$ 118,819	\$ 6,191,258

<b>Six months ended June 30, 2024</b>	<b>Cost</b>	<b>Stock-based Compensation</b>	<b>Total</b>
Sales and marketing	4,294,291	43,158	4,337,449
Research and development	3,858,289	50,758	3,909,047
General and administrative	3,240,362	215,540	3,455,902
Total	\$ 11,392,942	\$ 309,456	\$ 11,702,398

<b>Six months ended June 30, 2023</b>	<b>Cost</b>	<b>Stock-based Compensation</b>	<b>Total</b>
Sales and marketing	4,359,722	44,719	4,404,441
Research and development	3,969,827	21,499	3,991,326
General and administrative	3,297,218	158,729	3,455,947
Total	\$ 11,626,767	\$ 224,947	\$ 11,851,714

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 13. Share Capital (continued)

#### (f) Stock-based compensation expense (continued)

Stock-based compensation expense recognized attributable to options and RSUs granted was \$86,119 and \$309,456 during the three and six months ended June 30, 2024 and June 30, 2023, respectively and \$118,819 and \$224,947 during the three and six months ended June 30, 2024 and June 30, 2023, respectively.

### 14. Finance Expenses

Period ended	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Accretion of interest on lease liability (note 12)	\$ 52,069	\$ 63,062	\$ 106,518	\$ 128,341
Interest expense on bank loan (note 11)	346,414	250,237	727,893	499,435
EDC insurance and other finance expenses	-	75,778	-	115,990
<b>Total</b>	<b>\$ 398,483</b>	<b>\$ 389,077</b>	<b>\$ 834,411</b>	<b>\$ 743,766</b>

### 15. Loss per Share

Loss per common share represents loss for the period divided by the weighted average number of common shares outstanding during the period. The weighted average number of common shares is as follows:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Beginning balance at December 31, shares outstanding	44,595,942	44,595,942
Effect of shares issued related to May 2024 financing	1,304,945	-
Effect of shares issued from RSU exercise	-	-
Effect of warrants issued from May 2024 financing	-	-
Effect of shares issued from option exercise	-	-
<b>Weighted average number of shares (basic and diluted)</b>	<b>45,900,887</b>	<b>44,595,942</b>

For all the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of the dilutive securities.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 15. Loss per Share (continued)

The weighted average number of common shares is as follows:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Net loss	\$ (1,001,103)	\$ (941,659)	\$ (2,555,821)	\$ (2,578,709)
Basic weighted average number of shares	47,205,832	44,595,942	45,900,887	44,595,942
<b>Basic and dilutive loss per share</b>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>

### 16. Commitments and Contingencies

- (a) In the ordinary course of business, the Company may deliver performance and/or payment bonds to customers in connection with a sales contract. As of June 30, 2024, the Company had nil performance bond outstanding (December 31, 2023 - \$2,693,895). Previously, the Company had a performance bond of \$2,693,895 in the form of a letter of credit facility and had provided security through restricted cash of \$673,474 (Note 4). The Company satisfied its performance obligations pertaining to the surety performance insurance bond during the quarter ended March 31, 2024, resulting in the release of the surety performance insurance bond and the termination of the letter of credit facility with the restricted cash being returned to Tantalus (Note 4).
- (b) In the ordinary course of business, the Company enters into 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 June 30, 2024, the Company had outstanding purchase order commitments of \$20,190,156 (\$12,575,340 as of December 31, 2023).
- (c) The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.
- (d) In the ordinary course of business, indemnification provisions are included in agreements with the Company's customers. Generally, such indemnification provisions are subject to limitations of liability provisions that exclude certain damages from what the Company may be obligated to indemnify the Customer for in connection with the agreement and/or set a cap on the Company's indemnification obligation tied to revenue generated from such agreement. In certain limited instances, the Company's indemnification obligation may not be subject to such aforementioned limitations and/or caps. As a matter of practice, the Company's customer agreements generally include provisions pursuant to which its customers indemnify the Company for certain potential liabilities that may arise in connection with or relating to the agreements between the parties.



# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 17. Segmented Information

#### Operating segments

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 communication infrastructure devices that are deployed to deliver an industrial network-of-things / IoT 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 enterprise software applications AI enabled data analytics and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, software as a service ("SaaS"), hosting services, professional services (including project management, deployment, installation, and engineering support), and post-contract technical support and annual software maintenance services.

Corporate includes all operating expenses of the Company.

Information regarding the operations of each operating segment is included below. Performance is based on revenue less cost of sales.

