



SPARQ SYSTEMS INC.

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

The accompanying unaudited condensed interim financial statements for the three months ended March 31, 2026 and 2025 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.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at:	Note	March 31, 2026	December 31, 2025
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		4,060,873	4,775,481
Accounts and other amounts receivable	4	489,126	1,301,647
Inventory	5	1,017,833	1,234,478
Prepaid expenses and deposits		90,633	82,859
Total current assets		5,658,465	7,394,465
Property and equipment	6	624,575	588,229
Total assets		6,283,040	7,982,694
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		172,698	1,161,497
Lease liability – current portion	7	173,924	143,162
Total current liabilities		346,622	1,304,659
Warranty provision		96,168	96,168
Lease liability	7	209,168	180,793
Total liabilities		651,958	1,581,620
Shareholders' Equity			
Share Capital	8	38,957,068	38,957,068
Contributed Surplus	8,10	8,583,257	8,549,089
Warrants	8	458,605	458,605
Accumulated other comprehensive loss		12,207	(2,889)
Deficit		(42,380,055)	(41,560,799)
Total shareholders' equity		5,631,082	6,401,074
Total liabilities and shareholders' equity		6,283,040	7,982,694

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.
**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025**
(Expressed in Canadian dollars)

		Three months ended March 31,	
	Note	2026	2025
		\$	\$
Revenue		252,651	-
Cost of sales	5	(231,650)	(11,926)
Gross profit (loss)		21,001	(11,926)
Expenses			
Research and development	12	362,033	339,800
Sales and marketing		9,016	39,708
General and administration		585,627	580,690
Depreciation of property and equipment	6	74,106	73,853
Stock-based compensation	10	34,168	9,879
Total expenses		1,064,950	1,043,930
Loss before other income (expenses)		(1,043,949)	(1,055,856)
Other income (expense)			
Interest and accretion	7,8	(10,664)	(15,916)
Interest income		40,005	8,259
Foreign exchange (loss) gain		195,352	(7,085)
		224,693	(14,742)
Net loss		(819,256)	(1,070,598)
Other comprehensive loss			
Foreign exchange loss on conversion of subsidiary		15,096	-
Net loss and comprehensive loss for the period		(804,160)	(1,070,598)
Basic and diluted loss per share		(0.01)	(0.01)
Weighted average shares outstanding		116,935,108	116,935,108

SPARQ SYSTEMS INC.
**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025**

(Expressed in Canadian dollars)

		Number of Shares	Common Shares \$	Contributed Surplus \$	Warrants \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total \$
	Note							
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
Balance, December 31, 2025		116,935,108	38,957,068	8,549,089	458,605	(2,889)	(41,560,799)	6,401,074
Stock-based compensation	11	-	-	34,168	-	-	-	34,168
Other comprehensive loss		-	-	-	-	15,096	-	15,096
Net loss for the period		-	-	-	-	-	(819,256)	(819,256)
Balance, March 31, 2026		116,935,108	38,957,068	8,583,257	458,605	12,207	(42,380,055)	5,631,082

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

SPARQ SYSTEMS INC.**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Expressed in Canadian dollars)**

	Note	2026	2025
		\$	\$
Operating activities:			
Net loss for the period		(819,256)	(1,070,598)
Items not involving cash			
Depreciation of property and equipment	6	74,106	73,853
Interest and accretion	7,8	10,664	15,916
Foreign exchange		14,614	-
Stock-based compensation	10	34,168	9,879
Changes in non-cash working capital:			
Accounts and other amounts receivable		812,521	377,724
Inventory		216,645	(1,169)
Prepaid expenses and deposits		(7,774)	7,460
Accounts payable and accrued liabilities		(988,799)	79,339
Cash flow used in operating activities		(653,111)	(507,596)
Investing activities			
Acquisition of equipment	6	(9,471)	(14,038)
Cash flow used in investing activities		(9,471)	(14,038)
Financing activities:			
Lease payments	8	(52,026)	(51,071)
Cash flow (used in) from financing activities		(52,026)	(51,071)
Net change in cash and cash equivalents		(714,608)	(572,705)
Cash and cash equivalents at beginning of the period		4,775,481	6,944,918
Cash and cash equivalents at end of the period		4,060,873	6,372,213

SPARQ SYSTEMS INC.
NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(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 unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors of the Company on May 26, 2026.

