TANTALUS SYSTEMS HOLDING INC.

Consolidated Financial Statements

For the years ended
December 31, 2024 and 2023

(expressed in United States dollars)

Independent auditor's report

To the Shareholders of
Tantalus Systems Holding Inc.

Opinion

We have audited the consolidated financial statements of **Tantalus Systems Holding Inc.** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of operations and comprehensive loss, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. This matter was addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Annual Goodwill Impairment Test	
As at December 31, 2024, the Group had goodwill of $3,445,149, which was allocated to the Software and Services cash-generating unit [the "CGU"]. The Group assesses at least annually, or at any time an indicator of impairment exists, whether there has been an impairment in the carrying value of the goodwill. The Group estimates the recoverable amount of the CGU using a fair value less costs to sell model using discounted cash flow projections and compares it against the carrying amount. The Group discloses significant assumptions used and the results of their analysis in notes 3 and 9 to the consolidated financial statements. Auditing the Group's estimated recoverable amount was complex given the degree of judgment and subjectivity in evaluating management's estimates and assumptions within the projected cash flows. The significant assumptions used in the projected financial information are revenue growth rate, gross profit margin, operating expenses and discount rate which are affected by expectations of future market and economic conditions.	Our audit procedures included, among others, the following to address the significant assumptions described: • We involved our valuation specialists to assess the mathematical accuracy and appropriateness of the valuation methodology used, and the various inputs utilized in determining the discount rate by referencing current industry, economic, and comparable company information. • We compared the revenue growth assumption in the projected financial information prepared by management to actual and historical results achieved and to market information. • We compared the gross profit margin and operating expense assumptions in the projected financial information prepared by management to actual and historical results achieved. • We performed sensitivity analysis on the gross profit margin assumptions using a range of historical gross profit margin achieved to evaluate the impact on the recoverable amount of the CGU. • We assessed the adequacy of the Group's disclosure in the consolidated financial statements in relation to this matter.

Other information

Management is responsible for the other information. The other information is comprised of Management's Discussion and Analysis for the year ended December 31, 2024.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nicole Poirier.

Ernst & Young LLP

Vancouver, Canada
March 18, 2025

Chartered Professional Accountants

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Financial Position

(Expressed in United States dollars)

	Note		December 31, 2024		December 31, 2023
Assets	*12*				
Current assets					
Cash		$	13,219,309	$	5,153,698
Restricted cash	*4*		-		673,474
Accounts receivable	*6*		10,011,018		7,870,573
Inventory	*7*		4,831,805		6,634,747
Prepaid expenses and other assets			1,828,617		1,465,857
Total current assets			29,890,749		21,798,349
Property and equipment	*8*		730,908		662,056
Right of Use assets	*10*		2,037,856		2,679,800
Intangible assets	*9*		5,443,385		6,213,239
Goodwill	*9*		3,445,149		3,445,149
Total assets		$	41,548,047	$	34,798,593
Liabilities and Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities	*11*	$	15,628,776	$	13,727,801
Deferred revenue and deposits			6,054,661		4,183,862
Lease liabilities	*13*		842,962		857,273
Line of credit	*12*		3,679,000		8,500,000
Term loan - current portion	*12*		1,534,778		-
Total current liabilities			27,740,177		27,268,936
Deferred revenue and deposits			103,194		202,480
Lease liabilities	*13*		1,392,258		2,122,732
Term loan	*12*		5,371,723		2,885,723
Total liabilities			34,607,352		32,479,871
Total shareholders' equity			6,940,695		2,318,722
Total liabilities and shareholders' equity		$	41,548,047	$	34,798,593

See accompanying notes to 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		Year ended December 31, 2024		Year ended December 31, 2023
Revenues	***19***	$	44,311,228	$	42,146,982
Cost of sales	***7, 19***		20,289,408		20,288,566
			24,021,820		21,858,416
Expenses					
Sales and marketing	***14(f)***		8,600,540		7,784,174
Research and development	***14(f)***		7,002,821		7,907,374
General and administrative	***14(f)***		7,928,356		6,618,900
Depreciation and amortization	***8, 9, 10, 20***		1,752,245		1,834,570
			25,283,962		24,145,018
Operating loss			(1,262,142)		(2,286,602)
Other (expenses) earnings					
Foreign exchange gain (loss)			232,618		(211,153)
Finance expenses	***15***		(1,586,614)		(1,509,458)
Recovery of contingent liability	***5***		-		2,332,702
			(1,353,996)		612,091
Loss before income taxes			(2,616,138)		(1,674,511)
Income tax expense	***16***		11,582		10,686
Loss for the period			(2,627,720)		(1,685,197)
Foreign currency translation adjustment			(9,834)		1,999
Total comprehensive loss for the period		$	(2,637,554)	$	(1,683,198)
Loss per share (basic and diluted)		$	(0.05)	$	(0.04)
Weighted average number of shares outstanding (basic and diluted)	***17***		48,386,926		44,595,942

See accompanying notes to consolidated financial statements.

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Changes in Shareholders’ Equity

(Expressed in United States dollars)

	Note	Common Shares Number	Common Shares Amount	Other Capital Reserves	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, December 31, 2022		**44,595,942**	**$ 88,142,625**	**$ 41,029,122**	**$ 1,916,948**	**$ (127,509,996)**	**$ 3,578,699**
Share-based compensation	14 (f)	-	-	423,221	-	-	423,221
Foreign currency translation adjustment		-	-	-	1,999	-	1,999
Loss for the period		-	-	-	-	(1,685,197)	(1,685,197)
Balance, December 31, 2023		**44,595,942**	**$ 88,142,625**	**$ 41,452,343**	**$ 1,918,947**	**$ (129,195,193)**	**$ 2,318,722**
Share-based compensation	14 (f)	-	-	595,710	-	-	595,710
Issuance of common shares	14 (b)	6,250,000	7,295,720	-	-	-	7,295,720
Share issuance costs	14 (b)(c)	-	(855,674)	223,771	-	-	(631,903)
Foreign currency translation adjustment		-	-	-	(9,834)	-	(9,834)
Loss for the period		-	-	-	-	(2,627,720)	(2,627,720)
Balance, December 31, 2024		**50,845,942**	**$ 94,582,671**	**$ 42,271,824**	**$ 1,909,113**	**$ (131,822,913)**	**$ 6,940,695**

See accompanying notes to consolidated financial statements.

