THE FUTURE OF POWER™

2018 ANNUAL REPORT

SPARKPOWER
GROUP INC

Customer Choice

Sustainable

Reliable & Resilient

Cost-Effective

Widely Distributed

Changing

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors I want to welcome you all to the Spark Power group of companies.

In September 2018, Spark Power took an important step forward in our corporate journey as we made the transition from private to public company, listing on the Toronto Stock Exchange. We made the decision to go public because we felt it was the best way to support the organization's next phase of growth and to achieve our long-term vision of becoming the leading independent provider of integrated power solutions across North America.

Spark Power is committed to integrity and ethical dealing in all we do and as a newly public company our first task was to establish strong governance practices consistent with the culture we have built. Six of Spark's current directors served on the Company's Advisory Board when it was private and bring significant public company experience to their new roles on the Board of Directors. In parallel with the go-public transaction we welcomed two new board members, both with extensive capital markets and board experience. The governance framework is now in place and we will continue to refine it periodically in the future.

As a board we are also responsible for overseeing the development and execution of Spark Power's long-term growth strategy. Collectively, the board has strong relationships and decades of entrepreneurial and operational experience in both the power and broader industrial sectors across North America, and together we look forward to contributing to the creation of meaningful shareholder value over the longer term.

On going public, insider ownership of Spark Power was approximately 60% of the issued and outstanding shares of the Company. We believe that such high ownership on the part of the board and management team represents a powerful endorsement of our potential and will support strong and lasting alignment with the interests of all shareholders. That said, over time we intend to further diversify our shareholder base and reduce insider ownership to more modest levels, increasing our public float.

As a power solutions provider to industry, safety must be a primary consideration. Additionally, the board has taken a careful look at how best to compensate senior management, balancing the need to generate profitable growth with the desire to prudently manage risk. We have established both short and longer-term compensation structures that, coupled with sound execution against the broader strategy are expected to support retention of key individuals, extension of Spark's innovative and youthful culture and translate into improving financial performance.

In closing, I want to say how proud and excited we are to be a part of the Spark Power story. We agreed to serve as directors of Spark Power because we understand both the challenges and the opportunities facing the broader power sector and the Company. We feel that Spark Power is uniquely well positioned to play a leadership role in shaping the Future of Power™ and we look forward to making that a reality in the quarters and years ahead.

SINCERELY,

Larry D. Taylor
Chairman

CO-CEO'S MESSAGE TO SHAREHOLDERS

DEAR FELLOW SHAREHOLDERS,

We founded Spark Power nearly 10 years ago to capitalize on the Green Energy legislation introduced in Ontario in 2009. Beyond the compelling initial opportunity that emerging renewable technologies offered at the time, we felt that this was an important development that would help define the Future of Power™. Fast forward a decade and, as anticipated, today we find an array of forces – technological, social, economic and political – fundamentally changing the way power is generated, delivered and consumed.

Over that same period Spark Power has also evolved, transitioning from a renewables development office to a fully integrated and independent power solutions provider serving industrial, commercial and institutional users of power across North America. As the pace of transition away from the traditional grid accelerates, we have built Spark with a "customer first" mentality focused on helping industry manage their critical power infrastructure and the transition to the Grid of the Future. Industrial-scale consumers of electricity are increasingly demanding more sustainable, more reliable, higher quality (clean) and cost-effective sources of power, especially as they incorporate advanced manufacturing technologies including robotics, automated processing and materials handling into their operations. We enable that by offering solutions ranging from technical services and power equipment to power advisory and sustainability consulting. When customers need to plan, design, build or maintain their power infrastructure, or are trying to understand the impact of the fast-paced transition of the grid on their business, we want to be their first call. We believe the dual tailwinds of grid transition and advanced manufacturing will be key drivers of Spark Power's growth for years to come.

2018 marked the start of another period of transition for Spark Power, as we went public, listing on the Toronto Stock Exchange. After considering our options, we felt this was the best way to build the Company while maintaining meaningful control of our overall strategic direction as we embark on our next phase of growth. In parallel with the go-public transaction, we also consolidated our secured debt facilities under a single lender, accessing a $90 million funding package from Bank of Montreal that includes a yet undrawn $25 million Acquisition Facility. In combination, our public listing and debt facilities offer us real choice and flexibility in how to fund growth. This is especially important as we deliver on a strategy that balances sound organic growth with selective strategic acquisitions.

We executed well on this strategy in 2018, generating organic growth of 17% over the prior year, while closing three strategic acquisitions in rapid succession mid-year that contributed $25.8 million to our top-line. Organic growth was supported by new branch openings, as well as greater penetration with existing customers and the signing of new ones. In July 2018 we announced the acquisitions of two New

Electric branches in California, establishing a presence in the western U.S.; Orbis Engineering in Edmonton, AB, adding high voltage engineering capabilities and a presence in western Canada with further offices in Calgary, AB, Vancouver, BC, and Saskatoon, SK; and Bullfrog Power, the leading green energy provider in Canada that will serve as the foundation for our power advisory and sustainability business going forward.

As a company, our focus remains on sustainable and profitable growth. One of our core differentiators is that we prioritize mandates that yield a steady stream of high-value-add, re-occurring work over often lower margin large individual projects. Spread across a blue-chip base of more than 6,500 customers, this provides a very strong foundation from which to grow. For the full fiscal year, our revenue increased 50% to $120 million and Adjusted EBITDA increased $5.2 million, or 33%, to $20.5 million. Pro-forma Revenue was $146.5 million and Pro-forma Adjusted EBITDA was $25.4 million, in-line with our $25.0 million guidance. In the year ahead we are working to duplicate this strong performance by opening multiple new branches across North America as we look to penetrate new geographies and serve both existing and new customers. We also continue to review a pipeline of potential acquisition opportunities with a focus on adding new customers, establishing a presence in key regions, introducing new products and solutions, and growing our skilled technical base.

Looking ahead, we want to reiterate our sense of excitement at the opportunity before us as we work to execute our ambitious growth strategy and take a leadership role in shaping the path of the power industry. To that end, we recently hosted our inaugural Future of Power™ event in Toronto on April 9th, 2019 at the Evergreen Brick Works. The event brought together visionaries, innovators, disruptors, OEMs and, most importantly, the major users of power – the customer, together for meaningful conversations on a host of power-related topics.

In closing, we want to welcome our new shareholders and thank them for sharing our vision. We also want to thank our board for their ongoing efforts and wise counsel, which will be invaluable as we move forward. Finally, we want to recognize our employees who invest alongside us through our Employee Stock Ownership Plan. At Spark, we have diligently worked to establish a high-energy, innovation-focused and youthful culture. 2018 was an incredibly busy year and all we accomplished was the direct result of an immense amount of hard work on the part of our growing team of more than 750 employees. The future looks bright and we are confident that we have the right strategy and team in place to achieve our long-term vision of becoming the leading independent provider of integrated power solutions to industrial, commercial, and institutional customers across North America.

SINCERELY,

Jason Sparaga
Co-CEO

Andrew Clark
Co-CEO

SPARK POWER HELPS INDUSTRY

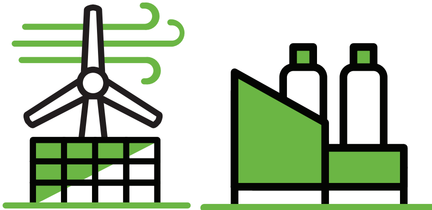
ADAPT TO NEW AND CHANGING TECHNOLOGIES
/ADVANCED MANUFACTURING

MANAGE & MAINTAIN KEY INFRASTRUCTURE

STAY UP & RUNNING
/ RELIABLE, HIGH-QUALITY POWER

ACHIEVE SUSTAINABILITY OBJECTIVES

OPTIMIZE EFFICIENCY
/ CONTROL POWER COST



Spark Power is a leading independent provider of integrated power solutions to industrial, commercial and institutional customers across North America.

ELECTRIFYING INDUSTRY

RENEWABLES O&M

LINES & POLES

SUBSTATION

ON-SITE GENERATION

GREEN SUPPLY

METER

PANELS

BATTERY STORAGE

ADVANCED MANUFACTURING SYSTEMS INTEGRATION

POWER ADVISORY & SUSTAINABILITY

BACK-UP POWER

EXECUTING ON OUR STRATEGY

Spark Power has a dual-pronged growth strategy emphasizing a balanced approach that contemplates both organic growth and strategic acquisitions. In 2018, the Company executed on its growth strategy driving meaningful improvements in financial performance.

HIGHLIGHTS FOR 2018

- Officially opened London, ON New Electric branch
- Acquired leading green energy provider Bullfrog Power
- Acquired Edmonton, AB-based Orbis Engineering, establishing presence in western Canada
- Acquired 2 New Electric branches, establishing presence in western U.S.
- Closed $90 million in secured debt facilities, including undrawn $25 million acquisition facility
- Completed merger and began trading on the TSX

OBJECTIVES FOR 2019

- Officially open Winnipeg, MB New Electric branch
- Designate U.S. Head Office and U.S. hub branch
- Integrate core services in new 42,000 sq. ft. London, ON hub serving southwestern Ontario
- Open multiple branches across North America
- Complete multiple strategic acquisitions

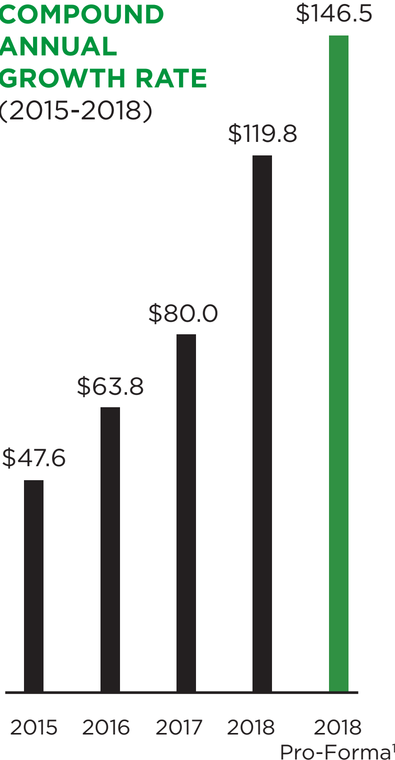
Spark Power has a track record of strong profitable growth. A core focus of the Company is driving sector-leading gross and EBITDA margins.

DRIVING STRONG FINANCIAL PERFORMANCE

REVENUE
(MILLIONS)

36%

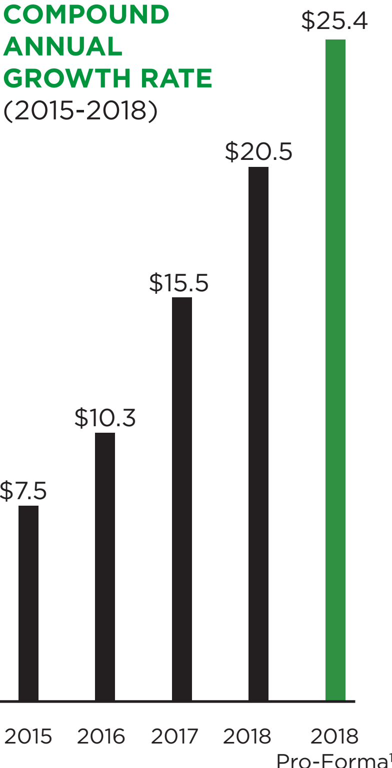
COMPOUND ANNUAL GROWTH RATE
(2015-2018)



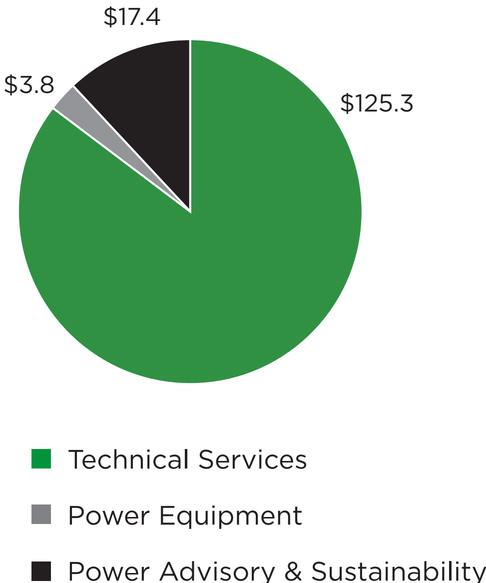
ADJUSTED EBITDA[2]
(MILLIONS)

40%

COMPOUND ANNUAL GROWTH RATE
(2015-2018)



SEGMENTED 2018 PRO-FORMA REVENUE[1]
(MILLIONS)



- Technical Services
- Power Equipment
- Power Advisory & Sustainability

38.4%

GROSS MARGIN
(2018)

17.1%

ADJUSTED EBITDA MARGIN[3]
(2018)

[1] Pro-forma metrics are adjusted for the impact of revenue and/or EBITDA earned by companies acquired during the year for the period prior to acquisition.

[2] Adjusted EBITDA means EBITDA adjusted for items management considers to be not representative of Spark Power's ongoing operating performance.

[3] Adjusted EBITDA margin means Adjusted EBITDA divided by revenue.

Note that Pro-Forma Revenue, Adjusted EBITDA and Pro-Forma Adjusted EBITDA are non-IFRS measures. See Non-IFRS measures on pages 11 and 12 of this annual report for more information.

MANAGEMENT TEAM

Jason Sparaga
Co-CEO, Director

Jason is a co-founder and the co-CEO of Spark Power. He is a very driven entrepreneur and sets the tone for aggressive growth at the Company. Prior to co-founding Spark in 2009, he spent 17 years in the M&A space originating and closing more than 100 acquisition transactions.

Andrew Clark
Co-CEO, Director

Andrew is a leader in the power industry with a focus on creating a cleaner and more sustainable future. Prior to co-founding Spark in 2009 he held executive positions with TSX-listed CPI Plastics Group and Business Development Bank of Canada. He is a founding director of the Federation of Community Power Co-operatives.

Eric Waxman
Chief Investment Officer

Eric has a track record of entrepreneurship and working with entrepreneurs. Prior to co-founding Spark in 2009 he spent 20 years working in M&A, investment banking and private equity.

Dan Ardila
Chief Financial Officer

Dan is a senior financial professional and has held executive positions with both private and public companies including Algoma Steel, CPI Plastics Group, 6N Silicon and Liquidation World.

Richard Jackson
Chief Operating Officer

Richard has more than 20 years of senior operational experience across the power and diversified industries sectors. Prior to joining Spark, he held roles with Winoa Corporation, Moeller Electric and Eaton Corporation.

BOARD OF DIRECTORS

Larry D. Taylor,
Chairman[1,3]

Larry previously held senior executive positions in financial services and management consulting and is currently a CEO Group Leader for CEO Global Network.

Ron Dizy
Director[3]

Ron is Managing Director of the Advanced Energy Centre at the MaRS Discovery District and was previously President and CEO of ENBALA Power Networks.

Don Morrison
Director[1,3]

Don was previously with OMERS Private Markets and has served on more than 20 public and private company boards.

Jim O'Neil
Director[2]

Jim was previously President and CEO of Quanta Services and is an independent director on First Energy's board.

Daniel Peloquin
Director[1,2]

Daniel is a management consultant and was previously the President of Schneider Electric Canada Inc.

Joe Quarin
Director[1,2]

Joe is President and CEO of Q5 Capital Inc., and former President and CEO of Progressive Waste Solutions Ltd.

Sharon Ranson
Board Member[1,2]

Sharon is a corporate director and entrepreneur with deep financial expertise in accounting, capital markets and investments.

Howard Wetston
Director[3]

Senator Wetston previously held senior positions with the Ontario Securities Commission and Ontario Energy Board.

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Member of the Corporate Governance & Nominating Committee

VISION

We strive to be the leading independent provider of integrated power solutions to the industrial, commercial and institutional markets across North America.

MISSION

We exist to disrupt the power sector to reduce cost, make the environment a priority and empower our customers to transition to the grid of the future.

OUR BRANDS

SPARKPOWER®
CORP

TALTREES RONDAR PELIKAN

NORTHWIND

LIZCO TILTRAN

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Spark Power Group Inc. ("Spark Power", the "Company", "we", "us", or "our") for the three and twelve months ended December 31, 2018, dated March 27, 2019, should be read in conjunction with the December 31, 2018 Consolidated Annual Financial Statements and related notes thereto and the August 17, 2018 Management Information Circular with respect to the proposed Qualifying Acquisition of Canaccord Genuity Acquisition Corp. Additional information related to Spark Power is available under the Company's SEDAR profile at www.sedar.com and on our website at www.sparkpower.com. Unless otherwise specified all amounts are expressed in Canadian dollars.

Forward-looking Information

Some of the information contained in this Spark Power MD&A contains forward-looking statements. These statements are based on management's reasonable assumptions and beliefs in light of the information currently available to them and are made as of the date of this Spark Power MD&A. Spark Power does not undertake to update any such forward-looking statements as a result of new information, future events or otherwise, except as required by applicable securities laws in Canada. Actual results may differ materially from those indicated or underlying forward-looking statements as a result of various factors, including those described in this MD&A and in "Risk Factors" in the Company's final long-form prospectus dated August 7, 2018 available on SEDAR at www.sedar.com. Spark Power cautions that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

Presentation of Financial Information

The financial statements, including the required comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Financial results, including historical comparatives contained in this MD&A, unless otherwise specified herein, are based on these financial statements. The Canadian dollar is the Company's functional and reporting currency for purposes of preparing the financial statements given that the Company conducts most of its operations in that currency. Accordingly, all dollar references in this MD&A are in Canadian dollars, unless otherwise specified. The use of the term "prior period" refers to the three and twelve months ended December 31, 2018.

Key Performance Indicators (Non-IFRS Measures)

This Spark Power MD&A makes reference to certain non-IFRS measures, including: "EBITDA", "EBITDA Margin", "Adjusted EBITDA", "Adjusted EBITDA Margin", Pro-forma Adjusted EBITDA", Pro-forma Adjusted EBITDA Margin", Pro-forma Adjusted LTM EBITDA, Pro-forma Revenue", Pro-forma LTM Revenue, "Adjusted Working Capital", and "Adjusted Net Comprehensive Income (Loss)". These non-IFRS measures are used to provide investors with supplemental measures of Spark Power's operating performance and highlight trends in Spark Power's business that may not otherwise be apparent when relying solely on IFRS measures. Spark also believes that providing such information to securities analysts, investors and other interested parties who frequently use non-IFRS measures in the evaluation of issuers will allow them to better compare Spark Power's performance against others in its industry. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. See "Selected Consolidated Financial Information" and "Management's Discussion and Analysis".

"EBITDA" means net income (loss) before amortization, finance costs, and provision for income taxes.

"Adjusted EBITDA" means EBITDA adjusted for any change in fair value of Puttable Class A and Class 1 Special shares, non-recurring costs, excess of fair value over net asset acquired, gain on retraction of Class 1 Special shares, transaction costs, reorganization costs, which management considers to be not representative of Spark Power's ongoing operating performance. Spark Power uses EBITDA and Adjusted EBITDA to evaluate the performance of its business as these measures reflect ongoing profitability and it believes these measures are useful in making comparisons between periods. Spark Power believes that EBITDA and Adjusted EBITDA provide analysts and investors with information about its income generating capabilities, and ability to service debt and meet other payment obligations. Management uses these measures to monitor and plan for the operating performance of Spark Power in conjunction with other data prepared in accordance with IFRS.

"Pro-forma Adjusted EBITDA" means Adjusted EBITDA adjusted for the impact of EBITDA earned by companies acquired during the year for the period prior to acquisition.

"Pro-forma Revenue" means revenue adjusted for the impact of revenue earned by companies acquired during the year for the period prior to acquisition.

"EBITDA Margin" means EBITDA divided by revenue.

"Adjusted EBITDA Margin" means Adjusted EBITDA divided by revenue.

"Pro-forma Adjusted EBITDA Margin" means Pro-forma Adjusted EBITDA divided by revenue.

"Pro-forma Adjusted LTM EBITDA" means the Company's last twelve months EBITDA as at the measurement date adjusted for the impact of EBITDA earned by companies acquired during the twelve months prior to the measurement date.

