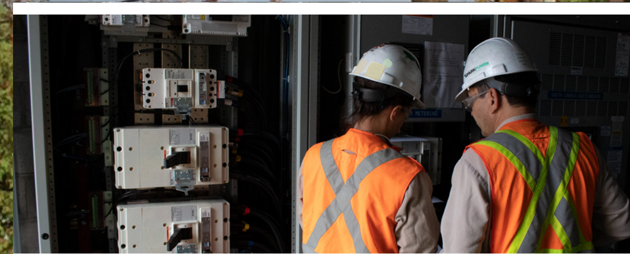
YOUR TRUSTED PARTNER IN POWER™



2021 ANNUAL REPORT

1315 NORTH SERVICE ROAD EAST, SUITE 300
OAKVILLE, ONTARIO, L6H 1A7, CANADA
1.833.775.7697

SPARKPOWER
GROUP INC

TRUSTED PARTNER IN POWER™

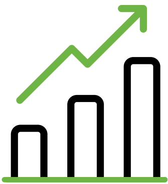
Spark is focused on serving as its customers' Trusted Partner in Power™

WE ARE INDEPENDENT

- Unbiased Service Provider
- *Pole-to-Product™*
- Relationships over transactions

WE ARE LOCAL

- Community-based
- Local service with continent-wide expertise
- Certified, well-trained, non-union



WE HAVE SCALE

- Award-winning Health & Safety Programs
- Flexible and responsive
- Right ideas and solutions

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CEO'S MESSAGE TO SHAREHOLDERS

Dear fellow shareholders,

In 2021, we laid a very strong foundation for integration. One of our first priorities was cultural integration – people – and the values we will live by going forward. In choosing **trust, team, sustainability, community** and **excellence** as our core values, we aspire to live by these values in all that we do. In prioritizing **health and safety,** we recognize the importance of keeping everyone, from field staff to office staff, to customers and the community safe from harm. These are the principles that define our actions and allow us to develop the competencies that reflect these attributes and allow us to function cohesively as "One Spark". Through feedback surveys and focus groups with our employees, I was very pleased to hear overwhelming support and acceptance of these values.

Successful integrations ultimately come down to people. On my road-trips to Texas and Alberta earlier this year, I had an opportunity to meet some of our very talented field employees. As CEO, I am committed to driving our field focused operating model and as part of that, getting out of the office to meet customers on-site, safely, is a critical part of my role. I continue to be impressed by the quality of our workmanship as we continue to elevate the trade. I am incredibly proud to be leading such an accomplished and resilient team through this next phase of our two-year integration journey. I know there will be challenges ahead as we continue the hard work of integration. I also know that because we have the right people, we will prevail through a combination of hard work and our shared values.

In 2021, we put in place a new flat management structure with a leadership team that will enable us to achieve organizational excellence, that will help us to attract and retain great talent, that will improve operational predictability, and that will provide scale for future growth as a mature operating company. The completion of the Founder transition in Q1/2021, followed by the succession and strategic replacement of our senior leadership team, will help guide capital allocation decisions and positions us well as we navigate the next stage of our maturity curve.

In 2021, we continued with the Spark 100 initiative, which builds on our commitment to sustainability and to best practices in the governance areas of community-building; diversity, equity and inclusion; and environmental sustainability. We will continue to take steps to develop Spark 100 processes, practices and key performance indicators that reflect our intention to be a leading enterprise that employees, customers, and local communities can all be proud of – and that shareholders can trust and rely upon.

Sincerely,

Richard Jackson
President & CEO

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

Dear fellow shareholders,

In 2021, the world began to inch its way back from pandemic uncertainty towards a state of greater normalcy. As it did, Spark Power continued its transition to a more mature, professionally managed operating company and a leading North American energy services business.

The Board of Directors mirrored this shift. In terms of governance, 2021 witnessed the Board's evolution from a model based on merger and acquisition oversight into one that will oversee Spark Power's flattening, guiding it to operate nimbly, strategically, and decisively and working collaboratively with the management team to realize the long-term potential of the Spark Power brand.

