



TANTALUS SYSTEMS HOLDING INC.

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

March 18, 2026

For the three-month and twelve-month periods ended December 31, 2025 and 2024

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of Tantalus Systems Holding Inc. (together with its subsidiaries and predecessors, the "Company", "we" or "Tantalus") is provided to assist readers in assessing our financial condition and our financial performance, including our liquidity and capital resources, as at and for the three-month and twelve-month periods ended December 31, 2025 compared with the three-month and twelve-month periods ended December 31, 2024. The information in this MD&A is current as of March 18, 2026, and should be read in conjunction with the audited consolidated financial statements ("Annual Financial Statements") as at December 31, 2025 and 2024. Additional information relating to Tantalus including periodic quarterly reports and the AIF (as defined below) is available at www.sedarplus.ca.

The Company's Annual Financial Statements and notes thereto as at December 31, 2025, and 2024, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee.

All amounts are presented in United States ("U.S.") dollars which is the functional currency of the Company and all amounts in the tables are reported in thousands of U.S. dollars, except share information and unless otherwise noted.

This MD&A was approved by the Company's Board of Directors, upon recommendation of the Audit Committee, for release on March 18, 2026.

NON-IFRS AND OTHER FINANCIAL MEASURES

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

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

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

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

- c) "Gross Profit" is comprised of revenues less cost of sales. Management believes that Gross Profit is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.
- d) "Gross Profit Margin" is comprised of Gross Profit expressed as a percentage of the Company's revenues. Management believes that Gross Profit Margin is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.
- e) "Adjusted EBITDA Margin" is comprised of Adjusted EBITDA expressed as a percentage of the Company's revenues. Management believes that Adjusted EBITDA Margin is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.
- f) "Adjusted Operating Expenses" is comprised of operating expenses less depreciation and amortization and share-based compensation. Management believes that Adjusted Operating Expenses is a useful indicator for investors, and is used by management, in evaluating the operating profile of the Company.
- g) "Working Capital" is comprised of current assets less current liabilities. Management believes Working Capital is a useful indicator for investors, and is used by management, for evaluating the operating liquidity of the Company.

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

- h) "Recurring Revenue" is comprised of the Company's revenues recognized in a period that are recurring in nature and attributable to its analytics, subscriptions and software as a service ("SaaS") offerings, hosting services, software maintenance and technical support agreement services.
- i) "Annual Recurring Revenue" or "ARR" is comprised of the Company's Recurring Revenue as expressed on a forward-looking annualized revenue attributable to its analytics, subscriptions and SaaS offerings, hosting services, software maintenance and technical support services agreements at a point in time.

FORWARD-LOOKING INFORMATION

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

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: our ability to capitalize on growth opportunities and implement our growth strategy; our ability to retain key personnel; our ability to maintain existing customer relationships and to continue to expand our customers' use of our products and solutions; our ability to acquire new customers; our ability to enhance our offerings to remain at the forefront of our industry; the impact of competition; the successful integration of future acquisitions; the impact of tariffs and any changes to tariffs on the Company's business and financial condition; the ability of the Company to execute on its plans; the absence of material adverse changes in our business, our industry or the global economy; and that the risks and uncertainties described under the "Risk Factors" section of Tantalus' Annual Information Form dated on or about March 18, 2026 ("AIF") will not materialize. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

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

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

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

DESCRIPTION OF BUSINESS

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

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

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

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

2025 FOURTH QUARTER AND YEAR-END HIGHLIGHTS

- *Revenue:* During Q4 2025, revenue increased by approximately 19% year-over-year to \$14.9 million. Revenue from Connected Devices and Infrastructure (“Connected Devices”) increased by \$1.6 million or 21% and Utility Software Applications & Services (“Software and Services”) revenue increased by \$0.7 million or approximately 15%. The increases in revenue were a result of adding new customers and continuing to expand deployments with existing accounts. Recurring Revenue¹ increased by 38% to \$4.1 million and represented 28% of total revenue in the quarter.

For the full year 2025, the Company delivered record revenue of \$54.1 million, representing 22% growth year-over-year. Revenue from Connected Devices increased by 28% to \$35.3 million as a result of higher sales volumes and Software and Services revenue increased by 13% to \$18.8

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

million as a result of higher annual maintenance billings. Recurring Revenue¹ increased by 20% to \$13.9 million, representing 26% of total revenue for the year.

