



# **TANTALUS SYSTEMS HOLDING INC.**

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

**November 12, 2025**

***For the three-month and nine-month periods ended September 30, 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-month and nine-month periods ended September 30, 2025 compared with the three-month and nine-month periods ended September 30, 2024. The information in this MD&A is current as of November 12, 2025, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 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 AIF (as defined below) is available at [www.sedarplus.ca](http://www.sedarplus.ca).

The Company's Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") 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, except share information and unless otherwise noted.

This MD&A was approved by the Company's Board of Directors, upon recommendation of the Audit Committee, for release on November 12, 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 of 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 of income (loss) adjusted for interest, income tax, depreciation, amortization, share-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 of 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 and performance of the Company's solutions, including the TRUSense Gateway™ and TRUGrid™ analytics offerings, by customers in accordance with the Company's ordinary business practices and terms (such as the plans of EPB (as defined below) to deploy TEGs (as defined below) and to update certain of its existing metering infrastructure to the Company's latest technology), and the anticipated risks to the business operations of the Company and its customers.

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 and 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 impact of tariffs on the Company's business and financial condition; the ability of the Company to execute on its plans; 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 ("AIF") 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 AIF, as well as those risk factors included with Tantalus' continuous disclosure filings with Canadian securities regulatory authorities available at [www.sedarplus.ca](http://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

Tantulus 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. Tantulus offers smart grid solutions across multiple levels: intelligent connected devices, communications networks, data management, enterprise software applications and analytics.

Tantulus enables utilities to modernize their distribution grids through the Tantulus 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 Tantulus offers a suite of cutting-edge and innovative connected devices, our approach is to integrate a suite of solutions, from Tantulus 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 Tantulus 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.

Tantulus is a publicly traded company listed on the Toronto Stock Exchange (TSX: GRID) and trades on the OTCQX Best Market (OTCQX: TGMF). See [www.tantulus.com](http://www.tantulus.com) for more information.

## 2025 THIRD QUARTER HIGHLIGHTS

- *Revenue:* The Company delivered revenue of \$14.2 million, reflecting 22.5% year-over-year growth and setting a new high-water mark for revenue generated during the third quarter of a fiscal year. Revenue from Connected Devices and Infrastructure (“Connected Devices”) increased by \$2.2 million or 30% and Utility Software Applications & Services (“Software and Services”) revenue increased by \$0.5 million or 10%. The increases in revenue are a result of higher sales volumes to new and existing utility customers. Recurring Revenue<sup>1</sup> was \$3.4 million and represented 24% of total revenue in the quarter.
- *Annual Recurring Revenue (“ARR”)<sup>1</sup> Growth:* ARR<sup>1</sup> grew by 11% year over year to \$13.5 million as of September 30, 2025 (September 30, 2024: \$12.2 million).

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<sup>1</sup> See definitions for Non-IFRS and Other Financial Measures above.

- *Sales Order Conversion*: During Q3 2025, the Company converted \$9.7 million in orders which was 33% higher than for the same quarter last year (2024: \$7.3 million). The book-to-bill ratio through the end of Q3 2025 was 1.37. At \$53.8 million of orders converted through the first nine months of 2025, the Company has already set a new all-time milestone for orders converted in an entire calendar year.
- *Gross Profit*<sup>1</sup>: During Q3 2025, Gross Profit<sup>1</sup> improved to \$7.8 million from the prior year period with contributions from both the Connected Devices and Software and Services segments. Overall gross margins declined by 160 basis points to approximately 55% with declines in Software and Services margins offset by increases in Connected Devices margins.
- *Adjusted EBITDA*<sup>1</sup>: The Company delivered positive Adjusted EBITDA of approximately \$1.2 million, reflecting an improvement compared to \$585,000 in the prior year period.
- *Cash Flow from Operating Activities*: Cash Flow from Operating Activities was negative \$1.3 million compared to negative \$0.9 million in the prior year. Cash Flow from Operating Activities typically declines during the third quarter due to lower deferred revenues. In addition, investments were also made in sales and marketing as well as ramping up production for the TRUSense Gateway.
- *Liquidity*: At September 30, 2025, Tantalus maintained sufficient liquidity of approximately \$18.3 million to support its growth trajectory consisting of a cash balance of \$9.8 million and full borrowing availability of \$8.5 million under its revolving line of credit facility.