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. The principal place of business of SPARQ India is in 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 is the Canadian dollar. The functional currency of SPARQ India is the Indian Rupee.

SPARQ SYSTEMS INC.**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Expressed in Canadian dollars)**

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, 2026, the Company had a deficit of \$42,380,055 (December 31, 2025 - \$41,560,799) and, for the three months ended March 31, 2026, incurred a net loss of \$819,256 (March 31, 2025 - \$1,070,598) and negative cash flows from operating activities of \$653,111 (March 31, 2025 - \$507,596). 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 unaudited condensed interim 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, 2025 and accordingly, should be read in conjunction with such audited financial statements and the notes thereto.

Standards, amendments and interpretations not yet effective

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, 2026	December 31, 2025
Accounts receivable	\$ 448,247	\$ 1,247,318
Sales tax and other receivables	40,879	54,329
	\$ 489,126	\$ 1,301,647

SPARQ SYSTEMS INC.
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025**
(Expressed in Canadian dollars)
5. Inventory

		March 31, 2026		December 31, 2025
Finished goods	\$	281,277	\$	497,922
Raw materials		1,017,833		1,017,833
		1,299,110		1,515,755
Provision		(281,277)		(281,277)
	\$	1,017,833	\$	1,234,478

Inventory expensed in cost of sales during the three months ended March 31, 2026 was \$228,167 (March 31, 2025 - \$nil). During the three months ended March 31, 2026, inventory provision related to obsolescence of \$nil has been expensed within cost of sales (March 31, 2025 - \$11,926).

6. Property and equipment

	Equipment	Furniture and fixtures	Computer equipment	Computer software	Leasehold improvements	Right of use asset	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, December 31, 2024	867,222	27,027	91,348	33,615	23,154	529,133	1,571,499
Additions	68,432	-	10,717	12,137	-	36,656	127,942
Balance, December 31, 2025	935,654	27,027	102,065	45,752	23,154	565,789	1,699,441
Foreign currency adjustment	-	-	-	-	-	480	480
Additions	8,103	-	1,368	-	-	100,501	109,972
Balance, March 31, 2026	943,757	27,027	103,433	45,752	23,154	666,770	1,809,893
Accumulated depreciation							
Balance, December 31, 2024	555,136	25,743	72,889	27,490	16,268	115,485	813,011
Depreciation	107,269	440	11,547	13,372	2,361	163,212	298,201
Balance, December 31, 2025	662,405	26,183	84,436	40,862	18,629	278,697	1,111,212
Depreciation	26,729	110	2,503	3,034	590	41,140	74,106
Balance, March 31, 2026	689,134	26,293	86,939	43,896	19,219	319,837	1,185,318
Net book value							
Balance, December 31, 2025	273,249	844	17,629	4,890	4,525	287,092	588,229
Balance, March 31, 2026	254,623	734	16,494	1,856	3,935	346,933	624,575

SPARQ SYSTEMS INC.**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Expressed in Canadian dollars)****7. Lease liability**

Balance, December 31, 2024	\$ 434,987
Lease interest	55,641
Additions	36,656
Lease payments	(203,329)
Balance, December 31, 2025	323,955
Lease interest	10,663
Addition	100,501
Lease payments	(52,026)
Balance, March 31, 2026	\$ 383,093
Allocated as:	
Current	\$ 173,924
Long Term	\$ 209,169

On August 1, 2023, the Company entered into a 31 month lease for office space for its Ottawa, Ontario office. The term of the lease expired on February 27, 2026, with no further options to renew at the current terms. Under the lease, the Company was 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 finalized a lease for office space for its Kingston, Ontario office. 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.

On February 26, 2026, the Company entered into a new 36 month lease for office space for its Ottawa, Ontario office. The term of the lease will expire on February 28, 2029, subject to the Company's right of renewal. Under the lease, the Company is required to pay a monthly base rent of \$3,023 in the first year of the lease, \$3,077 in the second year of the lease and \$3,143 in the third year of the lease. 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 6.85%, which was estimated to be Company's incremental borrowing rate in Canada.

SPARQ SYSTEMS INC.
NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

8. Share capital

Authorized

An unlimited number of common shares.

