



# **TANTALUS SYSTEMS HOLDING INC.**

## **Interim Condensed Consolidated Financial Statements**

For the three months ended  
March 31, 2025 and 2024  
*(expressed in thousands of U.S. dollars)*  
*(Unaudited)*

# TANTALUS SYSTEMS HOLDING INC.

## Consolidated Statements of Financial Position

(Unaudited)

(Expressed in thousands of U.S. dollars)

	<i>Note</i>	March 31, 2025	December 31, 2024
<b>Assets</b>	<b>6</b>		
Current assets			
Cash		\$ 15,937	\$ 13,219
Accounts receivable	3	10,087	10,011
Inventory	4	5,021	4,832
Prepaid expenses and other assets		1,518	1,829
<b>Total current assets</b>		<b>32,562</b>	<b>29,891</b>
Property and equipment		854	731
Right of Use assets		1,884	2,038
Intangible assets		5,251	5,443
Goodwill		3,445	3,445
<b>Total assets</b>		<b>\$ 43,996</b>	<b>\$ 41,548</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 15,519	\$ 15,629
Deferred revenue and deposits		9,440	6,055
Lease liabilities		813	843
Line of credit	6	3,679	3,679
Term loan - current portion	6	1,924	1,535
<b>Total current liabilities</b>		<b>31,375</b>	<b>27,740</b>
Deferred revenue and deposits		81	103
Lease liabilities		1,293	1,392
Term loan	6	4,821	5,372
<b>Total liabilities</b>		<b>37,571</b>	<b>34,607</b>
<b>Total shareholders' equity</b>		<b>6,425</b>	<b>6,941</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 43,996</b>	<b>\$ 41,548</b>

*See accompanying notes to consolidated financial statements.*

**TANTALUS SYSTEMS HOLDING INC.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(Unaudited)**

*(Expressed in thousands of U.S. dollars)*

	<i>Note</i>	Three months ended March 31, 2025	Three months ended March 31, 2024
Revenues	<i>10</i>	\$ 11,904	\$ 9,395
Cost of sales	<i>4, 10</i>	5,397	4,384
		6,506	5,011
<b>Expenses</b>			
Sales and marketing	<i>7(d)</i>	2,751	2,043
Research and development	<i>7(d)</i>	1,531	2,057
General and administrative	<i>7(d)</i>	2,149	1,671
Depreciation and amortization		418	445
		6,849	6,215
<b>Operating loss</b>		(343)	(1,204)
<b>Other (expenses) earnings</b>			
Foreign exchange gain		54	86
Finance expenses		(362)	(436)
		(308)	(350)
<b>Loss before income taxes</b>		(651)	(1,554)
Income tax expense		-	1
<b>Total comprehensive loss for the period</b>		\$ (651)	\$ (1,555)
<b>Loss per share (basic and diluted)</b>		\$ (0.01)	\$ (0.03)
<b>Weighted average number of shares outstanding (basic and diluted)</b>	<i>8</i>	50,848	44,596

*See accompanying notes to consolidated financial statements.*

# TANTALUS SYSTEMS HOLDING INC.

## Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(Expressed in thousands of U.S. dollars)