## OTHER RECENT DEVELOPMENTS

- *Growth of User Community*: The Company added 4 new utilities in Q3 2025, demonstrating a continued ability to convert new accounts from its sales pipeline.
- *TRUSense Gateway Progress*: As of the date of this news release, the Company has secured initial orders from 52 utilities to trial, pilot and deploy the TRUSense Gateway. The adoption of the TRUSense Gateway is being driven by a combination of existing customers seeking to enhance deployments of Tantalus' broader offerings and utilities that are ordering from the Company for the first time in order to leverage the capabilities of these devices and other Tantalus solutions.
- *First Significant TRUSense Gateway Agreement*: On July 7, 2025, the Company announced that EPB in Chattanooga, Tennessee, a recognized leader in the utility industry, expanded its partnership with the Company to deploy TRUSense Ethernet Gateways ("TEGs") across its service territory. Commencing this year, EPB is planning to deploy an initial 20,000 TEGs over the next five years, with the option to purchase additional TEGs during the term of the contract and will also be updating a portion of its existing metering infrastructure to the latest generation of Tantalus technology.
- *Modification of Tariff Rate*: On July 22, 2025, the U.S. Government announced an agreement with the Government of the Philippines to modify the tariff rate to 19% on products imported from the Philippines into the U.S. Such tariffs only apply to the Connected Devices segment and are not applicable to the Software and Services segment. The Company has offered to incur 5% of the tariff cost while passing on the remaining 14% to its utility customers.

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<sup>1</sup> See definitions for Non-IFRS and Other Financial Measures above.

## SELECTED FINANCIAL INFORMATION<sup>1</sup>

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Revenue	\$ 14,197	\$ 11,589	\$ 39,188	\$ 31,722
Gross Profit	7,800	6,545	21,247	17,428
Gross Profit Margin % <sup>1</sup>	55%	56%	54%	55%
Adjusted EBITDA <sup>1</sup>	\$ 1,197	\$ 585	\$ 2,024	\$ (125)
Adjusted EBITDA Margin <sup>1</sup>	8%	5%	5%	0%
Income (loss) for the period	\$ 384	\$ (361)	\$ (1,170)	\$ (2,917)
Income (loss) per share (diluted)	0.01	(0.01)	(0.02)	(0.06)
Weighted average shares outstanding:				
Basic and diluted	51,335,322	50,845,942	51,088,896	47,561,270
Cash	\$ 9,817	\$ 10,305	\$ 9,817	\$ 10,305

## Q3 2025 OPERATING RESULTS

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Revenue	\$ 14,197	\$ 11,589	\$ 39,188	\$ 31,722
Cost of sales	6,397	5,044	17,941	14,294
Gross Profit	7,800	6,545	21,247	17,428
Gross Profit Margin	55%	56%	54%	55%
Expenses	7,276	6,472	21,270	19,260
Operating income (loss)	524	73	(23)	(1,832)
Other expenses	(147)	(434)	(1,123)	(1,064)
Income (loss) before income taxes	376	(361)	(1,146)	(2,896)
Income tax (recovery) expense	(8)	-	25	22
Income (loss) for the period	\$ 384	\$ (361)	\$ (1,170)	\$ (2,917)
Income (loss) per share (basic and diluted)	\$ 0.01	\$ (0.01)	\$ (0.02)	\$ (0.06)

<sup>1</sup> See definitions for Non-IFRS and Other Financial Measures above.

