



TANTALUS SYSTEMS HOLDING INC.

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

May 6, 2026

For the three months ended March 31, 2026 and 2025

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of Tantalus Systems Holding Inc. (together with its subsidiaries and predecessors, the "Company", "we" or "Tantalus") is provided to assist readers in assessing our financial condition and our financial performance, including our liquidity and capital resources, as at and for the three months ended March 31, 2026 compared with the three months ended March 31, 2025. The information in this MD&A is current as of May 6, 2026, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2026 and 2025 and notes thereto ("Interim Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2025 and 2024 and notes thereto ("Annual Financial Statements"). Additional information relating to Tantalus including periodic quarterly reports and the AIF (as defined below) is available at www.sedarplus.ca.

The Company's Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee.

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

This MD&A was approved by the Company's Board of Directors, upon recommendation of the Audit Committee, for release on May 6, 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.

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

- c) "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.
- d) "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.
- e) "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:

- f) "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.
- g) "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 ability of Tantalus’ solutions to support utilities’ grid modernization efforts, the continuing and future application of import tariffs (and the processing of any related refund claims), the Company’s plans, objectives, strategy and expectations for its business, results 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, including economic and geopolitical matters, 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: increasing demand for the Company’s solutions in support of utilities’ grid modernization efforts, the commercialization and adoption of the TRUSense Gateway™, its ability to capitalize on growth opportunities and implement its growth strategy, its ability to retain key personnel, its ability to maintain existing customer relationships and to continue to expand its customers’ use of the Company’s products and solutions, its ability to acquire new customers, its ability to enhance the Company’s offerings to remain at the forefront of its 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 the Company’s business, its industry or the global economy; and that the risks and uncertainties described under the “Risk Factors” section of Tantalus’ Annual Information Form dated March 27, 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

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

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

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

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

2026 FIRST QUARTER HIGHLIGHTS

- *Revenue:* During Q1 2026, revenue increased by approximately 27% year-over-year to \$15.1 million. Revenue from Connected Devices and Infrastructure (“Connected Devices”) increased by \$2.6 million or 33% and Utility Software Applications & Services (“Software and Services”) revenue increased by \$0.6 million or approximately 14%. The increase in revenue was a result of adding new customers, commencing larger shipments of the TRUSense Gateway™ and continuing to expand deployments with existing accounts. Recurring Revenue¹ increased by 17% to \$3.6 million and represented 24% of total revenue in the quarter.
- *Annual Recurring Revenue (“ARR”)¹ Growth:* ARR¹ grew by over 15% year-over-year to \$14.8 million as of March 31, 2026 (March 31, 2025: \$12.8 million).
- *Sales Order Conversion:* During Q1 2026, the Company converted \$19.6 million in orders from its sales pipeline, which represents a book-to-bill ratio of 1.3x.
- *Growth of User Community:* The Company added 3 new utilities in Q1 2026, demonstrating a continued ability to convert new accounts from its sales pipeline.
- *Gross Profit and Gross Profit Margin:* During Q1 2026, Gross Profit improved to \$7.9 million from the prior year period with contributions from both the Connected Devices and Software and

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

Services segments. Overall Gross Profit Margin, on a consolidated basis, decreased to 52.3% due primarily to the impact of tariff recoveries included in revenue in the current period and product mix within the Connected Devices segment while margins from the Software and Services segment remained in line with the same period last year. Excluding the impact of tariff recoveries included in revenue, the Gross Profit Margin was 55.1%.