- *Annual Recurring Revenue (“ARR”)*¹ Growth: ARR¹ grew by approximately 14% year over year to \$14.5 million as of December 31, 2025 (December 31, 2024: \$12.7 million).
- *Sales Order Conversion*: During Q4 2025, the Company converted \$11.0 million in orders from its sales pipeline bringing the total amount in 2025 to a record level of \$64.9 million. The results represented approximately 27% growth year-over-year and a book-to-bill ratio of 1.2x.
- *Growth of User Community*: The Company added 5 new utilities in Q4 2025 and 17 for the full year, demonstrating a continued ability to convert new accounts from its sales pipeline.
- *Gross Profit¹ and Gross Profit Margin¹*: During Q4 2025, Gross Profit¹ improved to \$8.3 million from the prior year with contributions from both the Connected Devices and Software and Services segments. Overall Gross Profit Margin, on a consolidated basis, increased by 350 basis points to 56% primarily due to the mix of products shipped within the Connected Devices segment and strong contributions from the Software and Services segment. For the full year, Gross Profit increased by 23% to \$29.6 million while Gross Profit Margin, on a consolidated basis, remained stable at approximately 55%.
- *Adjusted EBITDA¹*: During Q4 2025, Tantalus delivered positive Adjusted EBITDA of approximately \$1.3 million, which was effectively in-line with the prior year (December 31, 2024: \$1.4 million) as the Company increased headcount and incurred higher operating expenses.

On a full year basis, the Company delivered record Adjusted EBITDA of \$3.4 million, representing approximately 160% growth year-over-year (December 31, 2024: \$1.3 million). The growth in Adjusted EBITDA reflects operating leverage in the business model as the Company scales revenue.

- *Cash Flow from Operating Activities*: During Q4 2025, Cash Flow from Operating Activities was consistent with the prior year at \$3.3 million. For the full year 2025, Cash Flow from Operating Activities increased to \$4.7 million from \$2.6 million last year.
- *Liquidity*: At December 31, 2025, Tantalus had available liquidity of approximately \$21.1 consisting of a cash balance of \$12.6 million and borrowing availability of \$8.5 million under its line of credit.

OTHER DEVELOPMENTS

- *TRUSense Gateway™ Progress*: As of the date of this MD&A, 66 utilities submitted orders to trial, pilot and/or deploy the TRUSense Gateway. The adoption of the TRUSense Gateway is being driven by a combination of existing customers seeking to enhance deployments of Tantalus’ broader offerings and utilities that are ordering from the Company for the first time to accelerate their grid modernization journeys.

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

SELECTED FINANCIAL INFORMATION¹

	Three months ended December 31, 2025	Three months ended December 31, 2024	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
Revenue	\$ 14,925	\$ 12,589	\$ 54,113	\$ 44,311
Gross Profit	8,347	6,594	29,594	24,022
<i>Gross Profit Margin %¹</i>	56%	52%	55%	54%
Adjusted EBITDA ¹	\$ 1,335	\$ 1,436	\$ 3,359	\$ 1,311
<i>Adjusted EBITDA Margin¹</i>	9%	11%	6%	3%
Income (loss) for the period	\$ 179	\$ 289	\$ (992)	\$ (2,628)
Income (loss) per share (basic and diluted)	\$ 0.00	\$ 0.01	\$ (0.02)	\$ (0.05)
Weighted average shares outstanding:				
Basic	51,513,774	50,845,942	51,195,989	48,386,926
Diluted	57,968,710	57,363,615	51,195,989	48,386,926
Cash	\$ 12,618	\$ 13,219	\$ 12,618	\$ 13,219

2025 OPERATING RESULTS

	Three months ended December 31, 2025	Three months ended December 31, 2024	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
Revenue	\$ 14,925	\$ 12,589	\$ 54,113	\$ 44,311
Cost of sales	6,578	5,995	24,519	20,289
Gross Profit	8,347	6,594	29,594	24,022
<i>Gross Profit Margin</i>	56%	52%	55%	54%
Expenses	7,822	6,024	29,092	25,284
Operating income (loss)	524	570	502	(1,262)
Other expenses	(258)	(290)	(1,382)	(1,354)
Income (loss) before income taxes	266	280	(880)	(2,616)
Income tax expense (recovery)	87	(10)	112	12
Income (loss) for the period	\$ 179	\$ 289	\$ (992)	\$ (2,628)
Income (loss) per share (basic and diluted)	\$ 0.00	\$ 0.01	\$ (0.02)	\$ (0.05)