Issued

As at March 31, 2026, 116,935,108 common shares were issued and outstanding (December 31, 2025 - 116,935,108).

No common shares were issued during the three months ended March 31, 2026 and the year ended December 31, 2025.

Warrants

	Number of Warrants #	Weighted average exercise price \$
Balance, December 31, 2023	1,000,000	0.15
Exercise price of Bonus Warrants became fixed	-	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, December 31, 2025 and March 31, 2026	1,468,501	0.40

In connection with a certain unsecured loan obtained on November 27, 2023, the lender was issued warrants to purchase up to 1,000,000 common shares (each, a “**Bonus Warrant**”). Each Bonus Warrant entitled 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 were exercisable for a period of one year from the date of their issuance. The Bonus Warrants were considered a cost of issuance. 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 common 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.

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.

SPARQ SYSTEMS INC.**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Expressed in Canadian dollars)**

As at March 31, 2026 and December 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	0.17
1,107,059	0.40	06/07/2026	0.19
1,468,501			

9. 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 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. No instruments are dilutive.

10. 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 11,693,510 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, 2026 and the year ended December 31, 2025. 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, 2024	11,116,706	0.45
Granted (i)	50,000	0.86
Granted (ii)	50,000	0.75
Expired (ii)	(50,000)	(0.75)
Balance, December 31, 2025 and March 31, 2026	11,166,706	0.45

- (i) On May 23, 2025, 50,000 Options were granted to an employee of the Company with an exercise price of \$0.86 per common share. The Options are exercisable for a period of five years and vest one year from the date of grant. The Options were allocated an estimated fair value of \$38,100 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 2.87%, an expected dividend yield of 0%, an expected stock price volatility of 138%, and an expected life of five years.

SPARQ SYSTEMS INC.**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Expressed in Canadian dollars)**

- (ii) On June 26, 2025, 50,000 Options were granted to an investor relations consultant of the Company (the “**IR Consultant**”) with an exercise price of \$0.75 per common share. The Options were exercisable for a period of five years and vested 12,500 per quarter (September 26, 2025, December 26, 2025, March 26, 2026 and June 26, 2026). The Options were allocated an estimated fair value of \$37,485 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 2.87%, an expected dividend yield of 0%, an expected stock price volatility of 138%, and an expected life of five years. These Options expired as the agreement with the IR Consultant was terminated.

The underlying expected stock price volatility for the calculation of the fair value of the Options is based on historical volatility of the Company’s common shares. 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.

The Options have various vesting terms. In total, \$13,946 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, 2026, and credited to contributed surplus (March 31, 2025 – \$9,879).

As at March 31, 2026, 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	08/09/2029	112,000	3.36
5,025,000	0.50	12/31/2026	5,025,000	0.75
275,000	0.50	02/24/2027	275,000	0.90
200,004	0.385	11/22/2027	124,992	1.65
500,000	0.285	12/01/2027	375,000	1.67
30,000	0.18	04/20/2027	27,500	1.06
150,000	0.18	04/20/2028	116,250	2.06
4,624,702	0.41	06/28/2029	4,624,702	3.25
200,000	0.75	10/18/2029	200,000	3.66
50,000	0.86	05/23/2030	-	4.15
11,166,706			10,880,444	1.96

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 May 23, 2025, 1,162 DSUs were granted to an employee of the Company. The DSUs vested one year from the date of grant. On the date of grant, the DSUs had a total fair value of \$1,000 and are recognized as stock-based compensation expense over their vesting period.

On November 27, 2025, 132,605 DSUs were granted to employees of the Company. The DSUs vest one year from the date of grant. On the date of grant, the DSUs had a total fair value of \$80,889 and are recognized as stock-based compensation expense over their vesting period.

During the year ended December 31, 2025, 79,645 DSUs expired. As at March 31, 2026, 606,666 DSUs were issued and outstanding (December 31, 2025 – 606,666).

SPARQ SYSTEMS INC.**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Expressed in Canadian dollars)**

In total, \$20,222 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, 2026 and credited to contributed surplus (March 31, 2025 - \$nil).