- *Adjusted EBITDA¹*: During Q1 2026, Tantalus delivered positive Adjusted EBITDA of approximately \$0.8 million, reflecting an improvement compared to \$0.3 million in the prior year period.
- *Cash Flow from Operating Activities*: During Q1 2026, Cash Flow from Operating Activities increased to approximately \$4.7 million as a result of increased EBITDA and positive working capital changes.
- *Bought Deal Financing*: During Q1 2026, the Company completed a bought deal financing by issuing 4,299,275 shares at a price of CAD\$5.35 per share (“February 2026 Financing”). Gross proceeds were approximately \$17.0 million (CAD\$23.0 million). Net proceeds were approximately \$15.6 million (CAD\$21.2 million) after total share issuance costs of approximately \$1.4 million (CAD\$1.8 million).
- *Liquidity*: As at March 31, 2026, Tantalus had available liquidity of approximately \$40.4 million consisting of a cash balance of \$31.9 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, 70 utilities have 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.
- *ERT License Agreement Extension*: The Company extended its license agreement with Itron, Inc. to support full Encoder Receiver Transmitter (ERT®) compatibility across the TRUConnect™ AMI Platform. The Company remains the only solution provider expressly licensed to read and deliver the complete ERT messaging structure across a purpose-built AMI platform- allowing utilities to preserve Itron warranties and enhance their grid modernization efforts.
- *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.

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

SELECTED FINANCIAL INFORMATION ¹

	Three months ended March 31, 2026		Three months ended March 31, 2025	
Revenue	\$	15,093	\$	11,904
Gross Profit		7,890		6,506
<i>Gross Profit Margin %</i>		52%		55%
Adjusted EBITDA ¹	\$	750	\$	317
<i>Adjusted EBITDA Margin ¹</i>		5%		3%
Loss for the period	\$	(405)	\$	(651)
Loss per share (basic and diluted)	\$	(0.01)	\$	(0.01)
Weighted average shares outstanding:				
Basic and diluted		54,153,677		50,848,034
Cash	\$	31,937	\$	15,937

Q1 2026 OPERATING RESULTS

	Three months ended March 31, 2026		Three months ended March 31, 2025	
Revenue	\$	15,093	\$	11,904
Cost of sales		7,203		5,397
Gross Profit		7,890		6,506
<i>Gross Profit Margin</i>		52%		55%
Expenses		7,905		6,849
Operating loss		(15)		(343)
Other expenses		(323)		(308)
Loss before income taxes		(338)		(651)
Income tax expense		67		-
Loss for the period	\$	(405)	\$	(651)
Loss per share (basic and diluted)	\$	(0.01)	\$	(0.01)

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

Revenue

<i>Revenue by Segment</i>	Three months ended March 31, 2026			Three months ended March 31, 2025		
			%			%
Connected Devices	\$	10,396	69%	\$	7,789	65%
Software and Services		4,697	31%		4,115	35%
Total revenue	\$	15,093	100%	\$	11,904	100%

Revenue increased for the three-month period ended March 31, 2026 as a result of continued growth of the business across both operating segments and commencing shipments of TRUSense Gateways in the current period.

<i>Revenue by Type</i>	Three months ended March 31, 2026		Three months ended March 31, 2025	
Recurring Revenue	\$	3,567	\$	3,063
As % of Software and Services Segment		76%		74%
As % of Total Revenues		24%		26%

Recurring Revenue¹ increased for the three-month period ended March 31, 2026 as compared to the same period in the prior year. The Company continues to demonstrate an ability to deliver recurring revenue on a per device basis as Connected Devices are shipped and deployed. Recurring Revenue as a percentage of total revenue decreased slightly in the current quarter as a result of higher sales volumes of TRUSense Gateways shipped in the period. As TRUSense Gateway volumes increase, the Company expects recurring revenue to increase in the aggregate but should reflect a lower percentage of total revenue given the upfront revenue contribution booked to the Connected Devices segment. As more TRUSense Gateways are deployed over time, recurring revenue as a percent of total revenue should normalize.

ARR¹ grew by approximately 15% to \$14.8 million as of March 31, 2026 (March 31, 2025: \$12.8 million) as a result of expanding the number of Connected Devices shipped and deployed across a growing number of utilities. As additional Connected Devices are deployed, the Company's ARR¹ expands through recurring revenue generated per device and increasing annual maintenance revenues.

