TANTALUS SYSTEMS HOLDING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 7, 2025

For the three months ended March 31, 2025 and 2024

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of Tantalus Systems Holding Inc. (together with its subsidiaries and predecessors, the "Company", "we" or "Tantalus") is provided to assist readers in assessing our financial condition and our financial performance, including our liquidity and capital resources, as at and for the three months ended March 31, 2025 compared with the three months ended March 31, 2024. The information in this MD&A is current as of May 7, 2025, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2025 and 2024 and notes thereto ("Interim Financial Statements") and audited consolidated financial statements for the years ended December 31, 2024 and 2023 and notes thereto ("Annual Financial Statements"). Additional information relating to Tantalus including periodic quarterly reports and the Annual Information Form is available at www.sedarplus.ca.

The Company's Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee. All amounts are presented in United States ("U.S.") dollars which is the functional currency of the Company and all amounts in the tables are reported in thousands of U.S. dollars, unless otherwise noted.

This MD&A was approved by its Board of Directors, upon recommendation of the Audit Committee, for release on May 7, 2025.

NON-IFRS AND OTHER FINANCIAL MEASURES

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned these measures should not be construed as an alternative to net income (loss) or to cash provided by (used in) operating, investing, financing activities, determined in accordance with IFRS, as indicators of our performance.

We provide these additional non-IFRS measures, non-IFRS ratios and supplementary financial measures to assist investors in determining the Company's ability to generate earnings and cash provided by (used in) operating activities.

a) "EBITDA" is comprised as income (loss) adjusted for interest, income tax and depreciation and amortization. Management believes that EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.

b) "Adjusted EBITDA" is comprised as income (loss) adjusted for interest, income tax, depreciation, amortization, stock-based compensation, foreign exchange gain (loss) and other income / expenses not attributable to the operations of the Company. Management believes that Adjusted EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. Beginning in the fourth quarter of 2024, the Company excludes non-recurring items such as restructuring expenses, financing costs, government subsidies and recovery of contingent liability in our presentation of Adjusted EBITDA as these expenses are not representative of ongoing operating performance.

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

c) "Gross Profit" is comprised as revenues less cost of sales. Management believes that Gross Profit is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.

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

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

f) "Adjusted Operating Expenses" is comprised of operating expenses less depreciation and amortization and share-based compensation. Management believes that Adjusted Operating Expenses is a useful indicator for investors, and is used by management, in evaluating the operating profile of the Company.

g) "Working Capital" is comprised of current assets less current liabilities. Management believes Working Capital is a useful indicator for investors, and is used by management, for evaluating the operating liquidity of the Company.

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

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

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

FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information” within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words “believes”, “may”, “plans”, “will”, “anticipates”, “intends”, “could”, “estimates”, “expects”, “forecasts”, “projects” and similar expressions, and the negative of such expressions. Forward-looking information in this MD&A includes statements such as those relating to the Company’s plans, objectives, strategy and expectations for our business, result of operations and financial condition, the adoption of the Company’s solutions by customers in accordance with the Company’s ordinary business practices and terms, the anticipated risks to the business operations of the Company and its customers, increased visibility and enhanced liquidity through the Company’s OTCQX listing, and the scope, nature and duration of tariffs and the impact of tariffs on the Company’s business and financial condition.

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: our ability to capitalize on growth opportunities and implement our growth strategy; our ability to retain key personnel; our ability to maintain existing customer relationships and to continue to expand our customers’ use of our products solutions; our ability to acquire new customers; our ability to enhance our offerings to remain at the forefront of our industry; the impact of competition; the successful integration of future acquisitions; the absence of material adverse changes in our business, our industry or the global economy; and that the risks and uncertainties described under the “Risk Factors” section of Tantalus’ Annual Information Form dated March 31, 2025 will not materialize. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

Additionally, there are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. A complete discussion of the risks and uncertainties facing Tantalus is disclosed under the heading “Risk Factors” in the Company’s Annual Information Form dated March 31, 2025, as well as those risk factors included with Tantalus’ continuous disclosure filings with Canadian securities regulatory authorities available at www.sedarplus.ca.