TANTALUS SYSTEMS HOLDING INC.

Consolidated Statements of Cash Flows

(*Expressed in United States dollars)*

	Note		Year ended December 31, 2024		Year ended December 31, 2023
Cash (used in) provided by					
Operating Activities					
Loss for the period		$	(2,627,720)	$	(1,685,197)
Adjustments to reconcile loss for the period to net cash flows:					
Unrealized foreign exchange (gain) loss			(75,636)		116,737
Depreciation of equipment	***8***		340,447		409,108
Amortization of intangible assets	***9***		769,854		769,901
Amortization of right-of-use asset	***10***		641,944		655,561
Share-based compensation	***14(f)***		595,710		423,221
Recovery of contingent liability			-		(2,332,702)
Finance expenses	***15***		1,586,614		1,356,126
Amortization of deferred financing cost			20,778		-
Changes in Non-Cash Operating Working Capital					
Accounts receivable	***6***		(2,140,445)		1,173,986
Inventory	***7***		1,802,942		(944,011)
Prepaid expenses and other assets			(362,760)		68,758
Accounts payable and accrued liabilities	***11***		1,900,975		1,242,016
Deferred revenue and deposits			1,771,513		(737,102)
Lease payments for interest	***13***		(201,635)		(245,891)
Interest paid on loans	***12***		(1,384,979)		(1,110,235)
Net Cash provided by (used in) Operating Activities			2,637,602		(839,724)
Investing Activities					
Purchase of equipment	***8***		(409,299)		(269,361)
Net Cash used in Investing Activities			(409,299)		(269,361)
Financing Activities					
Repayments of indebtedness	***12***		(4,821,000)		(2,262,857)
Proceeds from indebtedness	***12***		4,000,000		3,285,723
Change in restricted cash	***4***		673,474		-
Repayment of lease liabilities	***13***		(659,155)		(619,178)
Issuance of common shares	***14(b)***		7,295,720		-
Share issuance costs	***14(b), 14(c)***		(631,903)		-
Net Cash provided by Financing Activities			5,857,136		403,688
Effect of foreign exchange on cash			(19,828)		8,181
(Decrease) increase in cash			8,065,611		(697,216)
Cash, beginning of period			5,153,698		5,850,914
Cash, end of period		**$**	**13,219,309**	**$**	**5,153,698**

See accompanying notes to consolidated financial statements.

1. Reporting Entity

Tantalus Systems Holding Inc. ("Tantalus" or 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 annual consolidated financial statements ("Annual Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Annual Financial Statements were authorized for issue by the Company's Board of Directors ("Board") on March 18, 2025.

3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Annual Financial Statements.

(a) Principles of Consolidation

Subsidiaries are entities controlled by the Company and their financial statements are included in the Annual Financial Statements from the date that control commences until the date that control ceases. 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 Annual Financial Statements. The entities contained in the Annual Financial Statements are as follows:

3. Material Accounting Policies (continued)

(a) Principles of Consolidation (continued)

Company Entity	Active	Country of Incorporation	Ownership Interest
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%

(b) Basis of Measurement

These Annual Financial Statements have been prepared on the historical cost basis, except as described in the policies below.

(c) Functional and Presentation Currency

These Annual Financial Statements are presented in United States ("U.S.") dollars. The functional currency of the primary operating entities, Tantalus Systems Holding Inc., Tantalus Systems Corp., Tantalus Systems Inc., and DLC Systems, Inc. are U.S. dollars. The functional currency of Energate Inc. is Canadian dollars ("CAD"). Transactions in foreign currencies are translated to the respective functional currency of the Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at the dates of the initial transactions.

Assets and liabilities of foreign operations are translated from its functional currency to the presentation currency at the exchange rate at the reporting date. Income and expenses of foreign operations are translated at exchange rates at the dates of the relevant transactions, with average exchange rates used when appropriate. Foreign currency differences arising from translation are recognized in other comprehensive loss.

(d) Use of Estimates and Judgments

The preparation of the Annual Financial Statements in conformity with IFRS 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.

3. Material Accounting Policies (continued)

(d) Use of Estimates and Judgments (continued)

Judgments

Judgment is used mainly in determining how a balance or transaction should be recognized in these consolidated financial statements when there is a choice or assessment required by management. The following are critical judgments apart from those involving estimations:

Going concern

Management has applied judgment in the assessment of the Company’s ability to continue as a going concern when preparing its Annual Financial Statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to expected future cash flows from operations and sources of financing.

Estimates

Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant assumptions about the future and other sources of estimation uncertainty that management has made in these Annual Financial Statements, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) Impairment of non-financial assets (including goodwill)

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on a discounted cash flow (“DCF”) model. The estimated cash flows are derived from the budget for the next year and expected growth rate supported by historical experience. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill. The key assumptions used to determine the recoverable amount for the Company's cash generating unit with allocated goodwill, including a sensitivity analysis are disclosed and further explained in Note 8.

3. Material Accounting Policies (continued)

(d) Use of Estimates and Judgments (continued)

(ii) Revenue recognition

The allocation of total transaction price to each performance obligation is based on the relative standalone selling prices of the promised products or services. When there is observable evidence of stand-alone sales, the Company uses the observable standalone sales to determine the standalone selling price. Where there are no observable standalone sales, the Company estimates the standalone selling price using either the adjusted market assessment approach or the expected cost plus a margin approach.

(iii) Allowance for Doubtful Accounts

The Company records an allowance for expected credit loss related to trade and other receivables that are considered to be uncollectible. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for credit loss.

(iv) Inventory provision

The Company determines a provision for inventory obsolescence based upon expected net realizable value incorporating inventory turnover, inventory aging, and current and future expectations with respect to product offerings. Assumptions underlying the provision for inventory obsolescence includes future sales trends, expected inventory requirements, inventory composition and related consumption necessary to support future offerings.