"Pro-forma Adjusted LTM EBITDA Margin" means Pro-forma Adjusted LTM EBITDA divided by Pro-forma LTM revenue.

"Pro-forma LTM Revenue" means the Company's last twelve months revenue adjusted for the impact of revenue earned by companies acquired during the period for the twelve months prior to the measurement date.

"Adjusted Working Capital" means working capital less the current portion of long-term debt and lease liability, puttable class A and class 1 special shares of Spark Power, redeemable preference shares and redeemable common and special shares, and therefore provides management and investors with a more clear understanding of the efficiency of operational working capital needs absent working capital required as a result of capital structure.

"Adjusted Net Comprehensive Income (Loss)" means net comprehensive income (loss) adjusted for the impact of certain items, including non-cash items, such as change in fair value of puttable class A and class 1 special shares of Spark Power, gain (loss) on investments, gains on business combinations and other costs which management considers to be not representative of Spark Power's ongoing operating performance, net of related tax effects.

The following table provides a reconciliation of our EBITDA measures:

Reconciliation of net comprehensive income (loss) to Adjusted EBITDA and Pro-forma Adjusted EBITDA	3 months ended		12 months ended	
	Dec. 31, 2018	**Dec. 31, 2017**	**Dec. 31, 2018**	**Dec. 31, 2017**
Net comprehensive income (loss)	$288,554	($15,420,493)	($64,634,852)	($16,709,938)
Adjustments:				
Finance expense	1,736,717	1,098,682	5,209,960	4,573,151
Income tax expense	61,185	423,376	(134,932)	1,693,479
Amortization	2,542,920	1,714,552	8,151,846	5,955,556
EBITDA	**4,629,376**	**(12,183,883)**	**(51,407,978)**	**(4,487,752)**
EBITDA Margin	**12.2%**	**-54.9%**	**-42.9%**	**-5.6%**
Other adjustments:				
Increase in value of Puttable Class A and Class 1 Special shares	—	17,816,420	47,771,600	17,816,420
Transaction costs	—	—	10,269,633	—
Excess of fair value over net asset acquired	—	—	12,660,331	—
Gain on retraction of Class 1 Special shares	—	—	(1,250,000)	—
Reorganization costs	1,413,924	—	1,413,924	—
Other non-recurring costs	—	255,488	1,058,896	2,113,032
Adjusted EBITDA	**6,043,300**	**5,888,024**	**20,516,406**	**15,441,700**
Adjusted EBITDA Margin	**15.9%**	**26.6%**	**17.1%**	**19.3%**
Other adjustments:				
Pre-acquisition EBITDA for 3 acquistions completed in 2018	—	784,401	4,892,784	5,533,541
Pro-forma Adjusted EBITDA	**$6,043,300**	**$6,672,425**	**$25,409,190**	**$20,975,241**
Pro-forma Adjusted EBITDA Margin	**15.9%**	**20.1%**	**17.4%**	**16.8%**

BUSINESS OVERVIEW

Headquartered in Oakville, Ontario, Canada, Spark Power Corp. ("Spark Power") is a leading independent provider of integrated power solutions serving more than 6,500 industrial, commercial, and institutional customers across North America. Spark Power is a wholly owned subsidiary of Spark Power Group Inc.

Spark Power historically segregates its business between two distinct divisions; Power Services ("Services") and Power Solutions ("Solutions").

Power Services

- Electrical Technical Services (low, medium and high voltage contracting services)
- Renewables (Solar, Wind and Battery) Operations & Maintenance
- Equipment Sales & Rentals

Power Solutions

- Power Consulting & Sustainability
- Integrated Power Solutions
- Community Power

These divisions are looped together to support one another in a "virtuous circle" model whereby a Services customer creates the "lead" for Solutions and the Solutions group in turn, develops the "need" for the Services' offering, to implement the Solution.

Power Services

Low Voltage Technical Services

Spark Power's low voltage technical services are provided through its New Electric division; a full-service industrial electrical contractor working with its customers to design, build and install efficient and sustainable industrial electrical solutions, tailored to its customer's specific needs. These services include:

- Electrical contracting services
- Industrial Automation
- Custom control panel design and assembly
- Electronic Repair

Medium and High Voltage Technical Services

Spark Power's medium and high voltage services division, operating through the Pelikan, Rondar, Tal Trees, Tiltran, and Orbis Engineering brands, deliver integrated, end-to-end power services for medium and high voltage systems to industrial, commercial, institutional and utility customers. These services include:

- Medium & high voltage management
- Power 'On' services
- Commissioning services
- Sub-station construction
- Power line construction and maintenance
- Equipment installation
- Power systems engineering services
- Insulating fluid lab services
- Thermography services

Renewables Operations and Maintenance

Spark Power's renewable services are predominantly provided through its Northwind division, which maintains and operates over 2,000 solar and wind assets accounting for more than 600MW of renewable energy capacity, making Northwind one of the largest independent renewable power operations and maintenance providers in North America (1st in Canada, 4th in US). Spark Power's Renewables services include:

- Solar photovoltaics
- Wind power
- Monitoring and performance analytics
- Battery energy storage solutions

Equipment Sales and Rentals

Through its subsidiary, Lizco Sales and Rentals Inc., the Company buys and sells new and used electrical equipment mainly in the medium and high voltage product categories. Located in Tillsonburg, Ontario, Lizco operates a full capability fabrication shop and warehouses hundreds of new and used products and sells them to developers, contractors, operators and service providers throughout North America.

Power Solutions

Spark Power is well positioned to deliver unique Power Solutions to help its customers adapt to the rapidly changing construct of the power grid. The Company has its roots in renewable and community power and, through its Bullfrog Power subsidiary, is the de-facto leader in sustainability in Canada. As a result, the Company has both the deep technical expertise and the key regulatory and government relationships required to deliver on these new commercial models.

Spark Power's Solutions' business unit consists of three primary offerings; Power Consulting and Sustainability (Bullfrog Power), Integrated Power Solutions, and Community Power.

Power Consulting and Sustainability

Bullfrog Power is a leading green energy provider, offering renewable energy solutions that enable individuals and businesses to reduce their environmental impact, support the development of green energy projects in Canada and help create a cleaner, healthier world. Bullfrog Power works with renewable energy projects across the country to ensure that the electricity going on the grid on behalf of its customers comes from clean, renewable sources such as wind, low-impact hydro or solar projects, the natural gas going into the pipeline comes from organic, net zero carbon biogas or biomethane facilities, and the fuel comes from biogenic, earth friendly waste streams. Spark Power believes that Bullfrog Power's core green energy offerings of Green Electricity, Green Natural Gas, Green Fuel, and carbon offset products are complementary to Spark Power's existing Solutions segment and will provide opportunistic synergies in terms of revenue, increased customer-base, and a widened scope of services.

Bullfrog Power earns revenue by sourcing high quality green energy solutions, ensuring that energy is being injected into the respective energy system and the rights to the environmental attributes or benefits are retired on behalf of its customers to mitigate the negative environmental impacts of the customer's energy usage from the conventional energy sources that are commonly fossil fuel based. Bullfrog Power also uses a portion of their customer green energy premiums to support local, community-based renewable energy projects across the country. In addition, Bullfrog Power provides value added marketing and communication services that allow the customer to display and market their commitment to minimizing their impact on the environment.

Bullfrog Power's Green Energy solutions are fuelled by Green Electricity, Green Natural Gas and Green Fuel.

Integrated Power Solutions

Under the Bullfrog Power Solutions brand, Spark Power designs and/or constructs power projects that harmonize new and existing energy systems. Bullfrog Power Solutions provides its customers with an opportunity to make their energy future more sustainable and predictable while also reducing their cost of power through self-generation, renewable energy, energy storage and advanced systems control. In this area, Spark Power's customer base includes government, utilities, school boards, pension funds, public and privately-owned businesses and individual property owners.

- Integrated Power Solutions include power planning,
- generation infrastructure, systems management and
- innovation and future grid strategies.

Community Power

Spark Power is a Canadian leader in community power. Community power provides opportunities for community groups focused on renewable energy to invest in and benefit from clean energy assets, located in their local communities.

With combined membership of over 2,000 individuals, Spark Power designed, developed and now operates under long-term agreement, two of the largest community power co-operatives in Canada; the Green Energy Co-operative of Ontario and the AGRIS Solar Co-operative. The projects owned by these co-operatives create clean local power while supporting community development and employment. Spark Power is contracted to run these co-operatives for 20 years or more and earns a base fee for service and a bonus fee as a percentage of the profits, for performance.

SUMMARY FINANCIAL INFORMATION

The selected information presented below has been derived from and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended December 31, 2018 and 2017.

	For the Three-Months Ended December 31,		For the Twelve-Months Ended December 31,	
	2018	2017	2018	2017
Revenue	$37,909,647	$22,175,002	$119,759,443	$80,043,576
Cost of sales	22,335,929	12,004,665	73,734,181	45,304,816
Gross profit	15,573,718	10,170,337	46,025,262	34,738,760
Selling, general and administrative expenses	11,964,457	6,257,128	34,581,546	27,312,587
Income from operations	3,609,261	3,913,209	11,443,716	7,426,173
Other income (expenses):				
Finance costs	(1,736,717)	(1,098,682)	(5,209,960)	(4,573,151)
Increase in value of Puttable Class A and Class 1 Special shares	0	(17,816,420)	(47,771,600)	(17,816,420)
Transaction costs	0	—	(10,269,633)	—
Reorganization costs	(1,413,924)	—	(1,413,924)	—
Excess of fair value over net asset acquired	0	—	(12,660,331)	—
Gain on retraction of Class 1 Special shares	0	—	1,250,000	—
Other	(108,881)	4,776	(138,052)	(53,061)
	(3,259,522)	(18,910,326)	(76,213,500)	(22,442,632)
Income (loss) before income taxes	349,739	(14,997,117)	(64,769,784)	(15,016,459)
Income tax expense (recovery):				
Current	(803,829)	190,729	677,235	762,885
Deferred	865,014	232,647	(812,167)	930,594
	61,185	423,376	(134,932)	1,693,479
Net income (loss) and comprehensive income (loss)	288,554	(15,420,493)	(64,634,852)	(16,709,938)
EBITDA	4,629,376	(12,183,883)	(51,407,978)	(4,487,752)
Adjusted EBITDA	6,043,300	5,888,024	20,516,406	15,441,700
Adjusted EBITDA margin	15.9%	26.6%	17.1%	19.3%
Pro-forma Adjusted EBITDA	6,043,300	6,672,425	25,409,190	20,975,241
Pro-forma Adjusted EBITDA margin	15.9%	20.1%	17.4%	16.8%
Pro-forma Revenue	37,909,647	33,164,273	146,450,621	125,110,463

FOURTH QUARTER AND FISCAL 2018 HIGHLIGHTS

Fourth Quarter Highlights

- Revenue increased by $15.7 million, or 71.0%, to $37.9 million
- Acquisition related revenue growth was $13.6 million, or 61.5%, and organic growth was $2.1 million or 9.5%
- Gross profit increased by $5.4 million or 53.1%
- Gross profit margin was 41.1%
- EBITDA was $4.6 million or 12.2% of revenue
- Incurred reorganization costs of $1.4 million related to severances and other costs
- Adjusted EBITDA was $6.0 million or 15.9% of sales

Fiscal 2018 Highlights

- Revenue increased by $39.7 million, or 49.6%, to $119.8 million
- Acquisition related revenue growth was $25.8 million, or 32.2%, and organic growth was $13.9 million or 17.4%
- Pro-forma revenue increased by $21.4 million to $146.5 million or 17.1%
- Gross profit increased by $11.3 million or 32.5%
- Gross profit margin was 38.4%
- EBITDA was ($51.4) million
- Adjusted EBITDA $20.5 million or 17.1% of revenue
- Pro-forma Adjusted LTM EBITDA was $25.4 million or 17.4% of pro-forma LTM revenue
- On August 31, 2018 Spark Power Corp merged with Canaccord Genuity Acquisition Corp. In conjunction with the closing, CGAC was renamed Spark Power Group Inc. and commenced trading on the Toronto Stock Exchange.
- Effective July 1, 2018 Spark acquired all of the issued and outstanding shares of Orbis Engineering Field Services Ltd. and 1625704 Alberta Inc. ("Orbis") for total consideration on closing of $8.5 million.
- Effective July 1, 2018 Spark acquired all of the issued and outstanding shares of Bullfrog Power Inc. for total consideration on closing of $17.5 million.
- Effective July 1, 2018 Spark acquired all of the issued and outstanding shares of New Electric Fresno LLC ("NEF") for total consideration on closing of $3,287,900 (USD $2.5 million).
- During the third quarter the Company entered into a new Credit Facility ("Facility") with The Bank of Montreal ("Senior Lender") which provided for i) a $$44.0 million term facility, ii) a $20.0 operating line facility and iii) a $25.0 million acquisition line, the latter of which was undrawn at December 31, 2018.

RESULTS OF OPERATIONS

Revenue

Results for the Three Months Ended December 31, 2018

Revenue in the fourth quarter ended December 31, 2018 was $37.9 million, compared with $22.2 million in the fourth quarter of 2017, representing an increase of $15.7 million or 70.7%. Effective July 1, 2018 the Company completed the acquisitions of Orbis Engineering Field Services Ltd., Bullfrog Power Inc and New Electric Fresno Ltd. which contributed $13.6 million or 61.5% to the revenue increase. The balance of the revenue growth in Q4 2018 of $2.1 million was attributable to organic growth representing an increase of 9.5%.

Results for the Twelve Months Ended December 31, 2018

Revenue for the twelve months ended December 31, 2018 was $119.8 million, compared with $80.0 million in the first twelve months of 2017, representing an increase of $39.7 million or 49.6%. The impact of the acquisitions noted earlier contributed $25.8 million or 32.2% of the revenue increase. The balance of the revenue growth for the twelve months ended December 31, 2018 of $13.9 million was attributable to organic growth representing an increase of 17.4%.

Cost of Sales and Gross Profit

Cost of sales for the three and twelve months ended December 31, 2018 were comprised of the following:

	3 months ended				12 months ended			
	Dec. 31, 2018		Dec. 31, 2017		Dec. 31, 2018		Dec. 31, 2017	
	$	%	$	%	$	%	$	%
Revenue	$37,909,647		$22,175,002		$119,759,443		$80,043,576	
Cost of sales:								
Labor	11,205,700	29.6%	5,990,388	27.0%	36,876,237	30.8%	20,596,710	25.7%
Materials	5,551,916	14.6%	3,959,199	17.9%	19,978,497	16.7%	15,147,877	18.9%
Other	4,448,467	11.7%	1,475,820	6.7%	11,876,415	9.9%	6,134,437	7.7%
Amortization	1,129,846	3.0%	579,258	2.6%	5,003,032	4.2%	3,425,792	4.3%
Total Cost of Sales	**22,335,929**	**58.9%**	**12,004,665**	**54.1%**	**73,734,181**	**61.6%**	**45,304,816**	**56.6%**
Gross Profit	**15,573,718**	**41.1%**	**10,170,337**	**45.9%**	**46,025,262**	**38.4%**	**34,738,760**	**43.4%**

Results for the Three Months Ended December 31, 2018

Gross profit in the fourth quarter of 2018 was $15.6 million, or 41.1% of revenue, compared with $10.2 million or 45.9% in the fourth quarter of 2017 representing an increase of $5.4 million or 53.1%. The gross profit percentage decline was primarily attributable to the impact of lower gross margin realizations of 22% from the Orbis business compared to higher margins in other business units. This impacted overall gross margins by 5.1% in the quarter and 1.6% year to date. In addition, fourth quarter 2017 gross profit margins were abnormally high due to various year-end adjustments.

Results for the Twelve Months Ended December 31, 2018

Gross profit for the year was $46.0 million, or 38.4% of revenue, compared with $34.7 million, or 43.4%, of revenue in fiscal 2017 representing an increase of $11.3 million or 32.5%. The difference was attributable primarily to the factors noted above.

Selling, General and Administration Expenses

Results for the Three Months Ended December 31, 2018

Selling, general and administration expenses for the fourth quarter of 2018 were $12.0 million, or 31.6% of revenue, compared with $6.3 million, or 28.2% of sales, in the fourth quarter of 2017 representing an increase of $5.7 million or 91.2%. The absolute dollar increase was attributable to the impact of the 2018 acquisitions. The percentage increase was attributable primarily to the impact of Bullfrog Power as all costs associated with this business are included in selling, general and administration.

Results for the Twelve Months Ended December 31, 2018

Selling, general and administration expenses were $34.6 million, or 28.9% of revenue in fiscal 2018 compared with $27.3 million, or 34.1% of revenue, in the same period of the prior year, representing an increase of $7.3 million or 26.6%. The absolute dollar increase was attributable to the impact of the 2018 acquisitions. The percentage decline was attributable to the scale achieved on the Company's base business, partially offset by the impact of Bullfrog Power's cost structure on selling, general and administration costs.

Other Income and Expenses

The reported earnings and associated deficit balances of Spark Power Group Inc. for fiscal 2018 and 2017 have been significantly impacted by factors associated with the CGAC merger, transaction costs related to business acquisitions completed, severance and other costs associated with a reorganization completed in the fourth quarter of 2018 and the requirement for fair market value accounting on certain class of shares held by Spark shareholders prior to the CGAC merger.

The following chart highlights the impact these items have on earnings over the affected periods and on the accumulated deficit of the Company in 2017 and 2018:

	Impact on Earnings in the Period					Deficit Impact
	Dec. 31, 2018	**Sept. 30, 2018**	**Jun. 30, 2018**	**Mar. 31, 2018**	**Dec. 31, 2017**	**Cumulative**
Class A and Class 1 Special shares - puttable to the Company at fair market value	$—	($20,654,400)	($8,509,940)	($18,607,260)	($17,816,420)	($65,588,020)
Transaction costs	—	(9,157,399)	(1,112,234)	—	—	(10,269,633)
Excess of fair value paid over net assets acquired on CGAC Merger	—	(12,660,331)	—	—	—	(12,660,331)
Gain on retraction of Class 1 Special shares'	—	1,250,000	—	—	—	1,250,000
Reorganization costs	(1,413,924)		—	—	—	(1,413,924)
Total impact of above noted items	**($1,413,924)**	**($41,222,130)**	**($9,622,174)**	**($18,607,260)**	**($17,816,420)**	**($88,681,908)**

Puttable Class A and Class 1 Special Shares

Class A and Class 1 shares were shares held by the previous majority shareholders of Spark Power. These shares had provisions that allowed a shareholder to put their shares to the Company at fair market value under certain events. Given the potential liability associated with these provisions the Company was required to value these shares at the estimated fair market value of these shares at any point in time, reclassify these amounts as liabilities, and charge any increase in value of these shares to the Statement of Comprehensive Income (Loss) in the period. Given the growth in value of the business as it progressed towards the CGAC merger the value of these shares increased and significantly impacted the reported profitability of the Company and the underlying total equity. All of these shares were either converted into the new common shares in Spark Power Group Inc. or redeemed or retracted prior to the CGAC merger such that no similar adjustments will be required going forward.

Transaction Costs

In 2018 the Company incurred costs directly related to the merger and the acquisition of Orbis, Bullfrog and NEF. These costs totaled $10,269,633 and were comprised of the following:

	Amount
Legal, accounting and other professional fees	$4,973,053
Deferred underwriting fees	900,000
Write-off of previous deferred financing fees	1,191,466
Debt - early termination fee	2,110,768
Transaction related compensation	650,000
Other	**444,346**
	$10,269,633

Excess of Fair Value Over Net Assets Acquired on CGAC Merger

While CGAC was the legal acquirer of Spark Power, Spark Power was identified as the acquirer for accounting purposes. The Spark Power Acquisition is outside the scope of IFRS 3, Business Combinations ("IFRS 3"), and is accounted for as an equity-settled share-based payment transaction in accordance with IFRS 2, Share-based Payments ("IFRS 2"). Spark Power is considered to be a continuation of Spark Power with the net identifiable assets of CGAC deemed to have been acquired by Spark Power in exchange for shares of Spark Power. Under IFRS 2, the transaction is measured at the fair value of the shares deemed to have been issued by Spark Power in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of Spark Power acquiring 100% of CGAC. Any difference in the fair value of the shares deemed to have been issued by Spark Power and the fair value of CGAC's net identifiable assets represents a service received by Spark Power, recorded through profit and loss. Spark Power's historical financial statements as of and for the periods ended prior to the completion of the Qualifying Acquisition are presented as the historical financial statements of Spark Power prior to the date of the completion of the Qualifying Acquisition.

