

SPARQ SYSTEMS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

(Expressed in Canadian dollars)

The accompanying unaudited condensed interim financial statements for the three months ended March 31, 2025 and 2024 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company. In accordance with National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited condensed interim financial statements have not been reviewed by an auditor.

SPARQ SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

(Expressed in Canadian dollars)

As at:	Note	March 31, 2025	December 31, 2024
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		6,372,213	6,944,918
Accounts and other amounts receivable	4	1,366,771	1,744,495
Inventory	5	2,299,218	2,298,049
Prepaid expenses and deposits		74,998	82,458
Total current assets		10,113,200	11,069,920
Property, plant and equipment	6	739,175	758,488
Total assets		10,852,375	11,828,408
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		258,476	179,139
Lease liability – current portion	8	153,271	150,584
Total current liabilities		411,747	329,723
Lease liability	8	287,064	284,403
Total liabilities		698,811	614,126
Shareholders' Equity			
Share Capital	9	38,957,068	38,957,068
Contributed Surplus	9,11	8,486,449	8,476,570
Warrants	7,9	458,605	458,605
Deficit		(37,748,559)	(36,677,961)
Total shareholders' equity		10,153,563	11,214,282
Total liabilities and shareholders' equity		10,852,374	11,828,408

Going concern (Note 2(e))
Commitments and contingencies (Note 13)

Approved on behalf of the Board of Directors:

“Praveen Jain”, Director

“Nishith Goel”, Director

SPARQ SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

(Expressed in Canadian dollars)

	Note	2025	2024
		\$	\$
Revenue		-	2,566
Cost of sales – including inventory write down	5	(11,926)	(9,316)
Gross margin		(11,926)	(6,750)
Expenses			
Research and development	12	339,800	281,593
Sales and marketing		39,708	19,277
General and administration		580,690	556,251
Depreciation of property and equipment	6	73,853	32,252
Stock-based compensation	11	9,879	35,723
Total expenses		1,043,930	925,096
Loss before other income (expenses)		(1,055,856)	(931,846)
Other income (expense)			
Interest and accretion	7,8	(15,916)	(50,947)
Interest income		8,259	564
Foreign exchange gain		(7,085)	36,172
		(14,742)	(14,211)
Net loss and comprehensive loss for the period		(1,070,598)	(946,057)
Basic and diluted loss per share		(0.01)	(0.01)
Weighted average shares outstanding	10	116,935,108	82,444,752

SPARQ SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

(Expressed in Canadian dollars)

	Note	Number of Shares	Common Shares \$	Contributed Surplus \$	Warrants \$	Deficit \$	Total \$
Balance, December 31, 2023		82,444,752	26,462,308	6,577,322	-	(31,023,617)	2,016,013
Stock-based compensation	11	-	-	35,723	-	-	35,723
Net loss for the period		-	-	-	-	(946,057)	(946,057)
Balance, March 31, 2024		82,444,752	26,462,308	6,613,045	-	(31,969,674)	1,105,679
Balance, December 31, 2024		116,935,108	38,957,068	8,476,570	458,605	(36,677,961)	11,214,282
Stock-based compensation	11	-	-	9,879	-	-	9,879
Net loss for the period		-	-	-	-	(1,070,598)	(1,070,598)
Balance, March 31, 2025		116,935,108	38,957,068	8,486,449	458,605	(37,748,559)	10,153,563

The accompanying notes are an integral part of these consolidated financial statements

SPARQ SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

(Expressed in Canadian dollars)

	Note	2025	2024
		\$	\$
Operating activities:			
Net loss for the period		(1,070,598)	(946,057)
Items not involving cash			
Depreciation expense	6	73,853	32,252
Interest and accretion	7,8	15,916	50,947
Stock-based compensation	11	9,879	35,724
Changes in non-cash working capital:			
Accounts and other amounts receivable		377,724	(26,312)
Inventory		(1,169)	(8,419)
Prepaid expenses and deposits		7,460	8,081
Accounts payable and accrued liabilities		79,339	311,608
Cash flow used in operating activities		(507,596)	(542,176)
Investing activities			
Acquisition of equipment	6	(14,038)	(3,025)
Cash flow used in investing activities		(14,038)	(3,025)
Financing activities:			
Loan proceeds	7	-	668,750
Lease payments	8	(51,071)	(8,773)
Cash flow (used in) from financing activities		(51,071)	659,977
Net increase (decrease) in cash and cash equivalents		(572,705)	114,776
Cash and cash equivalents at beginning of the period		6,944,918	287,832
Cash and cash equivalents at end of the period		6,372,213	402,608