(v) Contingencies

The Company records accruals for contingent losses when losses are probable and reasonably estimable. The Company evaluates legal matters that could affect the amount of liability that has been previously accrued and adjusts as appropriate. Significant judgment is required to determine both probability and the estimated amount of a loss or potential loss.

(vi) Warranty

The Company generally provides warranty on products between twelve to eighteen months. The Company accrues for estimated incurred but unidentified warranty issues, based on the Company's best estimate, with reference to past and expected future experience. Warranty costs are also accrued for known warranty issues if a loss is probable and can be reasonably estimated. If there is a change in these estimates, the Company adjusts the accrual accordingly.

3. Material Accounting Policies (continued)

(d) Use of Estimates and Judgments (continued)

(vii) Share-Based Compensation

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

(viii) Leases

The Company cannot readily determine the interest rate implicit in some of its leases, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as interest rate spreads for credit and other risks).

(e) Revenues

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 access to the customer is provided.

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 post-contract technical support and annual software maintenance services ("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.

3. Material Accounting Policies (continued)

(e) Revenues (continued)

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. 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 goods, and the Company's promise to transfer the product 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.

(f) Segment Reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segment results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and assess its performance.

The Company currently has two operating segments: (a) Connected Devices and Infrastructure and (b) Utility Software Applications and Services ("Software & Services"). The performance results for each Segment include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of expenses (see Note 18 – Segmented Information for description of each segment).

3. Material Accounting Policies (continued)

(g) Deferred Revenue

The Company enters into annual contractual agreements with its customers for the provision of technical support and software maintenance service pertaining to products and software sold to its customers for which payment is received at the beginning of the service period commencement date and accounted for as deferred revenue which is amortized into revenue over the related period. The Company also receives customer deposits and advances pertaining to the implementation services provided by the Company which are accounted for as deferred revenue and amortized as revenue as the related service obligation is fulfilled by the Company.

(h) Accounts Receivable and Allowance for Doubtful Accounts

Trade receivables represent amounts due to the Company from its customers. The Company performs ongoing credit evaluations of its customers to assess the probability of trade receivables collection. The Company insures the majority of its accounts receivable with Export Development Canada ("EDC") with the bank insuring 90% of the individual accounts receivable balance subject to a maximum of $3 million. The Company records an allowance for expected credit losses related to trade and other receivables that are considered to be uncollectible.

(i) Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses.

(j) Property and Equipment

Property and equipment are recorded initially at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Depreciation on property and equipment is provided on a straight-line basis over their estimated useful lives as follows:

3. Material Accounting Policies (continued)

(j) Property and Equipment (continued)

Asset	Years
Computer equipment	3.3 years
Furniture and fixtures	5.0 years
Laboratory and test equipment	5.0 years

The Company depreciates leasehold improvements on a straight-line basis over the shorter of their useful life or the term of the lease.

(k) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost and intangible assets acquired in a business combination are recognized at fair value at the date of acquisition. Intangible assets acquired in a business combination include technology, customer relations, and intellectual property. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense for finite life intangible assets is recognized in profit or loss. Intangible assets are amortized over their estimated useful lives, on a straight-line basis, as follows:

Intangible Asset	Life
Technology	10 years
Customer relations	10 years
Intellectual property	10 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(l) Goodwill

Goodwill, representing the excess of the consideration paid for businesses acquired over the fair values of the assets acquired and liabilities assumed in a business combination is measured at cost less accumulated impairment losses.

3. Material Accounting Policies (continued)

(m) Impairment of Long-Lived Assets and Goodwill

The Company's non-financial assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment tests are carried out annually for goodwill or when an indicator of impairment is identified.

An impairment loss is charged to the statement of operations if an asset's carrying amount exceeds its recoverable amount. The recoverable amount is calculated based on the higher of its fair value less direct costs to sell and its value in use.

Fair value is determined as the amount that would be obtained from the sale, net of direct selling costs, of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset.

For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (a cash generating unit or "CGU"). Goodwill is allocated to a CGU or group of CGU's expected to benefit from it.

Impairment losses recognized for a CGU are first allocated to reduce the carrying amount of goodwill, if any, assigned to the CGU, and then to amounts of the other assets in the CGU on a pro-rata basis, to the extent that the carrying value of an asset exceeds the higher of its fair value and value in use.

Non-financial assets, other than goodwill, for which an impairment was previously recognized, are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss is reversed, the increased carrying amount of the asset cannot exceed the carrying amount that would have been determined, net of amortization, had the impairment never been recognized.

An impairment loss recorded against goodwill is not reversed.

(n) Research and Development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

3. Material Accounting Policies (continued)

(o) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services, or obligations between related parties.

(p) Leases

The Company accounts for its leases in accordance with IFRS 16 which provides for a single accounting model for lessees. As a lessee, the Company recognizes a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Right-of-use assets and lease liabilities

Upon commencement of a lease, the Company records a right-of-use asset and a lease liability. The lease liability has been initially measured at the present value of all fixed lease payments that remain to be paid at the commencement date.

The associated right-of-use asset will initially be measured at cost, consisting of:

- the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; plus
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset will typically be depreciated on a straight-line basis over the lease term, unless the Company expects to obtain ownership of the leased asset at the end of the lease. The lease term will consist of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where there is reasonable certainty the Company will exercise the option; and
- periods covered by options to terminate the lease, where there is reasonable certainty the Company will not exercise the option.

The Company records amortization expense over the term associated with its respective lease agreements for which it has accounted for right-of-use assets. The Company applies the lease of low-value assets recognition exemption to leases of office equipment and storage that are considered of low value. Lease payments on short-term leases (less than one year) are recognized as expenses in the period incurred.

3. Material Accounting Policies (continued)

(q) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(r) Earnings (Loss) per Share

The Company presents basic and diluted earnings (or loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit (or loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit (or loss) attributable to common shareholders and the weighted average number of common shares outstanding adjusted for the dilutive effects of all share-based payment plans.

(s) Financial Instruments

The Company’s financial instruments consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities, the line of credit, and term loan (see below) that the Company has assessed as financial instruments to be measured and classified.