Details of the Spark Power acquisition are summarized as follows:

	Amount
Assets acquired:	
Cash	$243,736
Cash balance held in escrow	30,302,000
	30,545,736
Liabilities assumed:	
Accounts payable and accrued liabilities	12,000
Amounts due to related party	36,000
	48,000
Net assets acquired	30,497,736
Fair value of shares deemed to have been issued by Spark Power	43,158,067
Excess of fair value over net assets acquired	**$12,660,331**

Gain on Retraction of Class B Common Class 1 Special Shares

The Company realized a gain on the retraction of class B common shares class 1 special shares held by a shareholder and promissory note holder of Spark Power. Prior to the close of the CGAC merger the Company entered into an agreement where by the Company would redeem all shares owned and the company would accelerate the payment of all promissory notes outstanding. In exchange the shareholder agreed to reduce the value of the class 1 special shares being retracted by $1.25 million. Total amounts paid to this shareholder on the close of the merger was $18.7 million which settled all promissory notes and accrued interest and satisfied the share redemption and retractions that were agreed to by both parties.

Amortization and Depreciation and Finance Costs

Results for the Three Months Ended December 31, 2018

Amortization and depreciation for the three months ended December 31, 2018 was $2,542,920 compared with $1,714,552 over the same period in 2017. The increase reflects the impact of amortization and depreciation on tangibles and intangible assets that arose from the acquisitions completed during 2018 with the balance of the increase was driven by an increase property and equipment and right of use vehicles and property.

Finance costs in the fourth quarter were $1,736,717 as compared with $1,098,682 representing an increase of $638,035. The increase was attributable to the inclusion of an unrealized mark-to-market swap cost of $402,260 incurred in the quarter on a $22.0 million interest rate swap required under the Company's credit facility. The balance of the increase is due to higher total debt outstanding during the fourth quarter of 2018 as compared to 2017.

Results for the Twelve Months Ended December 31, 2018

Amortization and depreciation for the year ended December 31, 2018 was $8,151,846 compared with $5,955,556 over the same period in 2017. The increase reflects the impact of amortization and depreciation on tangible and intangible assets subject to amortization that arose from the acquisitions completed during 2018 with the balance of the increase was driven by an increase property and equipment and right of use vehicles and property that totalled $5.3 million during the year.

Finance costs for the year ended December 31, 2018 were $5,209,960 compared with $4,573,151 representing an increase of $636,809. The increase was attributable to the factors noted above regarding fourth quarter changes.

EBITDA, Adjusted EBITDA and Pro-forma EBITDA

Results for the Three Months Ended December 31, 2018

EBITDA for the three months ended was $4.6 million compared with ($12.1) million in the fourth quarter of 2017. The fourth quarter 2018 EBITDA reflects a $1.4 million charge for severances and other costs associated with a corporate wide reorganization initiative. During the fourth quarter of 2017 the Company incurred a $17.8 million charge for the increase in value of puttable shares held by the Company at that time.

For the three months ended December 31, 2018, Adjusted EBITDA was $6.0 million, or 15.9% of sales, compared with $5.9 million, or 26.6%, of sales in the fourth quarter of 2017, representing an increase of $0.2 million or 2.6%. The absolute dollar increase was attributable to higher volumes. The decline in Adjusted EBITDA margin percentage was attributable to an abnormally high EBITDA results achieved in the fourth quarter of 2017.

Pro-forma adjusted EBITDA was $6.0 million or 15.9% of pro-forma revenue compared with $6.7 million or 20.1% of pro-forma revenue in the fourth quarter of 2017, representing a decrease of $0.7 million or 10.4%. The decrease was attributable to the factor noted above.

Results for the Twelve Months Ended December 31, 2018

EBITDA for fiscal 2018 was ($51.4) million, compared with ($4.5) million in fiscal 2017. Both years were impacted by various non-recurring items discussed earlier.

For the twelve months ended December 31, 2018, Adjusted EBITDA was $20.5 million or 17.1% of revenue, compared with $15.4 million, or 19.3%, in the same period of 2017, representing an increase of $5.1 million or 33.1%. The increase was attributable to higher volumes driving greater gross profit, despite lower gross margins realized, and scale achieved on selling, general and administration costs.

Pro-forma adjusted EBITDA was $25.4 million, or 17.4% of pro-forma revenue, compared to $21.0 million, or 16.8% of pro-forma revenue, in the fourth quarter of 2017, representing an increase of $4.4 million or 21.0%. The decrease was attributable to the factor noted above.

RESULTS OF OPERATIONS – BY REPORTABLE BUSINESS SEGMENT

Services Group

The Services Group is comprised of our low voltage electrical services operating under the New Electric brand, our medium and high voltage electrical services operating under the Tiltran, Taltrees, Pelikan, Rondar and Orbis brands; our operations and maintenance service group operating under the Northwind brand; and Lizco, our equipment sales and rental division.

	3 months ended			12 months ended		
	Dec. 31, 2018	Dec. 31, 2017	Change	Dec. 31, 2018	Dec. 31, 2017	Change
Revenue	33,557,450	19,831,397	13,726,053	110,277,468	75,014,133	35,263,335
Gross profit	12,086,749	7,978,655	4,108,094	38,703,720	30,005,028	8,698,692
Gross profit margin	36.0%	40.2%	29.9%	35.1%	40.0%	24.7%
Selling, general and administration	8,614,117	4,874,923	3,739,194	28,397,949	23,628,604	4,769,345
Segment EBITDA	5,814,400	3,892,544	1,921,856	17,981,534	11,775,857	6,205,677
Segment EBITDA %	17.3%	19.6%	14.0%	16.3%	15.7%	17.6%
Segment profit	3,472,632	3,103,732	368,900	10,305,771	6,376,424	3,929,347

(1) Excludes corporate expenses

Results for the 3 Months ended December 31, 2018

Revenue in the fourth quarter ended December 31, 2018 was $33.6 million compared with $19.8 million in the fourth quarter of 2017, representing an increase of $13.7 million or 69.2%. Effective July 1, 2018 the Company completed the acquisitions of Orbis and NEF that are included in the Services Group and accounted for $10.0 to the revenue increase in the quarter. The balance of the revenue growth in the fourth quarter of 2018 of $3.7 million was attributable to organic growth representing an increase of 18.7%. Revenues are broken down as follows:

	3 months ended			12 months ended		
Business Unit	Dec. 31, 2018	Dec. 31, 2017	Change	Dec. 31, 2018	Dec. 31, 2017	Change
Low Voltage Electrical Services	$13,950,317	$9,783,854	$4,166,463	$50,075,823	$37,169,637	$12,906,186
High Voltage Electrical Services	6,130,183	6,453,790	(323,607)	23,140,425	24,332,651	(1,192,226)
Operations and Maintenance Services	2,972,799	3,066,994	(94,195)	14,162,313	11,871,973	2,290,340
Equipment Sales & Rentals	532,303	526,759	5,544	3,804,360	1,639,872	2,164,488
2018 Acquisitions	9,971,848	—	9,971,848	19,094,547	—	19,094,547
	$33,557,450	$19,831,397	$13,726,053	$110,277,468	$75,014,133	$35,263,335

Revenue in the Company's low voltage services business operating under the New Electric brand increased by $4.2 million or 42.8% in the fourth quarter. Growth in low voltage revenues has been driven by concerted sales efforts to grow relationships with a strong customer base and the impact of new branches opened during fiscal 2018. The decline in High Voltage Services was due primarily to a large one-time maintenance project for a large data centre in 2017 that did not re-occur in the third quarter of 2018.

Gross profit in the fourth quarter of 2018 was $12.1 million, or 36.0% of revenue, compared with $8.0 million or 40.2% in the fourth quarter of 2017. The absolute dollar change was due to the impact of acquisition and organic growth in the segment. The percentage decline was due primarily to the impact of the lower margin Orbis business acquired during the year.

Selling, general and administration expenses for the fourth quarter of 2018 were $8.6 million, or 25.7% of revenue, compared with $4.9 million, or 24.6% of sales. The absolute dollar increase was attributable to

the impact of the 2018 acquisitions. The percentage decline was attributable to the impact of operational leverage as we realized revenue growth without corresponding increases in costs.

For the three months ended December 31, Segment EBITDA was $5.8 million compared with $3.9 million in the fourth quarter of 2017, representing an increase of $1.9 million or 49.3%. The increase was attributable to higher volumes driving higher gross profit, despite lower gross margins realized, and scale achieved on selling, general and administration costs.

Results for the Twelve Months Ended December 31, 2018

Revenue for the twelve months ended December 31, 2018 was $110.3 million, compared with $75.0 million over the same period in 2017, representing and increase of $35.3 million or 47.0%. Effective July 1, 2018 the Company completed the acquisitions of Orbis and NEF that are included in the Services Group and accounted for $19.1 million to the revenue increase. The balance of the revenue growth in fiscal 2018 of $16.3 million was attributable to organic growth representing an increase of 21.7%.

Business Unit revenues have all increased for the twelve months ended December 31 compared to same period in 2017, with the exception of High Voltage Services. The increases are due to the impact of new and expanded customer relationships and, in the case of New Electric, the addition of three new branches in 2018. The decline in High Voltage Services was due primarily to a large one-time maintenance project for a large data centre that did not re-occur in fiscal 2018 and a focus on maximizing gross margin realizations by eliminating lower margin jobs.

Gross profit for the twelve months ended December 31, 2018 was $38.7 million, or 35.1% of revenue, compared with $30.0 million or 40.0% in the same period in 2017.

Selling, general and administration expenses for the twelve months ended December 31, 2018 were $28.4 million, or 25.8% of revenue, compared with $23.6 million, or 31.5% of sales in fiscal 2017. The absolute dollar increase was attributable to the impact of the 2018 acquisitions. The percentage decline was attributable to the impact of operational leverage as we realized revenue growth without corresponding increases in costs.

For the twelve months ended December 31, 2018, Segment EBITDA was $18.0 million compared with $11.8 million over the same period in 2017, representing an increase of $6.2 million or 52.7%. The increase was attributable to higher volumes driving higher gross profit, despite lower gross margins realized, and scale achieved on selling, general and administration costs.

Solutions Group

The Solutions Group is comprised of our recent Bullfrog acquisition, asset management services and solutions services sold to our Services segment customers.

	3 months ended			12 months ended		
	Dec. 31, 2018	**Dec. 31, 2017**	**Change**	**Dec. 31, 2018**	**Dec. 31, 2017**	**Change**
Revenue	$4,352,532	$2,364,711	$1,987,821	$9,481,975	$5,029,443	$4,452,532
Gross profit	3,486,969	2,191,682	1,295,287	7,321,542	4,733,732	2,587,810
Gross profit margin	80.1%	92.7%		77.2%	94.1%	
Selling, general and administration	3,350,340	1,382,204	1,968,136	6,183,597	3,683,983	2,499,614
Segment EBITDA	337,781	898,631	(560,850)	1,614,028	1,779,015	(164,987)
Segment EBITDA %	7.8%	38.0%		17.0%	35.4%	
Segment profit	136,629	809,477	(672,849)	1,137,945	1,049,749	88,196

Results for the Three and Twelve Months ended December 31, 2018

Revenue for the three and twelve months ended December 31, 2018 was $4.4 million and $9.5 million, respectively, compared with $2.3 million and $5.0 million, respectively, over the same periods in 2017. Effective July 1, 2018 the Company completed the acquisition of Bullfrog Power results of which are included in the Solutions Group and accounted for the revenue increase in the three-and twelve-month periods ended December 31, 2018 compared with the same period in 2017.

	3 months ended			12 months ended		
	Dec. 31, 2018	Dec. 31, 2017	Change	Dec. 31, 2018	Dec. 31, 2017	Change
Bullfrog Power	3,627,101	—	3,627,101	6,718,181	—	6,718,181
Solutions, asset management fees and other	538,666	2,364,711	(1,826,045)	2,763,794	5,029,443	(2,265,649)
	$4,165,767	$2,364,711	$1,801,056	$9,481,975	$5,029,443	$4,452,532

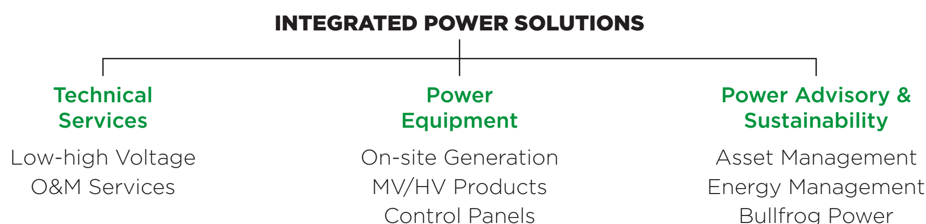
Gross profit for the three and twelve months ended December 31, 2018 was $3.5 million and $7.3 million, respectively as compared with $2.2 million and $4.7 million, respectively, over the same periods in 2017. The increase resulted primarily from the addition of Bullfrog Power in the third quarter of 2018, offset by one-time sales during fiscal 2017.

Selling, general and administration expenses for the three and twelve months ended December 31, 2018 were $3.4 million and $6.2 million respectively, compared with $1.4 million and $3.7 million, respectively, over the same periods in 2017. The increase was due primarily to the acquisition of Bullfrog Power during the year.

For the three and twelve months ended December 31, 2018, Segment EBITDA was $0.3 million and $1.6 million, respectively, compared with $0.9 million and $1.8 million over the same period in 2017.

REPORTABLE BUSINESS SEGMENTS FOR 2019

For fiscal 2019 the Company has revised its reportable business segments as detailed below. Management believes that this segmentation better reflects how the business is managed and provides a clearer understanding, for both management and other users of the financial information, of the businesses with different growth opportunities, revenue profiles and historical earnings performance and potential.



The technical services segment will include all low-voltage services (New Electric brand), high-voltage services (Rondar, Pelikan, Tal Trees, Tiltran and Orbis brands) and all operations and maintenance services (Northwind brand). The power equipment segment will include all new and used equipment sales and service (Lizco brand) and third-party control panel sales and service (New Electric and Orbis brand).

Business segment performance for twelve months ended December 31, 2018 under the revised 2019 structure were as follows:

	Technical Services	Power Equipment	Power Advisory & Sustainability	Total
Revenue	$106,473,108	$3,804,360	$9,481,975	$119,759,443
Gross profit	35,691,110	852,177	9,481,975	46,025,262
Gross profit margin	33.5%	22.4%	100.0%	38.4%
Selling, general and administration	27,946,297	666,046	5,969,203	34,581,546
Segment EBITDA	15,545,114	261,593	3,788,855	19,595,562
Segment EBITDA %	14.6%	6.9%	40.0%	16.4%
Segment profit	7,744,813	186,131	3,512,772	11,443,716

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and Borrowing Capacity

We monitor our liquidity principally through cash and cash equivalents and available borrowing capacity under our revolving operating line of credit. Our primary uses of funds are for operating expenses, working capital requirements, capital expenditures and debt service requirements.

Bank indebtedness was $11.6 million at December 31, 2018 as compared with $3.1 million in cash at December 31, 2017. As at December 31, 2018 the Company had additional borrowing capacity under the revolving line of credit of $8.4 million.

Debt and Capital Structure

During the third quarter of 2018 the company re-financed its credit facilities.

The Facility is comprised of three main components with details and terms as follows:

	Operating Line	Term Loan	Acqusition Line	Total
Amount	$20,000,000	$44,000,000	$25,000,000	$89,000,000
Term	Uncommitted	3 years Committed	Uncommitted	
Interest rate (i)	Prime + 0.0%-1.0%	Prime +0.75% - 1.75%	Prime + 0.0%-1.0%	
Repayment terms	Revolving	Year 1 - interest only	10 year amortization	
		8 year amortization thereafter	post drawdown	
Amount Drawn at December 31, 2018	$11,666,604	$44,000,000	nil	$55,666,604

(i) Based on Debt:EBITDA range

Long-term indebtedness, including the current portion of long-term debt, increased to $71.5 million at December 31, 2018 from $49.9 million at December 31, 2017. Long-term debt is comprised of the following components:

	December 31, 2018	December 31, 2017
Term debt, excluding financing fees	$45,500,000	$30,026,114
Promissory notes	10,233,527	9,500,000
Lease liability, including current portion	15,741,559	10,405,139
Total Long-term debt	$71,475,086	$49,931,253

The increase in long-term debt resulted from the impact of a variety of factors including investment in non-cash working capital, cash required to fund cash payments associated with the acquisitions completed, redemption of shares in conjunction with the closing of the merger with CGAC, and increased lease liabilities as a result of the acquisitions in 2018.

The current portion of long-term debt increased to $7,141,712 at December 31, 2018 as compared $6,512,672 million at December 31, 2017. The increase is attributable to an increase in current payments related to promissory notes of $1.3 million and increased lease liabilities of $1.4, as a result of an increase in right of use vehicle and property additions, partially offset by the impact of the new credit facility, entered into in the third quarter of 2018, that requires interest only payments for the initial 12 months resulting in a current obligation of $1.6 million as compared to $3.7 million under the previous facility.

We monitor our capital structure through the use of the total long-term debt to Pro-forma Adjusted EBITDA metric. As at December 31, 2018, our long-term debt to Pro-forma Adjusted EBITDA ratio was 2.81 compared with 3.30 at December 31, 2017, calculated as follows:

	Dec. 31, 2018	Dec. 31, 2017
Total long-term debt	71,475,086	50,970,139
2018 Pro-forma LTM Adjusted EBITDA (2017 - Adjusted EBITDA)	25,409,190	15,440,147
Net long-term debt to Pro-Forma Adjusted EBITDA	**2.81**	**3.30**

The senior secured credit facility is subject to financial covenants that include a Pro-forma Senior Funded Debt to EBITDA ("Debt:EBITDA") and a Debt Service Coverage Ratio ("DSCR"). As at December 31, 2018 we were in full compliance with covenants under the Credit Facility.

The outstanding balance under the revolving operating line fluctuates from quarter to quarter as it is drawn to finance working capital requirements, capital expenditures and acquisitions, and is repaid with funds from operations, dispositions or financing activities.

The maximum Debt:EBITDA covenant is 3.75:1 in a year in which the Company completes an acquisition, otherwise the maximum allowable is 3.25:1. All promissory notes due to previous owners of companies purchased by Spark Power are subordinated to the Senior Lender for purposes of financial covenant compliance.

A condition to the agreement is that the Company must enter into interest rate swaps for a minimum of 50% of the value of the term loan. In November 2018 the Company entered into an interest rate swap to hedge the interest payments over 50% of the term loan over the remaining term at a Banker's Acceptance rate of 2.97%, adjusted quarterly for credit spreads of 2.00% - 3.00%, for an aggregate fixed interest rate of 4.97%. As at December 31, 2018 the Company recorded a mark-to-market loss of $402,260 related to this swap arrangement.

Summary of Cash Flows

The following table summarizes Spark Power's cash flows for the twelve months ended December 31, 2018 and 2017:

	12 Months Ended December	
	2018	2017
Operating activities	($6,189,569)	($456,727)
Investing activities	16,933,360	(14,835,462)
Financing activities	(13,870,408)	18,309,364
Increase (decrease) in cash	(3,126,617)	3,017,175
Cash, beginning of period	3,126,617	109,442
Cash, end of period	—	$3,126,617

Cash flows from operating activities

Cash used in operating activities increased by $5.7 million from the twelve months ended December 31, 2017. The increase was attributable to an increased cash loss in 2018 as a result of $11.7 million in transaction and reorganization costs, partially offset by a decrease in investment in working capital excluding the impact of the 2018 acquisitions.

Cash flows from investing activities

Cash used in investing activities was $13.6 million for the twelve months ended December 31, 2018 and was comprised of $8.3 million for acquired businesses and $5.3 million in purchases of property, plant and equipment. This was consistent with same period in 2017 where total invested was $15.7 million of which $14.7 million was related to an acquired business. During the twelve months ended December 31, 2018 the Company generated cash flows from investing due to cash acquired on the reverse takeover of $30.5 million resulting in net cash flows from investing of $16.9 million compared to a use in 2017 of $14.8 million.