## Revenue

<i>Revenue by Segment</i>	Three months ended September 30, 2025			Three months ended September 30, 2024			Nine months ended September 30, 2025			Nine months ended September 30, 2024		
	\$		%	\$		%	\$		%	\$		%
Connected Devices	\$	9,303	66%	\$	7,147	62%	\$	25,949	66%	\$	19,912	63%
Software and Services		4,894	34%		4,442	38%		13,239	34%		11,810	37%
<b>Total revenue</b>	<b>\$</b>	<b>14,197</b>	<b>100%</b>	<b>\$</b>	<b>11,589</b>	<b>100%</b>	<b>\$</b>	<b>39,188</b>	<b>100%</b>	<b>\$</b>	<b>31,722</b>	<b>100%</b>

Revenue increased by for the three-month and nine-month periods ended September 30, 2025 as a result of strong and continued growth of the business across both operating segments.

<i>Revenue by Type</i>	Three months ended September 30, 2025		Three months ended September 30, 2024		Nine months ended September 30, 2025		Nine months ended September 30, 2024	
Recurring Revenue	\$	3,428	\$	3,397	\$	9,711	\$	8,559
As % of Software and Services Segment		70%		76%		73%		72%
As % of Total Revenues		24%		29%		25%		27%

Recurring Revenue<sup>1</sup> increased for the three-month and nine-month periods ended September 30, 2025 as compared to the same periods last year reflecting an increased number of Connected Devices sold, an increase in customer deployments and an expansion of the Company's analytics offerings. Recurring Revenue as a percentage of total revenue declined as a result of higher total revenues.

ARR<sup>1</sup> grew by approximately 11% to \$13.5 million as of September 30, 2025 (September 30, 2024: \$12.2 million) as a result of expanding the number of utilities within our user community and launching new data analytics product offerings.

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

	Three months ended September 30, 2025			Three months ended September 30, 2024			Nine months ended September 30, 2025			Nine months ended September 30, 2024		
			%			%			%			%
United States <sup>(1)</sup>	14,160		99.7%	\$	11,554	99.7%	\$	38,905	99.3%	\$	31,404	99.0%
Canada <sup>(2)</sup>	37		0.3%		35	0.3%		284	0.7%		318	1.0%
	14,197		100%	\$	11,589	100%	\$	39,188	100%	\$	31,722	100%

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.

<sup>1</sup> See definitions for Non-IFRS and Other Financial Measures above.

## Gross Profit<sup>1</sup> and Gross Profit Margin<sup>1</sup>

Three months ended September 30, 2025	Connected Devices		Software and Services		Total	
	\$	%	\$	%	\$	%
Revenue	9,303	100.0%	4,894	100.0%	14,197	100.0%
Cost of sales	5,109	54.9%	1,287	26.3%	6,397	45.1%
<b>Gross Profit</b>	<b>\$ 4,193</b>	<b>45.1%</b>	<b>\$ 3,607</b>	<b>73.7%</b>	<b>\$ 7,800</b>	<b>54.9%</b>
Percentage of Total Gross Profit	54%		46%		100%	

Three months ended September 30, 2024	Connected Devices		Software and Services		Total	
	\$	%	\$	%	\$	%
Revenue	7,147	100.0%	4,442	100.0%	11,589	100.0%
Cost of sales	4,194	58.7%	850	19.1%	5,044	43.5%
<b>Gross Profit</b>	<b>\$ 2,953</b>	<b>41.3%</b>	<b>\$ 3,592</b>	<b>80.9%</b>	<b>\$ 6,545</b>	<b>56.5%</b>
Percentage of Total Gross Profit	45%		55%		100%	

Overall, Gross Profits<sup>1</sup> increased for the three-month and nine-month periods ended September 30, 2025 as a result of strong and continued growth of the business across both operating segments.

Gross Profit Margin<sup>1</sup> for the quarter declined by 160 basis points year-over-year. The Connected Devices segment witnessed an increase in margins as a result of lower customer accommodation, warranty and inventory obsolescence provisions recorded in the current quarter compared to the prior year. While the Software and Services segment saw lower margins arising from product mix shipped and delivered within the quarter with a higher contribution from installation services.