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

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

DESCRIPTION OF BUSINESS

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

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

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

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

2025 FIRST QUARTER HIGHLIGHTS

- *Revenue:* During Q1 2025, revenue increased to $11.9 million, up by $2.5 million or 27% from Q1 2024. Revenue from Connected Devices and Infrastructure ("Connected Devices") increased by $2.0 million or 34% and Utility Software Applications & Services ("Software") revenue increased by 0.5 million or 14%. The increases in revenue are a result of adding new utility customers and continuing to expand deployments with existing accounts. Recurring Revenue represented 26% of total revenue and remained consistent on a comparative basis.
- *Annual Recurring Revenue ("ARR")[1] Growth*: ARR grew by over 10% year-over-year to $12.8 million as of March 31, 2025 (March 31, 2024: $11.6 million).
- *Sales Order Conversion*: During Q1 2025, The Company converted $19.5 million in sales orders from its sales pipeline, the second highest amount converted during a quarter in the Company's history. On a comparative basis, the difference between the prior period was primarily due to the timing of when orders converted.
- *Gross Profit[1] and Gross Profit Margin[1]:* During Q1 2025, Gross Profits improved by $1.5 million and Gross Profit Margins increased by 130 basis points as a result of higher contributions from both the Connected Devices and Software segments. Connected Devices margin improved due to product mix and lower obsolescence and warranty expenses compared to the prior year.

---

[1] See definitions for Non-IFRS and Other Financial Measures above.

- *Adjusted EBITDA*[1]: During Q1 2025, the Company generated positive Adjusted EBITDA of $317,000 compared to negative $536,000 in the prior year with the improvement arising from higher revenues and margins offset by higher operating expenses.
- *Cash Flow from Operating Activities:* During Q1 2025, Cash Flow from Operating Activities increased to $3.2 million as a result of increased EBITDA and working capital changes.
- *Liquidity:* At March 31, 2025, Tantalus had available liquidity of $20.7 million consisting of a cash balance of $15.9 million and borrowing availability of $4.8 million under its line of credit.
- *Growth of User Community*: The Company added 4 new utilities in Q1 2025.
- *TRUSense Gateway™ Progress*: As of the date of this release, the Company received initial orders from 33 utilities to trial, pilot and deploy the TRUSense Gateway.
- *Expansion of Leadership Team*: In January 2025, Azim Lalani was appointed Chief Financial Officer and, in February 2025, Christopher Allen was appointed Chief Operating Officer and Executive Vice President of Solution Strategy.
- *Qualification for the OTCQX® Best Market*: In February 2025, Tantalus began trading on the OTCQX® Best Market under the ticker TGMPF.

SELECTED FINANCIAL INFORMATION[1]

	Three months ended March 31, 2025	Three months ended March 31, 2024
Revenue	$ 11,904	$ 9,395
Gross Profit	6,506	5,011
Gross Profit Margin % [1]	55%	53%
Operating expenses	6,849	6,215
Adjusted EBITDA [1]	317	(536)
Adjusted EBITDA Margin [1]	3%	-6%
Loss for the period	(651)	(1,555)
Loss per share -diluted	$ (0.01)	$ (0.03)
Weighted average number of shares outstanding:		
Basic and diluted	50,848	44,596
Cash	15,937	5,399

[1] See definitions for Non-IFRS and Other Financial Measures above.