Cash flows used for financing activities

Cash flows used for financing activities in the twelve months ended December 31, 2018 were $13.9 million representing a decrease of $32.2 million compared to the same period in 2017. The decrease resulted from the impact of share redemptions and lease payments, repayment of previous senior debt, offset by proceeds from issuance of share capital and proceeds from a new credit facility that were completed through December 31, 2018.

External Factors Impacting Liquidity

Please refer to the "Risks" section contained in the Spark Power Group Inc. Final long-form prospectus dated August 7, 2018 filed under the Company's profile at www.sedar.com, for a description of circumstances that could affect our sources of funding.

Working Capital and Adjusted Working Capital

Working Capital includes cash, short-term investments, accounts receivable, contract asset inventory and prepaid expenses and deposits, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, contract liability current portion of long-term debt and lease liability, puttable class A and class 1 special shares, redeemable preference shares, redeemable common and special shares and deferred revenues. Adjusted Working Capital excludes the current portion of long-term debt and lease liability, puttable class A and class 1 special shares, redeemable preference shares and redeemable class B common and class 1 special shares, and therefore provides management and investors with a clearer understanding of the efficiency of operational working capital needs absent working capital required as a result of capital structure.

Spark Power's main sources of liquidity have been cash on hand, cash generated from operating activities and borrowings under its existing and previous credit facilities. At December 31, 2018 Working Capital and Adjusted Working Capital were $10.2 and $17.0 million, respectively, compared with $13.8 million and ($31.9) million, respectively at December 31, 2017.

The Company believes that adjusted working capital provides a better understanding of period-on-period comparisons of results as it reflects the results of operations of companies. See "NON-IFRS MEASURES" at the end of this report.

The following table outlines how our working capital measures are determined:

Reconciliation of working capital to Adjusted working capital	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Dec. 31, 2017
Working capital (deficiency)	**$10,238,410**	**$11,178,180**	**($60,122,556)**	**($31,870,778)**
Adjustments to working capital:				
Current portion of long-term debt	1,625,000	708,333	4,018,000	3,645,000
Current portion of lease liability	3,856,649	3,710,182	3,063,012	2,867,672
Current portion of promissory notes	1,282,496	1,561,261	—	—
Puttable Class A and Class 1 Special shares		—	46,110,034	17,816,420
Redeemable Series C-1 Preference shares		—	15,000,000	15,000,000
Redeemable Class B Common and Class 1 Special shares		—	5,722,500	6,360,000
Adjusted Working Capital	**17,002,555**	**17,157,956**	**13,790,990**	**13,818,314**
Comprised of:				
Cash	—	—	3,457,538	3,126,617
Operating line	(11,666,604)	(93,255)	—	—
Non-cash working capital balances	28,669,159	21,929,479	10,333,452	10,691,697

Contractual Obligations

The following table summarizes the Company's contractual maturities and carrying amounts of financial liabilities as at December 31, 2018:

	Carrying amount	Contractual cash flow	2019	2020	2021	2022	2023
Accounts payable and accrued liabilities	$22,056,355	$22,056,355	$22,056,355	$—	$—	$—	$—
Lease liability	15,741,559	17,232,539	4,933,827	4,288,882	3,200,064	1,333,024	3,476,742
Promissory notes	10,233,527	11,601,682	4,624,988	5,034,343	9,266,562	7,239,971	—
Long-term debt	45,043,475	55,728,125	4,128,333	8,749,167	7,928,750	6,893,750	28,028,125
	$93,074,916	$106,618,701	$35,743,503	$18,072,392	$20,395,376	$15,466,745	$31,504,867

Spark Power manages its risks of failing to discharge its financial liabilities in a timely manner through cash forecasting and prudent management of its capital structure to ensure it has sufficient resources to meet contractual obligations as they become due.

Spark Power has no off-balance sheet arrangements that have or are reasonably likely to have, a current or future material effect on the Companies financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Outstanding Share Data

The total number of fully diluted outstanding and issuable Common Shares is as follows:

As at	December 31, 2018	December 31, 2017
Common shares	44,920,313	2,046,384
Warrants	11,776,648	160,500
Stock options	1,991,980	2,998,984
Total	**58,688,941**	**5,205,868**

Warrants

The Company issued 943,315 warrants in August 2018. Each whole warrant gives the right to purchase one share at an exercise price of $3.45 for a term of 5 years. In addition, 10,833,333 warrants were issued in connection with the Spark Power Acquisition. These warrants give the right to the purchase of one Common share at an exercise price of $3.45 per share for a term of 5 years. These warrants have been classified as an equity instrument measured through profit or loss and have been measured using the Black-Scholes method using the following inputs: stock price - $3.00 per share; exercise price - $3.45 per share; risk-free interest rate – 2.16%; volatility – 14%; term – 5 years; yield – 0%, These inputs require management judgment and estimates and a change in such estimates could result in a material change to the valuation of these warrants.

Stock options

The Company has an incentive stock option plan. Under the terms of the plan, directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. Options generally expire after ten years, with vesting provisions stated in the plan and the applicable grant agreement.

OFF-BALANCE SHEET ARRANGEMENTS, COMMITMENTS AND CONTINGENCIES

Spark Power has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Company's financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

OUTLOOK

The Company expects revenue and EBITDA to continue to grow in fiscal 2019 through organic growth, the full year impact of 2018 acquisitions, an improved cost structure resulting from reorganization completed in Q4 of 2018 and the impact of scale on selling, general and administration costs. Organic revenue growth is expected to be achieved through additional new branch openings, growth from branches opened in 2018 and continued cross selling of the Company's diverse service offerings across its customer base.

Growth through acquisition continues to play a role in the growth opportunities for the Company. While acquisition growth can not be predicted or guaranteed the Company remains focused on identifying opportunities in this regard.

With the new credit facility implemented in August 2018 the Company believes it has adequate resources to support growth opportunities in 2019. Availability on the Company's $20.0 operating line are expected to continue to support any working capital requirements and the currently unutilized $25.0 million acquisition line is available to support any funding requirements of potential acquisition opportunities.

SUMMARY QUARTERLY FINANCIAL INFORMATION

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$37,909,647	$38,268,707	$23,846,670	$19,734,419	$22,175,002	$22,639,739	$18,844,707	$16,384,128
Gross Profit	15,573,718	13,297,002	9,063,895	8,090,647	10,170,337	9,334,055	8,039,498	7,194,870
Income from Operations	3,609,261	5,019,404	2,216,203	598,848	3,913,210	2,919,661	373,771	219,531
Net income (loss)	288,554	(37,619,048)	(8,056,503)	(19,247,855)	(15,420,493)	1,289,888	(1,281,187)	(1,298,146)
Adjusted Net Income (Loss)	1,702,478	3,603,082	1,565,671	(640,595)	2,395,927	1,289,888	(353,059)	(1,298,146)
Adjusted EBITDA	6,043,300	7,313,709	4,836,030	2,287,848	5,888,024	4,564,677	3,043,556	1,943,890
Adjusted EBITDA Margin	15.9%	19.1%	20.3%	11.6%	26.6%	20.2%	16.2%	11.9%
Pro-forma Revenue	37,909,647	38,268,707	38,896,800	31,375,467	33,164,273	35,717,899	30,076,162	26,152,129
Pro-forma Adjusted EBITDA	6,043,300	7,313,709	7,749,437	4,302,744	6,672,425	6,996,149	3,956,946	3,349,721
Pro-forma Adjusted EBITDA Margin	15.9%	19.1%	19.9%	13.7%	20.1%	19.5%	13.2%	12.8%
Pro-forma Adjusted LTM EBITDA	25,409,190	$26,038,315	$25,720,755	$21,928,264	$20,975,241			
Pro-forma Adjusted LTM EBITDA Margin	17.4%	18.4%	18.5%	16.8%	16.8%			
Pro-forma LTM Revenue	146,450,621	141,705,247	139,154,439	130,333,801	125,110,463			

Note:

(1) "Adjusted EBITDA", Adjusted EBITDA margin", "Adjusted Net Income (loss)", Pro-forma Revenue", "Pro-forma Adjusted EBITDA", "Pro-forma Adjusted LTM EBITDA", "Pro-forma Adjusted EBITDA margin", Pro-forma LTM Revenue" are non-IFRS measures. Refer to Non-IFRS Measures" for definitions of these terms

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and reported amount of revenues and expenses during the reporting period. Management is required to apply judgment in recognizing revenue, determination of appropriate provisions, determination of the useful lives of assets, valuation of reverse take-over transaction, determination of valuation of equity transactions, valuation of business combinations, discount rate of lease liability, valuation of derivative financial instruments, and impairment of goodwill. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results could differ from those estimates.

Revenue recognition - The most significant judgments and estimates in recognizing revenue relate to the management contracts, as they are long-term in nature and contain consideration that is variable based on a number of uncertain factors, such as estimated electrical production over many years, expense growth, and the number of sites to be monitored. The Company determines the extent to which the estimate of variable consideration is constrained (and therefore included in the measurement of revenue) by considering historical trends and the lowest levels of annual incentive fees earned in the past (Note 5). Key assumptions made in determining the estimate of the transaction price relating to management contracts include:

- Cash flow projections for the per-project and per-kilowatt hour capacity are uniform in each year going forward; and
- The number of licensees will not materially change over the remaining contract term.

Key assumptions made in determining the satisfaction of the performance obligation at the reporting period are the expected number of licensees over the term of the remaining contract. Spark does not expect the number of licensees to change materially over the remaining term of the contracts.

Provisions – Significant judgments and estimates are involved in determination of the expected credit losses associated with accounts receivable and onerous contracts.

Expected credit losses – Expected credit losses associated with accounts receivable require management to assess certain forward looking and macroeconomic factors to determine whether there is a significant increase in credit risk as well as expected provision on the balance outstanding as at year-end. This is further described in Notes 5 and 14 to the Financial Statements.

Onerous contracts – A contract is considered onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be derived from the contract. The determination of when to record a provision for an onerous contract is a complex process that involves management judgment about outcomes of future events and estimates concerning the nature, extent and timing of expected future cash flows and discount rates related to the contract.

Warranties – Significant judgements and assumptions may be involved in determination of future obligations associated with certain services and equipment sales recognized in the current year.

Useful lives of assets - Significant estimates in connection with these Financial Statements include the determination of the useful lives of property and equipment and intangible assets based on their expected depreciation rates. (Notes 7 and 8)

Valuation of reverse take-over transaction – Significant judgments and estimates are involved in determination of the fair value of shares issued in the Spark Power Acquisition to complete the merger with CGAC. A change in these estimates and/or judgments could result in a material change to the expense recorded as excess of fair value over net assets acquired relating to the listing fee. (Note 2)

Determination of valuation of equity transactions – Significant estimates are involved in determination of the fair value of equity transactions such as equity-settled transactions and warrant valuation. (Note 12)

Valuation of business combinations - Significant estimates and assumptions are required to determine the purchase price allocation of business combinations including determination of valuation of intangible assets acquired as such. (Note 16)

Discount rate of lease liability – The lease liabilities associated with all property and vehicle leases are measured at the present value of expected lease payments and discounted using the interest rate implicit in the lease, unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. The Company determines its incremental borrowing rate as the rate of interest it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires significant estimates and assumptions from the management that may have an impact on the Financial Statements. (Note 11)

Valuation of derivative financial instruments – The estimated fair values of financial assets and liabilities are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks. Furthermore, the Company may use derivative instruments to manage commodity price, foreign currency and interest rate exposures. The fair value of these derivatives are determined using valuation models which require assumptions concerning the amount and timing of future cash flows, and discount rates. Management's assumptions rely on external observable market data including quoted forward commodity prices and volatility, interest rate yield curves and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts realized or settled in current market transactions and, as such, are subject to measurement uncertainty. (Notes 10 and 14)

Impairment of goodwill -The annual test of impairment of goodwill is completed based on management's estimates of future performance of the related cash generating unit based on past history and economic trends, plus estimates of the weighted average cost of capital. (Note 9)

SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Company early adopted IFRS 15, *Revenue from Contracts with Customers*, as of January 1, 2017 using the modified retrospective approach.

The Company derives revenue from the provision of services and sale of equipment, as segregated in primarily five revenue streams:

- *Service contracts* for the inspection, testing, repair and maintenance of electrical generating equipment. Contracts are typically short-term in nature (e.g. less than 3 weeks). Payment is due upon completion of the contract.
- *Construction contracts* for the development, construction and procurement of electrical generating equipment. Contracts may last for several months to more than one year. Payment is due in milestones as the contract is completed.
- *Contracts for the management* of client electrical generating equipment, including the procurement of maintenance services, recordkeeping and day-to-day operations. Contracts are long term in nature and are typically for the period of time equal to the energy contract held by the client. Payment is due based on a fixed amount annually per-site monitored plus, an incentive fee as performance metrics are achieved on an annual basis.
- *Equipment sales* contracts for the fabrication of custom electrical equipment used in low, medium and high voltage applications. Contracts may last from several days to several months depending on material lead times. Advance payment is due on larger contracts based on completed milestones, and on smaller contracts when the product is shipped.
- *Retirement of green energy certificates* (including green electricity certificates, green natural gas certificates or green fuel certificates) for green energy certificate customers. Contracts may last for several months to more than one year, where payments are due at the end of each contracted month.

The Company offers limited time warranties on the quality of its work being free from material defects. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the cost of satisfying the warranties in accordance with IAS 37, Provisions, *Contingent Liabilities and Contingent Assets*.

Goodwill

Goodwill represents the excess of the cost of business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed, and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree.

Intangible Assets

The Company has certain externally acquired intangible assets through business combinations that are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives when they have a finite useful life.

Intangible assets are recognized on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are at fair value and arrived at by using appropriate valuation techniques.

On the basis they have a finite useful life, they are amortized on a straight-line basis over their estimated useful life.

Intangible assets determined to have an indefinite useful life are recorded at cost and not subject to amortization. Instead, the Company assesses indefinite life intangible assets for impairment by comparing their recoverable amount with their carrying value whenever there is an indication of impairment and on an annual basis. The Company has classified tradenames as indefinite life intangible assets.

Property and Equipment

Property and equipment are recorded at cost net of accumulated depreciation and write-downs for impairment, if any. Depreciation is calculated on a straight-line basis over their estimated useful life.

Impairment of Non-Financial Assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to the impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Leases

All leases are accounted for by recognizing a right-of-use asset in property and equipment and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. The Company determines its incremental borrowing rate as the rate of interest it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to exercise that option;
- any penalties payable for terminating the leases, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line base over the remaining term of the lease or over the remaining economic life of the asset, whichever is shorter.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease. That is, it does not allocate any amount of the contractual payment to, and account separately for, any services provided by the supplier as part of the contract.

FINANCIAL INSTRUMENTS

The Company early adopted IFRS 9, Financial Instruments, as of January 1, 2017 using the modified retrospective approach.

Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The Company does not have any financial instruments classified as fair value through other comprehensive income.

Amortized cost

These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issues and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for accounts receivables are recognized based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During the process of reviewing accounts receivable for impairment, the probability of the non-payment of the accounts receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for accounts receivables. For accounts receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within operating expenses in the Consolidated Statement of Comprehensive Loss. On confirmation that a certain accounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's financial assets measured at amortized cost comprise of cash and accounts receivable.

Fair value through profit or loss

These assets are carried in the Consolidated Statement of Financial Position at their fair value with changes in fair value recognized in the Consolidated Statement of Comprehensive Loss in the finance income (expense) line. Transaction costs associated with financial instruments measured at fair value through profit or loss are expensed as incurred.

The Company's financial instruments classified at fair value through profit or loss include derivative financial instruments and short-term investments. The Company has entered into an interest rate swap arrangement ("Interest Rate Swap") to manage interest rate exposures on a portion of its non-revolving term loan with Bank of Montreal (Note 10). Under this arrangement, the Company receives a fixed Banker's Acceptance ("BA") rate (adjusted for credit spread of 2.00% - 3.00%) in exchange for a variable prime plus 0.75% - 1.75%. While this agreement economically hedges the risk of changes in cash flows due to fluctuations in interest rates, hedge accounting has not been applied for these instruments. The fair value of the Interest Rate Swap is based on the current market value of similar contracts with similar remaining durations as if the contract had been entered into on December 31, 2018. Further, the Company's short-term investments include mutual funds that are redeemable at the option of the Company and measured at their estimated redemption value.

Financial Liabilities

The Company classifies its financial instruments into one of two categories, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

This category comprised of Puttable Class A Common, Class 1 Special shares which were redeemed during the year by the Company as part of the Spark Power Acquisition.

Other financial liabilities

Other financial liabilities include the following items:

- bank indebtedness, accounts payable and accrued liabilities, long-term debt, promissory notes, lease liability, redeemable preference shares and redeemable Class B Common and Class 1 Special shares are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Consolidated Statement of Financial Position; accounts payable and accrued liabilities and other short-term monetary liabilities, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P") AND INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for the design and operational effectiveness of DC&P and ICFR in order to provide reasonable assurance regarding the disclosure of material information relating to the Company. This includes information required to be disclosed in the Company's annual filings, interim filings and other reports filed under securities legislation, as well as the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Consistent with *National Instrument 52-109*, the Company's Co-CEO's and CFO evaluate quarterly the DC&P and ICFR. As of December 31, 2018, the Company's Co-CEO's and CFO concluded that the Company's DC&P and ICFR were properly designed and were operating effectively. In addition, there were no material changes to ICFR during the quarter.

RISK MANAGEMENT

Financial Risks

Spark Power is exposed to a variety of financial risks in the normal course of operations including interest rate, credit and liquidity risk. Spark Power's overall risk management program and business practices seek to minimize any potential adverse effects on its consolidated financial performance.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject Spark Power to cash flow interest rate risk include financial assets and liabilities with variable interest rates. Spark Power is currently exposed to cash flow risk on its credit facilities and lease liability as they do not bear interest at variable interest rates.

Credit Risk

Spark Power is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to it. Spark Power's maximum exposure to credit risk at the reporting date is equal to the carrying value of accounts receivable and mitigates its risk by monitoring the credit worthiness of its customers.

Spark Power provides credit to its customers in the normal course of its operations. The amounts disclosed in the statement of financial position represent the maximum credit risk and are net of allowance for doubtful accounts, based on management's estimates taking into account Spark Power's prior experience and its assessment of the current economic environment.

In determining the recoverability of a trade receivable, Spark Power considers any change in the credit quality of the trade receivable for the date the credit was initially granted up to the end of the reporting period.

Liquidity Risk

Liquidity risk is the risk that Spark Power will encounter difficulty in meeting obligations associated with financial liabilities. Spark Power's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due. Spark Power is exposed to this risk mainly in respect of its trade and other payables, credit facilities, long-term debt and lease agreements. Spark Power reviews its cash flows from operations on a periodic basis to determine whether it will be able to meet its financial obligations and assess whether funding from financing sources is required.

RISKS AND UNCERTAINTIES

The following is a brief discussion of the risks and uncertainties facing the company which may have a material impact on the Company's future financial performance. Please refer to the "Risks" section contained in the Spark Power Group Inc. Annual Information Form ("AIF") which will be available on Sedar or before April 7, 2019 or final long-form prospectus dated August 7, 2018 filed under the Company's profile at www.sedar.com.

