



# **TANTALUS SYSTEMS HOLDING INC.**

## **Consolidated Financial Statements**

For the years ended  
December 31, 2025 and 2024

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

# Independent auditor's report

To the Shareholders of  
**Tantalus Systems Holding Inc.**

## Opinion

We have audited the consolidated financial statements of **Tantalus Systems Holding Inc.** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of profit or loss and other comprehensive loss, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

## Basis for opinion

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

## Key audit matters

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

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



Key audit matter	How our audit addressed the key audit matter
<p><i>Annual Goodwill Impairment Test</i></p> <p>As at December 31, 2025, the Company had goodwill of \$3,445,000, which was allocated to the Software and Services cash-generating unit [the “CGU”]. The Company assesses at least annually, or at any time an indicator of impairment exists, whether there has been an impairment in the carrying value of the goodwill. The Company estimates the recoverable amount of the CGU using a discounted cash flow model and compares it against the carrying amount. The Company discloses significant assumptions used and the results of their analysis in note 7 to the consolidated financial statements.</p> <p>Auditing the Company's estimated recoverable amount was complex given the degree of judgment and subjectivity in evaluating management's estimates and assumptions within the projected cash flows. The significant assumptions used in the projected financial information are revenue growth rate, gross profit margin and discount rate which are affected by expectations of future market and economic conditions.</p>	<p>Our audit procedures included, among others, the following to address the significant assumptions described:</p> <ul style="list-style-type: none"><li>• We engaged our valuation and modeling specialists to assess the appropriateness and accuracy of the valuation methodology and the various inputs utilized in determining the discount rate by referencing current industry, economic, and comparable company information.</li><li>• We assessed the reasonableness of the inputs to the projected financial information prepared by management. We compared the inputs to actual and historical results achieved with respect to the revenue growth rates, gross profit margin, and other inputs for which historical results provide an appropriate basis.</li><li>• We performed sensitivity analysis on the revenue growth rate, the gross profit margin, and the discount rate to evaluate the impact on the recoverable amount of the CGU.</li><li>• We assessed the completeness and adequacy of management's disclosure in the notes to the financial statements.</li></ul>

### Other information

Management is responsible for the other information. The other information is comprised of Management's Discussion and Analysis for the year ended December 31, 2025.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Vancouver, Canada  
March 18, 2026

*Ernst & Young LLP*

Chartered Professional Accountants

# TANTALUS SYSTEMS HOLDING INC.

## Consolidated Statements of Financial Position

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

	<i>Note</i>	December 31, 2025	December 31, 2024
<b>Assets</b>			
Current assets			
Cash		\$ 12,618	\$ 13,219
Accounts receivable	4	9,870	10,011
Inventory	5	7,954	4,832
Prepaid expenses and other assets		2,004	1,829
Total current assets		32,446	29,891
Property and equipment	6	1,160	731
Right-of-use assets	8	1,462	2,038
Intangible assets	7	4,674	5,443
Goodwill	7	3,445	3,445
Total assets		\$ 43,187	\$ 41,548
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 18,453	\$ 15,629
Deferred revenue and deposits		8,209	6,055
Lease liabilities	11	746	843
Line of credit	10	-	3,679
Term loan - current portion	10	1,596	1,535
Total current liabilities		29,004	27,740
Accrued warranty	9	525	-
Deferred revenue and deposits		13	103
Lease liabilities		976	1,392
Term loan	10	5,167	5,372
Total liabilities		35,685	34,607
Total shareholders' equity		7,502	6,941
Total liabilities and shareholders' equity		\$ 43,187	\$ 41,548

*See accompanying notes to consolidated financial statements.*

Approved on behalf of the Board:

"David McLennan"  
Director

"Peter Londa"  
Director

# TANTALUS SYSTEMS HOLDING INC.

## Consolidated Statements of Profit or Loss and Other Comprehensive Loss (Expressed in thousands of U.S. dollars except for shares and per share amounts)

	<i>Note</i>	Year ended December 31, 2025	Year ended December 31, 2024
Revenues	<i>17</i>	\$ 54,113	\$ 44,311
Cost of sales	<i>5, 17</i>	24,519	20,289
		29,594	24,022
<b>Expenses</b>			
Sales and marketing	<i>12(d)</i>	10,465	8,601
Research and development	<i>12(d)</i>	6,884	7,003
General and administrative	<i>12(d)</i>	10,073	7,928
Depreciation and amortization		1,670	1,752
		29,092	25,284
<b>Operating income (loss)</b>		502	(1,262)
<b>Other (expenses) earnings</b>			
Foreign exchange gain (loss)		(328)	233
Interest income		95	-
Finance expenses	<i>13</i>	(1,165)	(1,587)
Unrealized gain on loan modification	<i>10</i>	16	-
		(1,382)	(1,354)
<b>Loss before income taxes</b>		(880)	(2,616)
Income tax expense	<i>14</i>	112	12
Loss for the period		(992)	(2,628)
Foreign currency translation adjustment		2	(10)
<b>Total comprehensive loss for the period</b>		\$ (989)	\$ (2,638)
<b>Loss per share (basic and diluted)</b>		\$ (0.02)	\$ (0.05)
<b>Weighted average number of shares outstanding (basic and diluted)</b>	<i>15</i>	51,195,989	48,386,926

*See accompanying notes to consolidated financial statements.*

**TANTALUS SYSTEMS HOLDING INC.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
*(Expressed in thousands of U.S. dollars except for shares)*