3. Material Accounting Policies (continued)

(s) Financial Instruments (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

i. It is held with a business model whose objective is to hold assets to collect contractual cash flows; and

ii. Its contractual term gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Financial Assets

The Company may have the following non-derivative financial assets: financial assets at fair value through profit or loss, financial assets at fair value through Other Comprehensive Income ("OCI"), or financial assets at amortized cost. Management determines the appropriate classification upon initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or losses, directly attributable transaction costs. All of the Company's financial assets are classified as amortized cost under IFRS 9.

(ii) Cash and Restricted Cash

Cash and restricted cash are classified as financial assets measured at amortized cost. Cash and restricted cash in the consolidated statements of financial position comprise cash at banks and not subject to any significant risk of changes in value.

(iii) Accounts Receivable

Accounts receivables comprise trade and other receivables. Trade receivables are classified as financial assets measured at amortized cost. The impairment model is applicable to financial assets measured at amortized cost where any expected credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For accounts receivable excluding taxes receivable, the Company utilized a provision matrix, as permitted under the simplified approach, and has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and other factors. The carrying amount of trade receivables is reduced for any expected credit losses by an allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. At the point when the Company is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off.

3. Material Accounting Policies (continued)

(s) Financial Instruments (continued)

(iv) Financial Liabilities

The Company's financial liabilities are comprised of trade and other payables. The line of credit and term loan are classified as financial liabilities to be subsequently measured at amortized cost.

(v) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which either:

- substantially all the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets.

(t) Government Assistance

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as a reduction of the respective expense item on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

3. Material Accounting Policies (continued)

(u) Share-Based Compensation

The Company grants stock options to directors, officers, and employees. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The grant date fair value of options granted to directors, officers and employees is recognized as share-based payment expense, with a corresponding increase in other capital reserves, over the period that the individual becomes unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the number of share options for which the related service is expected to be met, such that the amount ultimately recognized as an expense is based on the number of share options that do meet the related service at the vesting date.

Compensation warrants issued to underwriters related to equity financing are recorded at their fair value measured using the Black-Scholes option pricing model. The compensation expense is recorded as a reduction to share capital with the corresponding increase in other capital reserves.

(v) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(w) Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Legal costs incurred in connection with loss contingencies are expensed as incurred.

The Company may be subject to a variety of claims and suits that arise in the ordinary course of business. Although management currently believes that resolving claims against the Company 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 may change in the future.

(x) New and Amended Standards

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. The adoption of this amendment has no impact on the Company for the current year.

(y) New Standards Issued but Not Yet Effective

Standards and amendments issued but not yet applicable to the Company's financial statements are listed below. This listing of standards and amendments issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

(i) Lack of Exchangeability

Under IAS 21 *The Effects of Changes in Foreign Exchange Rates*, an entity is required to apply a consistent approach to assessing whether a currency is exchangeable into another currency. The amendment provides for the rare cases when it is not possible for one currency to be exchanged into another (such as imposition of government controls that prevent official exchange rates to be relied upon), to determine the exchange rate to use and the disclosures to provide in the event of the lack of exchangeability.

The amendment to IAS 21 is effective for annual periods beginning on or after January 1, 2025. The adoption of this amendment is not expected to have a material impact on the Company.

(y) New Standards Issued but Not Yet Effective (continued)

(ii) IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after January 1, 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

4. Restricted Cash

Restricted cash in the comparative period 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 year, resulting in the release of the surety performance insurance bond and releasing the restricted cash to Tantalus (see also Note 18(a)).

5. Contingent Liability

As part of the acquisition of DLC Systems Inc. d/b/a Congruitive on January 31, 2022, there was contingent consideration based on an estimated weighted probability of certain revenue targets being met in the period following the acquisition date to December 31, 2023. As a result of the shortfall in revenue during that period, no contingent consideration was determined to be payable resulting in a recovery of the contingent consideration in the amount of $2,332,702 during the year ended December 31, 2023.

(Expressed in United States dollars, unless otherwise indicated)

6. Accounts Receivable

		December 31, 2024		December 31, 2023
Accounts receivable	$	10,862,622	$	8,522,177
Less: allowance for doubtful accounts		(851,604)		(651,604)
Net Accounts receivable	**$**	**10,011,018**	**$**	**7,870,573**

The Company has an agreement with EDC where it has agreed to provide 90% insurance coverage for the Company's invoiced sales, up to a maximum of $3,000,000 with certain exclusions.

During the year ended December 31, 2024, the Company recorded credit losses of $200,000 (year ended December 31, 2023 - $100,000), in general and administrative expense.

Aging analysis of trade receivables is as follows:

		December 31, 2024		December 31, 2023
Current	$	1,222,211	$	3,815,709
31-90 days		7,280,997		1,645,955
91-180 days		281,479		1,135,488
Over 180 days		1,226,331		1,273,421
Total	**$**	**10,011,018**	**$**	**7,870,573**

7. Inventory

		December 31, 2024		December 31, 2023
Raw materials	$	3,077,643	$	2,899,262
Finished goods		1,754,162		3,735,485
Inventory	**$**	**4,831,805**	**$**	**6,634,747**

During the years ended December 31, 2024, and December 31, 2023, the Company charged $13,873,559 and $15,126,734, 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. Inventory adjustments for obsolescence were recorded in cost of sales the year ended December 31, 2024, and December 31, 2023, of $1,164,317 and $497,109, respectively.

The Company has an inventory obsolescence reserve balance of $807,529 as at December 31, 2024 ($620,000 as at December 31, 2023).

(Expressed in United States dollars, unless otherwise indicated)

8. 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	30,149	40,010	93,898	245,242	409,299
Balance, December 31, 2024	$ 3,527,869	$ 587,940	$ 5,559,031	$ 1,880,526	$ 11,555,366

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	38,057	21,059	252,896	28,435	340,447
Balance, December 31, 2024	$ 3,468,306	$ 542,345	$ 5,197,149	$ 1,616,658	$ 10,824,458

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, December 31, 2024	$ 59,563	$ 45,595	$ 361,882	$ 263,868	$ 730,908

(Expressed in United States dollars, unless otherwise indicated)

9. Intangible assets and Goodwill

(i) 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, December 31, 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	-	653,000	83,755	33,099	769,854
Balance, December 31, 2024	$ 1,998,567	$ 1,904,583	$ 921,227	$ 1,058,372	$ 5,882,749

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, December 31, 2024	$ -	$ 4,625,417	$ 586,282	$ 231,686	$ 5,443,385

(ii) Goodwill

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

Impairment testing for goodwill acquired through business combinations is allocated to the Software & Services cash generating unit ("CGU"), which is an operating and reportable segment. The Company performed its annual impairment test as of December 31, 2024. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment.