The accompanying notes are an integral part of these consolidated financial statements

SPARQ SYSTEMS INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

(Expressed in Canadian dollars)

1. Nature of business

Sparq Systems Inc. (formerly SPARQ Corp.) (the “**Company**”) was incorporated under the *Business Corporations Act* (Ontario) on November 13, 2018. The address of the Company’s registered and head office is 945 Princess Street, Box 212, Kingston, Ontario K7L 0E9. The common shares are listed for trading on the TSX Venture Exchange (the “**TSXV**”) under the symbol “SPRQ”. The common shares are also quoted for trading on the OTCQB under the symbol “SPRQF” and on the Frankfurt Stock Exchange under the symbol “M26”.

The Company designs and manufactures next generation single-phase microinverters for residential and commercial solar electric applications. The Company has developed a proprietary photovoltaic (“**PV**”) solution called the Quad; the Quad inverter optimizes four PV modules with a single microinverter, simplifying design and installation, and lowering cost for solar power installations when compared to existing market offerings.

2. Basis of presentation, measurement, and consolidation

a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except as disclosed in the notes. They have been prepared in compliance with IFRS Accounting Standards (“**IFRS**”) and its interpretations as issued by the International Accounting Standards Board (“**IASB**”). These financial statements were authorized for issue by the Board of Directors of the Company on May 23, 2025.

b) Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and share-based compensation transactions which have been measured at fair value.

c) Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its majority-owned subsidiary, SPARQ Systems India Private Limited (“**SPARQ India**”), which was incorporated under the laws of India. Inter-company transactions and balances between the Company and SPARQ India have been eliminated on consolidation. SPARQ India has a reporting date of December 31.

Profit or loss and other comprehensive loss of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

d) Functional and presentation currency

The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which each entity operates. The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

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e) **Going concern assumption**

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at March 31, 2025, the Company had a deficit of \$37,748,559 (December 31, 2024 - \$36,677,961) and, for the three months ended March 31, 2025, incurred a net loss of \$1,070,598 (March 31, 2024 - \$946,057) and negative cash flows from operating activities of \$507,596 (March 31, 2024 - \$542,176). The Company has used debt and equity financing from both related and unrelated sources to supplement its operations and will continue to be reliant on additional debt and/or equity financing in order to fully develop its business plan.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs.

These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

These unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported expenses and the classifications used in the consolidated statement of financial position. Such differences in amounts could be material.

3. Material accounting policy information

These unaudited condensed interim consolidated financial statements reflect the accounting policies described in Note 3 to the audited financial statements for the year ended December 31, 2024 and accordingly, should be read in conjunction with such audited financial statements and the notes thereto.

Standards, amendments and interpretations not yet effective

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2026, that have not been applied in preparing the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2025. Except as disclosed below, these standards and interpretations are not expected to have a material impact on the Company's consolidated financial statements.

On May 30, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; add new disclosures for certain instruments with contractual terms that can change cash flows, such as some instruments with features linked to the achievement of environment, social and governance targets; and update the disclosures for equity instruments designated at fair value through other comprehensive income. These amendments apply to annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The Company is currently assessing the impact and efforts related to the amendments to IFRS 9 and IFRS 7.

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On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1. IFRS 18 applies to annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The key new concepts introduced in IFRS 18 relate to: (i) the structure of the statement of profit or loss; (ii) required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and (iii) enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The Company is currently assessing the impact and efforts related to adopting IFRS 18.