	<i>Note</i>	Common Shares		Other Capital		Accumulated Other Comprehensive		Deficit		Total Shareholders' Equity
		Number	Amount	Reserves		Income				
<b>Balance, December 31, 2023</b>		<b>44,596</b>	<b>\$ 88,143</b>	<b>\$ 41,452</b>	<b>\$</b>	<b>1,919</b>	<b>\$</b>	<b>(129,195)</b>	<b>\$</b>	<b>2,319</b>
Share-based compensation	<i>7 (d)</i>	-	-	223		-		-		223
Loss for the period		-	-	-		-		(1,555)		(1,555)
<b>Balance, March 31, 2024</b>		<b>44,596</b>	<b>\$ 88,143</b>	<b>\$ 41,676</b>	<b>\$</b>	<b>1,919</b>	<b>\$</b>	<b>(130,750)</b>	<b>\$</b>	<b>987</b>
<b>Balance, December 31, 2024</b>		<b>50,846</b>	<b>\$ 94,583</b>	<b>\$ 42,272</b>	<b>\$</b>	<b>1,909</b>	<b>\$</b>	<b>(131,823)</b>	<b>\$</b>	<b>6,941</b>
Share-based compensation	<i>7 (d)</i>	-	-	242		-		-		242
Issuance of common shares	<i>7 (b)(c)</i>	188	242	(348)		-		-		(107)
Loss for the period		-	-	-		-		(651)		(651)
<b>Balance, March 31, 2025</b>		<b>51,034</b>	<b>\$ 94,824</b>	<b>\$ 42,166</b>	<b>\$</b>	<b>1,909</b>	<b>\$</b>	<b>(132,474)</b>	<b>\$</b>	<b>6,425</b>

See accompanying notes to consolidated financial statements.

# TANTALUS SYSTEMS HOLDING INC.

## Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of U.S. dollars)

	<i>Note</i>	Three months ended March 31, 2025	Three months ended March 31, 2024
<b>Cash (used in) provided by</b>			
Operating Activities			
Loss for the period		\$ (651)	\$ (1,555)
Adjustments to reconcile loss for the period to net cash flows:			
Unrealized foreign exchange (gain) loss		22	(35)
Depreciation of equipment		72	92
Amortization of intangible assets		192	192
Amortization of right-of-use asset		154	160
Share-based compensation	7 (d)	242	223
Finance expenses		362	436
Amortization of deferred financing cost		21	-
Changes in Non-Cash Operating Working Capital			
Accounts receivable	3	(75)	(2,312)
Inventory	4	(189)	863
Prepaid expenses and other assets		311	(86)
Accounts payable and accrued liabilities	5	(217)	(1,868)
Deferred revenue and deposits		3,363	4,086
Lease payments for interest		(43)	(54)
Interest paid on loans	6	(319)	(381)
<b>Net Cash provided by (used in) Operating Activities</b>		<b>3,245</b>	<b>(239)</b>
Investing Activities			
Purchase of equipment		(194)	(51)
<b>Net Cash used in Investing Activities</b>		<b>(194)</b>	<b>(51)</b>
Financing Activities			
Repayment of indebtedness	6	(182)	-
Proceeds from indebtedness	6	-	5
Change in restricted cash		-	673
Repayment of lease liabilities		(151)	(138)
<b>Net Cash (used in) provided by Financing Activities</b>		<b>(333)</b>	<b>541</b>
Effect of foreign exchange on cash		-	(5)
Increase in cash		2,718	245
Cash, beginning of period		13,219	5,154
<b>Cash, end of period</b>		<b>\$ 15,937</b>	<b>\$ 5,399</b>

*See accompanying notes to consolidated financial statements.*

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

*(Expressed in thousands of U.S. dollars, unless otherwise indicated)*

Three months ended March 31, 2025 and 2024

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### 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 Raleigh, North Carolina, United States and Norwalk, Connecticut, United States.

### 2. Basis of Presentation

#### *(i) Statement of Compliance*

These interim condensed consolidated financial statements (“Interim Financial Statements”) have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), and have been prepared using the historical cost basis and the same accounting policies as those disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2024 (“Annual Financial Statements”). Accordingly, these Interim Financial Statements do not include all disclosures required for annual financial statements and should be read in conjunction with the Company’s Annual Financial Statements.

The Interim Financial Statements were authorized for issue by the Company’s Board of Directors (“Board”) on May 7, 2025.

#### *(ii) Presentation*

Selected explanatory notes are included in these Interim Financial Statements to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last Annual Financial Statements of the Company.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

Three months ended March 31, 2025 and 2024

### 3. Accounts Receivable

	<b>March 31,</b>		<b>December 31,</b>
	<b>2025</b>		<b>2024</b>
Accounts receivable	\$ 10,939	\$	10,863
Less: allowance for doubtful accounts	(852)		(852)
<b>Net Accounts receivable</b>	<b>\$ 10,087</b>	<b>\$</b>	<b>10,011</b>

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

During the three months ended March 31, 2025, the Company recorded no additional credit losses (year ended December 31, 2024: \$200).