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

Revenue

<i>Revenue by Segment</i>	Three months ended December 31, 2025		Three months ended December 31, 2024		Twelve months ended December 31, 2025		Twelve months ended December 31, 2024	
	\$	%	\$	%	\$	%	\$	%
Connected Devices	\$ 9,340	63%	\$ 7,713	61%	\$ 35,289	65%	\$ 27,625	62%
Software and Services	5,585	37%	4,876	39%	18,824	35%	16,686	38%
Total revenue	\$ 14,925	100%	\$ 12,589	100%	\$ 54,113	100%	\$ 44,311	100%

Revenue increased for the three-month and twelve-month periods ended December 31, 2025 as a result of strong and continued growth of the business across both operating segments.

<i>Revenue by Type</i>	Three months ended December 31, 2025	Three months ended December 31, 2024	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
Recurring Revenue	\$ 4,142	\$ 2,994	\$ 13,853	\$ 11,553
As % of Software and Services Segment	74%	61%	74%	69%
As % of Total Revenues	28%	24%	26%	26%

Recurring Revenue¹ increased for the three-month and twelve-month periods ended December 31, 2025 as compared to the same periods in the prior year, reflecting an increased number of Connected Devices sold that trigger recurring revenue per device and higher annual maintenance revenues. Q4 revenue was also higher than in prior periods due to certain contracts being executed during the quarter, which resulted in a shift in revenue into the quarter but no impact on full-year results. Recurring Revenue as a percentage of total revenue increased for the three-month period due to the reasons stated above and was consistent for the full year.

ARR¹ grew by approximately 14% to \$14.5 million as of December 31, 2025 (December 31, 2024: \$12.7 million) as a result of expanding the number of utilities within our user community and higher annual maintenance revenues.

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

	Three months ended December 31, 2025		Three months ended December 31, 2024		Twelve months ended December 31, 2025		Twelve months ended December 31, 2024	
	\$	%	\$	%	\$	%	\$	%
United States ⁽¹⁾	14,888	99.8%	\$ 12,551	99.7%	\$ 53,792	99.4%	\$ 43,955	99.2%
Canada ⁽²⁾	37	0.2%	38	0.3%	321	0.6%	356	0.8%
	14,925	100%	\$ 12,589	100%	\$ 54,113	100%	\$ 44,311	100%

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

2 - Canada includes revenue attributed to Belize and Guyana.

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

Gross Profit¹ and Gross Profit Margin¹

Three months ended December 31, 2025	Connected Devices		Software and Services		Total	
	\$	%	\$	%	\$	%
Revenue	9,340	100.0%	5,585	100.0%	14,925	100.0%
Cost of sales	5,773	61.8%	805	14.4%	6,578	44.1%
Gross Profit	3,567	38.2%	4,780	85.6%	8,347	55.9%
Percentage of Total Gross Profit	43%		57%		100%	

Three months ended December 31, 2024	Connected Devices		Software and Services		Total	
	\$	%	\$	%	\$	%
Revenue	7,713	100.0%	4,876	100.0%	12,589	100.0%
Cost of sales	4,927	63.9%	1,068	21.9%	5,995	47.6%
Gross Profit	2,786	36.1%	3,808	78.1%	6,594	52.4%
Percentage of Total Gross Profit	42%		58%		100%	

Overall, Gross Profits¹ increased for the three-month and twelve-month periods ended December 31, 2025 as a result of strong and continued growth of the business across both operating segments.

Gross Profit Margin¹ for the quarter increased by 350 basis points year-over-year. The Connected Devices segment realized higher margins as a result of lower inventory obsolescence, customer accommodation and warranty provisions recorded in the current quarter compared to the prior year. While the Software and Services segment realized higher margins due to new contracts executed during the current period.