As part of this planned transition, Richard Jackson took the helm as President and Chief Executive Officer in January. He will steer the integration plan, focusing on the development of a robust shared services platform that will allow for further scalability and long-term growth, and, of course, maintain our focus on field efforts and customer service. Richard is unquestionably the right leader to guide this next phase of our growth strategy. I have every confidence that on his watch, Spark Power will reach its integration goals, creating the organization the founders envisioned back in 2010 when our journey began.

The Board is aware that integration can be a challenging journey in the face of unexpected events including those we experienced in 2021, which are laid out in the Management Discussion and Analysis section of this report. As one of the original founders, I am extremely proud of the team's accomplishments to date –proud that we have grown through a mix of acquisition and organic growth, proud of the scale we have achieved in our operations, and especially proud of the commitment of over 1,400 Spark Power employees who are helping today to build the future of the power industry of tomorrow.

Sincerely,

Jason Sparaga
Chair, Board of Directors

EVOLVING STRATEGIC IMPERATIVES TO DRIVE STRATEGY

2019

Establish Regional Operating Model

- Rationalize Central/ Regional SG&A
- Initiate US Growth Strategy

2020

Integration (Operations, Brand, Culture)

- Predictable Operational Excellence
- Clarity and consistency in our go-to-market messaging - Trusted Partner in Power™
  - Focus on profitable US Growth
    - Focus on Business Unit/ Branch Manager – develop, retain and support

2021

Integration (Operations, Brand, Culture) & Platform

- Predictable Operational Excellence
- Recapitalization for Stability & Growth

2022

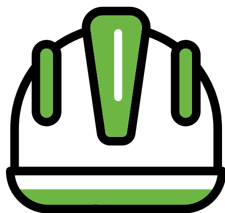
Platform for Growth

- Predictable Operational Excellence
- Embed Culture
- Acquisition & Integration

OUR SCALE CREATES DIFFERENTIATION

Ability to:

- Invest in our commitment to health and safety
- Be responsive to our customers' needs at any time across all our services
- Scale to serve our customers – geographically and for jobs of any size
- Invest in understanding markets, technology and products to help our customers identify the right solutions
- Invest in recruiting, hiring, training and retaining high quality people



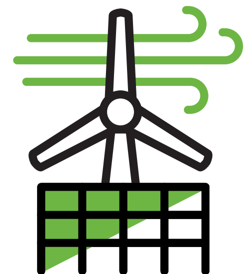
~1,400
EMPLOYEES

5,500
CUSTOMERS

1,000+
TECHICAL SKILLED WORKERS

69,753
SAFETY INSPECTIONS (2021)

~700
FLEET VEHICLES



6,500+ MW
RENEWABLE ASSETS SERVICED & SUPPORTED

ZERO TOLERANCE SAFETY CULTURE

Only zero is acceptable. Safety is our top priority with zero compromised, zero short cuts, and zero excuses.

2.55

Total Recordable Injury Frequency

0.77

Lost Time Frequency

69,753

Inspections

52,198

Meetings

6,906

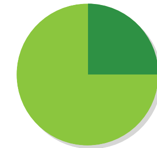
Hazard Observations

SPARK 100 - OUR COMMITMENT

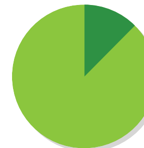
2021 Year in Review

DEI CENSUS SURVEY RESULTS

151
participants



76%
of participants agree Workforce diversity is valued at Spark



88%
of participants feel respected & included in their daily work environment

81%
of participants feel a sense of belonging at Spark Power

ENVIRONMENT

Spark Power reduced its 2021 footprint by:

DIVERSITY, EQUITY & INCLUSION

2021 INITIATIVES

BE POWERFUL SCHOLARSHIP
An initiative to create opportunities in the electrical industry for individuals from underrepresented communities.

CAREER DISCOVERY EXPO
A highschool student virtual Career Discovery Expo in partnership with Build a Dream, a non-profit organization that advances diversity and inclusion initiatives to provide equitable opportunities for all.

2021 SURVEY
Education & Awareness Census launched which is an opportunity for us to better understand and celebrate Spark's diversity. A brief survey will be sent to the entire organization on a bi-annual basis, allowing us to appreciate our changing organization over time.