Nine months ended September 30, 2025	Connected Devices		Software and Services		Total	
	\$	%	\$	%	\$	%
Revenue	25,949	100.0%	13,239	100.0%	39,188	100.0%
Cost of sales	14,525	56.0%	3,416	25.8%	17,941	45.8%
<b>Gross Profit</b>	<b>\$ 11,424</b>	<b>44.0%</b>	<b>\$ 9,823</b>	<b>74.2%</b>	<b>\$ 21,247</b>	<b>54.2%</b>
Percentage of Total Gross Profit	54%		46%		100%	

Nine months ended September 30, 2024	Connected Devices		Software and Services		Total	
	\$	%	\$	%	\$	%
Revenue	19,912	100.0%	11,810	100.0%	31,722	100.0%
Cost of sales	11,438	57.4%	2,857	24.2%	14,294	45.1%
<b>Gross Profit</b>	<b>\$ 8,474</b>	<b>42.6%</b>	<b>\$ 8,954</b>	<b>75.8%</b>	<b>\$ 17,428</b>	<b>54.9%</b>
Percentage of Total Gross Profit	49%		51%		100%	

As referenced above, Gross Profit Margin<sup>1</sup> for the nine-month period ended September 30, 2025 decreased slightly to 54% compared to the prior year.

<sup>1</sup> See definitions for Non-IFRS and Other Financial Measures above.



## Operating Expenses

	Three months ended September 30, 2025		% of Rev	Three months ended September 30, 2024		% of Rev	Nine months ended September 30, 2025		% of Rev	Nine months ended September 30, 2024		% of Rev
Sales and marketing	\$	2,584	18%	\$	2,387	21%	\$	8,146	21%	\$	6,775	21%
Research and development		1,729	12%		1,668	14%		4,966	13%		5,627	18%
General and administrative		2,543	18%		1,979	17%		6,911	18%		5,535	17%
Depreciation and amortization		421	3%		438	4%		1,247	3%		1,323	4%
<b>Total expenses</b>	\$	7,276	51%	\$	6,472	56%	\$	21,270	54%	\$	19,260	61%
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<b>As a percentage of total revenue</b>		51%			56%			54%			61%	

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 in this category for the three-month and nine-month periods ended September 30, 2025 was due to the reallocation of customer operations personnel related costs to this category from research and development last year, the addition of new personnel to bolster the sales organization and increased marketing efforts pertaining to the commercialization of the TRUSense Gateway.

Research and development expenses consist primarily of salaries and related personnel costs, contractors supplies and materials related to the development of the Company's solutions. The increase for the current quarter was due to the purchase of additional supplies in support of the TRUSense Gateway. The decrease for the nine-month period was due to the reallocation of certain personnel costs to sales and marketing and lower expenses for certifications, prototypes and materials related to the development 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 this category for both reporting periods was due primarily to the addition of new personnel and related staffing costs.

## Adjusted Operating Expenses<sup>1</sup>

	Three months ended September 30, 2025		Three months ended September 30, 2024		Nine months ended September 30, 2025		Nine months ended September 30, 2024	
Total expenses	\$	7,276	\$	6,472	\$	21,270	\$	19,260
Depreciation and amortization		(421)		(438)		(1,247)		(1,323)
Share-based compensation		(252)		(74)		(800)		(383)
Adjusted operating expenses	\$	6,603	\$	5,960	\$	19,223	\$	17,553
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<b>As a percentage of total revenue</b>		47%		51%		49%		55%

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

<sup>1</sup> See definitions for Non-IFRS and Other Financial Measures above.

## Depreciation and Amortization

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Depreciation and amortization	\$ 88	\$ 85	\$ 234	\$ 264
Amortization of intangible assets	192	192	577	577
Amortization of right-of-use assets	141	160	436	481
<b>Total depreciation and amortization</b>	<b>\$ 421</b>	<b>\$ 438</b>	<b>\$ 1,247</b>	<b>\$ 1,323</b>

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 September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Foreign exchange gain (loss)	\$ 18	\$ (33)	\$ (252)	\$ 171
Finance expense	(199)	(401)	(921)	(1,235)
Interest income	33	-	33	-
Unrealized gain on loan modification	-	-	16	-
<b>Total other expenses</b>	<b>\$ (147)</b>	<b>\$ (434)</b>	<b>\$ (1,123)</b>	<b>\$ (1,064)</b>

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 expense consists of interest expense on the Term Loan and Line of Credit facility (as defined below) as well as amortization of deferred finance costs and unrealized gains on loan modification. The decline in finance costs was due to lower debt balances including full paydown of the Line of Credit balance in April 2025.