- Volatility in the electricity business and industry conditions – such as the demand for Spark Power's services may decline, which may reduce Spark Power's revenue and earnings
- Unionization of the Corporation's work force could drastically impact the Corporation's business model, which may reduce revenue and earnings
- Risks related to the credit facility
- Political Risk Related to New Ontario Government
- The wind and solar power markets are still at a relatively early stage of development and future demand for wind and solar power services is uncertain
- The Federal, State and Provincial Governments may revise, reduce or eliminate subsidies and economic incentives for wind and solar power, which could cause demand for the Corporation's services to decline
- Availability of qualified employees
- Servicing projects for the power sectors exposes the Corporation to unique industry risks
- Changes in tax law may have a material adverse effect on the Corporation's business, financial condition and results of operations
- The Corporation's quarterly operating results may fluctuate from period to period based on a number of factors, including:
  - the average selling prices of its power services;
  - the timing of completion of construction of its customer's energy and power projects;
  - the timing and pricing of its services;
  - the rate and cost at which the Corporation is able to expand its customer servicing capacity;
  - the availability and cost of goods from its suppliers and manufacturers;
  - changes in government incentive programs and regulations, particularly in the Corporation's key target markets;
  - the unpredictable volume and timing of customer orders;
  - the loss of one or more key customers or the significant reduction or postponement of orders;
  - the availability and cost of external financing for on-grid and off-grid power applications;

    - acquisition and investment costs;
    - foreign currency fluctuations, particularly in the U.S. dollar;
    - The Corporation's ability to establish and expand customer relationships;
    - the timing of new services or technology introduced or announced by the Corporation's competitors;
    - allowances for doubtful accounts and advances to suppliers;
    - inventory write-downs;
    - long-lived asset impairment;
- Reputation and Financial Results Could be Harmed in the Event of Accidents or Incidents
- Litigation
- General global economic conditions may have an adverse impact on the Corporation's operating performance and results
- Seasonal variations in demand linked to construction cycles and weather conditions may influence the Corporation's results of operations
- If the Corporation's cash from operations is not sufficient to meet its current or future operating needs, expenditures and debt service obligations, its business, financial condition and results of operations may be materially and adversely affected.
- The loss of one or more significant customers may cause fluctuations or declines in the Corporation's revenues
- Failure to protect the Corporation's intellectual property rights may undermine its competitive position
- The Corporation may face health, safety and environmental risks
- Equipment failure or unexpected operations and maintenance activity may unduly delay or disrupt the Corporation's energy and power projects
- The Corporation may experience breaches in its cybersecurity which may delay or disrupt its energy or power services or create losses in customer loyalty
- The Corporation must successfully maintain and upgrade its information technology systems, and its failure to do so could have a material adverse effect on its business, financial condition and results of operations.
- Use of social media may materially and adversely affect the Corporation's reputation or subject it to fines or other penalties.
- The Corporation is subject to insurance-related risks
- Parties with whom the Corporation does business with may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to the Corporation
- Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect the Corporation's reported financial results or financial condition
- The market price for Common Shares may be volatile and could decline in value
- If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about the Corporation or its business, the Common Share trading price and volume could decline
- The Corporation's future business depends in part on its ability to make strategic acquisitions, investments and divestitures and to establish and maintain strategic relationships, and the Corporation's failure to do so could have a material and adverse effect on its market penetration and revenue growth
- No assurance of future performance of acquisitions
- The Corporation may fail to realize the anticipated benefits of its acquisitions
- Risks related to acquisition financing
- The Corporation may not be able to successfully implement and manage its growth

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements for Spark Power Group Inc. were prepared by management in accordance with International Financial Reporting Standards (IFRS). Management acknowledges responsibility for the fair preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) (signed)

March 27, 2019

Oakville, Ontario

Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
222 Bay Street
Suite 2200, PO Box 131
Toronto ON M5K 1H1 Canada

Independent Auditor's Report

To the Shareholders of Spark Power Group Inc.

Opinion

We have audited the consolidated financial statements of Spark Power Group Inc. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information, included in the Management Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

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

BDO

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 27, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Presented in Canadian dollars

As at December 31	2018	2017
Assets		
Current assets		
Cash	$—	$3,126,617
Short-term investments	251,161	306,211
Accounts receivable (Note 5)	35,410,600	17,222,605
Inventory (Note 6)	5,697,836	2,704,432
Contract asset (Note 5)	11,262,340	3,001,618
Prepaid expenses and deposits	2,464,152	479,220
	55,086,089	26,840,703
Non-current assets		
Property and equipment (Note 7)	21,990,687	13,087,968
Intangible assets (Note 8)	34,231,754	23,275,425
Goodwill (Note 9)	28,407,921	19,033,431
	$139,716,451	$82,237,527
Liabilities and Shareholders' Deficiency		
Current liabilities		
Bank indebtedness (Note 10)	$11,666,604	$—
Accounts payable and accrued liabilities	22,056,355	11,066,082
Income taxes payable (Note 13)	615,444	793,179
Current portion of long-term debt (Note 10)	1,625,000	3,645,000
Current portion of promissory notes (Note 10)	1,282,496	—
Current portion of lease liability (Note 11)	4,234,216	2,867,672
Contract liabilities	3,745,131	1,163,128
Puttable Class A and Class 1 Special shares (Note 12)	—	17,816,420
Redeemable Series C-1 Preference shares (Note 12)	—	15,000,000
Redeemable Class B Common and Class 1 Special shares (Note 12)	—	6,360,000
	45,225,246	58,711,481
Non-current liabilities		
Long-term debt (Note 10)	43,418,475	26,381,114
Promissory notes payable (Note 10)	8,951,031	9,500,000
Deferred income taxes (Note 13)	2,094,664	100,181
Lease liability (Note 11)	11,507,343	7,537,467
Redeemable Series C-1 Preference shares (Note 12)	—	4,222,386
Redeemable Class B Common and Class 1 Special shares (Note 12)	—	6,360,000
	111,196,759	112,812,629
Shareholders' deficiency		
Share capital (Note 12)	123,977,289	321,009
Contributed surplus	422,116	348,750
Deficit	(95,698,926)	(31,064,074)
	28,700,479	(30,394,315)
Non-controlling interest	(180,787)	(180,787)
	28,519,692	(30,575,102)
	$139,716,451	$82,237,527

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Presented in Canadian dollars

Year Ended December 31	2018	2017
Revenue (Note 5)	$119,759,443	$80,043,576
Cost of sales (Note 21)	73,734,181	45,304,816
Gross profit	46,025,262	34,738,760
Expenses		
Selling, general and administration (Note 21)	34,581,546	27,312,587
Income from operations	11,443,716	7,426,173
Other income (expenses)		
Finance expense	(5,209,960)	(4,573,151)
Increase in value of Puttable Class A and Class 1 special shares (Note 12)	(47,771,600)	(17,816,420)
Transaction costs (Note 2)	(10,269,633)	—
Reorganization costs	(1,413,924)	—
Excess of fair value over net assets acquired (Note 2)	(12,660,331)	—
Gain on retraction of Class 1 Special shares (Note 12)	1,250,000	—
Other	(138,052)	(53,061)
	(76,213,500)	(22,442,632)
Loss before income taxes	(64,769,784)	(15,016,459)
Current income taxes	677,235	762,885
Deferred income taxes (recovery)	(812,167)	930,594
Income taxes (recovery) (Note 13)	(134,932)	1,693,479
Net and comprehensive loss	(64,634,852)	(16,709,938)
Net and comprehensive loss attributed to:		
Net and comprehensive loss attributed to equity holders	$(64,634,852)	$(16,700,578)
Net and comprehensive loss attributed to non-controlling interest	—	(9,360)
	$(64,634,852)	$(16,709,938)
Earnings per share attributable to equity holders		
Basic (Note 20)	$(1.44)	$(8.16)
Diluted (Note 20)	(1.44)	(8.16)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Presented in Canadian dollars

	Comon shares		Warrants	Class A Common shares		Class B Common shares		Class 1 Special shares		Non-controlling interest	Contributed surplus	Deficit	Shareholders' equity/ (deficiency)
	Number	Amount	Amount	Number	Amount	Number	Amount	Number	Amount				
Balance at December 31, 2016	—	$—	$—	100,000	$1	—	$—	1,725,000	$8	$(171,427)	$348,750	$(15,228,668)	$(15,051,336)
IFRS 15 transitional adjustment	—	—	—	—	—	—	—	—	—	—	—	865,172	865,172
Issuance of Class 1 Special Shares	—	—	—	—	—	—	—	221,384	321,000	—	—	—	321,000
Net and comprehensive loss	—	—	—	—	—	—	—	—	—	(9,360)	—	(16,700,578)	(16,709,938)
Balance at December 31, 2017	—	$—	$—	100,000	$1	—	$—	1,946,384	$321,008	$(180,787)	348,750	$(31,064,074)	$(30,575,102)
Net and comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	(64,634,852)	(64,634,852)
Share capital addition (Note 12)	—	—	—	—	—	747,436	1,340,583	88,882	159,417	—	—	—	1,500,000
Private placement (Note 12)	—	—	213,189	—	—	1,746,879	5,446,700			—	—	—	5,659,889
Exercise of options (Note 12)	—	—	—	—	—			1,743,383	19,889	—	—	—	19,889
Exercise of warrants (Note 12)	—	—	—	—	—			160,500	232,725	—	—	—	232,725
Shares issued in acquisitions (Note 12)	—	—	—	470,957	1,525,900	—	—			—	—	—	1,525,900
Conversion of Class A Common, Class B Common and Class 1 Special shares	7,564,761	9,140,382	—	(570,957)	(1,525,901)	(2,494,315)	(6,787,283)	(4,105,209)	(827,198)	—	—	—	—
Conversion of Puttable Class A Common and Class 1 Special shares	22,246,812	66,764,434	—	—	—	—	—	—	—	—	—	—	66,764,434
Conversion of redeemable Series C-1 Preference shares.	1,567,074	4,701,217	—	—	—	—	—	—	—	—	—	—	4,701,217
Issuance of Class 1 Special ESOP shares			—	—	—			166,060	94,159	—	—	—	94,159
Shares issued in Qualifying Acqusition transaction	13,541,666	40,709,734	2,448,333	—	—	—	—	—	—	—	—	—	43,158,067
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	73,366	—	73,366
Balance at December 31, 2018	44,920,313	$121,315,767	$2,661,522	—	$—	—	$—	—	$—	$(180,787)	422,116	$(95,698,926)	$28,519,692

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Presented in Canadian dollars

As at December 31	2018	2017
Cash flows from operating activities		
Net loss for the year	$(64,634,852)	$(16,709,938)
Adjustments for non-cash items		
Amortization and depreciation	8,151,846	5,955,556
Gain on retraction of class 1 special shares (Note 12)	(1,250,000)	—
Excess of fair value over net assets acquired (Note 2)	12,660,331	—
Loss on disposal of property and equipment	(21,000)	19,376
Deferred income taxes (Note 13)	(676,737)	930,594
Unrealized gain on short-term investments	—	(6,315)
Accrued interest on Class B Common, Class 1 Special and Series C-1 Preference shares	546,331	1,021,150
Increase in value of Puttable Class A Common and Class 1 Special shares (Note 12)	47,771,600	17,816,420
Stock-based compensation (Note 12)	73,366	—
Changes in non-cash working capital balances		
Accounts receivable	(5,681,410)	(2,292,361)
Inventory	(294,765)	(2,281,121)
Contract asset	(7,264,746)	(146,398)
Prepaid expenses and deposits	(898,929)	47,895
Accounts payable and accrued liabilities	3,313,739	(2,587,666)
Income taxes	(177,735)	(2,651,795)
Contract liabilities	2,193,392	427,876
	(6,189,569)	(456,727)
Cash flows from investing activities		
Purchase of property and equipment (Note 7)	(5,328,839)	(1,044,286)
Sale (purchase) of short-term investments	55,150	(75,453)
Cash paid to acquire businesses (Note 16)	(8,290,687)	(14,678,661)
Cash acquired on Spark Power acquisition (Note 12)	30,497,736	—
Repayments from related parties	—	1,285,874
Repayments to related parties	—	(491,258)
Proceeds on disposal of property and equipment	—	168,322
	16,933,360	(14,835,462)
Cash flows from financing activities		
Bank Indebtedness	11,666,604	(795,000)
Repayment of loan	—	(5,088,480)
Repayment of promissory notes (Note 10)	(19,689,418)	
Issuance of share capital (Note 12)	6,930,452	2,140,000
Redemption of Series C-1 Preference shares (Note 12)	(15,000,000)	—
Retraction of Class B Common and Class 1 Special shares (Note 12)	(10,037,500)	—
Exercise of warrants and options (Note 12)	252,624	318,903
Repayments of lease liability (Note 7)	(3,010,531)	(2,558,982)
Proceeds from long-term debt (Note 10)	44,000,000	32,000,000
Repayment of long-term debt (Note 10)	(28,982,639)	(7,707,077)
	(13,870,408)	18,309,364
Net change in cash during the year	(3,126,617)	3,017,175
Cash, beginning of year	3,126,617	109,442
Cash, end of year	$—	$3,126,617

See accompanying notes to the consolidated financial statements.

Non-cash transactions:

Spark Power Acquisition (Notes 2 and 12)

Business Combinations (Note 16)

1. BUSINESS DESCRIPTION

Spark Power Group Inc. (“Spark” or “the Company”) is incorporated under the laws of Ontario. The Company provides electrical power services and solutions to North American industrial, commercial, institutional, renewable, and agricultural customers, as well as utility markets including municipalities, universities, schools, and hospitals.

The Company’s head office, principal address, and registered office is located at 1315 North Service Road E, Suite 300, Oakville, Ontario L6H 1A7.

2. SIGNIFICANT EVENTS AND TRANSACTIONS

On June 11, 2018, Spark Power Corp. (“Spark Power”) and its shareholders entered into a share purchase agreement (the “Purchase Agreement”) with Canaccord Genuity Acquisition Corp (“CGAC”), which among other things, provided for the acquisition by CGAC of all of the issued and outstanding shares of Spark Power (“Spark Power Acquisition”), subject to adjustments and payable in accordance with the terms of the Purchase Agreement.

CGAC is a special purpose acquisition corporation incorporated under the Business Corporations Act (Ontario) for the purpose of effecting an acquisition of one or more business or assets, by way of merger, amalgamation, share exchange, asset acquisition, share purchase, reorganization, or other similar business combination involving CGAC, referred to as its qualifying acquisition. On July 24, 2017, CGAC closed its initial public offering (the “Offering”) of Class A restricted voting shares (“Class A Restricted Voting Shares”) for total proceeds of $30,000,000. Upon closing of the Offering, CGAC’s Class A Restricted Voting Shares and Class B shares (“Class B share”) were listed on the Toronto Stock Exchange (the “TSX”). The total proceeds from the Offering were placed in an escrow account to be released upon consummation of the qualifying acquisition in accordance with the terms and conditions of the escrow agreement.

On August 31, 2018, Spark Power and CGAC announced the completion of the Spark Power Acquisition. The merger with Spark Power constituted CGAC’s qualifying acquisition (the “Qualifying Acquisition”).

While CGAC was the legal acquirer of Spark Power, Spark Power was identified as the acquirer for accounting purposes. The Spark Power Acquisition is outside the scope of IFRS 3, Business Combinations (“IFRS 3”), and is accounted for as an equity-settled share-based payment transaction in accordance with IFRS 2, Share-based Payments (“IFRS 2”). Spark is considered to be a continuation of Spark Power with the net identifiable assets of CGAC deemed to have been acquired by Spark Power in exchange for shares of Spark Power. Under IFRS 2, the transaction is measured at the fair value of the shares deemed to have been issued by Spark Power in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of Spark Power acquiring 100% of CGAC. Any difference in the fair value of the shares deemed to have been issued by Spark Power and the fair value of CGAC’s net identifiable assets represents a service received by Spark Power (being the publicly listed status being achieved), recorded through profit and loss in the Consolidated Statement of Comprehensive Loss. Spark Power’s historical financial statements as of and for the periods ended prior to the completion of the Qualifying Acquisition are presented as the historical financial statements of Spark prior to the date of the completion of the Qualifying Acquisition.

As a result of the acquisition, upon closing, Spark Power became a wholly owned subsidiary of CGAC.

In connection with the closing of the Qualifying Acquisition, CGAC was renamed Spark Power Group Inc. The adjusted purchase price of the Spark Power Acquisition was established based on an equity value of approximately $89.5 million.

2. SIGNIFICANT EVENTS AND TRANSACTIONS (CONTINUED)

Details of the Spark Power Acquisition are summarized as follows:

Assets acquired	
Cash	$243,736
Cash balance held in escrow account	30,302,000
	$30,545,736
Liabilities assumed	
Accounts payable and accrued liabilities	$12,000
Amounts due to related party	36,000
	$48,000
Net assets acquired	$30,497,736
Fair value of shares deemed to have been issued by Spark (Note 12)	43,158,067
Excess of fair value over net assets acquired	$12,660,331

The Company incurred legal and other costs of $2.03 million in connection with the Spark Power Acquisition that are included in transaction costs in the Consolidated Statement of Comprehensive Loss.

3. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements ("Financial Statements") of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the reporting period ended December 31, 2018.

The Board of Directors approved these consolidated financial statements on March 27, 2019.

Basis of Measurement

These Financial Statements have been prepared on a historical cost basis, except for certain financial instruments and short-term investments that are carried at fair value with changes in fair value recognized in comprehensive loss, as described in the accounting policies below.

Functional and Presentation Currency

These Financial Statements are presented in Canadian dollars ("CDN") which is also the functional currency of the Company and its subsidiaries.

3. BASIS OF PREPARATION (CONTINUED)

Basis of Consolidation

These Financial Statements include the accounts of Spark and its subsidiaries. The Financial Statements present the results of the Company and its subsidiaries as if they formed a single entity. All inter-company transactions and balances between the entities have been eliminated.

The Financial Statements incorporate the results of business combinations using the acquisition method. In the Consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values as at the acquisition date. During the year Rondar Inc., Pelikan Inc., Tal Trees Power Services Corp. and Tiltran Power Services Corp. were amalgamated with Spark Power High Voltage Services Inc. In addition, Spark Land Energy Corp. and Spark Land Energy LP were dissolved during the year.

Subsidiary	Ownership %
1625704 Alberta Inc.	100%
2282404 Ontario Inc.	100%
2340124 Ontario Inc.	100%
2480811 Ontario Inc.	100%
2552095 Ontario Inc.	100%
Bullfrog Power Inc.	100%
Bullfrog Solar Inc.	100%
Bullfrog Solar Inc. (USA)	100%
Canadian REC Wholesale Inc.	100%
Electronic Repair & Replacement Centre Inc.	100%
Less Emissions Inc.	100%
Lizco Sales & Rentals Inc.	100%
New Electric Enterprises Inc.	100%
New Electric Fresno, LLC	100%
New Electric Holdings Inc.	100%
New Electric Services Inc.	100%
Northwind Solutions Corp.	100%
Northwind Solutions Group Inc.	100%
Northwind Solutions Group (USA) Inc.	90%
Northwind Solutions LP	100%
Orbis Engineering Field Services Ltd.	100%
Orbis SPA	100%
Sibro Technologies Ltd.	100%
Spark Power Corp.	100%
Spark Power Energy Solutions Inc.	100%
Spark Power Group Inc.	100%
Spark Power High Voltage Services Inc.	100%
Spark Power Renewables Corp.	100%
Spark Power Services Corp.	100%
Spark Power Services Corp. (USA)	100%
Spark Power Solutions Ltd.	100%
Spark Power Ventures Corp.	100%
Spark Solar Development Ltd.	100%
Spark Solar Management Inc.	100%
Spark Solar Sales Ltd.	100%
Spark Solar Services Corp.	100%

3. BASIS OF PREPARATION (CONTINUED)

Changes in Accounting Policies

The Company had previously early adopted IFRS 9, *Financial Instruments*, IFRS 15*, Revenue from Contracts with Customers*, and IFRS 16, *Leases*, effective as at January 1, 2017. The Company has applied consistent accounting policies throughout the periods presented in the Financial Statements.

At the date of authorization of these Financial Statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued certain pronouncements that will become effective for the Company in future years and are not expected to have a material impact on the Company, as follows:

IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23 which clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Interpretation requires:

- An entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- An entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The interpretation requires retrospective application, with some practical expedients available on adoption. The Company is assessing the impact of IFRIC 23 on the Company's Financial Statements.

Significant Accounting Judgments and Estimates

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and reported amount of revenues and expenses during the reporting period. Management is required to apply judgment in recognizing revenue, determination of appropriate provisions, determination of the useful lives of assets, valuation of reverse take-over transaction, determination of valuation of equity transactions, valuation of business combinations, discount rate of lease liability, valuation of derivative financial instruments, and impairment of goodwill. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results could differ from those estimates.