Twelve months ended December 31, 2025	Connected Devices		Software and Services		Total	
	\$	%	\$	%	\$	%
Revenue	35,289	100.0%	18,824	100.0%	54,113	100.0%
Cost of sales	20,298	57.5%	4,221	22.4%	24,519	45.3%
Gross Profit	14,991	42.5%	14,603	77.6%	29,594	54.7%
Percentage of Total Gross Profit	51%		49%		100%	

Twelve months ended December 31, 2024	Connected Devices		Software and Services		Total	
	\$	%	\$	%	\$	%
Revenue	27,625	100.0%	16,686	100.0%	44,311	100.0%
Cost of sales	16,364	59.2%	3,925	23.5%	20,289	45.8%
Gross Profit	11,260	40.8%	12,761	76.5%	24,022	54.2%
Percentage of Total Gross Profit	47%		53%		100%	

Gross Profit Margin¹ for the twelve-month period ended December 31, 2025 was consistent with the prior year.

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

Operating Expenses

	Three months ended December 31, 2025		Three months ended December 31, 2024		Twelve months ended December 31, 2025		Twelve months ended December 31, 2024	
	\$	% of Rev	\$	% of Rev	\$	% of Rev	\$	% of Rev
Sales and marketing	\$ 2,319	16%	\$ 1,826	15%	\$ 10,465	19%	\$ 8,601	19%
Research and development	1,919	13%	1,376	11%	6,884	13%	7,003	16%
General and administrative	3,161	21%	2,393	19%	10,073	19%	7,928	18%
Depreciation and amortization	423	3%	429	3%	1,670	3%	1,752	4%
Total expenses	\$ 7,822	52%	\$ 6,024	48%	\$ 29,092	54%	\$ 25,284	57%
As a percentage of total revenue		52%		48%		54%		57%

Sales and marketing expenses consist primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, marketing and branding, advertising costs and facilities. The increase in this category for the three-month and twelve-month periods ended December 31, 2025 was due to the addition of new personnel to the sales organization, increased marketing and advertising efforts pertaining to the commercialization of the TRUSense Gateway and one-time accrual reversals recorded in the prior period.

Research and development expenses consist primarily of salaries and related personnel costs, contractors supplies and materials related to the development of the Company's solutions. The increase for the current quarter was due to higher certification and supplies expenses. The decrease for the twelve-month period was due to lower expenses for certifications, prototypes and materials related to the completion of the development of the TRUSense Gateway during the fourth quarter of 2024.

General and administrative expenses include executive and administrative staff compensation, insurance, public company costs, office expenses, accounting, legal and consulting fees. The increase in this category for the quarter and full year was related to higher bad debt provisions and compensation costs.

Adjusted Operating Expenses¹

	Three months ended December 31, 2025		Three months ended December 31, 2024		Twelve months ended December 31, 2025		Twelve months ended December 31, 2024	
	\$		\$		\$		\$	
Total expenses	\$ 7,822		\$ 6,024		\$ 29,092		\$ 25,284	
Depreciation and amortization	(423)		(429)		(1,670)		(1,752)	
Share-based compensation	(387)		(212)		(1,188)		(596)	
Adjusted operating expenses	\$ 7,012		\$ 5,383		\$ 26,235		\$ 22,936	
As a percentage of total revenue		47%		43%		48%		52%

Adjusted operating expenses as a percentage of total revenues increased for the current quarter due to higher operating expenses for the reasons stated above. For the current year, adjusted operating expenses declined as a percentage of total revenue due to higher revenues compared to the prior year.

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

Depreciation and Amortization

	Three months ended December 31, 2025	Three months ended December 31, 2024	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
Depreciation and amortization	\$ 90	\$ 76	\$ 324	\$ 340
Amortization of intangible assets	192	192	770	770
Amortization of right-of-use assets	141	160	576	642
Total depreciation and amortization	\$ 423	\$ 429	\$ 1,670	\$ 1,752

The Company's depreciation and amortization is attributable to property and equipment, intangible assets and right-of-use assets pertaining to its facility leases with balances consistent with the prior year.

Other Expenses

	Three months ended December 31, 2025	Three months ended December 31, 2024	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
Foreign exchange gain (loss)	\$ (76)	\$ 61	\$ (328)	\$ 233
Finance expense	(244)	(351)	(1,165)	(1,587)
Interest income	62	-	95	-
Unrealized gain on loan modification	-	-	16	-
Total other expenses	\$ (258)	\$ (290)	\$ (1,382)	\$ (1,354)

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

Finance expense consists of interest expense on the Term Loan (as defined below) and Line of Credit facility (as defined below) as well as amortization of deferred finance costs and unrealized gains on loan modification. The decline in finance costs was due to lower debt balances including full paydown of the Line of Credit balance in April 2025. Interest income arose from the investment of excess cash in high interest savings accounts.