Aging analysis of trade receivables is as follows:

	<b>March 31,</b>		<b>December 31,</b>
	<b>2025</b>		<b>2024</b>
Current	\$ 4,316	\$	1,222
31-90 days	2,288		7,281
91-180 days	2,303		282
Over 180 days	1,180		1,226
<b>Total</b>	<b>\$ 10,087</b>	<b>\$</b>	<b>10,011</b>

### 4. Inventory

	<b>March 31,</b>		<b>December 31,</b>
	<b>2025</b>		<b>2024</b>
Raw materials	\$ 2,959	\$	3,078
Finished goods	2,061		1,754
<b>Inventory</b>	<b>\$ 5,021</b>	<b>\$</b>	<b>4,832</b>

During the three months ended March 31, 2025, and March 31, 2024, the Company charged \$3,959 and \$2,954, 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. Inventory adjustments for obsolescence in the amounts of \$138 and \$144 were recorded in cost of sales during the three months ended March 31, 2025, and March 31, 2024, respectively.

The Company has an inventory obsolescence reserve balance of \$924 as at March 31, 2025 (December 31, 2024: \$808).

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

Three months ended March 31, 2025 and 2024

### 5. Accounts Payable and Accrued Liabilities

		March 31, 2025		December 31, 2024
Trade payables and other payables	\$	6,721	\$	7,986
Accrued liabilities		7,729		6,687
Accrued warranty		1,068		956
<b>Total</b>	<b>\$</b>	<b>15,519</b>	<b>\$</b>	<b>15,629</b>

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.

### 6. Loans

#### a) Line of Credit

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 subject to a borrowing base calculation equal to the aggregate of a percentage of eligible receivables, and inventory, which had combined carrying values of \$11,300 as at March 31, 2025.

The Company had a balance outstanding on its Line of Credit as at March 31, 2025 of \$3,679 (December 31, 2024: \$3,679). 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 three months ended March 31, 2025 for the Line of Credit was 9.50% (March 31, 2024: 10.50%). 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 \$3,500 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 March 31, 2025, the Company was in compliance with its financial covenants.

#### b) Term Loan

On June 29, 2023, the Company entered into a \$7,000 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. The balance outstanding as at March 31, 2025 was \$6,833 (December 31, 2024: \$7,000). The Term Loan bears interest at United States prime interest rate plus 5.00% per annum and the average interest rate during the three months ended March 31, 2025 was 12.50% (March 31, 2024: 13.50%).



# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

*(Expressed in thousands of U.S. dollars, unless otherwise indicated)*

Three months ended March 31, 2025 and 2024

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### 6. Loans (continued)

#### b) Term Loan (continued)

In conjunction with the Term Loan, the Company incurred financing expenses of \$123 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 March 31, 2025, the Company was in compliance with its bank covenants. At December 31, 2025, a debt service covenant will be added to this facility.

### 7. Share Capital

#### (a) Authorized share capital:

Unlimited common shares, with no par value.

Unlimited preferred shares, with no par value.

#### (b) 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 March 31, 2025, the LTIP allows for a maximum of 10,206,851 common shares to be available under the plan. As of March 31, 2025, the Company had total stock options of 8,386,779 and 475,284 restricted stock units (“RSUs”) outstanding resulting in 1,344,788 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 grant date and shall be no later than 10-years from the grant date. 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 in equal amounts over the following 36-months.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

Three months ended March 31, 2025 and 2024

### 7. Share Capital (continued)

#### (b) Stock Option Plan (continued)

During the three months ended March 31, 2025, 170,123 shares were issued as a result of 550,825 stock options being exercised on a cashless basis, net of tax withholdings (March 31, 2024: nil).