Q1 2025 OPERATING RESULTS

		Three months ended March 31, 2025		Three months ended March 31, 2024
Revenue	$	11,904	$	9,395
Cost of sales		5,397		4,384
Gross Profit		6,506		5,011
Gross Profit Margin		*55%*		*53%*
Expenses		6,849		6,215
Operating loss		(343)		(1,204)
Other expenses		(308)		(350)
Loss before income taxes		(651)		(1,554)
Income tax (recovery) expense		-		1
Loss for the period		(651)		(1,555)
Loss per share (basic and diluted)		(0.01)		(0.03)

Revenue

Revenue by Source		Three months ended March 31, 2025	%		Three months ended March 31, 2024	%
Connected Devices and Infrastructure	$	7,789	65%	$	5,797	62%
Utility Software Applications and Services		4,114	35%		3,598	38%
Total revenue	$	11,904	100%	$	9,395	100%

Revenues in both the Company’s Connected Devices and Software segments increased as a result of adding new utility customers and expansion of deployments with existing accounts and annual contractual price increases.

Revenue by Type		Three months ended March 31, 2025		Three months ended March 31, 2024
Recurring Revenue	$	3,063	$	2,606
As % of Utility Software Applications and Services segment		74%		72%
As % of Total Revenues		26%		28%

Recurring Revenue[1] increased compared to the same period last year and declined as a percentage of total revenues as a result of higher sales from Connected Devices in the current period. Such sales of Connected Devices are anticipated to contribute to increasing Recurring Revenue in future periods.

ARR[1] grew by approximately 10% to $12.8 million as of March 31, 2025 (March 31, 2024: $11.6 million) as a result of expanding the number of utilities within our user community and launching new data analytics product offerings.

[1] See definitions for Non-IFRS and Other Financial Measures above.

The geographic breakdown of revenue based on customer location is shown below:

	Three months ended March 31, 2025	Three months ended March 31, 2024
United States[1]	$11,714	$9,177
Canada[2]	189	219
Total	**$11,904**	**$9,395**

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.

Gross Profit[1]

Overall, Gross Profit[1] and Gross Profit Margins[1] increased for the three months ended March 31, 2025 as a result of increased contributions from both the Connected Devices and Software segments resulting from changes in product mix, annual price increases and lower obsolescence and warranty charges in the current year.

The Company's Gross Profit[1] during the three months ended March 31, 2025 is shown below:

Three months ended March 31, 2025		**Connected Devices and Infrastructure**	**%**		**Utility Software Applications and Services**	**%**		**Total**	**%**
Revenue	$	7,789	100%	$	4,114	100%	$	11,904	100%
Cost of sales		4,326	56%		1,072	26%		5,397	45%
Gross Profit	$	3,463	44%	$	3,043	74%	$	6,506	55%
Percentage of Total Gross Profit		53%			47%			100%	

Three months ended March 31, 2024		**Connected Devices and Infrastructure**	**%**		**Utility Software Applications and Services**	**%**		**Total**	**%**
Revenue	$	5,797	100%	$	3,598	100%	$	9,395	100%
Cost of sales		3,370	58%		1,014	28%		4,384	47%
Gross Profit	$	2,427	42%	$	2,585	72%	$	5,011	53%
Percentage of Total Gross Profit		48%			52%			100%	

Operating Expenses

		Three months ended March 31, 2025	**% of Rev**		**Three months ended March 31, 2024**	**% of Rev**
Sales and marketing	$	2,751	23%	$	2,043	22%
Research and development		1,531	13%		2,057	22%
General and administrative		2,149	18%		1,671	18%
Depreciation and amortization		418	4%		445	5%
Total expenses	$	6,849	58%	$	6,215	66%
As a percentage of total revenue		58%			66%	

Sales and marketing expenses consist primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, marketing and branding, advertising costs and facilities. The increase

[1] See definitions for Non-IFRS and Other Financial Measures above.

in such expenses was due to the addition of new personnel coupled with increased marketing costs pertaining to the commercialization of the TRUSense Gateway.

Research and development expenses consist primarily of salaries and related personnel costs, contractors and materials related to the development of the Company’s solutions. The decrease in such expenses was primarily due to the timing of certain engineering activities and a decline in expenses for certifications, prototypes and supplies related to the commercialization of the TRUSense Gateway.