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

	Three months ended March 31, 2026			Three months ended March 31, 2025		
			%			%
United States ⁽¹⁾	\$	14,970	99.2%	\$	11,715	98.4%
Canada ⁽²⁾		123	0.8%		189	1.6%
	\$	15,093	100%	\$	11,904	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 Profit and Gross Profit Margin

Three months ended March 31, 2026	Connected Devices		Software and Services		Total	
	\$	%	\$	%	\$	%
Revenue	10,396	100.0%	4,697	100.0%	15,093	100.0%
Cost of sales	6,003	57.7%	1,200	25.5%	7,203	47.7%
Gross Profit	\$ 4,393	42.3%	\$ 3,497	74.5%	\$ 7,890	52.3%
Percentage of Total Gross Profit	56%		44%		100%	

Three months ended March 31, 2025	Connected Devices		Software and Services		Total	
	\$	%	\$	%	\$	%
Revenue	7,789	100.0%	4,115	100.0%	11,904	100.0%
Cost of sales	4,326	55.5%	1,072	26.0%	5,397	45.3%
Gross Profit	\$ 3,463	44.5%	\$ 3,043	74.0%	\$ 6,506	54.7%
Percentage of Total Gross Profit	53%		47%		100%	

Overall, Gross Profit increased for the three-month period ended March 31, 2026 as a result of continued growth of the business across both operating segments.

Gross Profit Margin for the quarter decreased primarily within the Connected Devices segment from tariff recoveries included in revenue and product mix, partially offset by lower inventory obsolescence provisions recorded in the current period. Excluding the impact of tariffs, gross profit margin for the quarter would have been 55.1%. Within the period, the initial commercial production of the TRUSense Gateway™ contributed lower gross profit margin per device as the Company ramps up production. The TRUSense Gateway™ is expected to impact margins in the near term until efficiencies can be realized through increased volume. Gross profit margins in the Software and Services segment margins remained consistent with prior period.

Operating Expenses

	Three months ended March 31, 2026		Three months ended March 31, 2025	
	\$	% of Rev	\$	% of Rev
Sales and marketing	2,992	20%	2,751	23%
Research and development	2,277	15%	1,531	13%
General and administrative	2,216	15%	2,149	18%
Depreciation and amortization	420	3%	418	4%
Total expenses	\$ 7,905	52%	\$ 6,849	58%
As a percentage of total revenue	52%		58%	

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 for the three-month period ended March 31, 2026 was due to higher consulting costs and sales commissions. The Company began making initial investments in the period with the intention of expanding its presence in Canada and generating additional revenue across several provinces.

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 three-month period ended March 31, 2026 was due to additional personnel in the department as the Company makes further investments in software and analytics capabilities.

General and administrative expenses include executive and administrative staff compensation, public company costs, office expenses, accounting, legal and consulting fees. Expenses in this category has remained consistent on a comparative basis.

Adjusted Operating Expenses¹

	Three months ended March 31, 2026	Three months ended March 31, 2025
Total expenses	\$ 7,905	\$ 6,849
Depreciation and amortization	(420)	(418)
Share-based compensation	(345)	(242)
Adjusted operating expenses	\$ 7,140	\$ 6,189
As a percentage of total revenue	47%	52%

Adjusted operating expenses as a percentage of total revenues decreased for the current quarter due to higher revenues compared to the prior year.

Depreciation and Amortization

	Three months ended March 31, 2026	Three months ended March 31, 2025
Depreciation and amortization	\$ 85	\$ 72
Amortization of intangible assets	192	192
Amortization of right-of-use assets	143	154
Total depreciation and amortization	\$ 420	\$ 418

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 March 31, 2026	Three months ended March 31, 2025
Foreign exchange (loss) gain	\$ (227)	\$ 54
Finance expense	(241)	(362)
Interest income	145	-
Total other expenses	\$ (323)	\$ (308)

Foreign exchange loss and gain reported represent realized and unrealized amounts. The Company maintains certain assets in Canadian dollars which are translated into the U.S. dollar functional currency.