Revenue recognition - The most significant judgments and estimates in recognizing revenue relate to the management contracts, as they are long-term in nature and contain consideration that is variable based on a number of uncertain factors, such as estimated electrical production over many years, expense growth, and the number of sites to be monitored. The Company determines the extent to which the estimate of variable consideration is constrained (and therefore included in the measurement of revenue) by considering historical trends and the lowest levels of annual incentive fees earned in the past (Note 4). Key assumptions made in determining the estimate of the transaction price relating to management contracts include:

- Cash flow projections for the per-project and per-kilowatt hour capacity are uniform in each year going forward; and
- The number of licensees will not materially change over the remaining contract term.

Key assumptions made in determining the satisfaction of the performance obligation at the reporting period are the expected number of licensees over the term of the remaining contract. Spark does not expect the number of licensees to change materially over the remaining term of the contracts.

3. BASIS OF PREPARATION (CONTINUED)

Provisions – Significant judgments and estimates are involved in determination of the expected credit losses associated with accounts receivable and onerous contracts, as follows:

Expected credit losses – Expected credit losses associated with accounts receivable require management to assess certain forward looking and macroeconomic factors to determine whether there is a significant increase in credit risk as well as the expected provision on the balance outstanding as at year-end. This is further described in Notes 5 and 14 to the Financial Statements.

Onerous contracts – A contract is considered onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be derived from the contract. The determination of when to record a provision for an onerous contract is a complex process that involves management judgment about outcomes of future events and estimates concerning the nature, extent and timing of expected future cash flows and discount rates related to the contract.

Warranties – Significant judgements and assumptions may be involved in the determination of future obligations associated with certain services and equipment sales recognized in the current year.

Useful lives of assets - Significant estimates in connection with these Financial Statements include the determination of the useful lives of property and equipment and intangible assets based on their expected depreciation rates. (Notes 7 and 8)

Valuation of reverse take-over transaction – Significant judgments and estimates are involved in the determination of the fair value of shares issued in the Spark Power Acquisition to complete the merger with CGAC. A change in these estimates and/or judgments could result in a material change to the expense recorded as excess of fair value over net assets acquired relating to the listing fee. (Note 2)

Determination of valuation of equity transactions – Significant estimates are involved in the determination of the fair value of equity transactions such as equity-settled transactions and warrant valuation. (Note 12)

Valuation of business combinations - Significant estimates and assumptions are required to determine the purchase price allocation of business combinations including the valuation of intangible assets acquired. (Note 16)

Discount rate of lease liability – The lease liabilities associated with all property and vehicle leases are measured at the present value of expected lease payments and discounted using the interest rate implicit in the lease, unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. The Company determines its incremental borrowing rate as the rate of interest it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires significant estimates and assumptions from the management that may have an impact on the Financial Statements. (Note 11)

Valuation of derivative financial instruments – The estimated fair values of financial assets and liabilities are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks. Furthermore, the Company may use derivative instruments to manage commodity price, foreign currency and interest rate exposures. The fair value of these derivatives are determined using valuation models which require assumptions concerning the amount and timing of future cash flows, and discount rates. Management's assumptions rely on external observable market data including quoted forward commodity prices and volatility, interest rate yield curves and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts realized or settled in current market transactions and, as such, are subject to measurement uncertainty. (Notes 10 and 14)

Impairment of goodwill -The annual test of impairment of goodwill is completed based on management's estimates of future performance of the related cash generating unit based on past history and economic trends, plus estimates of the weighted average cost of capital. (Note 9)

4. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Company early adopted IFRS 15, *Revenue from Contracts with Customers*, as of January 1, 2017 using the modified retrospective approach.

The Company derives revenue from the provision of services and sale of equipment, as segregated in primarily five revenue streams:

- Service contracts for the inspection, testing, repair and maintenance of electrical generating equipment. Contracts are typically short-term in nature (e.g. less than 3 weeks). Payment is due upon completion of the contract.
- Construction contracts for the development, construction and procurement of electrical generating equipment. Contracts may last for several months to more than one year. Payment is due in milestones as the contract is completed.
- Contracts for the management of client electrical generating equipment, including the procurement of maintenance services, recordkeeping and day-to-day operations. Contracts are long term in nature and are typically for the period of time equal to the energy contract held by the client. Payment is due based on a fixed amount annually per-site monitored plus, an incentive fee as performance metrics are achieved on an annual basis.
- Equipment sales contracts for the fabrication of custom electrical equipment used in low, medium and high voltage applications. Contracts may last from several days to several months depending on material lead times. Advance payment is due on larger contracts based on completed milestones, and on smaller contracts when the product is shipped.
- Retirement of green energy certificates (including green electricity certificates, green natural gas certificates or green fuel certificates) for green energy certificate customers. Contracts may last for several months to more than one year, where payments are due at the end of each contracted month.

The Company offers limited time warranties on the quality of its work being free from material defects. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the cost of satisfying the warranties in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Applying the five-step model required by IFRS 15, *Revenue from Contracts with Customers*, revenue is recognized as follows for these contracts:

Step in Model	Service	Construction	Management	Equipment Sales	Green Energy Certificates
Identify the contract	The contractual arrangement executed with the client, specifying the timing, scope and compensation.	The contractual arrangement executed with the client, specifying the timing, scope and compensation.	The contractual arrangement executed with the client, specifying the timing, scope and compensation.	The contractual arrangement executed with the client, specifying the timing, scope and compensation.	The contractual arrangement executed with the client, specifying the timing, scope and compensation.
Identify distinct performance obligations	Single performance obligation to provide maintenance / construction services with combined inputs from applicable labour and materials.	Single performance obligation to provide maintenance / construction services with combined inputs from applicable labour and materials.	Single performance obligation to provide management services for customer-owned photovoltaic systems.	Contract may include multiple performance obligations.	Single performance obligation to retire green energy certificates against usage by green energy certificate customer.
Estimate transaction price	Fixed fee established in contract. Change orders due to changes in scope or unexpected costs are accounted for as contract modifications prospectively.	Fixed fee established in contract. Change orders due to changes in scope or unexpected costs are accounted for as contract modifications prospectively.	Consideration receivable by the Company is variable and is based on a set fee per site that is managed, plus a management incentive fee based on a percentage of cash flows above certain thresholds. As the consideration is variable, an estimate is made based on the cash flow forecasts, which incorporate estimates of sites over the contract term, the amount of electricity to be produced and the overall economic performance of the sites. The estimation is subject to a constraint where only the amount up to which it is highly unlikely that a material reversal of revenue will occur in the future is included in the transaction price. This estimate is revised at each reporting period, with the cumulative effect of the change in estimate being recorded in revenue.	Contract price is the transaction price.	Consideration receivable is variable and is based on the market competitiveness of the Company (price matching feature). As such, an estimate is made based on the expected value method based on probability weighted amounts for cash flows to be received. The estimation of variable consideration amount is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. This estimate is revised at each reporting period, with the cumulative effect of the change in estimate being recorded in revenue.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Step in Model	Service	Construction	Management	Equipment Sales	Green Energy Certificates
Allocate transaction price to performance obligations	Total revenue is allocated to the single performance obligation.	Total revenue is allocated to the single performance obligation.	Total revenue is allocated to the single performance obligation.	The transaction price is clearly identified in the contract and is allocated to each performance obligation linked to customer commitments for each obligation under goods arrangement.	Total revenue is allocated to the single performance obligation.
Recognize revenue as performance obligations are satisfied	Revenue is recognized over time, as the work performed enhances assets controlled by the customer (e.g. electrical systems on the customers' premises). Progress towards completion is based on costs incurred as a percentage of total expected costs to complete the project. Consideration received in advance or the progress made to satisfy the performance obligation is recognized as a contract liability.	Revenue is recognized over time, as the work performed enhances assets controlled by the customer (e.g. electrical systems on the customers' premises). Progress towards completion is based on costs incurred as a percentage of total expected costs to complete the project. Consideration received in advance or the progress made to satisfy the performance obligation is recognized as a contract liability.	Revenue is recognized over time based on an estimate of total sites monitored as a percentage of total site measurements required over the term of the contract, as the number of sites under management is used as the base for estimating the progress in satisfying the overall performance obligation.	Revenue is recognized at a point in time once control passes to the customer (i.e. when products are delivered).	Revenue is recognized over time throughout the life of the contract, as the customer is able to simultaneously consume benefits as the Company performs.

For management contracts, there may be discrepancies between the timing of payment and the recognition of revenue, as the Company is only contractually eligible to receive payment for management services upon meeting certain financial metrics in the project.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed, and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisitions are recognized immediately as an expense. Goodwill is capitalized as an asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition.

Intangible Assets

The Company has certain externally acquired intangible assets through business combinations (Note 16) that are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives when they have a finite useful life.

Intangible assets are recognized on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are at fair value and arrived at by using appropriate valuation techniques.

On the basis they have a finite useful life, they are amortized on a straight-line basis over their estimated useful life which management estimates as follows:

Customer relationships	-	10 years
Sales backlog	-	4 years
Non-competition agreements	-	5 years

Intangible assets determined to have an indefinite useful life are recorded at cost and not subject to amortization. Instead, the Company assesses indefinite life intangible assets for impairment by comparing their recoverable amount with their carrying value whenever there is an indication of impairment and on an annual basis. The Company has classified tradenames as indefinite life intangible assets.

Property and Equipment

Property and equipment are recorded at cost net of accumulated depreciation and write-downs for impairment, if any. Depreciation is calculated on a straight-line basis over their estimated useful lives as follows:

Computer hardware	-	30% - 100%
Computer software	-	55%
Furniture and fixtures	-	20%
Right of use assets and leaseholds	-	over the lease term
Equipment	-	20% - 30%
Vehicles	-	20% - 30%

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Non-Financial Assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to the impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGU"). Goodwill is allocated on initial recognition to each of the Company's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income. An impairment loss recognized for goodwill is not reversed.

Foreign Currency

Foreign currency monetary assets and liabilities are translated into the Company's functional currency using the closing rate at the end of each reporting period. Non-monetary assets and liabilities are translated at the rates on the date the fair value was determined or at historical cost using the rate at the date of the transaction. Translation gains and losses are included in the Consolidated Statement of Comprehensive Loss.

Financial instruments - Financial Assets

The Company early adopted IFRS 9, *Financial Instruments*, as of January 1, 2017 using the modified retrospective approach.

Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The Company does not have any financial instruments classified as fair value through other comprehensive income.

Amortized cost

These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for accounts receivables are recognized based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During the process of reviewing accounts receivable for impairment, the probability of the non-payment of the accounts receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for accounts receivables. For accounts receivable, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within operating expenses in the Consolidated Statement of Comprehensive Loss. On confirmation that a certain accounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's financial assets measured at amortized cost comprise of cash and accounts receivable.

Fair value through profit or loss

These assets are carried in the Consolidated Statement of Financial Position at their fair value with changes in fair value recognized in the Consolidated Statement of Comprehensive Loss in the finance income (expense) line. Transaction costs associated with financial instruments measured at fair value through profit or loss are expensed as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's financial instruments classified at fair value through profit or loss include derivative financial instruments and short-term investments. The Company has entered into an interest rate swap arrangement ("Interest Rate Swap") to manage interest rate exposures on a portion of its non-revolving term loan with Bank of Montreal (Note 10). Under this arrangement, the Company receives a fixed Banker's Acceptance ("BA") rate (adjusted for credit spread of 2.00% - 3.00%) in exchange for a variable prime plus 0.75% - 1.75%. While this agreement economically hedges the risk of changes in cash flows due to fluctuations in interest rates, hedge accounting has not been applied for these instruments. The fair value of the Interest Rate Swap is based on the current market value of similar contracts with similar remaining durations as if the contract had been entered into on December 31, 2018. Further, the Company's short-term investments include mutual funds that are redeemable at the option of the Company and measured at their estimated redemption value.

Financial Liabilities

The Company classifies its financial instruments into one of two categories, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

This category comprised of Puttable Class A Common, Class 1 Special shares which were redeemed during the year by the Company as part of the Spark Power Acquisition.

Other financial liabilities

Other financial liabilities include the following items:

- bank indebtedness, accounts payable and accrued liabilities, long-term debt, promissory notes, lease liability, redeemable preference shares and redeemable Class B Common and Class 1 Special shares are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Consolidated Statement of Financial Position;

Share-based Payment Transactions

Employees, directors and service providers of the Company may receive a portion of their compensation in the form of share-based payment transactions, whereby services are rendered as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and the fair value of goods or services received by the entity as consideration cannot be estimated reliably, they are measured at fair value of the equity instruments granted. The costs of equity settled transactions are measured by reference to the fair value of the equity instrument at the date on which they are granted.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant party becomes fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity settled transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options and warrants is reflected as additional dilution in the computation of earnings per share.

Leases

All leases are accounted for by recognizing a right-of-use asset in property and equipment and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. The Company determines its incremental borrowing rate as the rate of interest it would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to exercise that option;
- any penalties payable for terminating the leases, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, whichever is shorter.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use assets, with the revised carrying amount being amortized over the remaining lease term.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease. That is, it does not allocate any amount of the contractual payment to, and account separately for, any services provided by the supplier as part of the contract.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Income tax expense represents the sum of current income taxes and deferred income taxes. Current and deferred taxes are recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. Under these circumstances, the taxes are recognized in other comprehensive income (loss) or directly in equity.

Current income taxes

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at tax rates which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income taxes

Deferred income taxes are provided using the asset and liability method applied to temporary differences at the date of the consolidated statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, and carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of the consolidated statement of financial position.

Deferred income tax assets and deferred income tax liabilities are offset if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Costs of inventories of items that are segregated for specific projects are assigned by using specific identification of their individual costs. Inventory includes all costs to purchase, convert, and bring the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Related Party Transactions

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

5. ACCOUNTS RECEIVABLE, CONTRACT ASSET AND REVENUE

	2018	2017
Trade	$35,571,334	$17,487,364
Less: Provision for doubtful accounts	(160,734)	(264,759)
	$35,410,600	$17,222,605

	2018	2017
Contract asset	$3,001,618	$—
Increase due to business combination	995,976	—
Provision for impairment	—	—
Additions during the year	11,262,340	3,001,618
Amount recognized during the year	(3,997,594)	—
	$11,262,340	$3,001,618

The provision for doubtful accounts was determined based on historical loss rates and payment behavior from customers by major aging category, updated for estimates of forward-looking factors that may differ from past experience such as credit quality and industry factors. These updated loss rates were applied to aging categories to determine the expected credit losses on accounts receivable. The Company uses the simplified method and there was no impact of the adoption of IFRS 9.

5. ACCOUNTS RECEIVABLE, CONTRACT ASSET AND REVENUE (CONTINUED)

The balance of contract asset at December 31, 2018 is current and has no provision recorded.

Summary of provision by ageing category:

2018

	Current	31-90 days Past Due	>90 days	Total
Balance	$14,335,787	$16,982,088	$4,253,459	$35,571,334
Provision for doubtful accounts	$—	$—	$160,734	$160,734

2017

	Current	31-90 days Past Due	>90 days	Total
Balance	$7,943,093	$6,891,318	$2,652,953	$17,487,364
Provision for doubtful accounts	$—	$—	$264,759	$264,759

Management through its review of outstanding balances, has determined no objective evidence of impairment of its current and 31-90 days past due balance which is based on indications that a debtor or a group of debtors are experiencing significant financial difficulty, delinquency in payments, probability that they will enter bankruptcy or any other financial reorganization. As such, probability of default has been assessed to be insignificant.

Summary of movements in provision:

	2018	2017
Opening balance	$(264,759)	$(8,492)
Decrease (Increase) during the year	13,633	(306,312)
Amounts written off during the year	90,392	50,045
Balance, December 31	$(160,734)	$(264,759)

Revenue Disaggregation by Stream:

The Services and Solutions columns represent the segments that can be found in Note 17.

2018	Services	Solutions	Total
Service	$94,390,546	$1,260,579	$95,651,125
Construction	8,059,428	—	$8,059,428
Management	4,023,134	1,503,215	$5,526,349
Equipment	3,804,360	—	$3,804,360
Retirement of green energy certificates	—	6,718,181	$6,718,181
Total	$110,277,468	$9,481,975	$119,759,443

2017	Services	Solutions	Total
Service	$62,243,013	$2,244,898	$64,487,911
Construction	7,778,247	—	7,778,247
Management	1,397,833	2,784,545	4,182,378
Equipment	3,595,040	—	3,595,040
Retirement of green energy certificates	—	—	—
Total	$75,014,133	$5,029,443	$80,043,576

6. INVENTORY

	2018	2017
Equipment and supplies	$5,697,836	$2,704,432
	$5,697,836	$2,704,432

During the year, $19,752,441 (2017 - $13,555,854) of inventory was recognized in cost of sales. Included in this amount is $nil (2017 - $nil) of inventory that was written down to its net realizable value.

7. PROPERTY AND EQUIPMENT

	Computer Hardware	Computer Software	Furniture & Fixtures	Right of Use Assets and Leaseholds	Equipment	Vehicles	Total
Cost:							
Balance at December 31, 2016	$264,172	$110,477	$768,232	$648,201	$2,905,877	$947,676	$5,644,635
Adoption of IFRS 16 (Note 11)				1,786,769		3,782,104	5,568,873
New leases acquired during the year				1,858,107		2,474,511	4,332,618
Additions	42,205	462,085	107,026	113,652	284,148	35,170	1,044,286
Additions from business combinations		1,264,000	16,024	2,364,986	46,704	700,971	4,392,685
Disposals					(244,326)		(244,326)
Balance at December 31, 2017	306,377	1,836,562	891,282	6,771,715	2,992,403	7,940,432	20,738,771
New leases acquired during the year				2,840,497		609,681	3,450,178
Additions	406,010	1,407,340	360,757	1,065,542	1,053,283	1,035,907	5,328,839
Additions from business combinations (Note 16)	96,698	48,826	92,236	3,859,234	430,294	1,120,757	5,648,045
Disposals				(445,178)			(445,178)
Balance at December 31, 2018	809,085	3,292,728	1,344,275	14,091,810	4,475,980	10,706,777	34,720,655
Accumulated amortization:							
Balance at December 31, 2016	199,939	79,669	623,431	600,061	2,130,813	349,212	3,983,125
Depreciation for the year	26,621	414,696	33,161	1,342,932	244,993	1,661,903	3,724,306
Disposals					(56,628)		(56,628)
Balance at December 31, 2017	226,560	494,365	656,592	1,942,993	2,319,178	2,011,115	7,650,803
Depreciation for the year	111,453	493,974	268,706	1,812,883	184,038	2,653,289	5,524,343
Disposals				(445,178)			(445,178)
Balance at December 31, 2018	$338,013	$988,339	$925,298	$3,310,698	$2,503,216	$4,664,404	$12,729,968
Net carrying amounts:							
December 31, 2017	$79,817	$1,342,197	$234,690	$4,828,722	$673,225	$5,929,317	$13,087,968
December 31, 2018	**471,072**	**2,304,389**	**418,977**	**10,781,112**	**1,972,764**	**6,042,373**	**21,990,687**

The net carrying amount of property and equipment includes the following amounts held under leases: Equipment $231,825 (2017 - $199,807), Computer Hardware $8,330 (2017 - $11,900), Right of Use assets and Leaseholds $9,412,543 (2017 - $4,650,138) and Vehicles $5,263,784 (2017 - $5,187,262). Amortization on Right-of-Use Equipment, was $90,887 (2017 - $153,445), Right-of-Use Computer Hardware $3,570 (2017 - $34,242), Right-of-Use Assets and Leaseholds, and Right-of-Use Vehicles, was $1,879,287 (2017 - $1,318,100) and $1,936,624 (2017 - $1,299,963).