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

	Number of Options (‘000s)	Weighted Average Exercise Price (CAD\$)
Balance at December 31, 2023	7,767	\$ 1.21
Granted during the period	379	\$ 1.79
Exercised during the period	-	
Forfeited during the period	(61)	\$ 1.00
Expired during the period	(42)	\$ 1.00
Balance at December 31, 2024	8,043	\$ 1.24
Exercised during the period	(551)	\$ 1.00
Forfeited during the period	(8)	\$ 1.00
Expired during the period	-	\$ 1.00
<b>Balance at March 31, 2025</b>	<b>8,387</b>	<b>\$ 1.33</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

Three months ended March 31, 2025 and 2024

### 7. Share Capital (continued)

#### (b) Stock Option Plan (continued)

As of March 31, 2025, the number of stock options outstanding and exercisable and the exercise price was as follows:

Option Grant Date	Options Outstanding ('000s)	Options Exercisable ('000s)	Exercise Price (CAD\$)
December 18, 2018	3,416	3,416	\$ 1.00
April 1, 2019	70	70	\$ 1.00
January 1, 2020	423	423	\$ 1.00
June 20, 2020	5	5	\$ 1.00
September 1, 2020	22	22	\$ 1.00
February 9, 2021	18	18	\$ 1.64
February 9, 2021	112	105	\$ 2.25
March 25, 2021	100	100	\$ 2.17
August 17, 2021	179	157	\$ 2.11
November 17, 2021	659	549	\$ 2.10
November 17, 2021	48	48	\$ 2.10
December 24, 2021	14	12	\$ 1.79
March 24, 2022	1,068	801	\$ 1.35
May 15, 2022	34	23	\$ 1.28
May 15, 2023	446	195	\$ 1.20
July 26, 2023	100	100	\$ 0.78
July 27, 2023	28	10	\$ 0.78
November 6, 2023	42	13	\$ 0.75
December 18, 2023	322	101	\$ 0.79
May 24, 2024	43	-	\$ 1.57
August 8, 2024	56	-	\$ 1.47
November 14, 2024	30	-	\$ 1.79
December 17, 2024	41	-	\$ 1.93
December 30, 2024	210	-	\$ 1.90
December 30, 2024	75	-	\$ 1.90
January 13, 2025	406	-	\$ 2.04
February 24, 2025	389	-	\$ 1.75
March 18, 2025	32	-	\$ 1.79
<b>Balance at March 31, 2025</b>	<b>8,387</b>	<b>6,168</b>	<b>\$ 1.22</b>

The stock options expire five years (options granted during or after July 2024) and ten years (options granted prior to July 2024) after the option grant date unless exercised.

During the periods ended March 31, 2025, and March 31, 2024, the fair value of options granted was \$751 and \$nil, respectively. The remaining unrecognized cost of the LTIP as of March 31, 2025, and December 31, 2024, was \$923 and \$350, respectively. The weighted average remaining life of outstanding options was 1.66 years as of March 31, 2025 (December 31, 2024: 1.76 years).

As of March 31, 2025, the Company had total vested options of 6,167,613 (December 31, 2024: 6,440,490) with a weighted average exercise price of CAD\$1.22 (December 31, 2024: CAD\$1.21).

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

Three months ended March 31, 2025 and 2024

### 7. Share Capital (continued)

#### (b) Stock Option Plan (continued)

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:

	March 31, 2025	December 31, 2024
Risk free interest rate	2.69%-3.24%	3.00%-4.38%
Dividend yield	0%	0%
Expected life (in years)	3 to 4.5 years	5.5 to 7 years
Forfeiture rate	6.85% to 7.46%	7.46%
Volatility	107.5% to 107.9%	107.6%

#### (c) 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 three months ended March 31, 2025, no RSUs were granted and 39,121 RSUs were exercised and settled with 18,191 shares being issued, net of statutory withholdings. During the year ended December 31, 2024, the Company granted 303,387 RSUs with a fair value of \$401 and vest equally over three years after the date of issuance. Any RSUs that vest will be share-settled, net of statutory withholdings, through the issuance of shares from treasury.