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

Changes in balances were attributable to changes in the foreign exchange rates between periods. The increase in the foreign exchange loss relates to Canadian dollar cash balances on hand from the February 2026 Financing.

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. 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.

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 March 31, 2026	Three months ended March 31, 2025
Loss for the period	\$ (405)	\$ (651)
Finance expense	241	362
Interest income	(145)	-
Income tax expense	67	-
Depreciation and amortization	420	418
EBITDA	178	129
Share-based compensation	345	242
Foreign exchange loss (gain)	227	(54)
Adjusted EBITDA¹	\$ 750	\$ 317

During the three-month period ended March 31, 2026, the Company generated positive Adjusted EBITDA with Adjusted EBITDA increasing over the prior period as a result of increased revenue offset by higher operating expenses.

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 March 31, 2026	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
Revenue	\$ 15,093	\$ 14,925	\$ 14,197	\$ 13,088	\$ 11,904	\$ 12,589	\$ 11,589	\$ 10,738
Gross Profit	7,890	8,347	7,800	6,941	6,506	6,594	6,545	5,872
Operating (loss) income	(15)	524	524	(203)	(343)	570	73	(700)
(Loss) income per share (diluted)	(0.01)	0.00	0.01	(0.02)	(0.01)	0.01	(0.01)	(0.02)
Adjusted EBITDA	\$ 750	\$ 1,335	\$ 1,197	\$ 510	\$ 317	\$ 1,436	\$ 585	\$ (174)
Cash	31,937	12,618	9,817	11,175	15,937	13,219	10,305	11,408

- 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.
- On a trailing twelve-month basis, the Company delivered \$57.3 million of revenue and \$3.8 million of Adjusted EBITDA, reflecting a 6.6% Adjusted EBITDA Margin.
- The increased cash balance for the three-month period ended March 31, 2026 was attributable to the cash proceeds from the February 2026 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 March 31, 2026 increased to \$31.9 million from \$12.6 million as of December 31, 2025 as a result of proceeds received from the February 2026 Financing.

Working Capital¹

Working Capital as of March 31, 2026 was \$18.6 million compared to \$3.4 million as of December 31, 2025. The improvement in working capital was due to cash proceeds received from the February 2026 Financing. 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.

	March 31,		December 31,
	2026		2025
Total current assets	\$ 49,590	\$	32,446
Less: current liabilities	(30,974)		(29,004)
Working Capital	\$ 18,616	\$	3,442

Equity Financing

The Company completed the February 2026 Financing on February 9, 2026, by issuing an aggregate of 4,299,275 common shares at a price of CAD\$5.35 per common share for total gross proceeds of approximately \$17.0 million (CAD\$23.0 million). The aggregate common shares issued and the total gross proceeds of the February 2026 Financing includes the full exercise by the underwriters of an over-allotment option to purchase up to an additional 560,775 common shares for additional gross proceeds from the exercise of the over-allotment option of approximately \$2.2 million (CAD\$3.0 million).

In accordance with the terms of the underwriting agreement entered between the Company and the underwriters dated February 4, 2026 in connection with the February 2026 Financing, the Company paid to the underwriters a cash fee equal to 6.0% (reduced to 3.0% with respect to certain purchasers identified on the Company's president's list) of the aggregate gross proceeds received by the Company in connection with the offering (the "Cash Commission"). The underwriters did not receive any Cash Commission in connection with sales completed to any U.S. purchasers on the Company's president's list.

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

Share issuance costs related to this financing totaled approximately \$1.4 million (CAD\$1.8 million) inclusive of Cash Commissions of approximately \$1.0 million (CAD\$1.4 million).