8. INTANGIBLE ASSETS

	Customer relationships	Tradename	Sales backlog	Non-competition agreement	Total
Cost:					
Balance at December 31, 2016	$2,689,000	$775,000	$593,000	$213,000	$4,270,000
Additions from acquisition of					
New Electric (Note 16)	17,085,000	4,729,000	252,000	—	22,066,000
Balance at December 31, 2017	19,774,000	5,504,000	845,000	213,000	26,336,000
Additions from acquisition of:					
Bullfrog Power Inc (Note 16)	5,028,000	2,897,000	—	—	7,925,000
Orbis Engineering Field Services Inc. (Note 16)	1,524,000	2,024,000	—	—	3,548,000
New Electric Fresno, LLC (Note 16)	1,373,027	737,805	—	—	2,110,832
Balance at December 31, 2018	$27,699,027	$11,162,805	$845,000	$213,000	$39,919,832
Accumulated amortization:					
Balance at December 31, 2016	416,100	—	370,625	42,600	829,325
Amortization for the year	1,977,400	—	211,250	42,600	2,231,250
Balance at December 31, 2017	2,393,500	—	581,875	85,200	3,060,575
Amortization for the year	2,373,652	—	211,251	42,600	2,627,503
Balance at December 31, 2018	$4,767,152	$—	$793,126	$127,800	$5,688,078
Net carrying amounts:					
December 31, 2017	$17,380,500	$5,504,000	$263,125	$127,800	$23,275,425
December 31, 2018	**22,931,875**	**11,162,805**	**51,874**	**85,200**	**34,231,754**

9. GOODWILL

	2018	2017
Spark Solar Development Ltd.	$1,553,628	$1,553,628
Rondar Inc. *	2,039,623	2,039,623
Pelikan Inc. *	1,593,093	1,593,093
New Electric Enterprises Inc.	13,847,087	13,847,087
Orbis Engineering Services Ltd.	2,456,326	—
Bullfrog Power Inc.	6,633,875	—
New Electric Fresno, LLC	284,289	—
	$28,407,921	$19,033,431

* Amalgamated into Spark Power High Voltage Services Inc. in 2018

The Company is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. No impairment was recorded in the years ended December 31, 2018 and 2017.

For the purpose of impairment testing, goodwill was allocated to three CGUs. The goodwill related to Spark Solar Development was allocated to the Solar Services CGU. The goodwill related to the Rondar and Pelikan acquisitions was allocated to the Spark High Voltage CGU. The goodwill related to New Electric was allocated to the New Electric CGU.

The recoverable value of each CGU was based on value in use.

The value in use was calculated using unobservable (Level 3) inputs such as the budgeted and projected 2019-2023 revenues and EBITDA margin. The EBITDA is defined as net income before finance expense, income taxes, depreciation, and amortization. The Company considered past experience, economic trends as well as industry and market trends in assessing if the level of EBITDA can be maintained in the future. The Company also used a discount rate of approximately 15%, which represents the weighted average cost of capital ("WACC"). The WACC is an estimate of the overall rate of return required by debt and equity holders on their investment. Determining the WACC requires analyzing the cost of equity and debt separately and takes into account a risk premium that is based on the CGU.

10. LOANS AND BORROWINGS

	2018	2017
Promissory Notes		
Issued January 1, 2017 and bears interest at 6% per annum which is payable annually. The accrued interest is included in accounts payable and accrued liabilities. The note matures on January 1, 2022. Principal of $8,512,500 was repaid in 2018.	$987,500	$9,500,000
Issued July 1, 2018 and bears interest at 4% per annum. Principal amount plus interest shall be paid in equal annual installments of principal and accrued interest on each anniversary. The note matures on July 1, 2022. (Note 16 – Orbis)	2,245,042	—
Issued July 1, 2018 and bears interest at 6% per annum and is paid in US dollars annually on the anniversary date. The note is payable on December 31, 2020. (Note 16 – NEF)	1,279,750	—
Issued July 1, 2018 and bears interest at 6% per annum paid quarterly. Principal payments to be made as follows: 2019 - $721,235, 2020 - $1,000,000, 2021 - $2,000,000, 2022 – $2,000,000. (Note 16 – Bullfrog)	5,721,235	—
	10,233,527	9,500,000
Less: current portion	1,282,496	—
	$8,951,031	$9,500,000

Principal repayments for the next five years are as follows:

2019	$721,235
2020	3,245,042
2021	3,279,750
2022	2,987,500
2023 and thereafter	—
	$10,233,529

During the year, the Company paid $251,250 of interested related to the promissory notes.

Term Debt

	2018	2017
Non-revolving term loan with Bank of Montreal loan bearing interest at prime plus 0.75% - 1.75% per annum payable monthly. Principal payments of $1,375,000 per quarter commencing December 31, 2019. The loan matures on September 27, 2021. In November 2018, the Company entered into an Interest Rate Swap to hedge the interest payments over 50% of the term loan over the remaining term at a Banker's Acceptance rate of 2.97%, adjusted quarterly for credit spread of 2.00% - 3.00%, for an aggregate fixed interest rate of 4.97%. The lender has general security over the Company.	$ 44,000,000	$ —
Loan bearing interest at 4.00% per annum and repayable in annual payments or principal plus accrued interest. Principal payments to be made as follows: 2019 - $250,000, 2020 - $500,000, 2021 - $750,000. The loan matures on April 30, 2021 and is secured by a General Security Agreement.	1,500,000	1,625,000
Integrated Private Debt Fund GP Inc. loan bearing interest at 6.50% per annum and repayable in monthly blended payments. The loan had a maturity date on January 3, 2024.	—	29,440,000
	45,500,000	31,065,000
Less: current portion	1,625,000	3,645,000
Less: financing fees, net of amortization	456,525	1,038,886
	$43,418,475	$26,381,114

10. LOANS AND BORROWINGS (CONTINUED)

Principal repayments for the next five years are as follows:

2019	$1,625,000
2020	6,000,000
2021	6,250,000
2022	5,500,000
2023	5,500,000
Thereafter	20,625,000
	$45,500,000

The Company has a $20.0 million revolving operating line bearing interest at prime plus 0.0% - 1.0%. At December 31, 2018, the Company had drawn $11.6 million on this facility.

During the third quarter, the Company repaid all amounts owing under the Integrated Private Debt Fund facility totaling $29,194,114, inclusive of accrued interest of $128,488. In addition, the Company paid an early termination fee of $2,110,768.

11. LEASE LIABILITY

	2018	2017
Property and office space leases bearing interest at an estimated rate of 6%. The leases extend through fiscal 2028.	$10,112,058	$4,899,710
Motor vehicles leases bearing interest at an estimated rate of 6%. The leases extend through fiscal 2022.	5,534,230	5,272,595
Equipment and hardware leases bearing interest at an estimated rate of 6%. The leases extend through 2020.	95,271	232,834
	15,741,559	10,405,139
Less: current portion	4,234,216	2,867,672
	$11,507,343	$7,537,467

Included in finance expense is $716,306 (2017 - $566,962) of interest expense on lease liabilities. Total cash outflows relating to leases consist of lease payments and were $3,028,780 (2017 - $2,558,982). Short term and low value leases are not significant.

All of the leases are secured by the underlying assets. Future minimum lease payments for the next five years are as follows:

2019	$4,933,827
2020	4,288,882
2021	3,200,064
2022	1,333,024
2023	840,617
Thereafter	2,636,394
	17,232,808
Less: imputed interest	(1,491,249)
	$15,741,559

The weighted average incremental borrowing rate applied to lease liabilities on January 1, 2017 on adoption of IFRS 16 was 6.0%.

12. SHARE CAPITAL

Common and Class 1 Special shares

Authorized:

Unlimited Common shares

Issued:

		2018	2017
44,920,313	Common shares (2017 – nil)	$121,315,767	$—
nil	Class A Common (2017 – 100,000)	—	1
nil	Class 1 Special shares (2017 – 1,946,384)	—	321,008
		$121,315,767	$321,009

Transactions impacting Common shares:

- In July 2018, 470,957 Class A Common shares were issued in connection with the acquisitions described in Note 16. These were converted to 508,634 Class A Common shares in connection with the Spark Power Acquisition;
- In August 2018, 1,746,879 Class A Common shares were issued in a private president's list raise for aggregate proceeds of $5,659,889. These were converted to 1,886,629 Class A Common shares at a ratio of 1.00:1.08 in connection with the Spark Power Acquisition. In addition, warrants for 160,500 Class 1 Special shares were exercised for cash proceeds of $232,725. These were converted to 173,340 Class A Common shares in connection with the Spark Power Acquisition.
- In August 2018, stock options for 1,743,383 Class 1 Special shares were exercised for cash proceeds of $19,889. These were converted to 1,882,854 Class A Common shares in connection with the Spark Power Acquisition;
- In August 2018, post above mentioned transactions, the remaining outstanding 100,000 Class A Common shares, 19,000,000 Puttable Class A Common shares, 747,436 Class B Common shares, 2,831,277 Class 1 Special shares (less redemptions) and 802,877 Class 1 Special – ESOP shares were converted to 25,360,117 Class A Common shares in connection with the Spark Power Acquisition. In addition, 2,462,841 Series C-1 Preference shares and 2,238,377 Series D-1 Preference shares were converted to 1,567,072 Class A Common shares in connection with the Spark Power Acquisition;
- In addition, 13,541,666 Class A Common shares were issued to previous CGAC shareholders in connection with the Spark Power Acquisition, as described in Note 2.

Puttable Class A Common shares and Class 1 Special shares

Issued:

		2018	2017
nil	Class 1 Special shares (2017 – 796,022)	$—	$716,420
nil	Class A Common shares (2017 - 19,000,000)	—	17,100,000
		$—	$17,816,420

In 2016, in connection the with the issuance of the Class C-1 preference shares, 796,022 Class 1 Special shares were issued to a Limited Partnership. The terms of these shares require the Company to redeem the shares at fair market value in the event of the termination of the partnership. In connection with the Spark Power Acquisition, the Puttable Class 1 Special shares were exchanged for 859,704 Common Shares as described above. A charge of $780,101 was recorded during the year ended December 31, 2018, representing the increase in the redemption value of the Puttable Class A Common shares prior to the exchange.

12. SHARE CAPITAL (CONTINUED)

The Company had previously issued 19,000,000 Puttable Class A Common shares to the founders of the Company. The terms of these shares require the Company to redeem the shares at fair market value in the event of the death of either of the founding shareholders. These Puttable Class A Common shares were exchanged for 20,520,000 Common shares in connection with the Spark Power Acquisition, as described above. A charge of $47,771,600 was recorded during the year ended December 31, 2018, representing the increase in the redemption value of the Puttable Class A common shares prior to the exchange.

Class B Common shares and Class 1 Special shares

Authorized:

nil (2017 – unlimited) Class B Common shares

Issued:

	2018	2017
nil Class B Common shares (2017 – 5,979,487)		
nil Class 1 Special shares (2017 – 711,057)	$—	12,720,000
Less: current portion	—	6,360,000
	$—	$6,360,000

In 2017, the Company issued 5,979,487 Class B Common shares and 711,057 Class 1 Special shares ("New Electric Shares") in connection with the New Electric Acquisition (Note 16). The New Electric Shares could be retracted by the Company or redeemed by the shareholders within 30 days of issuance of the 2017 annual financial statements. The consideration for the retraction or redemption would consist of $6 million of cash and $6 million to be added to the principal of the promissory note described in Note 10. The amount of cash paid added to the promissory note was to include accrued interest at 6% as if issued on January 1, 2017. Interest of $360,000 had been accrued on the New Electric Shares as at the date of the Spark Power Acquisition.

In June 2018, the redemption rights related to 747,436 Class B Common shares and 88,862 Class 1 Special shares expired. As a result, the shares were re-classified from liabilities to share capital and interest previously accrued of $112,500 was recorded as a reduction of finance expense. As described above, these were exchanged for 807,230 Common shares and 95,993 Common shares, respectively, in connection with the Spark Power Acquisition.

In connection with the Spark Power Acquisition (Note 2), 5,232,051 Class B Common shares and 622,175 Class 1 Special Shares were redeemed for $10,037,500. These Class B Common shares and Class 1 Special shares had a book value of $11,287,500 at the date of redemption. This resulted in a gain of $1,250,000 which has been recorded in the Statement of Comprehensive Loss for the year ended December 31, 2018 (2017 - $nil).

Class 1 Special shares – ESOP

In 2018, the Company issued 802,877 Class 1 Special shares ("Class 1 Special shares – ESOP") to employees of the Company for proceeds of $1,155,360 as part of the Company's Employee Share Ownership Plan ("ESOP"). Under the plan, employees acquired the shares at a purchase price of $1.45 per share. Under certain circumstances, including the resignation of the employee, the shares were to be repurchased by the Company. The redemption price was to be based on the greater of the initial purchase price of $1.45 and a percentage of the estimated fair market value of the shares subject to the period of time the shares have been held. In connection with the Spark Power Acquisition, the Class 1 Special shares – ESOP were exchanged for 867,107 Common shares with no further rights of redemption. A charge of $1,230,299 was recorded in the year ending December 31, 2018, representing the excess of the fair value of the Common Shares over the redemption value of the Class 1 Special Shares – ESOP.

12. SHARE CAPITAL (CONTINUED)

Preference shares

Authorized:

nil (2017 – unlimited)	Non-voting Series A-1 Preference shares
nil (2017 – unlimited)	Non-voting Series B-1 Preference shares

Issued:

		2018	2017
nil	Series A-1 Preference shares, redeemable for $1,699,000 (2017 – 100,000)	$—	$1,699,000
nil	Series B-1 Preference shares, redeemable for $13,301,000 (2017 – 13,301,000)	—	13,301,000
		$—	$15,000,000

The Series A-1 Preference shares and Series B-1 Preference shares were redeemable at any time. The redemption value of the Series A-1 Preference shares was $1,699 per share and the redemption value of the Series B-1 Preference shares was $1 per share. The Series A-1 Preference shares and Series B-1 Preference shares were redeemed at their stated redemption amount totaling $15,000,000 in connection with the Spark Power Acquisition (Note 2).

Authorized:

nil (2017 – unlimited)	Non-voting Series C-1 Preference shares
nil (2017 – unlimited)	Non-voting Series D-1 Preference shares

Issued:

		2018	2017
nil	Series C-1 Preference shares, redeemable for $1,976,250 (2017 – 1,976,250)	$—	$2,312,436
nil	Series D-1 Preference shares redeemable for $1,819,000 (2017 – 1,819,000)	—	1,909,950
		$—	$4,222,386

The Series C-1 and Series D-1 Preference shares are redeemable five years from issuance, subject to the right of the Company to defer redemption for up to two years. The redemption value of the Series C-1 and D-1 Preference shares was $1 per share.

In 2016, 1,976,250 Class C-1 Preference shares and 796,022 Class 1 Special shares were issued for $2,325,000. The Class C-1 Preference shares have a cumulative annual dividend of 10% and a total redemption value of $1,976,250 and are classified as a liability. The proceeds were first allocated to the liability component of the issuance. The Class C-1 Preference shares were recorded at $1,976,250 as the redemption value was determined to represent the estimated fair value of the liability at issuance. The residual of $348,750 was recorded as an increase to contributed surplus.

In 2017, 1,819,000 Class D-1 Preference shares, 221,384 Class 1 Special shares and 160,500 warrants were issued for $2,140,000. The Class D-1 Preference shares have a cumulative annual dividend of 10% and a total redemption value of $1,819,000 and are classified as a liability. The warrants entitle the holder to acquire a Class 1 Special share for an exercise price of $1.45. The proceeds were first allocated to the liability component of the issuance. The Class D-1 Preference shares were recorded at $1,819,000 as the redemption value was determined to represent the estimated fair value of the liability at issuance. The residual of $321,000 was allocated to the Class 1 Special shares and $nil was allocated to the warrants as the warrants were determined to have a nominal value.

In 2018, additional 486,591 Series C-1 Preference shares and 419,377 Series D-1 Preference shares were issued in connection with certain private issuances stated above.

In connection with the Spark Power Acquisition, the Series C-1 and D-1 Preference shares were exchanged for 820,947 and 746,126 Common shares, respectively. The fair value of the Common shares approximated the redemption value of the Series C-1 and D-1 Preference shares. Accrued dividends on the Class C-1 Preference shares at the date of the Spark Power Acquisition was $157,650. Accrued dividends on the Class D-1 Preference shares was $136,200 at the date of the Spark Power Acquisition.

12. SHARE CAPITAL (CONTINUED)

Stock options

The Company has an incentive stock option plan. Under the terms of the plan, directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. As at December 31, 2018, there were 4,452,032 options that are available to be granted under the plan. Options generally expire after ten years, with vesting provisions stated in the plan.

Activity in the Company's stock option plan for the years ended December 31, 2018 and 2017 are summarized as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Opening outstanding	2,998,984	0.54	2,200,000	0.01
Granted during the year	843,601	1.45	1,561,119	1.44
Forfeited during the year	(295,517)	0.52	(662,135)	(0.99)
Exercised during the year	(1,743,383)	0.01	(100,000)	(0.01)
Increase in options on conversion	148,295	—	—	—
Granted after conversion	40,000	3.00	—	—
Outstanding at December 31	1,991,980	1.40	2,998,984	0.54

The weighted average fair value of options granted during 2018 was $1.79 (2017 - $nil) resulting in $73,366 (2017 - $nil) of stock-based compensation expense being recorded in the Consolidated Statement of Comprehensive Loss. The Company used the Black-Scholes model to estimate the fair value of options granted. The following inputs were used to estimate the fair value of the options: Estimated Life - 10 years (2017: 10 years); volatility – 50% (2017: 45%); dividend growth rate – 0% (2017: 0%) and risk-free interest rate – 2.10% (2017 – 1.75%).

Of the total number of options outstanding at December 31, 2018, 430,665 (2017: 336,207) had vested and were exercisable.

Warrants

Issued:

	2018	2017
11,776,666 (2017 – nil) Warrants	$2,661,522	$—
	$2,661,522	$—

The Company issued 873,333 warrants in connection with the August 2018 president's list raise stated above that were converted to 943,333 warrants at a ratio of 1.00:1.08. Additionally, 10,833,333 warrants were issued in connection with the Spark Power Acquisition for a total amount of 11,776,666 warrants outstanding as at December 31, 2018 (2017 – nil). These warrants give the right to the purchase of one Common share at an exercise price of $3.45 per share for a term of 5 years. These warrants have been classified as an equity instrument measured through profit or loss and have been measured using the Black-Scholes method using the following inputs: stock price - $3.00 per share; exercise price - $3.45 per share; risk-free interest rate – 2.10%; volatility – 14%; term – 5 years; yield – 0%. These inputs require management judgment and estimates and a change in such estimates could result in a material change to the valuation of these warrants.

13. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.5% (2017 - 26.5%) to the income for the year and is reconciled as follows:

	2018	2017
Income (loss) before income taxes	$(64,769,784)	$(15,016,459)
Statutory rate	26.5%	26.5%
Expected income tax recovery	$(17,163,993)	$(3,979,362)
Increase (decrease) in income taxes due to:		
Permanent differences	1,030,114	209,999
Charges related to increase in Puttable shares	12,659,474	4,991,956
Charges related to excess of fair value over net assets acquired	3,354,988	
Other	(15,515)	627,872
Income tax expense	$(134,932)	$1,693,479

The tax effects of significant components of temporary differences that give rise to deferred tax assets and liabilities are as follows:

	2018	2017
Deferred tax assets		
Loss carryforwards	$1,266,477	$472,105
Property and equipment and right of use asset	218,646	180,403
Deferred tax liabilities		
Intangible assets	$(3,457,039)	$(585,517)
Property and equipment	(489,363)	(26,109)
Other	366,615	(141,063)
Net deferred tax liability	$(2,094,664)	$(100,181)

The Company has non-capital losses available for income tax purposes that expire as follows:

2026	$ 71,000
2027	22,000
2028	3,000
2033	664,000
2034	2,401,000
2035	1,681,000
2036	94,000
2037	156,000
2038	2,535,000
	7,627,000
Valuation allowance	(2,801,000)
	$ 4,826,000

These losses can be utilized to reduce taxable income of future years.

14. FINANCIAL INSTRUMENTS

The Company has classified its financial instruments in accordance with IFRS into various categories as described in its accounting policies.

The fair values of financial instruments are classified and measured according to the following three levels based on the fair value hierarchy.

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: inputs other that quoted priced included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: inputs for the asset or liability that are no based on observable market data. There were no financial instruments carried at fair value categorized in Level 3 as at December 31, 2018.

There were no transfers between levels during the period.