General and administrative expenses include executive and administrative staff compensation, insurance, public company costs, office expenses, accounting, legal and consulting fees. The increase in such expenses were due primarily to the addition of new personnel and related staffing costs.

Adjusted Operating Expenses[1]

		Three months ended March 31, 2024		Three months ended March 31, 2024
Total expenses	$	6,849	$	6,215
Depreciation and amortization		(418)		(445)
Share-based compensation		(242)		(223)
Adjusted operating expenses	$	6,189	$	5,547
As a percentage of total revenue		52%		59%

Adjusted operating expenses as a percentage of total revenues declined due to higher revenues compared to the prior year.

Depreciation and Amortization

		Three months ended March 31, 2025		Three months ended March 31, 2024
Depreciation and amortization	$	72	$	92
Amortization of intangible assets		192		192
Amortization of right-of-use assets		154		160
Total depreciation and amortization	$	418	$	445

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

Other Expenses

		Three months ended March 31, 2025		Three months ended March 31, 2024
Foreign exchange gain	$	54	$	86
Finance expense		(362)		(436)
Total other (expenses) income	$	(308)	$	(350)

[1] See definitions for Non-IFRS and Other Financial Measures above.

The Company maintains certain assets in Canadian dollars which are translated into the U.S. dollar functional currency. Changes in balances were attributable to changes in the foreign exchange rates between periods.

Finance costs consist of interest expense on the Term Loan and Line of Credit facility, both as defined below, as well as amortization of deferred finance costs. The decline in finance costs was due to changes in overall debt balances and lower deferred finance costs in the current year.

ADJUSTED EBITDA[1]

Tantalus measures its operating performance by using non-IFRS performance measures such as EBITDA and Adjusted EBITDA (see the Non-IFRS and Other Financial Measures above). These measures are not defined by IFRS and do not have a standard meaning under IFRS; therefore, it may not be comparable to similar measures presented by other entities. The IFRS measurement most comparable to EBITDA and Adjusted EBITDA is income (loss), for which a reconciliation is provided below:

		Three months ended March 31, 2025		Three months ended March 31, 2024
Loss for the period	$	(651)	$	(1,555)
Finance expense		362		436
Income tax expense		-		1
Depreciation and amortization		418		445
EBITDA		129		(674)
Stock-based compensation		242		223
Foreign exchange		(54)		(86)
Adjusted EBITDA	**$**	**317**	**$**	**(536)**

During the three months ended March 31, 2025, the Company generated positive Adjusted EBITDA due to increased revenue and margins offset by higher operating expenses.

[1] See definitions for Non-IFRS and Other Financial Measures above.

SUMMARY OF QUARTERLY FINANCIAL INFORMATION[1]

The Company's quarterly operating results have fluctuated in the past and are not necessarily indicative of the results for any future quarter. Selected quarterly information of the Company's results are summarized below:

	Three months ended March 31, 2025	Three months ended December 31, 2024	Three months ended September 30, 2024	Three months ended June 30, 2024	Three months ended March 31, 2024	Three months ended December 31, 2023	Three months ended September 30, 2023	Three months ended June 30, 2023
Revenue	$ 11,904	$ 12,589	$ 11,589	$ 10,738	$ 9,395	$ 10,370	$ 10,143	$ 11,221
Gross Profit	6,506	6,594	6,545	5,872	5,011	5,327	5,425	6,244
Operating (loss) income	(343)	570	72	(700)	(1,204)	(119)	(504)	(407)
(Loss) income for the period	(651)	289	(361)	(1,001)	(1,555)	1,691	(797)	(942)
(Loss) earnings per share (diluted)	(0.01)	0.01	(0.01)	(0.02)	(0.03)	0.04	(0.02)	(0.02)
Adjusted EBITDA	317	1,436	585	(174)	(536)	348	63	251
Cash	15,937	13,219	10,305	11,408	5,399	5,154	4,208	4,944

- Prior to December 31, 2024, the Company generated operating losses as it invested approximately $15.1 million to develop and commercialize the TRUSense Gateway.
- The increase cash balance after March 31, 2024 was attributable to the cash proceeds from the May 2024 Financing.