## ADJUSTED EBITDA<sup>1</sup>

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 issuers. The IFRS measurement most comparable to EBITDA and Adjusted EBITDA is income (loss), for which a reconciliation is provided below:

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Income (loss) for the period	\$ 384	\$ (361)	\$ (1,170)	\$ (2,917)
Finance expense	199	401	921	1,235
Interest income	(33)	-	(33)	-
Income tax (recovery) expense	(8)	-	25	22
Depreciation and amortization	421	438	1,247	1,323
EBITDA	963	478	988	(337)
Share-based compensation	252	74	800	383
Foreign exchange	(18)	33	252	(171)
Unrealized gain on loan modification	-	-	(16)	-
<b>Adjusted EBITDA</b>	<b>\$ 1,197</b>	<b>\$ 585</b>	<b>\$ 2,024</b>	<b>\$ (125)</b>

During the three-months and nine-months ended September 30, 2025, the Company generated increased positive Adjusted EBITDA over the prior periods reflecting strong revenue growth and operating leverage within its business model.

<sup>1</sup> See definitions for Non-IFRS and Other Financial Measures above.

## SUMMARY OF QUARTERLY FINANCIAL INFORMATION<sup>1</sup>

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 September 30, 2025	Three months ended June 30, 2025	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
Revenue	\$ 14,197	\$ 13,088	\$ 11,904	\$ 12,589	\$ 11,589	\$ 10,738	\$ 9,395	\$ 10,370
Gross Profit	7,800	6,941	6,506	6,594	6,545	5,872	5,011	5,327
Operating income (loss)	524	(203)	(343)	570	73	(700)	(1,204)	(119)
Income (loss) per share (diluted)	0.01	(0.02)	(0.01)	0.01	(0.01)	(0.02)	(0.03)	0.04
Adjusted EBITDA	\$ 1,197	\$ 510	\$ 317	\$ 1,436	\$ 585	\$ (174)	\$ (536)	\$ 348
Cash	9,817	11,175	15,937	13,219	10,305	11,408	5,399	5,154

- As reflected in the quarterly analysis, the Company continued its trend towards delivering positive Adjusted EBITDA after investing and expensing approximately \$15.1 million over a three-year period to develop and commercialize the TRUSense Gateway. Prior to the investment in the TRUSense Gateway, the Company had a strong track record of delivering positive Adjusted EBITDA.
- The increased cash balance after March 31, 2024 was attributable to the cash proceeds from the May 2024 Financing and improved operating performance.
- The Company's results from operations for the three-month and nine-month periods ended September 30, 2025 are not necessarily indicative of the results that may be expected for the full fiscal year due to seasonal variations in sales levels.

<sup>1</sup> 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 September 30, 2025 decreased to \$9.8 million from \$13.2 million as of December 31, 2024 as a result of the paydown of the Line of Credit in April 2025 and capital expenditures offset by improved operating performance from both operating segments.

### **Working Capital<sup>1</sup>**

Working Capital as of September 30, 2025 was \$2.5 million compared to \$2.2 million as of December 31, 2024 and negative \$1.2 million as of September 30, 2024. The improvement in working capital from September 30, 2024 was due to a term loan advance and improved operating performance offset by a paydown of the revolver balance. 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 suppliers.

### **Loans**

#### **a) Line of Credit ("Line of Credit")**

The Line of Credit consists of a secured facility up to a maximum of \$8.5 million subject to a borrowing base calculation equal to the aggregate of a percentage of eligible receivables and inventory.

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 (previously a minimum cash balance of \$3.5 million at all times) 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% (previously prime plus 2.00%) 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 \$3.7 million of the Line of Credit facility. At September 30, 2025, the trailing 6 month EBITDA threshold was \$200,000. The Company met this threshold and was in compliance with the Line of Credit facility.