	Note	Common Shares		Other Capital Reserves	Accumulated Other Comprehensive Income		Deficit	Total Shareholders' Equity
		Number	Amount					
<b>Balance, December 31, 2023</b>		<b>44,595,942</b>	<b>\$ 88,143</b>	<b>\$ 41,452</b>	<b>\$ 1,919</b>	<b>\$ (129,195)</b>	<b>\$ 2,319</b>	
Share-based compensation	12 (d)	-	-	596	-	-	596	
Issuance of common shares from financing		6,250,000	7,296	-	-	-	7,296	
Share issuance costs		-	(856)	224	-	-	(632)	
Foreign currency translation adjustment		-	-	-	(10)	-	(10)	
Loss for the period		-	-	-	-	(2,628)	(2,628)	
<b>Balance, December 31, 2024</b>		<b>50,845,942</b>	<b>\$ 94,583</b>	<b>\$ 42,272</b>	<b>\$ 1,909</b>	<b>\$ (131,823)</b>	<b>\$ 6,941</b>	
<b>Balance, December 31, 2024</b>		<b>50,845,942</b>	<b>\$ 94,583</b>	<b>\$ 42,272</b>	<b>\$ 1,909</b>	<b>\$ (131,823)</b>	<b>\$ 6,941</b>	
Share-based compensation	12 (d)	-	-	1,188	-	-	1,188	
Issuance of common shares	12 (b)(c)	862,488	1,024	(661)	-	-	363	
Foreign currency translation adjustment		-	-	-	2	-	2	
Loss for the period		-	-	-	-	(992)	(992)	
<b>Balance, December 31, 2025</b>		<b>51,708,430</b>	<b>\$ 95,607</b>	<b>\$ 42,799</b>	<b>\$ 1,911</b>	<b>\$ (132,815)</b>	<b>\$ 7,502</b>	

See accompanying notes to consolidated financial statements.

# TANTALUS SYSTEMS HOLDING INC.

## Consolidated Statements of Cash Flows

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

	<i>Note</i>	Year ended December 31, 2025	Year ended December 31, 2024
<b>Cash (used in) provided by</b>			
Operating Activities			
Loss for the period		\$ (992)	\$ (2,628)
Adjustments to reconcile loss for the period to net cash flows:			
Unrealized foreign exchange gain (loss)		171	(76)
Depreciation of equipment		324	340
Amortization of intangible assets		770	770
Amortization of right-of-use asset		576	642
Share-based compensation	12 (d)	1,188	596
Finance expenses		1,165	1,587
Amortization of deferred financing cost		21	21
Unrealized gain on loan modification		(14)	-
Changes in Non-Cash Operating Working Capital			
Accounts receivable	4	141	(2,140)
Inventory	5	(3,122)	1,803
Prepaid expenses and other assets		(177)	(363)
Accounts payable and accrued liabilities	9	2,825	1,901
Accrued warranty	9	525	-
Deferred revenue and deposits		2,064	1,772
Lease payments for interest		(155)	(202)
Interest paid on loans	10	(593)	(1,385)
<b>Net cash provided by Operating Activities</b>		<b>4,715</b>	<b>2,638</b>
Investing Activities			
Purchase of equipment		(753)	(409)
<b>Net Cash used in Investing Activities</b>		<b>(753)</b>	<b>(409)</b>
Financing Activities			
Repayment of indebtedness		(4,245)	(4,821)
Proceeds from indebtedness	10	-	4,000
Change in restricted cash		-	673
Repayment of lease liabilities		(690)	(659)
Issuance of common shares from financing		-	7,296
Issuance of common shares - other	12 (b)(c)	363	-
Share issuance costs		-	(632)
<b>Net Cash (used in) provided by Financing Activities</b>		<b>(4,572)</b>	<b>5,857</b>
Effect of foreign exchange on cash		9	(20)
(Decrease) Increase in cash		(601)	8,066
Cash, beginning of period		13,219	5,154
<b>Cash, end of period</b>		<b>\$ 12,618</b>	<b>\$ 13,219</b>

*See accompanying notes to consolidated financial statements.*

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 1. Reporting Entity

Tantalus Systems Holding Inc. (“Tantalus” or the “Company”) is a technology company, incorporated and domiciled in Canada, dedicated to helping utilities modernize their distribution grids by harnessing the power of data across all their devices and systems deployed throughout the entire distribution grid. Tantalus’ business operations are in Canada and in the United States.

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

### 2. Basis of Presentation

#### *Statement of Compliance*

These annual consolidated financial statements (“Annual Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Annual Financial Statements were authorized by the Company’s Board of Directors (“Board”) for release on March 18, 2026.

### 3. Material Accounting Policies

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

#### **(a) Principles of Consolidation**

Subsidiaries are entities controlled by the Company and their financial statements are included in the Annual Financial Statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Annual Financial Statements. The entities contained in the Annual Financial Statements are as follows:

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 3. Material Accounting Policies (continued)

#### (a) Principles of Consolidation (continued)

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

#### (b) Basis of Measurement

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

#### (c) Functional and Presentation Currency

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

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

#### (d) Use of Estimates and Judgments

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

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### 3. Material Accounting Policies (continued)

#### (d) Use of Estimates and Judgments (continued)

##### Judgments

Judgment is used mainly in determining how a balance or transaction should be recognized in these Annual Financial Statements when there is a choice or assessment required by management.

##### Estimates

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

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

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

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on a discounted cash flow (“DCF”) model. The estimated cash flows are derived from the budget for the next year and expected growth rate supported by historical experience. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected revenue growth rates, gross profit margins, and operating expenses. These estimates are most relevant to goodwill. The key assumptions used to determine the recoverable amount for the Company's cash generating unit with allocated goodwill, including a sensitivity analysis are disclosed and further explained in Note 7.

(ii) *Revenue recognition*

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 3. Material Accounting Policies (continued)

#### (d) Use of Estimates and Judgments (continued)

##### *(iii) Expected Credit Losses*

The Company records an allowance for expected credit loss related to trade and other receivables that are considered to be uncollectible based on lifetime expected credit losses. The allowance is based on historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. A change to these factors could impact the estimated allowance and the provision for credit loss.

##### *(iv) Inventory provision*

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

##### *(v) Contingencies*

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

##### *(vi) Warranty*

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 3. Material Accounting Policies (continued)

#### (d) Use of Estimates and Judgments (continued)

##### *(vii) Share-Based Compensation*

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

##### *(viii) Leases*

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

#### (e) Revenues

Revenue from the sale of the Company’s connected devices and infrastructure network products and utility software application licenses is recognized at a point in time when control of the hardware products and software is transferred to the customers, primarily upon delivery on a freight on board basis upon shipment or access to the customer is provided.