As of December 31, 2024, the Company's market capitalization was greater than the book value of its equity.

9. Intangible assets and Goodwill (continued)

(iii) Goodwill (continued)

The recoverable amount of the Software & Services CGU is also determined based on fair value less costs to sell calculation, which is considered Level 3 on the fair value hierarchy, using cash flow projections from short-term financial budgets prepared by management and long-term projections for a total period of six years. The projected cash flows have been prepared to reflect the anticipated demand for products and services. The post-tax discount rate applied to the cash flow projections was 21.6%. The Company has incorporated a future growth rate for its Software & Service CGU based on the anticipated market trends and Company performance and supported by historical growth experience. The average growth rate used to extrapolate the cash flows of the CGU for the projection period was 13.0%. As a result of the analysis, there was no identification of an impairment of the Software & Services CGU.

The calculation of fair value was most sensitive to the following assumptions:

- Revenue growth rates based upon historical growth rate experience
- Gross profit margins
- Operating expenses
- Discount rate

Revenue growth rate estimates − Rates are based on historical growth rate experience with consideration of the current environment within the utility sector including the need to meet rising demand while addressing existing infrastructure.

Gross profit margins − Gross profit margins are based on average values achieved in the periods preceding the beginning of the budget period. These are applied over the budget period.

Operating expenses – Operating expenses are based on average values achieved in the periods preceding the beginning of the budget period are then applied based on specific allocations to the CGU.

Discount rate – Discount rates represent the current market assessment. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows.

(Expressed in United States dollars, unless otherwise indicated)

10. Right-of-Use Assets

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

		December 31, 2024		December 31, 2023
Beginning Balance	$	2,679,800	$	3,335,361
Amortization of ROU		(641,944)		(655,561)
Ending Balance	**$**	**2,037,856**	**$**	**2,679,800**

11. Accounts Payable and Accrued Liabilities

		December 31, 2024		December 31, 2023
Trade payables and other payables	$	7,985,889	$	7,799,257
Accrued liabilities		6,687,177		5,250,974
Accrued warranty		955,710		677,570
Total	**$**	**15,628,776**	**$**	**13,727,801**

A provision is recognized for expected warranty claims on products sold during the year, based on past experience of the levels of repairs and returns. It is expected that these costs will be incurred in the next financial year.

		December 31, 2024		December 31, 2023
Warranty provision, January 1	$	677,570	$	651,934
Addition to provision		634,669		777,374
Expense of provision		(356,529)		(751,738)
Warranty provision, December 31	**$**	**955,710**	**$**	**677,570**

12. Loans

a) <u>Line of Credit</u>

The Company has a loan agreement with Comerica Bank ("Comerica") to fund ongoing working capital requirements (the "Line of Credit") which the Company has renewed periodically since April 2012. The facility consists of a secured line of credit up to a maximum of $8,500,000 subject to a borrowing base calculation equal to the aggregate of a percentage of eligible receivables, and inventory, which had a combined carrying value of $14.8 million as at December 31, 2024.

12. Loans (continued)

The Company had a balance outstanding on its Line of Credit as at December 31, 2024 of $3,679,000 ($8,500,000 as of December 31, 2023). The facility bears interest at Comerica's prime rate plus 2.00% per annum, payable monthly and matures on June 30, 2025. The average interest rate during the year ended December 31, 2024 for the Line of Credit was 10.27% (December 31, 2023: 10.23%). The facility is secured by a general security agreement over the present and future assets of the Company and is subject to the following covenants: i) a minimum cash balance of $3.5 million at all times; ii) a minimum trailing six month EBITDA balance in excess of amounts set by the lender from time to time; and (iii) a minimum liquidity ratio of 1.25x. As of December 31, 2024, the Company was in compliance with its financial covenants.

b) Term Loan

On June 29, 2023, the Company entered into a $7,000,000 loan agreement ("Term Loan") with Export Development Canada ("EDC") with a delayed draw option up to eighteen months after the loan commencement date. The Term 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 and matures on June 29, 2029. On July 20, 2023, the Company borrowed $3,000,000 under this facility for working capital purposes, and in December 2024, the Company borrowed an additional $4,000,000 under this facility and used the proceeds to pay down its Line of Credit. The balance outstanding as at December 31, 2024 was $7,000,000 ($3,000,000 as at December 31, 2023). The Term Loan bears interest at United States prime interest rate plus 5.00% per annum and the average interest rate during the year ended December 31, 2024 was 13.27% (December 31, 2023: 13.50%). In conjunction with the Term Loan, the Company incurred financing expenses of $122,500 during the year ended December 31, 2023, which have been netted against the fair value of the loan and amortized over the term of the loan as finance expenses using the effective interest rate method, in accordance with IFRS 9. The Term Loan is secured by a general security agreement over the present and future assets of the Company and ranks second behind liens in favor of Comerica. As of December 31, 2024, the Company was in compliance with its bank covenants. At December 31, 2025, a debt service covenant will be added to this facility.

13. 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 and was not renewed. 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.