The financial instruments recorded at fair value are the Interest Rate Swap arrangement, short-term investments, Puttable Class A Common shares and Class 1 Special shares. Short-term investments include investments in active market instruments and are categorized as Level 1.

The fair value of the Interest Rate Swap arrangement has been recorded using Mark-to-Market ("MtM") information as at December 31, 2018 from a third party and is categorized as Level 2.

The Puttable Class A and Special shares were measured as a Level 3 financial instrument and had been recorded based on the estimated fair value of the Class A Common shares. In connection with the Spark Power Acquisition, all outstanding equity instruments of Spark Power were converted to Class A Common shares of Spark. As such, the Company does not have any instruments carried at fair value categorized in Level 3 as at year-end.

The carrying values of cash, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term nature of these securities.

The fair values of the borrowings are calculated based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The market rate of interest is determined by reference to similar liabilities.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Risk management

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies while retaining ultimate responsibility for them. The Company is exposed to a variety of financial risks by virtue of its activities: market risk, credit risk, interest rate risk and liquidity risk. The Company's overall risk management program has not changed throughout the year and focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the finance department under policies approved by the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management.

14. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company is mainly exposed to credit risk from credit sales. Management of the Company monitors the credit worthiness of its customers by performing background checks on all new customers focusing on publicity, reputation in the market and relationships with customers and other vendors. Further, management monitors the frequency of payments from Spark's ongoing customers and performs frequent reviews of outstanding balances. The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a receivable to be in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Provisions for outstanding balances are set based on forward looking information; when there is a change in the circumstances of a customer that would result in financial difficulties as indicated through factors described in Note 4 and create doubt over the receipt of funds. Such reviews of a customer's circumstances are done on a continued basis through the monitoring of outstanding balances as well as the frequency of payments received. An accounts receivable is completely written off once management determines the probability of collection to be not present.

Further disclosures regarding accounts receivables are provided in Note 4.

The Company's balances of cash and short-term investments also subject the Company to credit risk. At December 31, 2018, the Company has cash of approximately nil (December 31, 2017 - $3.1 million) in various bank accounts as per its practice of protecting its capital rather than maximizing investment yield through additional risk. The cash is held with a major Canadian bank which the Company believes lessens the degree of credit risk.

Interest rate risk

Interest rate risk arises from the Company's use of floating interest rate bearing debt securities. The Company may increase debt levels depending on the balance of financing in the future. If cash balances are higher than required for immediate requirements, the Company invests with a low risk strategy in secure short-term deposits through major banks to earn interest income.

In November 2018, the Company entered into an Interest Rate Swap to effectively fix the interest rate on $22.0 million of its $44.0 million long-term debt at approximately 4.97% (Banker's Acceptance rate of 2.97% adjusted quarterly for the Company's credit risk spread between 2.00% - 3.00%), plus or minus 1% would not have a material impact on the statements. Interest Rate Swaps are classified as derivative financial assets and liabilities and measured at fair value through profit or loss, with gains and losses on re-measurement included as a component of finance expense in the period in which they arise. During the year ended December 31, 2018, the Company incurred $402,260 loss that has been included in finance expense (2017 - $nil) as a result of this Interest Rate Swap.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure it will always have sufficient cash to allow it to meet its liabilities when they become due. The Board receives monthly information regarding cash balances and cash flow projections. The liquidity risk of each subsidiary is managed centrally by the treasury function.

14. FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

2018

	Carrying amount	Contractual cash flow	2019	2020	2021	2022	2023
Accounts payable and accrued liabilities	$22,056,355	$22,056,355	$22,056,355	$—	$—	$—	$—
Lease liability	15,741,559	17,232,539	4,933,827	4,288,882	3,200,064	1,333,024	3,476,742
Promissory notes	10,233,527	11,601,682	4,624,988	5,034,343	9,266,562	7,239,971	-
Long-term debt	45,043,475	55,728,125	4,128,333	8,749,167	7,928,750	6,893,750	28,028,125
	$93,074,916	$106,618,701	$35,743,503	$18,072,392	$20,395,376	$15,466,745	$31,504,867

2017

	Carrying amount	Contractual cash flow	2018	2019	2020	2021	2022
Accounts payable and accrued liabilities	$11,066,082	$11,066,082	$11,066,082	$—	$—	$—	$—
Lease liability	10,405,139	11,523,810	3,376,545	3,239,112	2,937,941	1,854,227	115,985
Redeemable Series C-1 preference shares	15,000,000	15,000,000	15,000,000	—	—	—	—
Redeemable Class B Common and Class 1 Special shares	12,720,000	13,440,000	6,000,000	360,000	360,000	360,000	6,360,000
Long-term debt	30,026,114	35,881,497	5,340,173	5,890,140	5,920,847	6,086,533	6,327,563
Puttable Class A and Class 1 special shares	17,816,420	17,816,420	17,816,420	—	—	—	—
Promissory notes	9,500,000	11,780,000	—	570,000	570,000	570,000	10,070,000
	$106,533,755	$116,507,809	$58,599,220	$10,059,252	$9,788,788	$8,870,760	$22,873,548

15. CAPITAL MANAGEMENT

The Company defines its managed capital as the total of long-term debt and shareholders' equity, including share capital, non-controlling interest and retained earnings (deficit). As at December 31, 2018, total managed capital was $73,563,167 (2017 - $49,209,818).

The Company's objectives when managing capital are:

i. To maintain balance sheet strength, ensuring the Company's strategic objectives are met, while retaining an appropriate amount of leverage; and

ii. To provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The Company manages its capital structure within guidelines approved by the Board of Directors. The Company makes adjustments to its capital structure based on changes in economic conditions and the Company's planned requirements. The Company has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it distributes to shareholders, and making adjustments to its capital expenditure program.

There were no changes in the Company's approach to capital management during the years ended December 31, 2018 or 2017. The Company is not subject to externally imposed capital restrictions.

16. BUSINESS COMBINATIONS

Orbis

On July 1, 2018, Spark acquired all of the issued and outstanding common shares of Orbis Engineering Field Services Ltd. and Sibro Technologies Ltd. ("Orbis") in exchange for 400,000 Class A Common shares of Spark, a cash payment of $5,000,000 and a 4-year promissory note of $2,300,000 at an interest rate of 4%. Orbis is engaged in the construction, service and maintenance of medium voltage industrial electrical systems. The principal reason for the acquisition was to establish a presence in the western Canadian electrical services market.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

Assets acquired	
Accounts receivable	$7,391,830
Contract asset	995,976
Inventory	279,910
Prepaid expenses	514,354
Property, plant and equipment	4,741,617
Customer relationships	1,524,000
Trade name	2,024,000
	$17,471,687
Liabilities Assumed	
Accounts payable and accrued liabilities	$(5,466,393)
Contract liabilities	(333,700)
Lease obligation	(4,301,162)
Deferred taxes	(571,220)
	$(10,672,475)
Consideration	$9,255,538
Goodwill	$2,456,326

The consideration consists of the following components:

Cash	$5,000,000
Promissory note (Note 10)	2,300,000
Common shares (Note 12)	1,200,000
Additional cash related to working capital adjustment	755,538
	$9,255,538

The sellers note bears interest at 4% and matures in four equal payments on the anniversary of closing. The sellers note is considered to approximate fair market value upon issuance. 370,370 Class A Common shares of Spark Power Corp. were issues at a fair market value of $3 per share. Transaction costs related to the acquisition of the assets were not material and have been expensed in operating expenses in the current year. During the year, Orbis contributed $16,644,344 to the Company's revenues and a profit of $24,209 to net and comprehensive loss.

As part of the sale and purchase agreement, there is an earn out clause which would become applicable if the Company was to have earnings above the earn out thresholds. The earn out period ends June 30, 2020. The Company has determined that the event is considered unlikely to occur and, as a result, no amount has been accrued as a contingent loss. The possible earn out payments range from $nil to $1,000,000. There were no changes to the contingent amounts during the period.

16. BUSINESS COMBINATIONS (CONTINUED)

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as assembled workforce, which do not qualify for separate recognition, and the fact that additional value is generated through the collective use of the acquired assets rather than individually. Goodwill is not deductible for tax purposes.

NEF

On July 1, 2018, Spark acquired all of the issued and outstanding common shares of NEF in exchange for 100,586 Class A Common shares of Spark, a cash payment of $1,250,000 USD and a 4-year promissory note of $1,000,000 USD at an interest rate of 6%. The principal reason for this acquisition was to establish an initial presence in the USA with an initial focus on western USA.

NEF was previously affiliated with New Electric Enterprises Inc., an entity acquired by Spark in 2017. NEF operates in California and its services include electrical contracting, electrical repair, industrial automation and preventative maintenance. The acquisition allows Spark to expand its operations into California.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

Assets acquired	
Accounts receivable	$1,475,661
Inventory	173,672
Prepaid expenses	38,013
Property, plant and equipment	164,145
Customer relationships	1,373,027
Trade name	737,805
	$3,962,323
Liabilities Assumed	
Accounts payable and accrued liabilities	$(711,445)
Consideration	$3,535,167
Goodwill	$284,289

The consideration consists of the following components:

Cash	$1,644,006
Promissory note (Note 10)	1,279,750
Common shares (Note 12)	328,651
Additional cash related to working capital adjustment	282,760
	$3,535,167

The sellers note bears interest at 6% and matures within 30 days after December 31, 2020. The sellers note is considered to approximate fair market value upon issuance. Transaction costs related to the acquisition of the assets were not material and have been expensed in operating expenses in the current year. During the year, NEF contributed $2,450,203 to the Company's revenues and net income of $224,625 to net and comprehensive loss.

As part of the sale and purchase agreement, there is an earn out clause which would become applicable if the Company was to have earnings above the earn out thresholds. The earn out period ends December 31, 2020. The Company has determined that the event is considered unlikely to occur and, as a result, no amount has been accrued as a contingent loss. The possible earn out payments range from $nil to $7,500,000USD. There were no changes to the contingent amounts during the period.

16. BUSINESS COMBINATIONS (CONTINUED)

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as assembled workforce, which do not qualify for separate recognition, and the fact that additional value is generated through the collective use of the acquired assets rather than individually. Goodwill is deductible for tax purposes.

Bullfrog

On July 1, 2018, the Company acquired 100% of the voting equity of Bullfrog Power Inc. ("Bullfrog"). Bullfrog is Canada's 100% green energy provider, offering a 100% clean, renewable energy choice to Canadians. Each green electricity certificate, green natural gas certificate or green fuel certificate represents the environmental; benefits created as a result of each unit of renewable energy generated or produced. Bullfrog retires all green energy certificates sold on behalf of its customers. The principal reason for the acquisition was to leverage the Bullfrog's capabilities and brand into a leading power consultancy and sustainability focused business unit.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

Assets acquired	
Cash	$353,319
Short term investment	100
Accounts receivable	3,639,094
Inventory	2,245,057
Prepaid expenses	533,636
Property, plant and equipment	742,283
Customer relationships	5,028,000
Trade name	2,897,000
	$15,438,489
Liabilities Assumed	
Accounts payable and accrued liabilities	$(1,498,696)
Contract liability	(54,911)
Lease obligation	(613,860)
Deferred taxes	(2,100,000)
	$(4,267,467)
Consideration	$17,804,897
Goodwill	$6,633,875

The consideration consists of the following components:

Cash	$2,000,000
Short-term note	7,835,000
Promissory note (Note 10)	6,000,000
Management Retention Bonuses	2,250,000
Cash reduction related to working capital adjustment	(280,103)
	$17,804,897

The short-term note bears interest at 8% and matures at the earlier of the completion of the Merger Transaction in accordance with the terms of the Merger Agreement, and November 15, 2018. The short-term note is considered to approximate fair market value upon issuance.

The vendor take-back note bears interest at 6% and the principal amounts shall be repaid $1,000,000 on the first and second anniversary of the note, and $2,000,000 on the third and fourth anniversary of the note.

16. BUSINESS COMBINATIONS (CONTINUED)

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as assembled workforce, which do not qualify for separate recognition, and the fact that additional value is generated through the collective use of the acquired assets rather than individually. Goodwill is not deductible for tax purposes.

Transaction costs related to the acquisition of the assets were not material and have been expensed in operating expenses in the current year. During the year, Bullfrog contributed $6,718,181 to the Company's revenues and a profit of $1,555,817, which is exclusive of management retention bonus's expense of $2,250,000, to net and comprehensive loss.

New Electric

On January 1, 2017, the Company acquired certain operating assets of New Electric Enterprises Inc. ("New Electric"). New Electric is an electrical contracting company that provides electrical wiring services to commercial customers in Ontario. New Electric's services include electrical contracting, custom control panels, electronic repair, energy efficiency, industrial automation, and preventive maintenance. The principal reason for the acquisition was to expand the Company's service offering to provide a complete end-to-end electrical services solution to its customer base.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

Assets acquired	
Cash	$1,500
Accounts receivable	7,688,880
Inventory	1,928,160
Property, and equipment	3,128,685
Other assets	219,389
Trade name	4,729,000
Software	1,264,000
Customer relationships	17,085,000
Customer backlog	252,000
	$36,296,614
Liabilities Assumed	
Accounts payable and accrued liabilities	(5,001,990)
Lease liability	(2,323,362)
Deferred revenue	(1,551,209)
	$ (8,876,561)
Consideration	$ 41,267,141
Goodwill	$ 13,847,088

The consideration consists of the following components:

Cash	$14,678,661
Promissory note (Note 10)	9,500,000
Assignment of shareholder loans	5,088,480
Shares (Note 12)	12,000,000
	$41,267,141

16. BUSINESS COMBINATIONS (CONTINUED)

The notes bear interest at 6% and mature in 2022. They are considered to approximate fair market value upon issuance. The shareholder loans were repaid in 2017 and are considered to approximate fair market value due to the period of time it was outstanding.

The common shares have a put and call option that can be exercised for a period of thirty days following the delivery of the audited consolidated financial statements of the Company for the period ended December 31, 2017. The closing of the purchase and sale of any common shares pursuant to the exercise of any put or call option shall be completed by December 31, 2018.

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as assembled workforce, which do not qualify for separate recognition. Goodwill and the trade name are deductible for tax purposes.

17. SEGMENTED INFORMATION

The Company has 2 segments, Services and Solutions. The 2 segments are strategic business units that offer different products and services. The segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management team including the co-Chief Executive Officers, Chief Operating Officer, and the Chief Financial Officer.

The services segment includes the Spark High Voltage, Orbis, renewables operations and maintenance and New Electric CGU's. The Solutions segment includes the Spark Power Solutions CGU.

The Company evaluates segment performance on the basis of profit and loss from operations calculated in accordance with IFRS, but excluding non-recurring losses and share-based payments.

	Services	Solutions	2018 Total
Segment revenues	$110,277,468	$9,481,975	$119,759,443
Segment cost of sales	$71,573,748	$2,160,433	$73,734,181
Segment selling, general and administration expenses	$28,397,949	$6,183,597	$34,581,546
Segment amortization and depreciation	$7,675,763	$476,083	$8,151,846
Segment profit	$10,305,771	$1,137,945	$11,443,716
Finance expense			(5,209,960)
Increase in value of Puttable Class A and Class 1 Special shares			(47,771,600)
Transaction costs			(10,269,633)
Reorganization costs			(1,413,924)
Excess of fair value over net assets acquired			(12,660,331)
Gain on retraction of Class 1 Special shares			1,250,000
Other			(138,052)
Total Company loss before taxes			$(64,769,784)
Segment assets	$112,296,902	$27,419,549	$139,716,451
Segment liabilities	$50,238,904	$13,204,272	$63,443,176
Income taxes payable			615,444
Deferred income taxes			2,094,664
Long-term debt			45,043,475
Total Company liabilities			$111,196,759

17. SEGMENTED INFORMATION (CONTINUED)

	Services	Solutions	2017 Total
Segment revenues	$75,014,133	$5,029,443	$80,043,576
Segment cost of sales	$45,009,105	$295,711	$45,304,816
Segment selling, general and administration expenses	$23,628,604	$3,683,983	$27,312,587
Segment amortization and depreciation	$5,226,290	$729,266	$5,955,556
Segment profit	$6,376,424	$1,049,749	$7,426,173
Finance expense			(4,573,151)
Increase in value of puttable Class A and Class 1 Special shares			(17,816,420)
Other			(53,061)
Total Company loss before taxes			$(15,016,459)
Segment assets	$80,165,680	$2,071,847	$82,237,527
Segment liabilities	$21,502,632	$1,131,717	$22,634,349
Income taxes payable			793,179
Increase in value of Puttable Class A shares			17,816,420
Redeemable Series C-1 Preference shares			19,222,386
Deferred income taxes			100,181
Promissory note payable			9,500,000
Redemable Class B Common and Class 1 Special shares			12,720,000
Long-term debt			30,026,114
Total Company liabilities			$112,812,629

18. RELATED PARTY TRANSACTIONS

No revenues were earned or expenses incurred from related parties in the year ended December 31, 2018 (2017 - $nil). Included in accounts payable and accrued liabilities is $817,425 (2017 - $nil) owing to a former shareholder of a company acquired in Note 16. Further, there were no other balances due to/from related parties and/or shareholders as at December 31, 2018 (December 31, 2017 - $nil).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, comprised of the company's directors and executive officers. Salaries and other benefits paid to the key management personnel in the year were $2,231,797 (2017 - $1,403,164).

19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes			
	2017	Cash flows	Acquisition (Note 16)	Gain on settlement	New leases acquired during the year	2018
Bank indebtedness	$—	$11,666,604	$—	$—	$—	$11,666,604
Long-term debt	30,026,144	15,017,331	—	—	—	45,043,475
Lease liability	10,405,139	(3,028,780)	4,915,022	—	3,450,178	15,741,559
Redeemable Series C-1 Preference shares	19,222,486	(15,000,000)	—	(4,222,486)	—	—
Promissory notes	9,500,000	(19,689,418)	20,422,945			10,233,527
	$69,153,769	$(11,034,263)	$25,337,967	$(4,222,486)	$3,450,178	$82,685,165

20. EARNINGS PER SHARE

The Company presents basic and diluted earnings per share data for its ordinary shares, being common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of ordinary shares by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares. As the Company is in a net and comprehensive loss position, the warrants and options outstanding are anti-dilutive.

Basic and diluted earnings per share

	2018	2017
Numerator:		
Net comprehensive loss attributed to equity holders	$ (64,634,852)	$ (16,700,578)
Denominator:		
Basic and diluted shares outstanding	44,920,313	2,046,384
Earnings per share:		
Basic and diluted	$ (1.44)	$ (8.16)

21. EXPENSE BY NATURE

	2018	2017
Materials, equipment and subcontractors	$ 29,523,160	$ 18,350,865
Other administration costs	5,790,760	5,058,302
Office and telephone	1,162,560	871,479
Salaries and wages	58,216,723	37,679,256
Occupancy costs	1,742,808	1,851,172
Advertising and promotion	1,113,304	887,505
Depreciation of property and equipment	5,524,343	3,724,306
Amortization of intangible assets	2,627,503	2,404,393
Professional fees	2,569,832	1,790,125
Total	$ 108,315,727	$ 72,617,403

22. CONTINGENT LIABILITY

A subsidiary of the Company has been named as on of the legal defendants in a legal proceeding filed by a customer. The subsidiary is actively defending this legal proceeding and has filed A Statement of Defense and a Notice of Claim Against Co-Defendants. Since the amount of the losses, if any, cannot be reasonably estimated, no provision has been recorded in these Financial Statements.

23. COMPARATIVE FIGURES

These Financial Statements have been re-classified, where applicable, to conform to the presentation format used in the current year. These changes have had no impact on prior year earnings.

CORPORATE INFORMATION

SPARK POWER CORP. HEAD OFFICE

1315 North Service Road East – Suite 300
Oakville, Ontario L6H 1A7 Canada

LISTING

TSX: SPG
TSX: SPG.WT

AUDITORS

BDO Canada LLP

TRANSFER AGENT

TSX Trust Company

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Wednesday May 15, 2019 at 10:00 am ET

Vantage Venues
150 King Street West, 16th Floor - Room F2 Toronto, Ontario M5H 1J9 Canada

SPARKPOWER
GROUP INC