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

Revenue from post-contract technical support and annual software maintenance services (“PCS”) is recognized rateably over the term of the PCS. Any unrecognized revenue is recorded in deferred revenue.

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

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### 3. Material Accounting Policies (continued)

#### (e) Revenues (continued)

The Company determines revenue recognition through the following steps:

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

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

#### (f) Segment Reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which financial information is available. The operations of an operating segment are distinct and the operating results are regularly reviewed by the chief operating decision maker ("CODM") for the purposes of resource allocation decisions and assessing its performance.

The Company currently has two operating segments: (a) Connected Devices and Infrastructure ("Connected Devices") and (b) Utility Software Applications and Services ("Software and Services"). The performance results for each segment include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of expenses (see Note 17 – Segmented Information for a description of each segment). Key measures used by the CODM to assess performance and make resource allocation decisions include revenues, cost of sales and gross profit directly attributable to the segment.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

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### 3. Material Accounting Policies (continued)

#### (g) Deferred Revenue

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

#### (h) Inventory

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

#### (i) Property and Equipment

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

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

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 3. Material Accounting Policies (continued)

#### (j) Intangible Assets

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

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

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

#### (k) Goodwill

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### **3. Material Accounting Policies (continued)**

#### **(l) Impairment of Long-Lived Assets and Goodwill**

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

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

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

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

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

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

#### **(m) Research and Development**

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 3. Material Accounting Policies (continued)

#### (n) Related Party Transactions

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

#### (o) Leases

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

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

#### *Right-of-use assets and lease liabilities*

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

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

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

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

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### **3. Material Accounting Policies (continued)**

#### **(o) Leases (continued)**

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

#### **(p) Income Taxes**

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **(q) Loss per Share**

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

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### 3. Material Accounting Policies (continued)

#### (r) Financial Instruments

##### (i) Financial Assets

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

##### (ii) Cash

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

##### (iii) Accounts Receivable

Accounts receivable are comprised of trade receivables, which are classified as financial assets measured at amortized cost. The impairment model is applicable to financial assets measured at amortized cost where any expected credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For trade receivables, the Company applies a simplified approach in calculating expected credit losses. A loss allowance is recognized based on its historical credit loss experience, adjusted for forward-looking factors specific to the customers and economic environment. The carrying amount of trade receivables is reduced for any expected credit losses by an allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss. At the point when the Company is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off.

##### (iv) Financial Liabilities

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

##### (v) Derecognition

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

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### **3. Material Accounting Policies (continued)**

#### **(r) Financial Instruments (continued)**

##### *(v) Derecognition (continued)*

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

##### *(vi) Offsetting of financial instruments*

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

#### **(s) Share-Based Compensation**

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

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

#### **(t) Provisions**

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

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 3. Material Accounting Policies (continued)

#### (u) Contingencies

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

The Company may be subject to a variety of claims and suits that arise in the ordinary course of business. Although management currently believes that resolving claims against the Company will not have a material adverse impact on the Company's financial position, results of operations or cash flows, these matters are subject to inherent uncertainties and management's view may change in the future.

#### (v) New Standards Issued but Not Yet Effective

The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

##### (i) *Amendments to classification and measurement of financial instruments - Amendments to IFRS 9 and IFRS 7*

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). In particular, the amendments clarify:

- the classification of financial assets with environmental, social and corporate governance and similar features; and
- the derecognition date for financial liabilities and introduce an accounting policy option for financial liabilities settled using an electronic payment system if certain conditions are met.

The amendments also require additional disclosures for financial instruments with contractual terms that reference a contingent event and equity instruments classified at fair value through other comprehensive income.

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

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified "roles"

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 3. Material Accounting Policies (continued)

#### (v) New Standards Issued but Not Yet Effective (continued)

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

of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from “profit or loss” to “operating profit or loss” and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

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

### 4. Accounts Receivable

	December 31,		December 31,	
	2025		2024	
Accounts receivable	\$	10,930	\$	10,863
Less: allowance for expected credit losses		(1,060)		(852)
<b>Net Accounts receivable</b>	<b>\$</b>	<b>9,870</b>	<b>\$</b>	<b>10,011</b>

During the year ended December 31, 2025, the Company recorded credit losses of \$400 (year ended December 31, 2024 - \$200), in general and administrative expense.

Aging analysis of trade receivables is as follows:

	December 31,		December 31,	
	2025		2024	
Current	\$	4,957	\$	6,652
31-90 days		3,655		1,851
91-180 days		908		282
Over 180 days		1,410		2,078
Less: Allowance for expected credit losses		(1,060)		(852)
<b>Total</b>	<b>\$</b>	<b>9,870</b>	<b>\$</b>	<b>10,011</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 5. Inventory

	December 31, 2025		December 31, 2024	
Raw materials	\$	2,398	\$	3,078
Finished goods		5,556		1,754
<b>Inventory</b>	<b>\$</b>	<b>7,954</b>	<b>\$</b>	<b>4,832</b>

During the years ended December 31, 2025, and December 31, 2024, the Company charged \$19,029 (inclusive of \$1,813 in tariffs) (2024: \$13,874) of inventory related amounts to cost of sales.

Management assesses the valuation of inventory at the end of each period resulting in valuation adjustments accounted for in the respective period. Inventory adjustments for obsolescence in the amounts of \$428 (2024: \$1,164) were recorded in cost of sales during the years ended December 31, 2025, and December 31, 2024, respectively.

The Company has an inventory obsolescence reserve balance of \$344 as at December 31, 2025 (December 31, 2024: \$808).