#### **b) Export Development Canada ("EDC") Term Loan ("Term Loan")**

On May 21, 2025, the Term Loan was amended to (i) defer all principal payments for a period of six months starting effective May 2025, (ii) defer six months of interest payments which will be added to the outstanding loan balance, (iii) extend the maturity date under the loan agreement by six months to coincide

with the deferral period; and (iv) defer the testing of Debt Service Coverage Ratio from December 31, 2025 to December 31, 2026. In the event of a loan modification, IFRS 9 – Financial Instruments is applied to determine if there has been a substantial modification of the loan based on the consideration of quantitative and qualitative factors. The Company applied these standards and concluded that no substantial modification had occurred. The Company calculated the present value of the estimated future contractual cash flows using the original effective interest rate. Based on this calculation, a modification adjustment of \$16 was recorded in profit and loss and a reduction in the carrying amount of the loan liability. The balance outstanding as at September 30, 2025, excluding deferred finance costs, was approximately \$7.1 million (December 31, 2024: approximately \$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 three-month and nine-month periods ended September 30, 2025 was 12.40% and 12.50%, respectively (three-month period ended September 30, 2024: 13.30% and nine-month period ended September 30, 2024: 13.50%, respectively). At September 30, 2025, the Company was in compliance with the Term Loan.

### Changes in Operating, Investing and Financing Cash Flows

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
<b>Cash provided by:</b>				
Operating activities	\$ (1,322)	\$ (936)	\$ 1,004	\$ (695)
Investing activities	(242)	(56)	(634)	(161)
Financing activities	223	(179)	(3,779)	6,040
Effect of foreign exchange on cash	(17)	69	7	(32)
<b>(Decrease) increase in cash</b>	<b>\$ (1,359)</b>	<b>\$ (1,103)</b>	<b>\$ (3,403)</b>	<b>\$ 5,151</b>

For the three-month period ended September 30, 2025, the Company generated negative cash flows from operating activities as a result of positive operating income offset by working capital changes. The Company also realized changes in cash flow from investing activities due to increased capital expenditures and changes in cash flows financing activities as a result of the deferral of interest and principal payments on the EDC Term Loan offset by shares issuances arising from the exercise of stock options and warrants.

For the nine-month period ended September 30, 2025, the Company generated positive cash flow from operations from positive operating income and working capital changes. The changes in cash flow from investing activities was due to higher capital expenditures and the changes in cash flows from financing activities reflected the repayment of the Line of Credit facility during the current nine-month period compared to the completion of the May 2024 financing last year.

## EQUITY

As of November 12, 2025, September 30, 2025 and December 31, 2024, the following number of securities were outstanding:

	November 12, 2025	September 30, 2025	December 31, 2024
Shares	51,447,406	51,434,153	50,845,942
Stock options	8,436,561	8,468,022	8,043,435
Restricted stock units	765,889	765,889	514,405
Warrants	131,180	138,650	353,514

Basic and diluted weighted average number of shares outstanding for the three-month period ended September 30, 2025 were 51,335,322 shares (2024: 50,845,942 shares) and for the nine-month period ended September 30, 2025 were 51,088,896 shares (2024: 47,561,270 shares).

## CONTRACTUAL OBLIGATIONS

The Company had the following commitments as of September 30, 2025:

Contractual Obligations	Total	Less than 1 year	1 - 5 years	After 5 years
Accounts Payable and accrued liabilities	\$ 15,348	\$ 15,348	\$ -	\$ -
Term loan	6,983	1,402	5,581	-
Lease liabilities	3,689	765	2,925	-
<b>Total Contractual Obligations</b>	<b>\$ 26,021</b>	<b>\$ 17,514</b>	<b>\$ 8,506</b>	<b>\$ -</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 September 30, 2025, the Company had outstanding purchase order commitments of approximately \$21.0 million (December 31, 2024: approximately \$18.6 million).