The following table shows the total proceeds with estimated use of proceeds for the February 2026 Financing compared with actual use of proceeds as of March 31, 2026, and estimated future use of proceeds:

February 2026 Financing (in US\$)	Estimated Use of Proceeds	Use of Proceeds as at March 31, 2026	Estimated Future Use of Proceeds
Sales and business development activities	\$ 6,636	\$ -	\$ 6,636
General corporate purposes and working capital	4,438	-	4,438
Partial repayment of Team Loan	3,568	-	3,568
Research and development activities pertaining to new product initiatives	959	-	959
Total	\$ 15,601	\$ -	\$ 15,601

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 with a maturity date of June 30, 2027.

The facility bears interest at the bank’s prime rate plus 1.25% or SOFR plus 4.25% with the rate to be selected by the Company. 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 at March 31, 2026 and December 31, 2025, the Company had no balance outstanding on its line of credit. The trailing 6-month EBITDA threshold as at March 31, 2026 was \$750,000. The Company remained in compliance with the Line of Credit facility.

b) Term Loan (“Term Loan”)

The Term Loan has an initial six-year term with interest payable on a monthly basis during the initial 18 months with amortized principal and interest repayments through the remainder of the term.

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 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.

The balance outstanding as at March 31, 2026, excluding deferred finance costs, was approximately \$6.4 million (December 31, 2025: approximately \$6.8 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 period ended March 31, 2026 was 11.75% (three-month period ended March 31, 2025: 12.50%). As at March 31, 2026, the Company was in compliance with the Term Loan.

Changes in Operating, Investing and Financing Cash Flows

Cash provided by:	Three months ended		Three months ended	
	March 31, 2026		March 31, 2025	
Operating activities	\$	4,691	\$	3,245
Investing activities		(88)		(194)
Financing activities		15,050		(333)
Effect of foreign exchange on cash		(334)		-
Increase in cash	\$	19,319	\$	2,718

For the three-month period ended March 31, 2026, the Company generated positive cash flows from operating activities as a result of working capital changes offset by an operating loss. The cash flow used in investing activities was lower than last year due to the timing of capital expenditures. The increase in positive cash flows from financing activities is a result of proceeds received from the February 2026 Financing offset by Term Loan principal payments.

EQUITY

As of May 6, 2026 and March 31, 2026, the following number of securities were outstanding:

	May 6, 2026	March 31, 2026	December 31, 2025
Shares	56,282,005	56,087,480	51,708,430
Stock options	8,116,544	8,484,168	8,336,985
Restricted stock units	937,435	937,435	664,769
Warrants	37,090	43,390	43,390

CONTRACTUAL OBLIGATIONS

The Company had the following commitments as of March 31, 2026:

Contractual Obligations	Total		Less than 1 year		1 - 5 years		After 5 years	
Accounts Payable and accrued liabilities	\$	16,068	\$	16,068	\$	-	\$	-
Accrued warranty		1,288		679		609		-
Term loan		6,364		1,596		4,768		-
Lease liabilities		4,190		1,126		3,060		4
Total Contractual Obligations	\$	27,910	\$	19,469	\$	8,437	\$	4

In the ordinary course of business, the Company enters into purchase order commitments for the delivery of its products pertaining to existing and anticipated customer orders over the next twelve months from its primary vendors. As of March 31, 2026, the Company had outstanding purchase order commitments of approximately \$25.8 million (December 31, 2025: approximately \$21.8 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 months ended March 31, 2026, and March 31, 2025, are as follows:

	Three months ended March 31, 2026	Three months ended March 31, 2025
Salary and benefits	\$ 918	\$ 824
Share-based compensation	231	171
Total	\$ 1,149	\$ 995

Increases in balances for the three-month period ended March 31, 2026 was due higher compensation expenses and the issuance of additional stock option and restricted share unit grants compared to the prior year.

Exchange Rates

Conversion	Three months ended March 31, 2026	Twelve months ended December 31, 2025	Three months ended March 31, 2025
CAD \$1.00 Income statement	\$ 0.7290	\$ 0.7157	\$ 0.6968
CAD \$1.00 Balance sheet	\$ 0.7174	\$ 0.7296	\$ 0.6956

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.