### 6. Property & Equipment

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

Cost	Computers and Equipment		Furniture and Fixtures		Laboratory and Test Equipment		Leasehold Improvement		Total	
Balance,										
December 31, 2023	\$	3,498	\$	548	\$	5,465	\$	1,635	\$	11,146
Additions		30		40		94		245		409
Balance,										
December 31, 2024	\$	3,528	\$	588	\$	5,559	\$	1,881	\$	11,555
Additions		67		84		480		121		753
Balance,										
December 31, 2025	\$	3,595	\$	672	\$	6,039	\$	2,002	\$	12,308

Accumulated Depreciation	Computers and Equipment		Furniture and Fixtures		Laboratory and Test Equipment		Leasehold Improvement		Total	
Balance,										
December 31, 2023	\$	3,430	\$	521	\$	4,944	\$	1,588	\$	10,484
Additions		38		21		253		28		340
Balance,										
December 31, 2024	\$	3,468	\$	542	\$	5,197	\$	1,617	\$	10,824
Additions		44		25		194		61		324
Balance,										
December 31, 2025	\$	3,512	\$	567	\$	5,391	\$	1,678	\$	11,148

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 6. Property & Equipment (continued)

Net Book Value	Computers and Equipment		Furniture and Fixtures		Laboratory and Test Equipment		Leasehold Improvement		Total
Balance,									
December 31, 2024	\$	60	\$	46	\$	362	\$	264	\$ 731
Balance,									
December 31, 2025	\$	83	\$	105	\$	647	\$	324	\$ 1,160

### 7. Intangible assets and Goodwill

#### (i) Intangible Assets

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

Cost	Computer Software		Technology		Customer Relations		Intellectual Property		Total
Balance,									
December 31, 2023	\$	1,999	\$	6,530	\$	1,508	\$	1,290	\$ 11,326
Additions		-		-		-		-	-
Balance,									
December 31, 2024	\$	1,999	\$	6,530	\$	1,508	\$	1,290	\$ 11,326
Additions		-		-		-		-	-
Balance,									
December 31, 2025	\$	1,999	\$	6,530	\$	1,508	\$	1,290	\$ 11,326

#### (ii) Intangible Assets

Accumulated Amortization	Computer Software		Technology		Customer Relations		Intellectual Property		Total
Balance,									
December 31, 2023	\$	1,999	\$	1,252	\$	837	\$	1,025	\$ 5,113
Additions		-		653		84		33	770
Balance,									
December 31, 2024	\$	1,999	\$	1,905	\$	921	\$	1,058	\$ 5,883
Additions		-		653		84		33	770
Balance,									
December 31, 2025	\$	1,999	\$	2,558	\$	1,005	\$	1,091	\$ 6,653

Net Book Value	Computer Software		Technology		Customer Relations		Intellectual Property		Total
Balance,									
December 31, 2024	\$	-	\$	4,625	\$	586	\$	232	\$ 5,443
Balance,									
December 31, 2025	\$	-	\$	3,972	\$	503	\$	199	\$ 4,674

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

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### 7. Intangible assets and Goodwill (continued)

#### (iii) Goodwill

As of December 31, 2025, the Company has goodwill of \$3,445 (December 31, 2024: \$3,445).

Impairment testing for goodwill acquired through business combinations is allocated to the Software & Services cash generating unit (“CGU”), which is an operating and reportable segment. The Company performed its annual impairment test as of December 31, 2025.

The recoverable amount of the Software and Services CGU is also determined based on fair value less costs to dispose calculation, which is considered Level 3 on the fair value hierarchy, using cash flow projections from short-term financial budgets prepared by management and long-term projections for a total period of six years. The projected cash flows have been prepared to reflect the anticipated demand for products and services. The pre-tax discount rate applied to the cash flow projections was 20.41%. The Company has incorporated a future growth rate for its Software and Services CGU based on the anticipated market trends and Company performance and supported by historical growth experience. The average growth rate used to extrapolate the cash flows of the CGU for the projection period was between 10-12%. As a result of the analysis, there was no identification of an impairment of the Software & Services CGU.

The calculation of fair value includes the following assumptions:

- Revenue growth rates
- Gross profit margins
- Operating expenses
- Discount rate

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

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

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

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 8. Right-of-use Assets

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

	December 31, 2025		December 31, 2024	
Beginning Balance	\$	2,038	\$	2,680
Amortization		(576)		(642)
<b>Ending Balance</b>	<b>\$</b>	<b>1,462</b>	<b>\$</b>	<b>2,038</b>

### 9. Accounts Payable and Accrued Liabilities

	December 31, 2025		December 31, 2024	
Trade payables and other payables	\$	11,636	\$	7,986
Accrued liabilities		5,728		6,187
Customer accommodation		410		500
Accrued warranty - current portion		679		956
<b>Total</b>	<b>\$</b>	<b>18,453</b>	<b>\$</b>	<b>15,629</b>

A provision is recognized for expected claims on products sold in prior years, based on past experience of the levels of repairs and returns. It is expected that these costs will be incurred over the next 12-24 months.

	December 31, 2025		December 31, 2024	
Warranty provision, January 1	\$	956	\$	678
Addition to provision		558		635
Use of provision		(310)		(357)
<b>Warranty provision, December 31</b>	<b>\$</b>	<b>1,204</b>	<b>\$</b>	<b>956</b>
Current portion		679		956
<b>Non-current portion</b>	<b>\$</b>	<b>525</b>	<b>\$</b>	<b>-</b>

A provision is recognized for customer accommodation, based on specific customer transactions.

	December 31, 2025		December 31, 2024	
Customer accommodation, January 1	\$	500	\$	-
Addition to provision		-		500
Use of provision		(90)		-
<b>Customer accommodation, December 31</b>	<b>\$</b>	<b>410</b>	<b>\$</b>	<b>500</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

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Years ended December 31, 2025 and 2024

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### 10. Loans

#### (a) Line of Credit

The facility consists of a secured line of credit up to a maximum limit of \$8,500 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 \$3,500 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 the bank's prime interest rate plus 1.25% (previously prime interest rate 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 the Line of Credit facility.

The facility is secured by a general security agreement over the present and future assets of the Company and is subject to the following covenants: (i) a minimum trailing six-month EBITDA balance in excess of amounts set by the lender from time to time; and (ii) a minimum liquidity ratio of 1.25x, under certain conditions.