4. Accounts receivable

	March 31, 2025	December 31, 2024
Accounts receivable	\$ 1,316,590	\$ 1,683,260
Sales tax receivable	50,181	61,235
	\$ 1,366,771	\$ 1,744,495

5. Inventory

	March 31, 2025	December 31, 2024
Finished goods	\$ 293,535	\$ 203,837
Raw materials	2,186,335	2,274,864
	2,479,870	2,478,701
Provision	(180,652)	(180,652)
	\$ 2,299,218	\$ 2,298,049

During the three months ended March 31, 2025, the Company recognized cost of sales of \$11,926 (2024 - \$9,316), which was comprised of inventory for items no longer expected to be manufactured and sold.

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6. Property and equipment

	Equipment	Furniture and fixtures	Computer equipment	Computer software	Leasehold improvements	Right of use asset	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, December 31, 2023	794,511	27,027	75,404	20,590	23,154	76,109	1,016,795
Additions	72,711	-	15,944	13,025	-	453,024	554,704
Balance, December 31, 2024	867,222	27,027	91,348	33,615	23,154	529,133	1,571,499
Additions	8,600	-	5,438	-	-	40,502	54,540
Balance, March 31, 2025	875,822	27,027	96,786	33,615	23,154	569,635	1,626,039
Accumulated depreciation							
Balance, December 31, 2023	466,670	25,303	65,403	14,275	13,907	12,276	597,834
Depreciation	88,466	440	7,486	13,215	2,361	103,209	215,177
Balance, December 31, 2024	555,136	25,743	72,889	27,490	16,268	115,485	813,011
Depreciation	24,979	110	3,085	4,094	590	40,995	73,853
Balance, March 31, 2025	580,115	25,853	75,974	31,584	16,858	156,480	886,864
Net book value							
Balance, December 31, 2024	312,086	1,284	18,459	6,125	6,886	413,648	758,488
Balance, March 31, 2025	295,707	1,174	20,812	2,031	6,296	413,155	739,175

7. Loans

On November 27, 2023, the Company entered into an unsecured loan agreement with an arm's length party for a principal amount of \$500,000 (the "**November 2023 Loan**"). The November 2023 Loan bears interest at a rate of 12% per annum and the principal and accrued interest on the November 2023 Loan are payable on the later of: (i) May 27, 2024; and (ii) the date on which the Company completes an equity or debt financing. The proceeds of the November 2023 Loan were used for the Company's working capital requirements and other general corporate purposes.

In connection with the November 2023 Loan, the lender was issued warrants to purchase up to 1,000,000 common shares (each, a "**Bonus Warrant**"). Each Bonus Warrant entitles the holder to purchase one (1) common share in the capital of the Company at a price per share equal to the greater of: (i) \$0.15; and (ii) the closing trading price of the common shares on the first date that the Company announces a proposed equity or debt financing. The Bonus Warrants are exercisable for a period of one year from the date of their issuance. The Bonus Warrants were considered a cost of issuance. The conversion feature of the Bonus Warrants meets the definition of a derivative liability instrument because the conversion rate is variable and therefore does not meet the fixed-for-fixed criteria outlined under IFRS. As a result, the conversion feature is required to be recorded as a derivative liability at fair value and marked-to-market each period with the changes in fair value each period being charged or credited to income. The Bonus Warrants were allocated an estimated fair value of \$59,649 using the Monte Carlo pricing model. On May 6, 2024, in accordance with the terms of the Bonus Warrants, the exercise price of each Bonus Warrant was deemed to be \$0.405 per share, as this was the Market Price (as defined in the policies of the TSXV) on the first date prior to the Company announcing a proposed financing. Since the fixed-for-fixed criteria was met, the derivative liability was derecognized, and the Bonus Warrants were recognized as equity.

During the year ended December 31, 2024, the Company received an additional \$168,750 in loans (together with the November 2023 Loan, the "**Loans**") with the same terms and conditions as the November 2023 Loan.

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On June 10, 2024, the Company settled the Loans (comprised of \$668,750 in principal and \$41,506 in interest) in full by issuing an aggregate of 1,775,640 common shares at a deemed issuance price of \$0.40 per common share. During the three months ended March 31, 2025, interest and accretion charged on the Loans was \$nil (March 31, 2024 - \$48,797).