IDENTIFIED A BASELINE TRAINING FOR ORGANIZATION
Launch date: February 2022

2021 CELEBRATIONS & POSTS

BLACK HISTORY MONTH

- Celebrated and honored the legacies of Black Americans and Canadians and reflected on their efforts and achievements by sharing profiles of individuals who have made an impact within our sector

INTERNATIONAL WOMEN'S DAY

- Celebrated the powerful and inspiring women across our Canadian and U.S. teams
- Employees submitted photos and descriptions of the wonderful women who inspire them

PRIDE MONTH

- Celebrated Pride month and the right to be your authentic self
- Discussed what it means to be an Ally

NATIONAL DAY FOR TRUTH & RECONCILIATION

- Stood in solidarity with Indigenous Peoples
- Encouraged the company to wear Orange
- Took action and made a donation of $1,500 to the We Matter campaign

COMMUNITY

~$100K
To Autism

~$20K
To Employee Program

~$20K
To Mental Health

NEW PARTNERSHIPS

Joined the United Way's Campaign Cabinet in April 2021 and worked together to promote three #LocalLove campaigns to support UW chapters in the communities we work and live in. We also engaged with United Way to provide resources for employees for areas such as mental health and wellness.

BUILDING AWARENESS

Focused on building awareness about our community program and initiatives by sharing community stories with our social media networks, website, and newsletter, as well as through our internal communication platforms.

INCREASE ENGAGEMENT

Community stories rank as the second highest engagement content pillars across social media and internal platforms, resonating with both our employees and our external networks. These posts have also received 100% interaction in 2021.

HEALTH & WELLNESS

Launched four Health & Wellness newsletters with monthly themes tied to each of the wellness pillars and workout plans

Ran the Movember fundraiser which raised over $3500 in support of men's health challenges including prostate and testicular cancer, suicide prevention, and mental health.

INTEGRATION OF OUR PURPOSE AND VALUES

- Our purpose is to be our customers' Trusted Partner in Power™.
- We deliver on our purpose by living our values.