A breakdown of revenues and cost of sales for each operating segment for the three and six months ended June 30, 2024, and June 30, 2023, is as follows:

<b>Three months ended June 30, 2024</b>	<b>Connected Devices and Infrastructure</b>	<b>Utility Software Applications and Services</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 6,968,368	\$ 3,769,351	\$ -	\$ 10,737,719
Cost of sales	3,873,465	992,305	-	4,865,770
Gross profit	3,094,903	2,777,046	-	5,871,949
Expenses	-	-	6,571,953	6,571,953
<b>Operating income (loss)</b>	<b>\$ 3,094,903</b>	<b>\$ 2,777,046</b>	<b>\$ (6,571,953)</b>	<b>\$ (700,004)</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 17. Segmented Information (continued)

Three months ended June 30, 2023	Connected Devices and Infrastructure	Utility Software Applications and Services	Corporate	Total
Revenue	\$ 7,051,484	\$ 4,169,432	\$ -	\$ 11,220,916
Cost of sales	4,141,419	835,893	-	4,977,312
Gross profit	2,910,065	3,333,539	-	6,243,604
Expenses	-	-	6,650,882	6,650,882
<b>Operating income (loss)</b>	<b>\$ 2,910,065</b>	<b>\$ 3,333,539</b>	<b>\$ (6,650,882)</b>	<b>\$ (407,278)</b>

Six months ended June 30, 2024	Connected Devices and Infrastructure	Utility Software Applications and Services	Corporate	Total
Revenues	\$ 12,765,485	\$ 7,367,683	\$ -	\$ 20,133,168
Cost of sales	7,243,948	2,006,103	-	9,250,051
Gross profit	5,521,537	5,361,580	-	10,883,117
Expenses	-	-	12,787,372	12,787,372
<b>Operating income (loss)</b>	<b>\$ 5,521,537</b>	<b>\$ 5,361,580</b>	<b>\$ (12,787,372)</b>	<b>\$ (1,904,255)</b>

Six months ended June 30, 2023	Connected Devices and Infrastructure	Utility Software Applications and Services	Corporate	Total
Revenue	\$ 14,100,197	\$ 7,533,406	\$ -	\$ 21,633,603
Cost of sales	8,816,370	1,710,920	-	10,527,290
Gross profit	5,283,827	5,822,486	-	11,106,313
Expenses	-	-	12,770,098	12,770,098
<b>Operating income (loss)</b>	<b>\$ 5,283,827</b>	<b>\$ 5,822,486</b>	<b>\$ (12,770,098)</b>	<b>\$ (1,663,785)</b>

Revenues attributed to the following geographic regions based on the location of the customer is as follows:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
United States <sup>1</sup>	\$ 10,673,171	\$ 11,125,825	\$ 19,849,948	\$ 21,481,646
Canada	60,488	79,202	262,609	131,183
Others	4,060	15,889	20,611	20,774
<b>Total</b>	<b>\$ 10,737,719</b>	<b>\$ 11,220,916</b>	<b>\$ 20,133,168</b>	<b>\$ 21,633,603</b>

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 18. Expenses by Nature

Total salaries and wages as well as other personnel and contractor related expenses included in Cost of Sales for the three months ended June 30, 2024, and June 30, 2023, respectively, were \$1,074,433 and \$909,229, and for the six months ended June 30, 2024, and June 30, 2023, respectively were \$2,070,108 and \$1,764,582.

The Company's operating expenses by nature are as follows:

<b>Period ended</b>	<b>Three months ended June 30, 2024</b>	<b>Three months ended June 30, 2023</b>	<b>Six months ended June 30, 2024</b>	<b>Six months ended June 30, 2023</b>
Consulting, professional fees, and agent services	\$ 1,014,887	\$ 924,569	\$ 1,732,596	\$ 1,447,223
Depreciation and Amortization	440,170	459,624	884,974	918,384
Facilities variable lease payments	85,285	68,716	187,450	150,616
Information technology	182,167	276,781	376,228	441,825
Insurance	132,193	110,801	277,189	228,451
Marketing programs	319,619	438,729	501,590	836,390
Office and other expenses	358,536	196,931	537,408	414,983
Salaries and Benefits	3,566,258	3,534,512	7,135,822	7,127,581
Stock-based compensation	86,119	118,819	309,456	224,947
Supplies and prototypes	89,696	237,207	278,904	443,055
Travel and meals	297,023	284,193	565,755	536,643
<b>Total</b>	<b>\$ 6,571,953</b>	<b>\$ 6,650,882</b>	<b>\$ 12,787,372</b>	<b>\$ 12,770,098</b>

### 19. Capital Disclosures

The Company's capital management objective is to ensure that the Company is appropriately supported in its working capital needs, business expansion, and other strategic objectives to maximize shareholder value. The Company manages its capital structure and makes adjustments in response to changing economic conditions and requirements of its financial covenants.

The following schedule details the components of capital:

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 19. Capital Disclosures (continued)

<b>Deficiency and Liabilities</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Other capital reserves	\$ 41,985,570	\$ 41,452,343
Accumulated other comprehensive income	\$ 1,909,704	\$ 1,918,947
Share capital	\$ 94,582,671	\$ 88,142,625
Deficit	\$ (131,751,014)	\$ (129,195,193)
EDC Loan	\$ 2,896,112	\$ 2,885,723
Bank working capital loan	\$ 7,679,000	\$ 8,500,000

### 20. Financial instruments

#### (a) Financial assets and liabilities

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.