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:

	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
Current income tax expense	\$ 112	\$ 12

The deferred tax assets have not been recognized in the Annual 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 and deferred tax liability 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
Deferred tax assets not recognized	\$ (25,825)	\$ 26,061

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. The benefit of these losses has not been recognized as their realization is not reasonably assured. These losses expire as follows:

Year Loss Expires	Canada	US	Total
2026	\$ 841	\$ -	\$ 841
2027	2,156	-	2,156
2028	5,890	-	5,890
2029	14,146	-	14,146
Thereafter	33,614	4,058	37,672
Total Losses	\$ 56,647	\$ 4,058	\$ 60,705

ADJUSTED EBITDA¹

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

	Three months ended December 31, 2025	Three months ended December 31, 2024	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
Income (loss) for the period	\$ 179	\$ 289	\$ (992)	\$ (2,628)
Finance expense	244	351	1,165	1,587
Interest income	(62)	-	(95)	-
Income tax expense (recovery)	87	(10)	112	12
Depreciation and amortization	423	429	1,670	1,752
EBITDA	871	1,060	1,860	723
Share-based compensation	387	212	1,188	596
Foreign exchange	76	(61)	328	(233)
Restructuring cost	-	225	-	225
Unrealized gain on loan modification	-	-	(16)	-
Adjusted EBITDA	\$ 1,335	\$ 1,436	\$ 3,359	\$ 1,311

During the three-month and twelve-month periods ended December 31, 2025, the Company generated positive Adjusted EBITDA with full year Adjusted EBITDA increasing over the prior year as a result of revenue and margin growth.

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

SUMMARY OF QUARTERLY FINANCIAL INFORMATION¹

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

	Three months ended December 31, 2025	Three months ended September 30, 2025	Three months ended June 30, 2025	Three months ended March 31, 2025	Three months ended December 31, 2024	Three months ended September 30, 2024	Three months ended June 30, 2024	Three months ended March 31, 2024
Revenue	\$ 14,925	\$ 14,197	\$ 13,088	\$ 11,904	\$ 12,589	\$ 11,589	\$ 10,738	\$ 9,395
Gross Profit	8,347	7,800	6,941	6,506	6,594	6,545	5,872	5,011
Operating income (loss)	524	524	(203)	(343)	570	73	(700)	(1,204)
Income (loss) per share (diluted)	0.00	0.01	(0.02)	(0.01)	0.01	(0.01)	(0.02)	(0.03)
Adjusted EBITDA	\$ 1,335	\$ 1,197	\$ 510	\$ 317	\$ 1,436	\$ 585	\$ (174)	\$ (536)
Cash	12,618	9,817	11,175	15,937	13,219	10,305	11,408	5,399

- As reflected in the quarterly analysis, the Company continued its trend of delivering positive Adjusted EBITDA after investing and expensing approximately \$15.1 million over a three-year period to develop and commercialize the TRUSense Gateway. Prior to the investment in the TRUSense Gateway, which was substantially completed during the quarter ended December 31, 2024, the Company had a consistent track record of delivering positive Adjusted EBITDA.
- The increased cash balance after March 31, 2024 was attributable to the cash proceeds from the bought deal financing completed by the Company on May 23, 2024 of 6,250,000 shares at a price of CAD\$1.60 per share for total gross proceeds of CAD\$10.0 million (\$7,295,720) (the "May 2024 Financing") and improved operating performance.

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

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

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

Cash

Cash as of December 31, 2025 decreased to \$12.6 million from \$13.2 million as of December 31, 2024 as a result of the paydown of the Line of Credit in April 2025 and higher capital expenditures offset by improved operating performance from both operating segments.

Working Capital¹

Working Capital as of December 31, 2025 was \$3.4 million compared to \$2.2 million as of December 31, 2024. The improvement in working capital was due to improved operating performance offset by a paydown of the revolver balance. Working capital balances fluctuate from quarter-to-quarter, based on a variety of factors such as seasonality, strategic purchasing decisions taken by management, and the timing of collections from customers and payments made to suppliers.