[1] See definitions for Non-IFRS and Other Financial Measures above.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

The Company's capital management objective is to ensure that the Company is capitalized in a manner which appropriately supports working capital needs, business expansion and other strategic objectives to maximize shareholder value. The Company's capital management practices are focused on preserving the quality of its financial position and the Company regularly assesses its capital management practices in response to changing economic conditions and requirements of its financial covenants.

Cash

Cash as of March 31, 2025 increased to $15.9 million from $13.2 million as of December 31, 2024 as a result of improved operating performance from both operating segments.

Working Capital

Working Capital as of March 31, 2025 was $1.2 million compared to $2.2 million as of December 31, 2024. Working capital balances fluctuate from quarter-to-quarter, based on a variety of factors such as seasonality, strategic purchasing decisions taken by management, and the timing of collections from customers and payments made to our suppliers.

Loans

Comerica Line of Credit ("Line of Credit")

The Company had a balance outstanding on its Line of Credit as at March 31, 2025 of approximately $3.7 million (December 31, 2024: approximately $3.7 million). 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 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 March 31, 2025, the Company was in compliance with its financial covenants relating to the Line of Credit facility. See Subsequent Events section below for information on the Amendment to the Line of Credit and full repayment.

Export Development Canada ("EDC") Term Loan ("Term Loan")

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 approximately $6.8 million (December 31, 2024: $7.0 million). 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 March 31, 2025 was 12.50% (March 31, 2024: 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 March 31, 2025, the Company was in compliance with its bank covenants relating to the Term Loan. At December 31, 2025, a debt service covenant will be added to this loan.

Changes in Operating, Investing and Financing Cash Flows

Cash provided by:		Three months ended March 31, 2025		Three months ended March 31, 2024
Operating activities	$	3,245	$	(239)
Investing activities		(194)		(51)
Financing activities		(333)		541
Effect of foreign exchange on cash		-		(5)
Increase in cash	**$**	**2,718**	**$**	**245**

The Company generated positive cash flows during the three months ended March 31, 2025 as a result of higher cash flows from operations as a result of increased revenues, EBITDA, and positive working capital changes, partially offset by higher capital expenditures and debt repayments.

EQUITY

As of May 7, 2025 and March 31, 2025, the following securities were outstanding:

	May 7, 2025 ('000s)	March 31, 2025 ('000s)
Shares	51,034	51,034
Stock options	8,409	8,387
Restricted stock units	475	475
Warrants	354	354

CONTRACTUAL OBLIGATIONS

The Company has the following commitments as of March 31, 2025:

Contractual Obligations		Total		Less than 1 year		1 - 5 years		After 5 years
Accounts Payable and accrued liabilities	$	15,519	$	15,519	$	-	$	-
Line of credit		3,679		3,679		-		-
Term loan		6,745		1,924		4,821		-
Lease liabilities		4,236		1,045		3,191		-
Total Contractual Obligations	**$**	**30,179**	**$**	**22,167**	**$**	**8,012**	**$**	**-**

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 approximately $17.8 million (December 31, 2024: approximately $18.6 million).

Facilities

Tantalus leases three office locations across North America from third parties as follows:

Location	Square footage	Expiry date
Norwalk, CT, United States	800	January 1, 2026
Raleigh, NC, United States	5,602	October 31, 2027
Burnaby, BC, Canada	32,000	January 31, 2029

OTHER ITEMS

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than as disclosed in the Company's Interim Financial Statements.