SUSTAINABILITY
Take responsibility for the future

TRUST
Earn it from our customers and teams

ZERO INCIDENT SAFETY CULTURE

COMMUNITY
Bring positive impact to our communities

EXCELLENCE
Elevate our trade

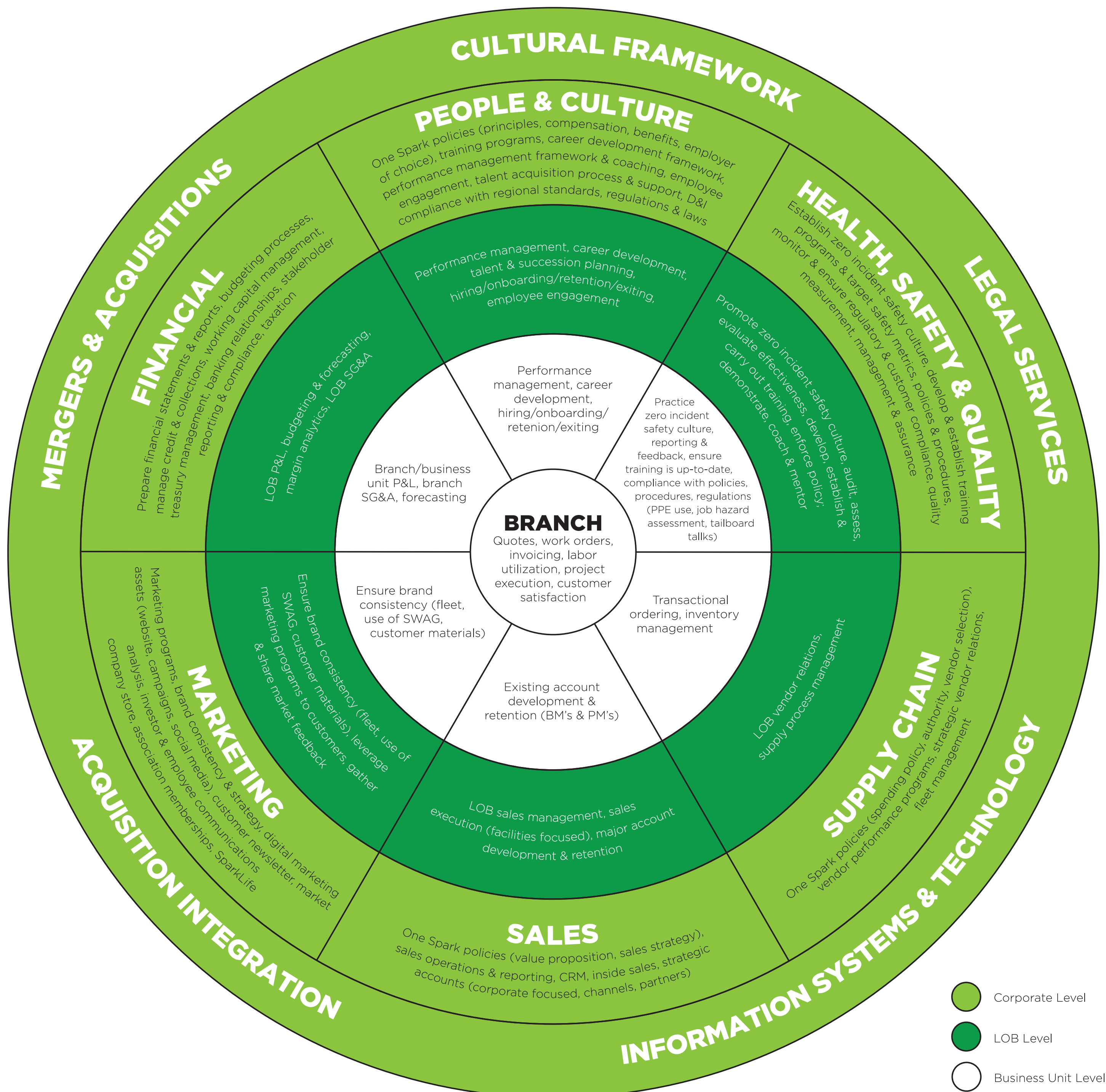
TEAM
Empower each other

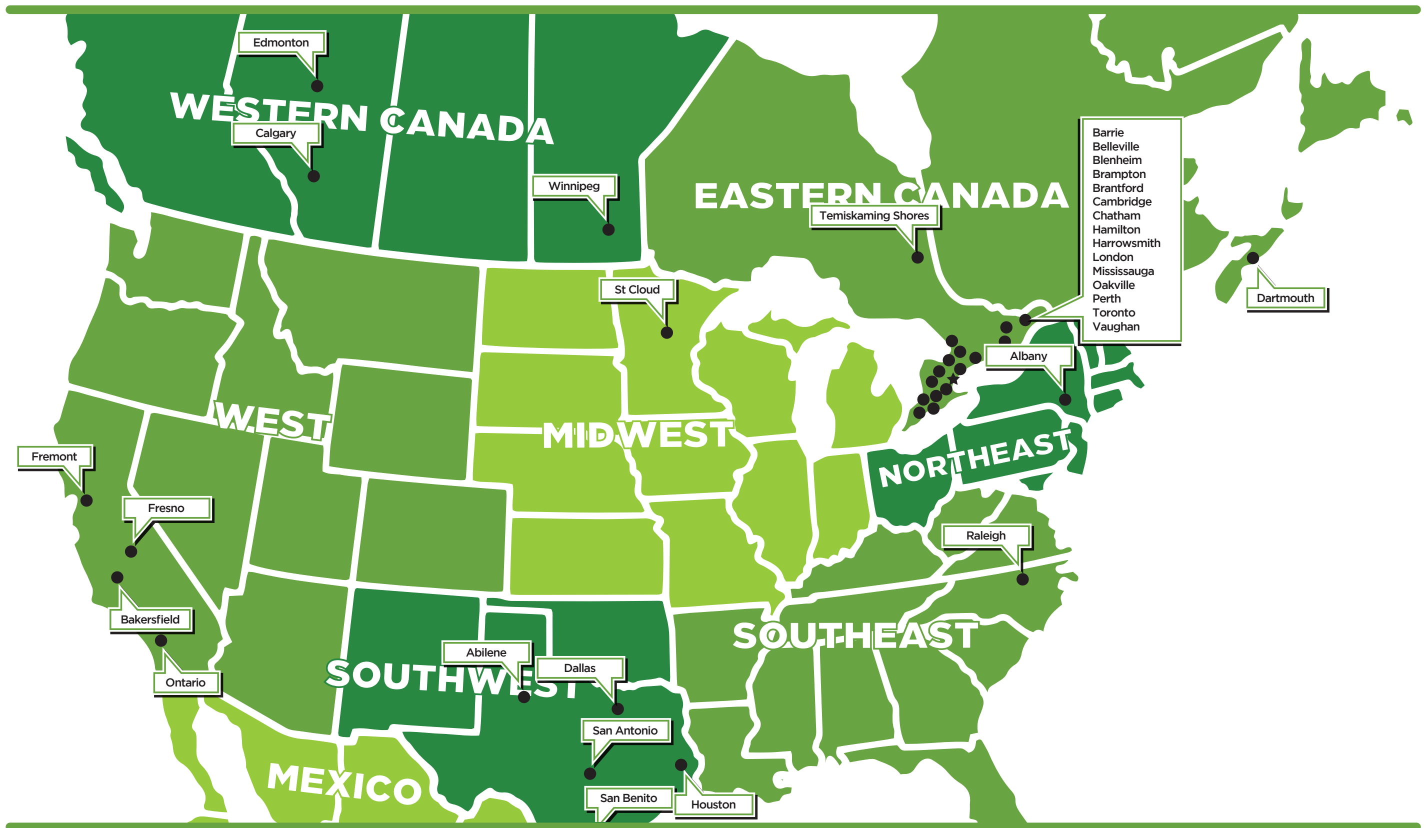