(Expressed in United States dollars, unless otherwise indicated)

13. Lease Liabilities (continued)

Below is a summary showing the maturity of contractual undiscounted liabilities related to the Company's fixed minimum operating premises and short-term equipment lease obligations:

		December 31, 2024		December 31, 2023
Less than one year	$	706,614	$	769,129
One to five years		1,784,080		2,613,283
More than five years		-		49,521
Total undiscounted lease liabilities	**$**	**2,490,694**	**$**	**3,431,933**

The following is a reconciliation of undiscounted lease liabilities to the lease liabilities recognized as at December 31, 2024:

Total undiscounted lease liabilities at December 31, 2024	$	2,490,694
Discounted using incremental borrowing rate		(255,474)
Total lease liabilities recognized under IFRS 16 at December 31, 2024	**$**	**2,235,220**

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

		December 31, 2024		December 31, 2023
Beginning Balance	$	2,980,005	$	3,476,264
Add: Interest		201,635		245,891
Less: Payments		(860,790)		(865,069)
Impact of foreign exchange		(85,630)		122,919
Ending Balance		2,235,220		2,980,005
Less: Current portion		(842,962)		(857,273)
Non-current portion	**$**	**1,392,258**	**$**	**2,122,732**

Amounts Recognized in Statements of Operations		**Year ended December 31, 2024**		**Year ended December 31, 2023**
Finance charge on lease liabilities	$	201,635	$	245,891
Variable lease payments expensed		338,643		446,431
Total amounts recognized in Statements of Operations	**$**	**540,278**	**$**	**692,322**

(Expressed in United States dollars, unless otherwise indicated)

13. Lease Liabilities (continued)

The aggregate of the Company's variable lease payments as of December 31, 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.

2025		488,457
2026		498,940
2027		513,908
2028		529,326
	$	**2,030,631**

14. Share Capital

(a) Authorized share capital:

Unlimited common shares, with no par value. Unlimited preferred shares, with no par value.

(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 CAD$1.60 per common share for total gross proceeds of $7,295,720 (CAD$10,000,000) (the "May 2024 Financing"). The May 2024 Financing 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 CAD$7,900,000 (the "LIFE Tranche"). In addition, the Company concurrently completed, a brokered private placement of 1,312,500 common shares on the same terms as the LIFE Tranche, for gross proceeds of CAD$2,100,000 (the "Concurrent Private Placement Tranche") pursuant to applicable exemptions under NI 45-106 other than the listed issuer financing exemption.

The Company paid a fee to the Underwriters in connection with the May 2024 Financing comprised of (i) a cash fee equal to 6.0% of the aggregate gross proceeds of the May 2024 Financing ("Underwriting Fee"), 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 May 2024 Financing. Each Compensation Warrant is exercisable to acquire one common share at an exercise price equal to the May 2024 Financing price (for Compensation Warrants issued pursuant to the LIFE Tranche) or CAD$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 May 2024 Financing. 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 Underwriting Fee or Compensation Warrants in connection with sales completed to any U.S. purchasers on the Company's president's list.

14. Share Capital (continued)

Share issuance costs related to this financing totaled $855,674 (CAD$1,172,844) including Underwriting Fees of $412,662 (CAD$565,644) and Compensation Warrants valued at $223,771 (CAD $306,716).

(c) Warrants

As part of the May 2024 Financing, 274,764 warrants with an exercise price of CAD$1.60 valued at $170,088 (CAD$233,134) and 78,750 warrants with an exercise price of CAD$1.71 valued at $53,683 (CAD$73,582) 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 December 31, 2024, the LTIP allows for a maximum of 10,169,188 common shares to be available under the plan. As of December 31, 2024, the Company had total stock options of 8,043,435 and 514,405 restricted stock units ("RSUs") outstanding resulting in 1,611,348 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 and shall not be less than the fair market value of the common shares. 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, 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 years ended December 31, 2024 and 2023, no shares were issued as a result of stock options being exercised.

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

(Expressed in United States dollars, unless otherwise indicated)

14. Share Capital (continued)

(d) Stock Option Plan (continued)

	Number of Options		Weighted Average Exercise Price (CND$)
Balance at December 31, 2022	6,898,077	$	1.24
Granted during the period	964,647	$	1.01
Forfeited during the period	(9,385)	$	1.00
Expired during the period	(85,969)	$	1.00
Balance at December 31, 2023	7,767,370	$	1.21
Granted during the period	379,176	$	1.79
Forfeited during the period	(61,038)	$	1.00
Expired during the period	(42,073)	$	1.00
Balance at December 31, 2024	**8,043,435**	**$**	**1.24**

As of December 31, 2024, the number of stock options outstanding and exercisable and the exercise price was as follows:

Option Grant Date	Options Outstanding	Options Exerciseable		Exercise Price (CND$)
December 18, 2018	3,338,618	3,338,618	$	1.00
April 1, 2019	70,000	70,000	$	1.00
January 1, 2020	422,899	422,899	$	1.00
June 20, 2020	5,000	4,688	$	1.00
September 1, 2020	513,646	449,440	$	1.00
February 9, 2021	18,284	18,284	$	1.64
February 9, 2021	112,000	98,000	$	2.25
March 25, 2021	100,000	100,000	$	2.17
August 17, 2021	179,000	145,438	$	2.11
November 17, 2021	658,900	507,902	$	2.10
November 17, 2021	47,619	47,619	$	2.10
December 24, 2021	14,000	10,792	$	1.79
March 24, 2022	1,185,515	815,042	$	1.35
May 15, 2022	34,131	27,305	$	1.28
May 15, 2023	445,631	200,835	$	1.20
July 26, 2023	100,000	100,000	$	0.78
July 27, 2023	27,838	6,786	$	0.78
November 6, 2023	41,500	7,781	$	0.75
December 18, 2023	349,678	69,061	$	0.79
May 24, 2024	42,500	-	$	1.57
August 8, 2024	56,000	-	$	1.47
November 14, 2024	30,000	-	$	1.79
December 17, 2024	40,676	-	$	1.93
December 30, 2024	210,000	-	$	1.90
Balance at December 31, 2024	**8,043,435**	**6,440,490**	**$**	**1.21**

(Expressed in United States dollars, unless otherwise indicated)

14. Share Capital (continued)

(d) Stock Option Plan (continued)

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

During the years ended December 31, 2024, and December 31, 2023, the fair value of options granted was $233,603 and $391,465, respectively. The remaining unrecognized cost of the LTIP as of December 31, 2024, and December 31, 2023, was $350,230 and $409,571, respectively. The weighted average remaining life expressed in years of outstanding options was 1.76 years as of December 31, 2024, and 2.37 years as of December 31, 2023.