11. Related party transactions

- (a) During the three months ended March 31, 2026, the Company was charged \$100,000 for consulting services provided by PE Consultants Inc., an entity which is controlled by Praveen Jain, the Chief Executive Officer of the Company (March 31, 2025 - \$100,000). These expenses have been recorded in research and development and general and administrative expenses. As at March 31, 2026, \$nil of this amount is included in accounts payable and accrued liabilities (December 31, 2025 - \$nil).
- (b) During the three months ended March 31, 2026, the Company was charged \$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 (March 31, 2025 - \$9,000). These expenses have been recorded in general and administrative expenses. As at March 31, 2026, \$9,000 of this amount is included in accounts payable and accrued liabilities (December 31, 2025 - \$nil).
- (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 of the Company and is controlled by Baojun (Robbie) Luo, one of the Company’s directors. During the three months ended March 31, 2026, the Company incurred \$nil in charges from Ti-Lane for residual services following termination (March 31, 2025 - \$11,660). As at March 31, 2026, \$nil of this amount is included in accounts payable and accrued liabilities (December 31, 2025 - \$nil).
- (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, 2026 and 2025:

	2026		2025	
Short-term compensation	\$	109,000	\$	109,000
Share-based payments		-		-
Total	\$	109,000	\$	109,000

12. 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. As at December 31, 2025 and March 31, 2026, \$23,495 has been accrued.

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, 2026 and December 31, 2025, 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.

SPARQ SYSTEMS INC.
NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Expressed in Canadian dollars)

13. 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, 2026 and December 31, 2025 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 currently has one customer, which represents 100% of accounts receivable and revenue. The Company monitors the creditworthiness of this customer on an ongoing basis and believes the risk of loss to be low based on the customer's payment history and financial standing. The Company does not require collateral or other security in respect of this receivable.

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 available credit information. As a result, the allowance reflects anticipated effects caused by recent market deterioration. As at March 31, 2026, the current expected credit loss allowance was \$nil (December 31, 2025 - \$nil).

Credit risk concentration

The Company's accounts receivable are subject to concentration of credit risk. As at March 31, 2026, one customer accounted for approximately 98% of total accounts receivable (December 31, 2025 – 63%).

The Company monitors the creditworthiness of this customer on an ongoing basis and has not experienced significant collection issues.

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	172,698	-	172,698	172,698
Lease liability	173,924	209,169	383,093	383,093
March 31, 2026	346,622	209,169	555,791	555,791

	Less than 1 year	1 to 5 years	Total	Carrying
	\$	\$	\$	value
Accounts payable and accrued liabilities	1,161,497	-	1,161,497	1,161,497
Lease liability	143,162	180,793	323,955	323,955
December 31, 2025	1,304,659	180,793	1,485,452	1,485,452

SPARQ SYSTEMS INC.**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Expressed in Canadian dollars)**

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 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.

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 engaging with policymakers and 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 are denominated in foreign currency:

	Currency	March 31, 2026	December 31, 2025
Cash	US Dollar	\$ 2,495,876	\$ 3,337,948
Cash	Indian Rupee	157,700	5,629,901
Accounts Receivable	US Dollar	\$ 5,685	\$ 5,685
Accounts Receivable	Indian Rupee	676,837	54,215,539
Accounts Payable	US Dollar	\$ 330	\$ 1,730
Accounts Payable	Indian Rupee	458,597	64,770,033

On March 31, 2026, an increase of 1% in the value of US dollar/Indian Rupee will result in a gain of \$34,800 (December 31, 2025 - \$46,000) in the value of cash, \$180 (December 31, 2025 - \$8,340) in accounts receivable and loss of \$70 (December 31, 2025 - \$9,876) in accounts payable. Similarly, a decrease of 1% in the value of US dollar/Indian Rupee will have similar effects but in opposite direction.

SPARQ SYSTEMS INC.**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Expressed in Canadian dollars)**

14. 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. As at March 31, 2026, the Company considered the items included in shareholders' equity of \$5,631,082 as capital (December 31, 2025 - \$6,401,074). 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. There has been no change in how management has monitored capital during the three months ended March 31, 2026.

15. Subsequent events

On May 26, 2026, the Company announced that it received a purchase order to supply \$32 million of its Q2000 Quad Microinverters for deployment in the Indian market. This purchase order expands the previously announced order for Q2000 Quad Microinverters disclosed on March 11, 2026.