As of December 31, 2025, the trailing 6-month EBITDA threshold was \$750. The Company met this threshold and was in compliance with the Line of Credit facility.

#### (b) 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 was applied to determine if there was 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 December 31, 2025 was \$6,764 (December 31, 2024: \$7,000) which included the impact of the loan modification adjustment and deferred finance costs. The Term Loan bears interest at United States prime interest rate plus 5.00% per annum and the average interest rate during the year ended December 31, 2025 was 12.33% (December 31, 2024: 13.27%).

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 10. Loans (continued)

#### (b) Term Loan (continued)

In conjunction with the Term Loan, the Company incurred financing expenses of approximately \$123 during the year ended December 31, 2023, which have been netted against the fair value of the loan and amortized over the term of the loan as finance expenses using the effective interest rate method, in accordance with IFRS 9. The Term Loan is secured by a general security agreement over the present and future assets of the Company and ranks second behind liens in favor of Comerica. As of December 31, 2025, the Company was in compliance with the Term Loan.

	December 31,		December 31,	
	2025		2024	
Line of credit (a)	\$	-	\$	3,679
Term loan (b)		6,850		7,000
Deferred financing costs		(73)		(93)
Loan modification adjustment		(14)		-
Total debt		6,763		10,586
Current portion		1,596		5,214
<b>Non-current portion</b>	<b>\$</b>	<b>5,167</b>	<b>\$</b>	<b>5,372</b>

### 11. Lease Liabilities

The Company has leases with respect to its operating premises in Burnaby, British Columbia, Canada (“Burnaby”), Raleigh, North Carolina, United States (“Raleigh”) and Norwalk, Connecticut, United States (“Norwalk”) in addition to equipment leases. With the exception of short-term and low-value leases, leases are reflected on the balance sheet as a right-of-use asset and a lease liability.

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

	December 31,		December 31,	
	2025		2024	
Less than one year	\$	625	\$	707
One to five years		1,234		1,784
More than five years		-		-
<b>Total undiscounted lease liabilities</b>	<b>\$</b>	<b>1,859</b>	<b>\$</b>	<b>2,491</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 11. Lease Liabilities (continued)

The following is a reconciliation of undiscounted lease liabilities to the lease liabilities recognized as at December 31, 2025:

Total undiscounted lease liabilities at December 31, 2025	\$	1,859
Discounted using incremental borrowing rate		(137)
<b>Total lease liabilities recognized under IFRS 16 at December 31, 2025</b>	<b>\$</b>	<b>1,722</b>

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

	December 31, 2025		December 31, 2024	
Beginning Balance	\$	2,235	\$	2,980
Add: Interest		155		202
Less: Payments		(845)		(861)
Impact of foreign exchange		177		(86)
Ending Balance		1,722		2,235
Less: Current portion		(746)		(843)
<b>Non-current portion</b>	<b>\$</b>	<b>976</b>	<b>\$</b>	<b>1,392</b>

	Year ended December 31, 2025		Year ended December 31, 2024	
<b>Amounts Recognized in Statement of Profit and Loss</b>		<b>2025</b>		<b>2024</b>
Finance charge on lease liabilities	\$	155	\$	202
Variable lease payments expensed		349		339
<b>Total amounts recognized in Statement of Profit and Loss</b>	<b>\$</b>	<b>504</b>	<b>\$</b>	<b>540</b>

The aggregate of the Company's variable lease payments for the year was \$349 (2024: \$339), the amounts shown below reflect the estimated future payments of the variable operating costs of the long-term operating premises leases in Burnaby, Raleigh, and Norwalk.

2026	\$	499
2027		514
2028		529
	<b>\$</b>	<b>1,542</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 12. Share Capital

#### (a) Authorized share capital:

Unlimited common shares, with no par value. Issued and outstanding common shares as at December 31, 2025 were 51,708,430.

Unlimited preferred shares, with no par value. There were no issued and outstanding preferred shares as at December 31, 2025.

#### (b) Long-Term Incentive Plan

On April 22, 2025, the Board approved certain amendments to the Omnibus Long Term Incentive Plan (“LTIP”) and, at the Company’s annual general and special meeting of shareholders on June 10, 2025, the LTIP and all unallocated options, rights, and other entitlements issuable thereunder were approved by the Company’s shareholders. The amended LTIP now reflects a bifurcated option pool where the shares reserved for issuance pursuant to the issued and outstanding options granted prior to the qualifying transaction of the Company completed on January 29, 2021 (the “Pre-Qualifying Transaction Options”) are capped at 3,887,582 shares and the maximum number of shares reserved for issuance (other than the shares reserved for issuance pursuant to the Pre-Qualifying Transaction Options) pursuant to awards granted under the LTIP, together with any other security based compensation arrangement maintained by the Company, will not exceed 12% of the total issued and outstanding shares from time to time. As of December 31, 2025, the LTIP allows for a maximum of 10,092,594 common shares to be available under the LTIP. As of December 31, 2025, the Company had total stock options of 8,336,985 and 664,769 restricted share units (“RSUs”) outstanding resulting in 1,090,840 common shares available for issuance under the LTIP.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 12. Share Capital (continued)

#### (b) Long-Term Incentive Plan (continued)

##### (i) Stock-Option Plan

During the year ended December 31, 2025, 477,287 (2024: nil) shares were issued from the exercise of stock options. The stock options are settled by way of issuance of common shares. The exercise price of stock options is determined by a committee of the Board and shall not be less than the fair market value of the common shares. The expiry date of stock options is designated on the date of grant and shall be no later than 5-years from the date of grant. Unless otherwise approved by the Board, the stock options typically vest over a 4-year term with 25% of the options vesting after 12-months and the remaining 75% of the options vesting monthly in equal amounts over the following 36-months.