	Restricted Stock Units ('000s)
Balance at December 31, 2023	211
Granted during the period	303
Balance at December 31, 2024	514
Granted during the period	-
Exercised during the period	(39)
<b>Balance at March 31, 2025</b>	<b>475</b>

The fair value of the RSUs granted during the year ended December 31, 2024 were estimated on the grant dates based upon the per share fair value of the Company's common shares of CAD\$1.93 and CAD\$1.90 and the volume of RSUs granted with related share-based compensation expense being amortized over the three-year vesting period.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

Three months ended March 31, 2025 and 2024

### 7. Share Capital (continued)

(d) Share-based compensation expense

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

Three months ended March 31, 2025	Share-based Compensation
Sales and marketing	\$ 23
Research and development	16
General and administrative	204
<b>Total</b>	<b>\$ 242</b>

Three months ended March 31, 2024	Share-based Compensation
Sales and marketing	\$ 29
Research and development	42
General and administrative	153
<b>Total</b>	<b>\$ 223</b>

### 8. 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:

	Three months ended March 31,	Three months ended March 31,
Beginning balance at December 31, shares outstanding	50,846	44,596
Effect of shares issued from option exercise	2	-
<b>Weighted average number of shares (basic and diluted)</b>	<b>50,848</b>	<b>44,596</b>

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.

### 9. Commitments and Contingencies

(a) 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 March 31, 2025, the Company had outstanding purchase order commitments of \$17,794 (December 31, 2024: \$18,596).

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

Three months ended March 31, 2025 and 2024

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### 9. Commitments and Contingencies (continued)

- (b) 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.
- (c) 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.

### 10. 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.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

Three months ended March 31, 2025 and 2024

A breakdown of revenues and cost of sales for each operating segment for the three months ended March 31, 2025, and March 31, 2024, is as follows:

Three months ended March 31, 2025	Connected Devices and Infrastructure	Utility Software Applications and Services	Corporate	Total
Revenues	\$ 7,789	\$ 4,114	\$ -	\$ 11,904
Cost of sales	4,326	1,072	-	5,397
Gross profit	3,463	3,043	-	6,506
Expenses	-	-	6,849	6,849
<b>Operating income (loss)</b>	<b>\$ 3,463</b>	<b>\$ 3,043</b>	<b>\$ (6,849)</b>	<b>\$ (343)</b>

Three months ended March 31, 2024	Connected Devices and Infrastructure	Utility Software Applications and Services	Corporate	Total
Revenue	\$ 5,797	\$ 3,598	\$ -	\$ 9,395
Cost of sales	3,370	1,014	-	4,384
Gross profit	2,427	2,585	-	5,011
Expenses	-	-	6,215	6,215
<b>Operating income (loss)</b>	<b>\$ 2,427</b>	<b>\$ 2,585</b>	<b>\$ (6,215)</b>	<b>\$ (1,204)</b>

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
United States <sup>1</sup>	\$ 11,714	\$ 9,177
Canada <sup>2</sup>	189	219
<b>Total</b>	<b>\$ 11,904</b>	<b>\$ 9,395</b>

(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.

## 11. 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 March 31, 2025 and December 31, 2024, the carrying values of 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.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

*(Expressed in thousands of U.S. dollars, unless otherwise indicated)*

Three months ended March 31, 2025 and 2024

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

#### **(a) Financial assets and liabilities (continued)**

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

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

The Company's financial assets and liabilities carried at amortized cost are considered Level 2 instruments, because while observable prices and inputs are available, they are not quoted in an active market. There has not been any transfer between fair value hierarchy levels during the three months ended March 31, 2025.