	March 31, 2026	December 31, 2025
<u>Financial Assets</u>		
Cash	\$ 31,937	\$ 12,618
Accounts receivable	\$ 8,445	\$ 9,870
<u>Financial Liabilities</u>		
Accounts payable and accrued liabilities	\$ 16,747	\$ 18,453
Term loan	\$ 6,364	\$ 6,763

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 financial loss to the Company 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 cash and trade receivables. Excess cash balances are held in high interest savings accounts with the primary objective being the preservation of capital and maintenance of liquidity. The Company manages credit risk by holding cash with Canadian and American banks of high creditworthiness. Accounts receivable primarily consist of trade receivables from utilities companies which have a low risk of default. With respect to certain 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 months ended March 31, 2026.

Aging analysis of trade receivables is as follows:

	March 31, 2026	December 31, 2025
Current	\$ 3,867	\$ 4,957
31-90 days	2,852	3,655
91-180 days	1,354	908
Over 180 days	1,432	1,410
Less: Allowance for expected credit losses	(1,060)	(1,060)
Total	\$ 8,445	\$ 9,870

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:

	March 31, 2026	
Less than 90 days:		
Accounts payable and accrued liabilities	\$	16,068
Less than one year:		
Accrued warranty	\$	679
Term Loan		1,596
Lease liabilities		879
Greater than one year:		
Accrued warranty	\$	609
Term Loan		4,768
Lease liabilities		1,447

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 March 31, 2026 and December 31, 2025. 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 March 31, 2026 and December 31, 2025.

The Term Loan bears interest at the United States prime interest rate plus 5.00% per annum and had an outstanding balance of approximately \$6.4 million as of March 31, 2026 (December 31, 2025: \$6.8 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

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

(i) New and amended standards adopted

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

On 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.

These amendments had no material impact on the interim condensed consolidated financial statements of the Company.

(ii) New standards issued but not yet effective

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

Presentation and Disclosure in Financial Statements (IFRS 18)

This is a new standard on presentation and disclosure in financial statements which replaces IAS 1, with a focus on updates to the statement of profit or loss. IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation

An entity is required to apply IFRS 18 for annual reporting periods on or after January 1, 2027, with earlier adoption permitted. IFRS 18 requires retrospective application with specific transition provisions.

The Company is currently working to identify the impacts the amendments will have on the primary financial statements and notes to the financial statements.

SUBSEQUENT EVENTS

In February 2026, the United States Supreme Court invalidated tariffs imposed under the International Emergency Economic Powers Act (IEEPA). Subsequent to that decision, the Court of International Trade (CIT) issued an order that effectively required United States Customs and Border Protection (CBP) to issue refunds to all importers who validly paid IEEPA tariffs. On April 20, 2026, CBP launched the Consolidated Administration and Processing of Entries (CAPE) portal to process refund claims for IEEPA tariffs. The Company intends to file refund claims for the IEEPA tariffs that the Company, or its brokers and logistics partners, are eligible to do so across the various phases of the refund process. The Company is aware of continuing uncertainty regarding whether the U.S. government will appeal the CIT order or otherwise modify the expected refund process as well as the timing for receipt of refunds.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, an evaluation of the effectiveness of the Company’s DC&P as of March 31, 2026, was carried out. The evaluation was carried out under the supervision of, and with the participation of, the CEO and CFO. Based on this evaluation, the CEO and CFO concluded that the Company’s DC&P were effective as of March 31, 2026.

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, an evaluation of the effectiveness of the Company’s ICFR as of March 31, 2026, was carried out. The evaluation was carried out within the criteria set forth by the COSO Framework and under the supervision of, and with the participation of, the CEO and the CFO. Based on this evaluation, the CEO and CFO concluded that the Company’s ICFR were effective as of March 31, 2026.

There were no changes in the Company’s ICFR during the three months ended March 31, 2026, 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.