	<b>Number of Options</b>	<b>Weighted Average Exercise Price (CAD\$)</b>
Balance at December 31, 2023	7,767,370	\$ 1.21
Granted during the period	379,176	\$ 1.79
Forfeited during the period	(61,038)	\$ 1.00
Expired during the period	(42,073)	\$ 1.00
Balance at December 31, 2024	8,043,435	\$ 1.24
Granted during the period	1,355,690	\$ 2.31
Exercised during the period	(857,989)	\$ 1.07
Forfeited during the period	(36,114)	\$ 1.00
Expired during the period	(168,037)	\$ 1.00
<b>Balance at December 31, 2025</b>	<b>8,336,985</b>	<b>\$ 1.44</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 12. Share Capital (continued)

#### (b) Long-Term Incentive Plan (continued)

##### (i) Stock-Option Plan (continued)

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

Option Grant Date	Options Outstanding	Options Exercisable	Exercise Price (CAD\$)
2018 to 2020	3,717,028	3,717,028	\$ 1.00
February 9, 2021	12,189	12,189	\$ 1.64
February 9, 2021	112,000	112,000	\$ 2.25
August 17, 2021	166,500	166,500	\$ 2.11
November 17, 2021	706,519	706,519	\$ 2.10
December 24, 2021	14,000	14,000	\$ 1.79
March 24, 2022	1,047,840	982,350	\$ 1.35
May 15, 2022	16,423	14,370	\$ 1.28
May 15, 2023	427,402	267,126	\$ 1.20
July 27, 2023	27,838	15,659	\$ 0.78
November 6, 2023	41,500	20,750	\$ 0.75
December 18, 2023	317,671	158,836	\$ 0.79
May 24, 2024	42,500	15,938	\$ 1.57
August 8, 2024	56,000	17,500	\$ 1.47
November 14, 2024	35,000	8,750	\$ 1.79
December 17, 2024	40,676	10,169	\$ 1.93
December 30, 2024	280,209	70,052	\$ 1.90
January 13, 2025	406,345	-	\$ 2.04
February 24, 2025	388,845	-	\$ 1.75
March 18, 2025	32,000	-	\$ 1.79
April 22, 2025	37,000	-	\$ 1.92
June 1, 2025	25,000	-	\$ 2.40
August 8, 2025	321,500	-	\$ 3.30
September 2, 2025	17,500	-	\$ 2.87
September 15, 2025	17,500	-	\$ 3.10
November 14, 2025	30,000	-	\$ 3.59
<b>Balance at December 31, 2025</b>	<b>8,336,985</b>	<b>6,309,735</b>	<b>\$ 1.25</b>

During the years ended December 31, 2025, and December 31, 2024, the fair value of options granted was \$1,394 and \$234, respectively. The remaining unrecognized cost of the LTIP as of December 31, 2025, and December 31, 2024, was \$1,661 and \$693, respectively.

The weighted average remaining life of outstanding options was 1.36 years as of December 31, 2025 (December 31, 2024: 1.76 years). As of December 31, 2025, the Company had total vested options of 6,309,735 with a weighted average price of CAD\$1.25 and total vested options of 6,440,490 with a weighted average price of CAD\$1.21 as of December 31, 2024.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 12. Share Capital (continued)

(b) Long-term Incentive Plan (continued)

(i) Stock-Option Plan (continued)

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

	December 31, 2025	December 31, 2024
Risk free interest rate	2.69%-3.24%	3.00%-4.38%
Dividend yield	0%	0%
Expected life (in years)	3 to 4.5 years	5.5 to 7 years
Forfeiture rate	6.85% to 7.57%	7.46%
Volatility	98.4% to 107.9%	107.6%

(ii) Restricted Share Units (“RSUs”)

During the year ended December 31, 2025, 290,605 RSUs with a fair value of \$697 were granted. In addition, 140,241 vested RSUs were settled through the issuance of 75,077 shares, net of statutory withholdings. During the year ended December 31, 2024, the Company granted 303,387 RSUs with a fair value of \$401. The RSUs vest equally over three years and will be share-settled, net of statutory withholdings, through the issuance of shares from treasury.

	Restricted Stock Units
Balance at December 31, 2023	211,018
Granted during the period	303,387
Balance at December 31, 2024	514,405
Granted during the period	290,605
Settled during the period	(140,241)
<b>Balance at December 31, 2025</b>	<b>664,769</b>

(c) Warrants

During the year ended December 31, 2025, 310,124 (2024: nil) shares were issued upon the exercise of warrants. In the prior year, 353,514 warrants were granted as part of the bought deal financing completed by the Company on May 23, 2024 of 6,250,000 shares issued at a price of CAD\$1.60 per share for total gross proceeds of \$10,000 (\$7,296) which were recorded as share issuance costs.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 12. Share Capital (continued)

#### (c) Warrants (continued)

	<b>Warrants</b>
Balance at December 31, 2023	-
Granted during the period	353,514
Balance at December 31, 2024	353,514
Exercised during the period	(310,124)
<b>Balance at December 31, 2025</b>	<b>43,390</b>

#### (d) Share-based compensation expense

The Company has allocated the share-based compensation expense by function as follows:

	<b>Year ended December 31, 2025</b>	<b>Year ended December 31, 2024</b>
<b>Share-based Compensation</b>		
Sales and marketing	\$ 132	\$ 77
Research and development	110	73
General and administrative	946	446
<b>Total</b>	<b>\$ 1,188</b>	<b>\$ 596</b>

### 13. Finance Expenses

	<b>Year ended December 31, 2025</b>	<b>Year ended December 31, 2024</b>
<b>Period ended</b>		
Accretion of interest on lease liability ( <i>note 11</i> )	\$ 155	\$ 202
Interest expense on loans	1,010	1,385
<b>Total</b>	<b>\$ 1,165</b>	<b>\$ 1,587</b>

### 14. Income Taxes

Income tax expense differs from the amount that would be computed by applying the Canadian federal and provincial statutory income tax rates of 27.00% for the years ended December 31, 2025, and December 31, 2024, to income before income taxes due to the following:

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 14. Income Taxes (continued)