As of December 31, 2024, the Company had total vested options of 6,440,490 with a weighted average exercise price of CAD$1.21 and total vested options of 5,375,476 with a weighted average exercise price of CAD$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:

	December 31, 2024	**December 31, 2023**
Risk free interest rate	3.00%-4.38%	0.39% - 4.38%
Dividend yield	0%	0%
Expected life (in years)	5.5 to 7 years	1 to 7 years
Forfeiture rate	7.46%	6.74%
Volatility	107.6%	50% - 86.9%

(e) Restricted Stock Units

Under the LTIP, the Company may grant RSUs subject to approval by the Board which have a vesting period and RSU term as determined by the Board.

During the year ended December 31, 2024, the Company issued 303,387 RSUs with a fair value of $401,283 and vest equally over three years after the date of issuance. During the prior 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. Any RSUs that vest will be share-settled through the issuance of shares from treasury.

(Expressed in United States dollars, unless otherwise indicated)

14. Share Capital (continued)

(e) Restricted Stock Units (continued)

	Restricted Stock Units
Balance at December 31, 2022	-
Granted during the period	211,018
Balance at December 31, 2023	211,018
Granted during the period	303,387
Balance at December 31, 2024	**514,405**

The fair value of the RSUs granted during the year ended December 31, 2024 were estimated on the dates of grant based upon the fair value of the Company's common shares of CAD$1.93 and CAD$1.90 (2023 - CAD$0.79) as at the date of issuance and the volume of RSUs granted with related share-based compensation expense being amortized over three and five year vesting periods, respectively.

(f) Share-based compensation expense

The Company has allocated the share-based compensation ("SBC") expense by respective function of each respective employees and directors as follows:

Year ended December 31, 2024		**Share-based Compensation**
Sales and marketing		76,616
Research and development		73,191
General and administrative		445,903
Total	$	595,710

Year ended December 31, 2023		**Share-based Compensation**
Sales and marketing		81,912
Research and development		45,433
General and administrative		295,876
Total	$	423,221

(Expressed in United States dollars, unless otherwise indicated)

15. Finance Expenses

Period ended		**Year ended December 31, 2024**		**Year ended December 31, 2023**
Accretion of interest on lease liability (*note 13*)	$	201,635	$	245,891
Interest expense on loans		1,384,979		1,183,824
Other finance expenses		-		79,743
Total	**$**	**1,586,614**	**$**	**1,509,458**

16. Income Taxes

Income tax expense differs from the amount that would be computed by applying the Canadian federal and provincial statutory income tax rates of 27.00% for the years ended December 31, 2024, and December 31, 2023, to income before income taxes due to the following:

		Year ended December 31, 2024		**Year ended December 31, 2023**
Loss before income taxes	$	(2,616,138)	$	(1,674,511)
Tax expense at applicable rates		(706,357)		(452,118)
Change in unrecognized deferred tax assets		265,810		1,065,958
Non-deductible expenses and other differences		225,965		(481,889)
Effect of difference between combined Canadian statutory income rate and those rates applicable to foreign subsidiaries		20,671		(4,667)
Other items		205,493		(116,598)
Current income tax expense	**$**	**11,582**	**$**	**10,686**

The deferred tax assets have not been recognized in these consolidated financial statements, as management does not consider it more likely than not that those assets will be realized in the carry forward period.

(Expressed in United States dollars, unless otherwise indicated)

16. Income Taxes (continued)

The Company's deferred income tax assets not recognized are:

		December 31, 2024		December 31, 2023
Deferred tax assets in relation to:				
Equipment	$	896,979	$	705,857
Non-capital losses carried forward		18,292,392		20,508,483
SR&ED expenditures		3,181,324		3,181,360
Restricted Interest and Financing Expenses		224,543		-
Reserves and other		4,796,857		1,353,984
Intangible assets		(2,172,835)		(1,493,592)
Deferred tax assets not recognized	**$**	**25,219,260**	**$**	**24,256,092**

As of December 31, 2024, the Company has non-capital loss carry forwards for Canadian and United States income tax purposes available to reduce taxable income otherwise payable in future years. These losses expire as follows:

Year Loss Expires		Canada	Year Loss Expires		U.S.		Total
2025	$	7,944,080		$	-	$	7,944,080
2026		841,043			-		841,043
2027		2,156,493			-		2,156,493
2028		5,889,673			-		5,889,673
2029		14,145,723			-		14,145,723
2030		10,934,793			-		10,934,793
2031		4,142,095			-		4,142,095
2032		2,776,540			-		2,776,540
2033		2,824,409			-		2,824,409
2034		160,255			-		160,255
2035		1,007,672			-		1,007,672
2036		1,786,169			-		1,786,169
2037		1,753,016			-		1,753,016
2038		1,289,912			-		1,289,912
2039		1,016,413	indefinite		2,136,589		3,153,002
2040		941,927	indefinite		1,043,680		1,985,607
2041		1,002,252	indefinite		988,039		1,990,291
2042		2,713,401	indefinite		830,087		3,543,488
2043		474,570	indefinite		18,470		493,040
2044		304,071	indefinite		-		304,071
Total Losses	$	**64,104,507**		$	**5,016,865**	**$**	**69,121,372**

(Expressed in United States dollars, unless otherwise indicated)

16. Income Taxes (continued)

The Company has Canadian non-capital loss carryforwards of $64,104,507 ($71,042,528 as of December 31, 2023) which are available to reduce future taxable income and begin to expire in 2025. The benefit of these non-capital losses has not been recognized as their realization is not reasonably assured.

The Company has U.S. non-capital loss carry forwards of $5,016,865 ($5,501,501 as of December 31, 2023) that may be carried forward indefinitely to reduce future taxable income. The benefit of these non-capital losses has not been recognized as their realization is not reasonably assured.

The Company has Undepreciated Capital Cost ("UCC") amounts of approximately $5,539,614 and $10,303,072 of scientific research and experimental development expenditures ("SR&ED") that may be carried forward to be deducted against future Canadian taxable income. The Company has $12,492,441 of reserves that may be deducted against future Canadian taxable income. In addition, the Company has federal investment tax credits of $426,585 available to offset future Canadian federal income taxes payable which expire commencing in 2024. The benefits of the UCC, the SR&ED expenditures and the federal investment tax credits have not been recognized as their realization is not reasonably assured.