SPARKPOWER™

SHIFT TO SCALABLE FIELD FOCUSED OPERATING MODEL

Building a scalable network of local branch operations in all markets we serve across North America to:

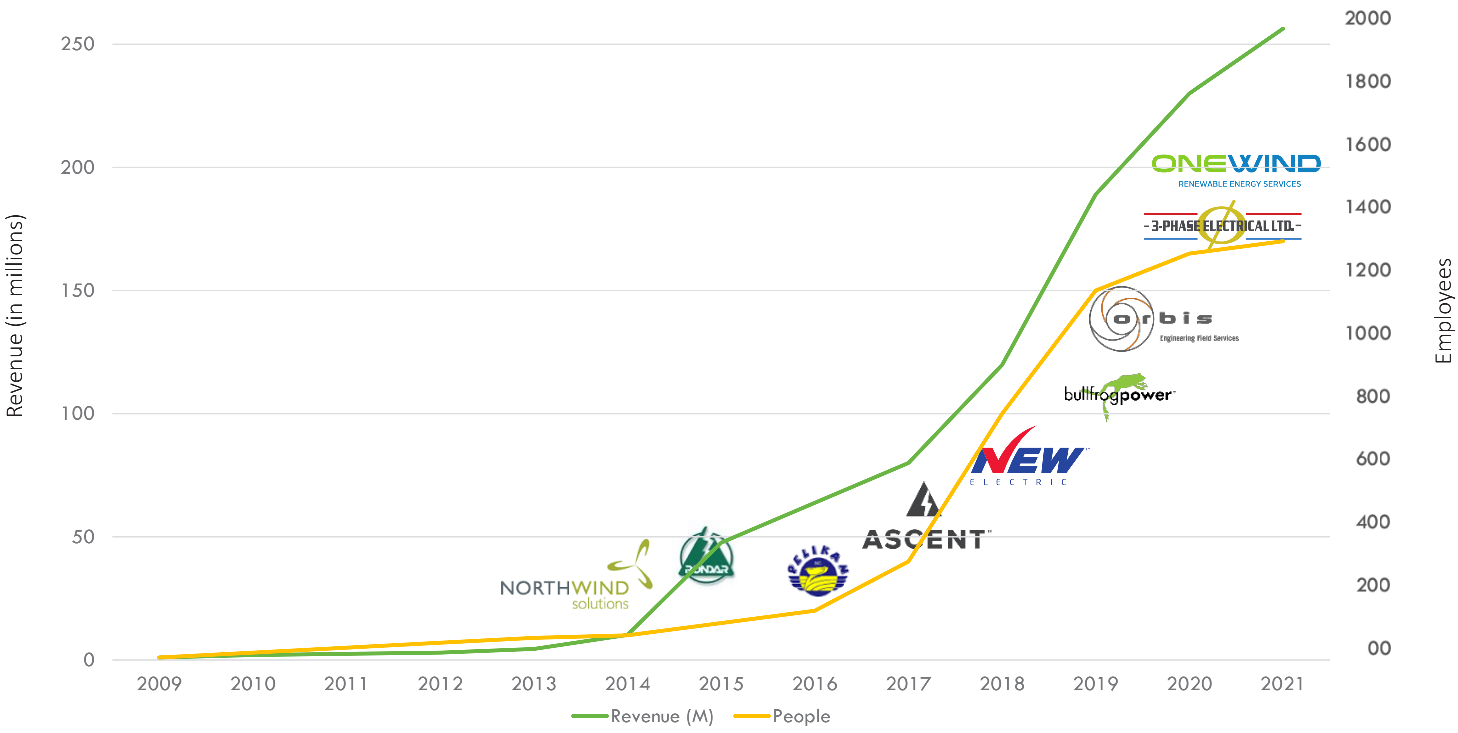
- Emphasize operational excellence
- Prioritize health and safety
- Guide capital allocation & strategy planning