	Year ended December 31, 2025	Year ended December 31, 2024
Loss before income taxes	\$ (880)	\$ (2,616)
Tax expense at applicable rates	(238)	(706)
Change in unrecognized deferred tax assets	(237)	320
Non-deductible expenses and other differences	367	226
Effect of difference between combined Canadian statutory income rate and those rates applicable to foreign subsidiaries	(22)	21
Other items	241	151
<b>Current income tax expense</b>	<b>\$ 112</b>	<b>\$ 12</b>

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

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

	December 31, 2025	December 31, 2024
Deferred tax assets in relation to:		
Equipment	\$ 1,085	\$ 897
Non-capital losses carried forward	16,081	18,292
SR&ED expenditures	3,076	3,181
Restricted Interest and Financing Expenses	249	225
Reserves and other	6,465	4,797
Intangible assets	(1,130)	(1,331)
	25,825	26,061
<b>Deferred tax assets not recognized</b>	<b>\$ (25,825)</b>	<b>\$ 26,061</b>

As of December 31, 2025, the Company has non-capital loss carry forwards for Canadian and United States income tax purposes available to reduce taxable income otherwise payable in future years. These losses expire as follows:

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 14. Income Taxes (continued)

Year Loss Expires	Canada	Year Loss Expires	U.S.	Total
2026	\$ 841		\$ -	\$ 841
2027	2,156		-	2,156
2028	5,890		-	5,890
2029	14,146		-	14,146
2030	10,935		-	10,935
2031	4,142		-	4,142
2032	2,777		-	2,777
2033	2,824		-	2,824
2034	160		-	160
2035	1,008		-	1,008
2036	1,786		-	1,786
2037	1,757		-	1,757
2038	1,294		-	1,294
2039	1,027	indefinite	1,178	2,204
2040	943	indefinite	1,044	1,987
2041	1,011	indefinite	988	1,999
2042	2,723	indefinite	830	3,553
2043	484	indefinite	18	502
2044	444	indefinite	-	444
2045	299	indefinite	-	299
<b>Total Losses</b>	<b>\$ 56,647</b>		<b>\$ 4,058</b>	<b>\$ 60,705</b>

The Company has Canadian non-capital loss carryforwards of \$56,647 (December 31, 2024: \$64,105) which are available to reduce future taxable income and begin to expire in 2026. The benefit of these non-capital losses has not been recognized as their realization is not reasonably assured.

The Company has U.S. non-capital loss carry forwards of \$4,058 (December 31, 2024: \$5,017) that may be carried forward indefinitely to reduce future taxable income. The benefit of these non-capital losses has not been recognized as their realization is not reasonably assured.

The Company has Undepreciated Capital Cost (“UCC”) amounts of approximately \$6,236 and \$10,303 of scientific research and experimental development expenditures (“SR&ED”) that may be carried forward to be deducted against future Canadian taxable income. The Company has \$16,158 of reserves that may be deducted against future Canadian taxable income. In addition, the Company has federal investment tax credits of \$321 available to offset future Canadian federal income taxes payable which expire commencing in 2026. The benefits of the UCC, the SR&ED expenditures and the federal investment tax credits have not been recognized as their realization is not reasonably assured.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 15. Loss per Share

Loss per share represents loss for the period divided by the weighted average number of common shares outstanding during the period. Basic and diluted weighted average number of shares outstanding for the year ended December 31, 2025 was 51,195,989 (2024: 48,386,926).

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

### 16. Commitments and Contingencies

- (a) In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors. As of December 31, 2025, the Company had outstanding purchase order commitments of \$21,770 (December 31, 2024: \$18,596).
- (b) The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.
- (c) In the ordinary course of business, indemnification provisions are included in agreements with the Company's customers. Generally, such indemnification provisions are subject to limitations of liability provisions that exclude certain damages from what the Company may be obligated to indemnify the Customer for in connection with the agreement and/or set a cap on the Company's indemnification obligation tied to revenue generated from such agreement. In certain limited instances, the Company's indemnification obligation may not be subject to such aforementioned limitations and/or caps. As a matter of practice, the Company's customer agreements generally include provisions pursuant to which its customers indemnify the Company for certain potential liabilities that may arise in connection with or relating to the agreements between the parties. Management currently believes that individually or in aggregate, these indemnification provisions will not have a material adverse impact on the Company's financial position, results of operations, or cash flows.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 17. Segmented Information

#### Operating segments

The Company's revenues are derived through two operating segments, which are also the reportable segments, including:

- 1) 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 communication infrastructure devices that are deployed to deliver an industrial network-of-things / IoT smart grid including base stations, repeaters and collectors; and
- 2) Software and Services Segment. This segment is responsible for the sale of the Company's proprietary mission-critical enterprise software applications AI-enabled data analytics and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, software as a service ("SaaS") and other subscriptions, hosting services, professional services (including project management, deployment, installation, and engineering support), and post-contract technical support and annual software maintenance services.

Corporate includes all operating expenses of the Company.

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

Year ended December 31, 2025	Connected Devices	Software and Services	Corporate	Total
Revenues	\$ 35,289	\$ 18,824	\$ -	\$ 54,113
Cost of sales	20,298	4,221	-	24,519
Gross profit	14,991	14,603	-	29,594
Expenses	-	-	29,092	29,092
<b>Operating income (loss)</b>	<b>\$ 14,991</b>	<b>\$ 14,603</b>	<b>\$ (29,092)</b>	<b>\$ 502</b>

Year ended December 31, 2024	Connected Devices	Software and Services	Corporate	Total
Revenue	\$ 27,625	\$ 16,686	\$ -	\$ 44,311
Cost of sales	16,364	3,925	-	20,289
Gross profit	11,260	12,761	-	24,022
Expenses	-	-	25,284	25,284
<b>Operating income (loss)</b>	<b>\$ 11,260</b>	<b>\$ 12,761</b>	<b>\$ (25,284)</b>	<b>\$ (1,262)</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 17. Segmented Information (continued)

Revenues attributed to the following geographic regions based on customer location is shown below:

	Year ended December 31, 2025		Year ended December 31, 2024	
United States <sup>1</sup>	\$	53,792	\$	43,955
Canada <sup>2</sup>		321		356
<b>Total</b>	<b>\$</b>	<b>54,113</b>	<b>\$</b>	<b>44,311</b>

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

(2) Canada includes revenue attributed to Belize and Guyana.