Transactions with Related Parties

Related parties are comprised of the Company's key management. The remuneration of key management of the Company for the three months ended March 31, 2025, and March 31, 2024, are as follows:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Salary and benefits	$ 824	$ 537
Share-based compensation	171	101
Total	**$ 995**	**$ 638**

Exchange Rates

Conversion	Three months ended March 31, 2025	Three months ended March 31, 2024
CAD $1.00 Income statement	$ 0.6968	$ 0.7414
CAD $1.00 Balance sheet	$ 0.6956	$ 0.7380

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

		March 31, 2025		December 31, 2024
Financial Assets				
Cash	$	15,937	$	13,219
Accounts receivable	$	10,087	$	10,011
Financial Liabilities				
Accounts payable and accrued liabilities	$	15,519	$	15,629
Line of credit	$	3,679		3,679
Term loan	$	6,745	$	6,907

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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily trade receivables. Accounts receivable primarily consist of trade accounts receivable from utilities companies which have low risk of default. With respect to accounts receivables, the Company engages EDC to perform ongoing credit evaluations of a customer's financial condition and requires letters of credit or other guarantees whenever deemed necessary.

The Company continues to scale the business without customer concentration risk. No customer represented more than 10% of total revenues for the three months ended March 31, 2025.

Aging analysis of trade receivables is as follows:

		March 31, 2025		December 31, 2024
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
Total	**$**	**10,087**	**$**	**10,011**

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 regularly 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:

		March 31, 2025
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

Foreign Currency Risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars. 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 an impact of $16,000 for the three months ended March 31, 2025, and an impact of $21,000 for the period ended March 31, 2024.

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% and had a balance of approximately $3.7 million as of March 31, 2025, and approximately $3.7 million as of December 31, 2024. A potential percentage change in the bank's prime rate of 1.00% would have an impact of $9,000 on interest expense for the period ended March 31, 2025, and $21,000 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 approximately $6.8 million as of March 31, 2025, and $7.0 million as of December 31, 2024. A potential percentage change in the United States' prime rate of 1.00% would have an impact of $17,000 on interest expense for the period ended March 31, 2025, and $8,000 for the period ended March 31, 2024.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepares its Interim Financial Statements and Annual Financial Statements in accordance with IFRS. In the preparation of these financial statements, Tantalus is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. To the extent that there are material differences between these estimates and actual results, the

Company's financial condition or results of operations would be affected. Tantalus bases its estimates on experience and other assumptions that we believe are reasonable under the circumstances and re-evaluates these estimates on an ongoing basis.

a) Revenue Recognition

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

- The Connected Devices Segment. This segment is responsible for the sale of the Company's proprietary edge computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of the Company's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / internet-of-things smart grid including base stations, repeaters and collectors; and
- The Software Segment. This segment is responsible for the sale of the Company's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, subscriptions, SaaS offerings, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services ("PCS").

Revenue from the sale of Connected Devices network products and Software licenses is recognized at a point in time when control of the hardware products and software is transferred to the customer, primarily upon delivery on a freight on board basis upon shipment or providing access to the customer.

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

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

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

The Company determines revenue recognition through the following steps:

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

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

Disclosure of Accounting Policies

Significant accounting policies are described in Note 3 of the Annual Financial Statements.

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 is greater than zero, and (v) selection of EBITDA thresholds for 2025.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, an evaluation of the effectiveness of the Company’s DC&P as of March 31, 2025, was carried out. The evaluation was carried out under the supervision of, and with the participation of, the CEO and CFO. Based on this evaluation, the CEO and CFO concluded that the Company’s DC&P were effective as of March 31, 2025.

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, an evaluation of the effectiveness of the Company’s ICFR as of March 31, 2025, was carried out. The evaluation was carried out within the criteria set forth by the COSO Framework and under the supervision of, and with the participation of, the CEO and the CFO. Based on this evaluation, the CEO and CFO concluded that the Company’s ICFR were effective as of March 31, 2025.

There were no changes in the Company’s ICFR during the three months ended March 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

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

RISK FACTORS

Tantalus faces a variety of risks which are inherent to the nature of the business. Please refer to the Company’s Annual Information Form for a description of these risk factors, available on SEDAR+ at www.sedarplus.ca.