	December 31, 2025	December 31, 2024
Total current assets	\$ 32,446	\$ 29,891
Less: current liabilities	(29,004)	(27,740)
Working Capital	\$ 3,442	\$ 2,151

Loans

a) Line of Credit ("Line of Credit")

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

On April 17, 2025, the Line of Credit facility was amended to:

- (i) extend the maturity date to June 30, 2027,
- (ii) modify covenants including eliminating the minimum cash covenant entirely (previously a minimum cash balance of \$3.5 million was required 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,

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

- (iv) change in reporting frequency from monthly reporting to quarterly reporting provided net cash (specifically cash less line of credit balance) is greater than zero, and
- (v) selection of trailing 6 month EBITDA thresholds for 2025.

On April 22, 2025, Tantalus repaid in full the outstanding balance of \$3.7 million of the Line of Credit facility. At December 31, 2025, the trailing 6-month EBITDA threshold was \$750,000. The Company remained in compliance with the Line of Credit facility.

b) Term Loan (“Term Loan”)

On May 21, 2025, the Term Loan was amended to:

- (i) defer all principal payments for a period of six months effective May 2025,
- (ii) defer six months of interest payments which we 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 the Debt Service Coverage Ratio from December 31, 2025 to December 31, 2026.

In the event of a loan modification, IFRS 9 – Financial Instruments is applied to determine if there has been a substantial modification of the loan based on the consideration of quantitative and qualitative factors. The Company applied these standards and concluded that no substantial modification had occurred. The Company calculated the present value of the estimated future contractual cash flows using the original effective interest rate. Based on this calculation, a modification adjustment of \$16 was recorded in profit and loss and a reduction in the carrying amount of the loan liability.

The balance outstanding at December 31, 2025, excluding deferred finance costs, was approximately \$6.9 million (December 31, 2024: approximately \$7.0 million). The Term Loan bears interest at United States prime interest rate plus 5.00% per annum and the average interest rate during the three-month and twelve-month periods ended December 31, 2025 was 11.92% and 12.33%, respectively (three-month period ended December 31, 2024: 12.75% and twelve-month period ended December 31, 2024: 13.27%, respectively). At December 31, 2025, the Company was in compliance with the Term Loan.

Changes in Operating, Investing and Financing Cash Flows

	Three months ended December 31, 2025	Three months ended December 31, 2024	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
Cash provided by:				
Operating activities	\$ 3,339	\$ 3,333	\$ 4,715	\$ 2,638
Investing activities	(118)	(248)	(753)	(409)
Financing activities	(421)	(183)	(4,572)	5,857
Effect of foreign exchange on cash	2	12	9	(20)
(Decrease) increase in cash	\$ 2,802	\$ 2,914	\$ (601)	\$ 8,066

For the three-month period ended December 31, 2025, the Company generated positive cash flows from operating activities as a result of positive operating income offset by working capital changes. The cash flow used in investing activities and financing activities was consistent with the prior year.

For the twelve-month period ended December 31, 2025, the Company generated positive cash flow from operations as a result of positive operating income and from working capital changes. Cash flow used in investing activities reflects higher capital expenditures and the cash flows used in financing activities consists of the repayment of the Line of Credit facility in the current year compared to receipt of term loan proceeds and the completion of the May 2024 Financing last year.

EQUITY

As of March 18, 2026, December 31, 2025 and December 31, 2024, the following number of securities were outstanding:

	March 18, 2026	December 31, 2025	December 31, 2024
Shares	56,007,705	51,708,430	50,845,942
Stock options	8,264,213	8,336,985	8,043,435
Restricted stock units	651,435	664,769	514,405
Warrants	43,390	43,390	353,514

Basic and diluted weighted average number of shares outstanding for the three-month period ended December 31, 2025 were 51,513,774 shares and 57,968,710 shares, respectively, (2024: 50,845,942 shares and 57,363,615 shares, respectively) and for the twelve-month period ended December 31, 2025 were 51,195,989 shares (2024: 48,386,926 shares).

CONTRACTUAL OBLIGATIONS

The Company had the following commitments as of December 31, 2025:

Contractual Obligations	Total	Less than 1 year	1 - 5 years	After 5 years
Accounts Payable and accrued liabilities	\$ 18,453	\$ 18,453	\$ -	\$ -
Accrued warranty	525	-	525	-
Term loan	6,763	1,596	5,167	-
Lease liabilities	3,402	625	2,777	-
Total Contractual Obligations	\$ 29,143	\$ 20,675	\$ 8,469	\$ -

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 approximately \$21.8 million (December 31, 2024: approximately \$18.6 million).