### 18. Expenses by Nature

Total salaries and wages as well as other personnel and contractor related expenses included in Cost of Sales for the years ended December 31, 2025, and December 31, 2024, respectively were \$3,650 and \$4,141.

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

	Year ended December 31, 2025		Year ended December 31, 2024	
Salaries and Benefits		16,935		15,182
Consulting, professional fees, and agent services	\$	2,588	\$	2,995
Depreciation and Amortization		1,670		1,752
Travel and meals		1,617		985
Office and other expenses		1,298		993
Marketing programs		1,254		706
Share-based compensation		1,188		596
Information technology		985		836
Supplies and prototypes		757		374
Insurance		451		526
Facilities variable lease payments		349		339
<b>Total</b>	<b>\$</b>	<b>29,092</b>	<b>\$</b>	<b>25,284</b>

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

### 19. Capital Disclosures

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

The following schedule details the components of capital:

<b>Equity and Liabilities</b>	<b>December 31,</b>		<b>December 31,</b>	
	<b>2025</b>		<b>2024</b>	
Equity	\$	7,502	\$	6,941
Debt	\$	6,763	\$	10,586

### 20. Financial instruments

#### (a) Financial assets and liabilities

As of December 31, 2025 and December 31, 2024, the carrying values of cash, accounts receivable, accounts payable and accrued liabilities, the line of credit and term loan approximate their fair value due to their ability to be promptly liquidated, their short term to maturity, or their use of market rates.

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

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

The Company's financial assets and liabilities carried at amortized cost are considered Level 2 instruments, because while observable prices and inputs are available, they are not quoted in an active market. There has not been any transfer between fair value hierarchy levels during the years ended December 31, 2025 and December 31, 2024.

#### (b) Financial risk management

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

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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

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

##### **(i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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 1.25% or SOFR plus 4.25%, with the rate to be selected by Tantalus, and had no outstanding balance as of December 31, 2025 (December 31, 2024: \$3,679).

The Term Loan bears interest at the United States prime interest rate plus 5.00% per annum and had a balance, excluding deferred finance costs, of \$6,850 as of December 31, 2025 (December 31, 2024: \$7,000). There is an immaterial impact on post-tax loss and on other comprehensive loss for any possible changes in the interest rate.

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

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company's financial instruments that are exposed to concentrations of credit risk are primarily accounts receivable. Credit risk pertaining to the Company's accounts receivable is the risk of financial loss if a customer fails to meet its contractual obligations and arises from the Company's receivables.

Accounts receivable primarily consist of trade accounts receivable from utility companies which have low risk of default. With respect to accounts receivable, the Company requires letters of credit or other guarantees whenever deemed necessary. The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables.

The aging of accounts receivable as at December 31, 2025 and December 31, 2024 is provided in Note 4.

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

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 20. Financial instruments (continued)

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

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

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations.

The Company maintains certain financial instruments, inclusive of a portion of its cash, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company does have exposure to the impact of foreign exchange fluctuations pertaining to its financial position as at December 31, 2025 and December 31, 2024. There is an immaterial impact on post-tax loss and on other comprehensive loss for any possible changes in the value of the Canadian dollar versus the U.S. dollar.

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

<b>(In Canadian dollars)</b>	<b>December 31,</b>		<b>December 31,</b>	
	<b>2025</b>		<b>2024</b>	
Cash	\$	223	\$	271
Accounts receivable		199		493
Accounts payable and accrued liabilities		(1,884)		(2,366)
<b>Total</b>	<b>\$</b>	<b>(1,462)</b>	<b>\$</b>	<b>(1,602)</b>

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

##### (iv) Liquidity risk

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except for shares)

Years ended December 31, 2025 and 2024

### 20. Financial instruments (continued)

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

#### (iv) Liquidity risk

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

	<b>December 31, 2025</b>	
Less than 90 days:		
Accounts payable and accrued liabilities	\$	18,453
Less than one year:		
Term Loan	\$	1,596
Lease liabilities		746
Greater than one year:		
Accrued warranty	\$	525
Term Loan		5,167
Lease liabilities		976

### 21. Related Party Transactions

The following table discloses the compensation amount of the Board of Directors and key management personnel in the ordinary course of their employment, recognized as an expense during the reporting periods. Key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company and consist of the Company's executive officers. The remuneration of key management for the years ended December 31, 2025, and December 31, 2024, are as follows:

	<b>Year ended</b>		<b>Year ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2025</b>		<b>2024</b>	
Salary and benefits	\$	3,190	\$	2,360
Share-based compensation		752		271
<b>Total</b>	<b>\$</b>	<b>3,942</b>	<b>\$</b>	<b>2,630</b>

### 22. Reclassification of Comparative Figures

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

# TANTALUS SYSTEMS HOLDING INC.

## Notes to Consolidated Financial Statements

*(Expressed in thousands of U.S. dollars except for shares)*

Years ended December 31, 2025 and 2024

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### 23. Subsequent Events

#### a) Tariffs

On February 20, 2026, the US Supreme Court ruled that the International Emergency Economic Powers Act (IEEPA) does not authorize the President to impose tariffs. As a result, on the same day two executive orders were issued, one prospectively suspending the original IEEPA tariffs, and another establishing the continuing suspension of duty-free de minimis treatment for certain imports to the US and the mechanisms for continuing to collect duties on such shipments and the rates of such duties. To the balance sheet date, \$2.1 million has been paid in tariffs. There remains uncertainty as to any right of refund of the tariffs and the process required to collect eligible refunds (if any), as well as any contractual obligations to return amounts previously collected from customers.

#### b) Completion of Bought Deal Offering

On February 9, 2026, the Company completed a bought deal offering of 4,299,575 shares at a price of CAD\$5.35 per share for total gross proceeds of approximately CAD\$23,000.