As of June 30, 2024 and December 31, 2023, the carrying values of cash, restricted cash, accounts receivable, investment tax credits receivable, accounts payable and accrued liabilities, the bank term and working capital loans, and the EDC Loan approximate their fair value due to their ability to be promptly liquidated, their short term to maturity, or their use of market rates.

Financial instruments are analyzed using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets and liabilities carried at amortized cost are considered Level 2 instruments, because while observable prices and inputs are available, they are not quoted in an active market. There has not been any transfer between fair value hierarchy levels during the periods ended June 30, 2024, and December 31, 2023.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

*(Expressed in United States dollars, unless otherwise indicated)*

Three and six months ended June 30, 2024 and 2023

---

### 20. Financial instruments (continued)

#### (b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- interest rate risk;
- credit risk;
- foreign currency exchange rate risk; and
- liquidity risk.

#### (i) 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 \$7,679,000 as of June 30, 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 \$76,790 for the period ended June 30, 2024, and \$85,000 for the year ended December 31, 2023, on the annual interest expense pertaining to its line of credit facility.

The Term Loan bore interest at the Bank's prime rate plus 2.00% per annum, payable monthly, and had a balance of \$nil as of June 30, 2024, and \$nil as at December 31, 2023. A potential percentage change in the bank's prime rate of 1.00% will have an impact of \$nil for the period ended June 30, 2024, and \$nil for the year ended December 31, 2023, on the annual interest expense pertaining to the Term Loan.

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 June 30, 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 June 30, 2024, and \$30,000 for the year ended December 31, 2023, on the annual interest expense pertaining to the EDC Loan.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

*(Expressed in United States dollars, unless otherwise indicated)*

Three and six months ended June 30, 2024 and 2023

---

### **20. Financial instruments (continued)**

#### **(b) Financial risk management (continued)**

##### **(ii) Credit risk**

The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash, investment tax credits receivable and accounts receivable. Credit risk pertaining to the Company's accounts receivable is the risk of financial loss if a customer fails to meet its contractual obligations and arises from the Company's receivables. Accounts receivable primarily consist of trade accounts receivable from utilities companies which have low risk of default. With respect to accounts receivable, 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. The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

The aging of accounts receivable as of June 30, 2024, and December 31, 2023 is provided in Note 5.

##### **(iii) Foreign currency exchange rate 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 at June 30, 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 \$629,968 impact on net loss for the period ended June 30, 2024, and a \$104,830 impact for the year ended December 31, 2023.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 20. Financial instruments (continued)

#### (b) Financial risk management (continued)

##### (iii) Foreign currency exchange rate risk (continued)

The consolidated statements of financial position include the following amounts denominated in Canadian dollars at their equivalent US dollar amounts:

	June 30, 2024	December 31, 2023
Cash	\$ 7,597,782	\$ 377,333
Accounts receivable	322,659	572,405
Accounts payable	(680,338)	(1,175,578)
Accrued liabilities	(940,421)	(822,459)
<b>Total</b>	<b>\$ 6,299,682</b>	<b>\$ (1,048,298)</b>

At present, the Company does not have any formal policy for hedging against foreign currency exchange rate risk.

##### (iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company constantly monitors its operations and cash flows to ensure that current and future obligations will be met when due.

The maturities of the Company's financial liabilities are as follows:

	As at June 30, 2024
Less than 90 days:	
Accounts payable and accrued liabilities	\$ 11,803,061
Less than one year:	
Bank Loan (see Note 11 Loans)	\$ 7,679,000
EDC Loan (see Note 11 Loans)	\$ 333,333
Greater than one year:	
EDC Loan (see Note 11 Loans)	\$ 2,562,779

The Company has a loan agreement with the Bank to fund ongoing working capital requirements since April 12, 2012, which is fully drawn. The Company has renewed on an annual basis since such date (see Note 11 Loans).

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (continued)

(Expressed in United States dollars, unless otherwise indicated)

Three and six months ended June 30, 2024 and 2023

### 21. Related Party

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. The following table discloses the compensation amount of the Board of Directors and key management personnel in the ordinary course of their employment recognized as an expense during the reporting periods. Key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company and consist of the Company's executive officers. The remuneration of key management for the three and six months ended June 30, 2024, and June 30, 2023, is as follows:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Short-term employee benefits	\$ 449,649	\$ 551,953	\$ 775,052	\$ 914,947
Share-based compensation	36,575	50,917	114,345	90,655
<b>Total</b>	<b>\$ 486,224</b>	<b>\$ 602,870</b>	<b>\$ 889,397</b>	<b>\$ 1,005,602</b>

Compensation of the key management personnel includes salaries and non-cash benefits.

As part of the May 2024 Financing, certain insiders of the Company participated in the Offering and purchased an aggregate of 1,474,300 common shares. Participation of such insiders in the Offering constituted a "related party transaction" as defined under Multilateral Instruments 61-101 – Protection of Minority Security Holdings in Special Transactions ("MI 61-101"), but was exempt from the formal valuation and minority shareholder approval requirement of MI 61-101, as neither the fair market value of the securities issued to the insiders nor the consideration paid by the insiders exceeded 25% of the Company's market capitalization (see Note 13(b)).