8. Lease liability

Balance, December 31, 2023	65,554
Lease interest	42,036
Addition	453,024
Lease payments	(125,627)
Balance, December 31, 2024	\$ 434,987
Lease interest	15,916
Addition	40,502
Lease payments	(51,070)
Balance, March 31, 2025	\$ 440,335
Allocated as:	
Current	\$ 153,271
Long Term	\$ 287,064

On August 1, 2023, the Company entered into a 31 month lease for office space. The term of the lease will expire on February 27, 2026, with no further options to renew at the current terms. Under the lease, the Company is required to pay a monthly base rent of \$2,924. At the commencement of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 13.57%, which was estimated to be Company's incremental borrowing rate in Canada.

On January 1, 2024, the Company entered into a lease for office space. The term of the lease will expire on December 31, 2027. Under the lease, the Company is required to pay a monthly base rent of \$12,931, with an annual increase of 2.5%. At the commencement of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 13.50%, which was estimated to be Company's incremental borrowing rate in Canada.

On January 1, 2025, the Company entered into a lease for office space for SPARQ India. The term of the lease will expire on December 31, 2029. Under the lease, the Company is required to pay a monthly base rent of \$843, with an annual increase of 5%. At the commencement of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 13.50%, which was estimated to be Company's incremental borrowing rate in Canada.

9. Share capital

Authorized

An unlimited number of common shares.

Issued

As at March 31, 2025, 116,935,108 (December 31, 2024 - 116,935,108) common shares were issued and outstanding. All common shares previously subject to escrow have been released.

No common shares were issued during the three months ended March 31, 2025.

The following common shares were issued during the year ended December 31, 2024:

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- On May 31, 2024, the Company closed the first tranche of a brokered private placement of common shares (the “**Offering**”) by issuing 11,938,745 common shares at a price of \$0.40 per common share for aggregate gross proceeds of \$4,775,498. Pollitt & Co. Inc. (the “**Agent**”) was engaged as the sole agent and bookrunner for the Offering to offer the common shares on a best efforts agency basis. In connection with the closing of the first tranche of the Offering, the Agent received: (i) a cash commission of \$239,212; and (ii) 361,442 compensation warrants (each, a “**Compensation Warrant**”) exercisable at \$0.40 per common share for a period of two years from the closing of the first tranche of the Offering.
- On June 7, 2024, the Company closed the second tranche of the Offering by issuing 18,950,975 common shares at a price of \$0.40 per common share for aggregate gross proceeds of \$7,580,390 (for a total of \$12,355,888 for both tranches). In connection with the closing of the second tranche of the Offering, the Agent received: (i) a cash commission of \$450,823; (ii) 1,107,059 Compensation Warrants exercisable at \$0.40 per common share for a period of two years from the closing of the second tranche of the Offering; and (iii) a corporate advisory fee of \$250,000 which was satisfied through the issuance of 625,000 common shares. The expenses of the Offering totalled \$214,622. The net proceeds of the Offering are intended to be used for working capital and general corporate purposes. The Compensation Warrants issued in connection with the first tranche and second tranche of the Offering were allocated an estimated fair value of \$458,605, using the Black-Scholes option pricing model with the weighted average assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 4.26%, an expected dividend yield of 0%, an expected stock price volatility of 166%, and an expected life of two years.
- On November 26, 2024, 1,000,000 common shares were issued on the exercise of 1,000,000 Bonus Warrants at \$0.405 per Bonus Warrant for proceeds of \$405,000. The Bonus Warrants had a recorded value of \$242,936, which was re-allocated from warrants to share capital on the exercise.
- On November 29, 2024, 199,996 common shares were issued on the exercise of 199,996 stock options (“**Options**”) at \$0.385 per share for proceeds of \$77,000. The Options had a recorded value of \$66,943, which was re-allocated from contributed surplus to share capital on the exercise.