#### **(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 plus 2.00% per annum and had a balance of \$3,679 as of March 31, 2025, and \$3,679 as of December 31, 2024. A potential percentage change in the bank's prime rate of 1.00% will have an impact of \$9 on interest expense for the period ended March 31, 2025, and \$21 for the period ended March 31, 2024.

The Term Loan bears interest at the United States prime interest rate plus 5.00% per annum and had a balance of \$6,833 as of March 31, 2025, and \$7,000 as of December 31, 2024. A potential percentage change in the United States' prime rate of 1.00% will have an impact of \$17 on interest expense for the period ended March 31, 2025, and \$8 for the period ended March 31, 2024.



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### 11. 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 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.

The aging of accounts receivables as at March 31, 2025 and December 31, 2024 are provided in Note 3.

##### (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 ("CAD\$") 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 March 31, 2025 and December 31, 2024. With all other variables remaining constant, a 10% change of the Canadian dollar versus the U.S. dollar would have had a \$16 impact for the year ended March 31, 2025, and a \$21 impact for the period ended March 31, 2024.

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

<b>(In Canadian dollars)</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2025</b>	<b>2024</b>
Cash	\$ 499	\$ 161
Accounts receivable	168	407
Accounts payable and accrued liabilities	(1,583)	(1,724)
<b>Total</b>	<b>\$ (916)</b>	<b>\$ (1,156)</b>

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise indicated)

Three months ended March 31, 2025 and 2024

### 11. Financial instruments (continued)

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

#### (iv) Liquidity risk

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

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

	<b>March 31, 2025</b>	
Less than 90 days:		
Accounts payable and accrued liabilities	\$	15,519
Less than one year:		
Line of credit (see Note 6 Loans)	\$	3,679
Term Loan (see Note 6 Loans)	\$	1,924
Greater than one year:		
Term Loan (see Note 6 Loans)	\$	4,821

### 12. 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 March 31, 2025, and March 31, 2024, are as follows:

	<b>Three months ended</b>		<b>Three months ended</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	<b>2025</b>		<b>2024</b>	
Salary and benefits	\$	824	\$	537
Share-based compensation		171		101
<b>Total</b>	<b>\$</b>	<b>995</b>	<b>\$</b>	<b>638</b>

Prior year comparable figures have been adjusted to account for variable compensation.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements (Unaudited)

*(Expressed in thousands of U.S. dollars, unless otherwise indicated)*

Three months ended March 31, 2025 and 2024

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### **13. Reclassification of Comparative Figures**

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

### **14. Subsequent Events**

#### **(a) Tariffs**

Certain of the Company's suppliers and contract manufacturers are located in the Philippines and, on April 5, 2025, the United States ("U.S.") administration implemented tariffs of 10% on products imported from the Philippines into the U.S. The U.S. administration has implemented or may implement tariffs in other jurisdictions where the Company's suppliers and manufacturers may be located. The effect of these potential tariffs on our business and financial condition is influenced by several unknown factors, including the duration of such tariffs and their scope and nature. Given these uncertainties, the Company cannot assure that any mitigating actions available to us, such as passing along some or all of the tariff costs to our customers, will be successful, or if the Company would be able to take any such mitigating actions. Any further escalation of trade tensions, additional tariffs, retaliatory measures, or shifts in international trade policies could adversely impact our business and financial condition.

#### **(b) Amendment to Line of Credit and Full Repayment**

On April 17, 2025, the Line of Credit facility was amended to: (i) extend the maturity date to June 30, 2027, (ii) modify covenants including eliminating the minimum cash covenant entirely and the liquidity ratio is applicable only if total borrowings under the facility exceed \$5.0 million, (iii) change the interest rate to either Comerica's prime plus 1.25% or SOFR plus 4.25% with the rate to be selected by Tantalus, (iv) change in reporting frequency from monthly reporting to quarterly reporting provided net cash (specifically cash less line of credit balance) is greater than zero, and (v) selection of trailing 6 month EBITDA thresholds for 2025.

On April 22, 2025, Tantalus repaid in full the outstanding balance of the Line of Credit facility.