Facilities

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

Location	Square footage	Expiry date
Raleigh, NC, United States	5,602	October 31, 2027
Burnaby, BC, Canada	32,000	January 31, 2029
Norwalk, CT, United States	2,350	January 31, 2033

OTHER ITEMS

Transactions with Related Parties

Related parties are comprised of the Company's key management. The remuneration of key management of the Company for the three-month and twelve-month periods ended December 31, 2025, and December 31, 2024, are as follows:

	Three months ended December 31, 2025	Three months ended December 31, 2024	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
Salary and benefits	\$ 788	\$ 604	\$ 3,190	\$ 2,360
Share-based compensation	210	85	752	271
Total	\$ 998	\$ 690	\$ 3,942	\$ 2,630

Increases in balances for the three-month and twelve-month periods ended December 31, 2025 were due to the addition of two new executives and the issuance of additional stock option and restricted share unit grants compared to the prior year.

Exchange Rates

Conversion	Three months ended December 31, 2025	Three months ended December 31, 2024	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
CAD \$1.00 Income statement	\$ 0.7170	\$ 0.7154	\$ 0.7157	\$ 0.7302
CAD \$1.00 Balance sheet	\$ 0.7296	\$ 0.6950	\$ 0.7296	\$ 0.6950

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

	December 31, 2025	December 31, 2024
<u>Financial Assets</u>		
Cash	\$ 12,618	\$ 13,219
Accounts receivable	\$ 9,870	\$ 10,011
<u>Financial Liabilities</u>		
Accounts payable and accrued liabilities	\$ 18,453	\$ 15,629
Line of credit	\$ -	\$ 3,679
Term loan	\$ 6,763	\$ 6,907

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

Credit Risk

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

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

Aging analysis of trade receivables is as follows:

	December 31, 2025	December 31, 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)
Total	\$ 9,870	\$ 10,011

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company regularly monitors its operations and cash flows to ensure that current and future obligations will be met when due. See Liquidity and Capital Resources section above for additional information.

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

	December 31, 2025
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

Foreign Currency Risk

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

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

Interest Rate Risk

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

The Term Loan bears interest at the United States prime interest rate plus 5.00% per annum and had an outstanding balance of approximately \$6.9 million as of December 31, 2025 (December 31, 2024: \$7.0 million). There is an immaterial impact on post-tax profit or loss and on other comprehensive loss for any possible changes in the interest rate.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepares its Annual Financial Statements in accordance with IFRS. In the preparation of these financial statements, Tantalus is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. To the extent that there are material differences between these estimates and actual results, the Company's financial condition or results of operations would be affected. Tantalus bases its estimates on experience and other assumptions that we believe are reasonable under the circumstances and re-evaluates these estimates on an ongoing basis.

a) Revenue Recognition

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

- **Connected Devices Segment.** This segment is responsible for the sale of the Company's proprietary edge computing modules that are integrated into multiple devices deployed across a utility's distribution grid including meters, sensors, street lighting fixtures and distribution automation equipment. Revenue generated from this segment also includes the sale of the Company's proprietary multi-relay load control switches and a suite of communications infrastructure devices that are deployed to deliver an industrial network-of-things / internet-of-things smart grid including base stations, repeaters and collectors; and

- Software and Services Segment. This segment is responsible for the sale of the Company's proprietary mission-critical software applications and a suite of professional services to support utilities. Revenue is generated from this segment through the sale of software licenses, hosting services, subscriptions, SaaS offerings, professional services (including project management, deployment, installation and engineering support), and post-contract technical support and annual software maintenance services ("PCS").

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

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

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

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

The Company determines revenue recognition through the following steps:

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

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

(b) Goodwill

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

An impairment loss is charged to the statement of 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.

An impairment loss recorded against goodwill is not reversed.

Disclosure of Accounting Policies

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

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

SUBSEQUENT EVENTS

- *Appointment of New Board Member:* On January 26, 2026, the Company announced the appointment of Susanna Zagar to its Board of Directors. Ms. Zagar most recently served as the CEO of the Ontario Energy Board and brings broad industry and governance expertise to the Company.
- *Completion of \$23.0 Million Bought Deal Financing:* 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\$23.0 million. The Company intends to use the net proceeds of the offering for sales and marketing, strategic growth initiatives, partial repayment of the Company’s Term Loan, capital expenditures, research and development, and working capital and general corporate expenses.
- *Changes in Import 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

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

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

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

RISK FACTORS

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