Warrants

	Number of Warrants	Weighted average exercise price
	#	\$
Balance, December 31, 2023	1,000,000	0.15
Exercise price of Bonus Warrants became fixed (note 7)	-	0.405
Exercise of Bonus Warrants	(1,000,000)	(0.405)
Compensation Warrants issued	1,468,501	0.40
Balance, December 31, 2024	1,468,501	0.40
Balance, March 31, 2025	1,468,501	0.40

As at March 31, 2025 the Company had the following warrants outstanding:

Number of Warrants Outstanding	Exercise Price (\$)	Expiry Date	Remaining Life (years)
361,442	0.40	05/31/2026	1.17
1,107,059	0.40	06/07/2026	1.19
1,468,501			

10. Loss per share

Loss per share is calculated by dividing loss by the weighted average number of common shares outstanding during the year. In computing diluted earnings per share, an adjustment is made for the dilutive effect of

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outstanding Options, warrants and other convertible instruments. In periods where a net loss is reported all outstanding Options, warrants and other convertible instruments are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

11. Stock-based compensation

The Company has an omnibus equity incentive plan (the “**Omnibus Plan**”) which provides for a wide range of incentive awards, including Options, deferred share units (“**DSUs**”), restricted share units (“**RSUs**”), performance share units (“**PSUs**”) and other share-based awards (“**Other Share-Based Awards**”, and together with Options, DSUs, RSUs, PSUs, “**Awards**”) to attract, retain and motivate Employees, Directors, Officers and Consultants of the Company (as such terms are defined in the Omnibus Plan). The Omnibus Plan is a “rolling up to 10% and fixed up to 10%” Security Based Compensation Plan, as defined in Policy 4.4 - Security Based Compensation of the TSXV. The Omnibus Plan is a: (a) “rolling” plan pursuant to which the number of common shares that are issuable pursuant to the exercise of Options granted under the Omnibus Plan shall not exceed 10% of the issued and outstanding common shares as at the date of any Option grant; and (b) “fixed” plan under which the number of common shares that are issuable pursuant to all Awards other than Options granted under the Omnibus Plan and under any other security based compensation arrangement, in aggregate is a maximum of 8,244,475 common shares, in each case, subject to adjustment as provided in the Omnibus Plan and any subsequent amendment to the Omnibus Plan. Shareholders approved the initial adoption of the Omnibus Plan at the Company’s annual and special meeting held on June 1, 2022.

The following details all Options and DSUs granted under the Omnibus Plan during the three months ended March 31, 2025 and the year ended December 31, 2024. No RSUs, PSUs or Other Share-Based Awards have been issued as of the date hereof.

Stock options

	Number of Options #	Weighted average exercise price \$
Balance, December 31, 2023	6,492,000	0.46
Exercised	(199,996)	0.385
Granted (i)	4,624,702	0.41
Granted (ii)	200,000	0.71
Balance, December 31, 2024 and March 31, 2025	11,116,706	0.45

- (i) On June 28, 2024, 4,624,702 Options were granted to directors, officers and employees of the Company with an exercise price of \$0.41. The Options are exercisable for a period of five years and vested immediately upon grant. The Options were allocated an estimated fair value of \$1,711,133 using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 3.15%, an expected dividend yield of 0%, an expected stock price volatility of 145%, and an expected life of five years.
- (ii) On October 18, 2024, 200,000 Options were granted to a director of the Company with an exercise price of \$0.75. The Options are exercisable for a period of five years and vested immediately upon grant. The Options were allocated an estimated fair value of \$127,544 using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 3.09%, an expected dividend yield of 0%, an expected stock price volatility of 143%, and an expected life of five years.

The underlying expected stock price volatility for the calculation of the fair value of the Options is based on historical data of similar companies, as the Company has limited historical data itself on which it could be based. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the Options.

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The Options have various vesting terms. In total, \$9,879 (three months ended March 31, 2024 – \$35,723) of stock-based compensation expense relating to Options was included in the statements of loss and comprehensive loss for the three months ended March 31, 2025, and credited to contributed surplus.

As at March 31, 2025 the Company had the following Options outstanding:

Number of Options Outstanding	Exercise Price (\$)	Expiry Date	Number of Options Exercisable	Weighted Average Remaining Life (years)
112,000	0.25	8/9/2029	112,000	4.36
5,025,000	0.50	12/31/2026	5,025,000	1.75
275,000	0.50	02/24/2027	275,000	1.90
200,004	0.385	11/22/2027	33,328	2.65
500,000	0.285	12/01/2027	125,000	2.67
30,000	0.18	04/20/2027	19,375	2.06
150,000	0.18	04/20/2028	77,500	3.06
4,624,702	0.41	06/28/2029	4,624,702	4.25
200,000	0.75	10/18/2029	200,000	4.65
11,116,706			10,491,905	2.95

The weighted average exercise of the Options is \$0.45 (December 31, 2024 - \$0.45).