## Facilities

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

Location	Square footage	Expiry date
Norwalk, CT, United States	2,350	January 31, 2026
Raleigh, NC, United States	5,602	October 31, 2027
Burnaby, BC, Canada	32,000	January 31, 2029

## OTHER ITEMS

### 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 September 30, 2025, and September 30, 2024, are as follows:

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Salary and benefits	\$ 806	\$ 677	\$ 2,402	\$ 1,755
Share-based compensation	164	41	542	186
<b>Total</b>	<b>\$ 970</b>	<b>\$ 718</b>	<b>\$ 2,944</b>	<b>\$ 1,941</b>

Increases in balances for the three-month and nine-month periods ended September 30, 2025 were due to the addition of two new executives and the issuance of additional stock option and restricted share unit grants compared to the prior year.

On August 8, 2025, the Board of Directors approved the issuance of 230,000 stock option grants and 290,605 restricted share unit grants to directors and management.

### Exchange Rates

Conversion	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
CAD \$1.00 Income statement	\$ 0.7261	\$ 0.7152	\$ 0.7332	\$ 0.7351
CAD \$1.00 Balance sheet	\$ 0.7183	\$ 0.7408	\$ 0.7183	\$ 0.7408

## 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 their carrying value due to their ability to be promptly liquidated, their short term to maturity, or their use of market rates.

	September 30, 2025	December 31, 2024
<b><u>Financial Assets</u></b>		
Cash	\$ 9,817	\$ 13,219
Accounts receivable	\$ 7,567	\$ 10,011
<b><u>Financial Liabilities</u></b>		
Accounts payable and accrued liabilities	\$ 15,348	\$ 15,629
Line of credit	\$ -	\$ 3,679
Term loan	\$ 6,983	\$ 6,907

Disclosures relating to exposure 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 accounts 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 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-month period ended September 30, 2025.

Aging analysis of trade receivables is as follows:

	September 30, 2025	December 31, 2024
Current	\$ 4,951	1,222
31-90 days	1,243	7,281
91-180 days	625	282
Over 180 days	1,408	2,078
Less: Allowance for doubtful accounts	(660)	(852)
<b>Total</b>	<b>\$ 7,567</b>	<b>10,011</b>

## 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. See Liquidity and Capital Resources section above for additional information.

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

	September 30, 2025
Less than 90 days:	
Accounts payable and accrued liabilities	\$ 15,348
Less than one year:	
Term Loan (see Note 6 Loans)	\$ 1,402
Lease liabilities	769
Greater than one year:	
Term Loan (see Note 6 Loans)	\$ 5,581
Lease liabilities	1,093

## Foreign Currency Risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs 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 September 30, 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 \$26,000 for the three months ended September 30, 2025 (2024: \$47,000) and a \$77,000 impact for the nine months ended September 30, 2025 (2024: \$141,000).

### **Interest Rate Risk**

All of the Company's financial assets are non-interest bearing except for cash which generates interest income at market rates. The Line of Credit facility bears interest at a floating rate based on the bank's prime rate plus 1.25% and had no balance outstanding as of September 30, 2025 (balance outstanding of approximately \$3.7 million as of December 31, 2024).

The Term Loan bears interest at the United States prime interest rate plus 5.00% per annum and had an outstanding balance of approximately \$7.1 million as of September 30, 2025 (December 31, 2024: \$7.0 million). A potential percentage change in the United States' prime rate of 1.00% would have an impact of \$18,000 on interest expense for the three-month period ended September 30, 2025 (2024: \$8,000) and \$53,000 for the nine-month period ended September 30, 2025 (2024: \$23,000).

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company prepares its Interim Financial Statements in accordance with IAS 34 and have been prepared using the historical cost basis and the same accounting policies as those disclosed in the Company's Annual Financial Statements. Accordingly, the 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. 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 and Services Segment. This segment is responsible for the sale of the Company's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, 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 and Services 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 and Services. 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.

## **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 September 30, 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 September 30, 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 September 30, 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 September 30, 2025.

There were no changes in the Company’s ICFR during the three months ended September 30, 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 AIF for a description of these risk factors, available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).