17. 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:

	December 31, 2024	**December 31, 2023**
Beginning balance at December 31, shares outstanding	44,595,942	44,595,942
Effect of shares issued related to May 2024 financing	3,790,984	-
Weighted average number of shares (basic and diluted)	**48,386,926**	**44,595,942**

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

18. 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 December 31, 2024, the Company had no performance bonds outstanding (December 31, 2023 - $2,693,895) and no restricted cash outstanding (December 31, 2023 - $673,474) (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 December 31, 2024, the Company had outstanding purchase order commitments of $18,596,202 ($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.

(Expressed in United States dollars, unless otherwise indicated)

19. 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") and other subscriptions, 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.

A breakdown of revenues and cost of sales for each operating segment for the years ended December 31, 2024, and December 31, 2023, is as follows:

Year ended December 31, 2024	**Connected Devices and Infrastructure**	**Utility Software Applications and Services**	**Corporate**	**Total**
Revenues	$ 27,624,778	$ 16,686,450	$ -	$ 44,311,228
Cost of sales	16,364,436	3,924,972	-	20,289,408
Gross profit	11,260,342	12,761,478	-	24,021,820
Expenses	-	-	25,283,962	25,283,962
Operating income (loss)	**$ 11,260,342**	**$ 12,761,478**	**$ (25,283,962)**	**$ (1,262,142)**

Year ended December 31, 2023	**Connected Devices and Infrastructure**	**Utility Software Applications and Services**	**Corporate**	**Total**
Revenue	$ 27,286,862	$ 14,860,120	$ -	$ 42,146,982
Cost of sales	16,403,213	3,885,353	-	20,288,566
Gross profit	10,883,649	10,974,767	-	21,858,416
Expenses	-	-	24,145,018	24,145,018
Operating income (loss)	**$ 10,883,649**	**$ 10,974,767**	**$ (24,145,018)**	**$ (2,286,602)**

(Expressed in United States dollars, unless otherwise indicated)

19. Segmented Information (continued)

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

		Year ended December 31, 2024		Year ended December 31, 2023
United States[1]	$	43,954,991	$	41,805,915
Canada [2]		356,237		341,067
Total	**$**	**44,311,228**	**$**	**42,146,982**

(1) United States includes revenues attributed to the US Virgin Islands based in the Caribbean basin.
(2) Canada includes revenue attributed to Belize and Guyana.

20. Expenses by Nature

Total salaries and wages as well as other personnel and contractor related expenses included in Cost of Sales for the years ended December 31, 2024, and December 31, 2023, respectively were $4,141,042 and $4,230,995.

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

		Year ended December 31, 2024		Year ended December 31, 2023
Salaries and Benefits		15,182,218		13,493,349
Consulting, professional fees, and agent services	$	2,995,481	$	2,571,690
Depreciation and Amortization		1,752,245		1,834,570
Office and other expenses		992,984		819,215
Travel and meals		984,654		1,124,135
Information technology		835,684		873,515
Marketing programs		706,008		1,098,202
Share-based compensation		595,710		423,221
Insurance		526,161		523,797
Supplies and prototypes		374,174		936,893
Facilities variable lease payments		338,643		446,431
Total	$	**25,283,962**	$	**24,145,018**

(Expressed in United States dollars, unless otherwise indicated)

21. 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:

Equity and Liabilities		**December 31, 2024**		**December 31, 2023**
Equity	$	6,940,695	$	2,318,722
Debt	$	10,585,501	$	11,385,723

22. 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 December 31, 2024 and December 31, 2023, the carrying values of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, the line of credit and term 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).

22. Financial instruments (continued)

(a) Financial assets and liabilities (continued)

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 years ended December 31, 2024, and December 31, 2023.

(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 line of credit facility bears interest at a floating rate based on the bank's prime rate and had a balance of $3,679,000 as of December 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 $36,790 for the period ended December 31, 2024, and $85,000 for the year ended December 31, 2023, on the annual interest expense pertaining to this line of credit facility.

The Term Loan bears interest at the United States prime interest rate plus 5.00% per annum and had a balance of $7,000,000 as of December 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 $70,000 for the period ended December 31, 2024, and $30,000 for the year ended December 31, 2023, on the annual interest expense pertaining to this loan.

22. 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 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 receivables as at December 31, 2024 and December 31, 2023 is provided in Note 6.

(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 December 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 $111,316 impact for the year ended December 31, 2024, and a $79,262 impact for the year ended December 31, 2023.

22. 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 U.S. dollar amounts:

(In Canadian dollars)		December 31, 2024		December 31, 2023
Cash	$	271,593	$	377,333
Accounts receivable		492,950		572,405
Accounts payable and accrued liabilities		(2,366,212)		(1,998,037)
Total	**$**	**(1,601,669)**	**$**	**(1,048,299)**

At present, the Company does not hedge against foreign currency exchange rate risk.

(vi) 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:

		December 31, 2024
Less than 90 days:		
Accounts payable and accrued liabilities	$	15,628,776
Less than one year:		
Line of credit (see Note 12 Loans)	$	3,679,000
Term Loan (see Note 12 Loans)	$	1,534,778
Greater than one year:		
Term Loan (see Note 12 Loans)	$	5,371,723

(Expressed in United States dollars, unless otherwise indicated)

23. Related Party Transactions

The following table discloses the compensation amount of the Board 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 year ended December 31, 2024, and December 31, 2023, are as follows:

		Year ended December 31, 2024		**Year ended December 31, 2023**
Salary and benefits	$	2,359,592	$	1,846,762
Share-based compensation		270,869		197,280
Total	**$**	**2,630,461**	**$**	**2,044,042**

Prior year comparable figures have been adjusted to account for variable compensation. As part of the May 2024 Financing, certain insiders of the Company purchased and paid for an aggregate of 224,300 common shares for cash consideration of CAD$358,880.

24. Reclassification of Comparative Figures

Certain comparative figures have been reclassified to conform to the current year presentation.