DSUs

Under the Omnibus Plan, the Company will redeem vested DSUs, subject to earlier expiration or cancellation in accordance with the Omnibus Plan by either (in the sole discretion of the board of directors of the Company): (i) issuing common shares from treasury; (ii) delivering common shares acquired on the open market; (iii) making a lump sum payment equal to the value of the issuable number of common shares; or (iv) any combination thereof. On the date of grant, the DSUs are recognized at their fair value based on the price of the common shares on that date.

On November 30, 2023, 550,817 DSUs were granted to employees of the Company. The DSUs vested on November 30, 2024. On the date of grant the DSUs had a fair value of \$0.11 per DSU and are being expensed over their vesting period. As at March 31, 2025 and December 31, 2024, all 550,817 DSUs were issued and outstanding. In total, \$nil (2024 - \$5,050) of stock-based compensation expense relating to DSUs was included in the consolidated statements of loss and comprehensive loss for the three months ended March 31, 2025 and credited to contributed surplus.

12. Related party transactions

- (a) During the three months ended March 31, 2025, the Company was charged \$100,000 (three months ended March 31, 2024 - \$75,000) for consulting services provided by PE Consultants Inc., an entity which is controlled by Praveen Jain, the Chief Executive Officer of the Company. These expenses have been recorded in research and development and general and administrative expenses. As at March 31, 2025, \$nil (December 31, 2024 – \$nil) of this amount is included in accounts payable and accrued liabilities.
- (b) During the three months ended March 31, 2025, the Company was charged \$9,000 (three months ended March 31, 2024 - \$9,000) for consulting services provided by CFO Advantage Inc., an entity which is controlled by Kyle Appleby, the Chief Financial Officer of the Company. These expenses have been recorded in general and administrative expenses. As at March 31, 2025, \$13,560 (December 31, 2024 – \$3,000) of this amount is included in accounts payable and accrued liabilities.
- (c) On June 16, 2022, the Company signed a manufacturing agreement (the “**Manufacturing Agreement**”) with Ti-Lane Precision Electronic Company Limited (“**Ti-Lane**”) to manufacture turn-key Q1200 microinverters for the Company on a high volume basis at Ti-Lane’s facility based in Guangdong Province, China. The Manufacturing Agreement had an initial term of three years and was mutually terminated by the Company and Ti-Lane on November 30, 2024. Ti-Lane is a shareholder in the Company and is controlled by Baojun (Robbie) Luo, one of

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the Company's directors. During the three months ended March 31, 2025, the Company was charged \$11,660 (three months ended March 31, 2024 - \$354,369) by Ti-Lane for services. As at March 31, 2025, \$3,083 (December 31, 2024 - \$2,345) of this amount is included in accounts payable and accrued liabilities.

- (d) Transactions with related parties are incurred during the course of normal operations and initially recorded at fair value. Key management includes directors and officers of the Company. Compensation awarded to key management was comprised of the following for the three months ended March 31, 2025:

		2025		2024
Short-term compensation	\$	109,000	\$	84,000
Share-based payments		-		-
Total	\$	109,000	\$	84,000

13. Commitments and contingencies

Commitments

On July 31, 2013, the Company entered into a licensing agreement (the "**PARTEQ Agreement**") with PARTEQ Research and Development Innovations for commercial rights to certain power generation, conversion, and switching technologies used in its products. Pursuant to the terms of the PARTEQ Agreement, the Company is obligated to pay 1% of specified net sales generated from the sale of products using the licensed technology.

Contingencies

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As at March 31, 2025 and December 31, 2024, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

The Company has received a payment demand from one of its suppliers with respect to a prior purchase order. The total amount of the demand is approximately \$1.38 million although management of the Company is of the belief that the supplier is in default of the purchase order and therefore the Company does not have an obligation to make such payment. No provision has been recorded with respect to this demand.

14. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

a) Credit risk

Credit risk is the risk of a potential loss to the Company if one party of a financial instrument fails to meet its contractual obligations. The maximum credit exposure as at March 31, 2025 and December 31, 2024 relates to the carrying amount of cash and cash equivalents and accounts receivable. To reduce credit risk, all significant cash balances are placed with major financial institutions. Therefore, credit risk is low.

The Company may provide credit to customers in the normal course of business. In such cases, it would perform ongoing credit evaluations and establish an allowance for expected credit losses based on historical experience and forward-looking information consistent with management's expectations. The Company does not normally require a guarantee. As at March 31, 2025, 99% of the Company's accounts receivables were comprised of outstanding balances from one customer (December 31, 2024 - 99%).

The Company's expected credit loss allowance is estimated using historical loss information, current industry conditions and payment practices, as well as reasonable and supportable forecasts of future economic conditions. Credit risk is assessed based on days outstanding and utilizes both internal credit assessments and publicly

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available credit information. As a result, the allowance reflects anticipated effects caused by recent market deterioration. As at March 31, 2025, the current expected credit loss allowance was \$Nil (December 31, 2024 - \$Nil).

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the effective management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity at all times to settle obligations and liabilities when due. The Company has the following contractual obligations:

	Less than 1 year	1 to 5 years	Total	Carrying
	\$	\$	\$	value
Accounts payable and accrued liabilities	258,476	-	258,476	258,476
Lease liability	153,271	287,064	440,335	440,335
March 31, 2025	411,747	287,064	698,811	698,811

	Less than 1 year	1 to 3 years	Total	Carrying
	\$	\$	\$	value
Accounts payable and accrued liabilities	179,139	-	179,139	179,139
Lease liability	150,584	284,403	434,987	434,987
December 31, 2024	329,723	284,403	614,126	614,126

c) Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The loan payable provides for a fixed annual interest rate and therefore exposes the Company to the risk of fair value variation due to interest rate variation because this financial asset is recognized at amortized cost. The other financial assets and liabilities of the Company do not represent interest risk because they do not bear interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

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d) Tariff uncertainty

In early 2025, the United States government announced plans to impose a 25% tariff on most Canadian imports. These tariffs, initially set to take effect on February 4, 2025, were subsequently postponed and partially came into effect on March 4, 2025. Additional tariffs took effect on April 2, 2025. The Canadian government then announced retaliatory tariffs on imports from the United States as well as non-tariff measures.

Due to the current macroeconomic uncertainty relating to the threat of tariffs on aluminum and other materials and the Canadian government's retaliatory tariffs, the Company has been carefully reviewing procurement strategies to mitigate the potential operational and economic impact these changes may have. While the extent of the impact cannot be quantified at this time, these measures may have an adverse effect on the Company's operations.

e) Foreign exchange risk

The Company is exposed to foreign exchange risk from various currencies, primarily the US dollar. Foreign exchange risk arises from sales and purchase transactions as well as recognized financial assets and liabilities that are denominated in a currency other than the Canadian dollar, which is the functional currency of the Company.

The Company's primary objective in managing its foreign exchange risk is to preserve sales values and cash flows and reduce variations in performance. Although management monitors exposure to such fluctuations, it does not employ any external hedging strategies to counteract the foreign currency fluctuations.

The following amounts were denominated in foreign currency:

	Currency	March 31, 2025	December 31, 2024
Cash	US Dollar	\$ 4,088,709	\$ 3,868,986
Accounts Receivable	US Dollar	\$ 915,825	\$ 1,169,825
Accounts Payable	US Dollar	\$ 6,373	\$ 2,956

On March 31, 2025, an increase of 1% in the value of US dollar will result in a gain of \$50,010 (December 31, 2024 - \$28,690). Similarly, a decrease of 1% in the value of US dollar will have similar effects but in opposite direction.

15. Capital management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders. The Company considers the items included in shareholders' equity of \$10,153,563 as capital as at March 31, 2025 (December 31, 2024 - \$11,214,282). The Company manages the capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the Company's business. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.