OUR NORTH AMERICAN FOOTPRINT

A HISTORY OF GROWTH

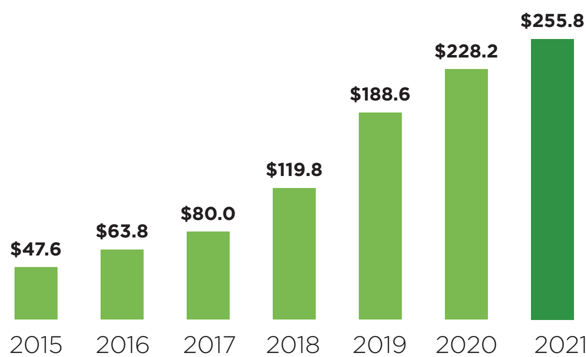


STRONG FINANCIAL PERFORMANCE

Revenue (Millions)

37% Compound Annual Growth Rate 2015-2020

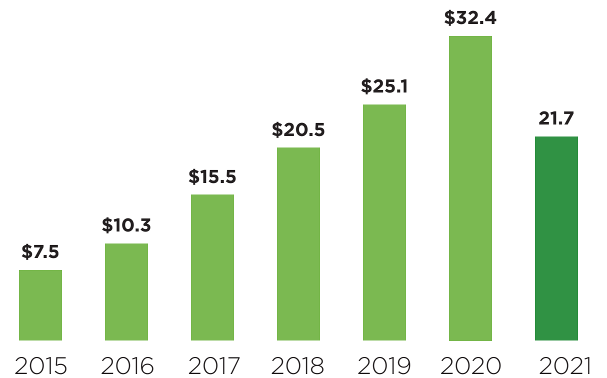
32% Compound Annual Growth Rate 2015-2021



Adjusted EBITDA (Millions)

34% Compound Annual Growth Rate 2015-2020

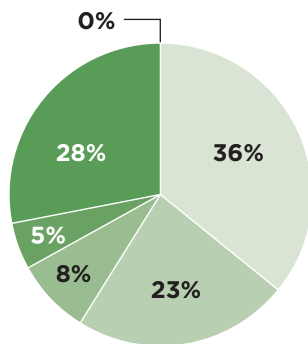
19% Compound Annual Growth Rate 2015-2021



Segmented 2021 Revenues

2020

- Eastern Canada
- Western Canada
- USA
- Sustainability Solutions
- Renewables
- Corporate

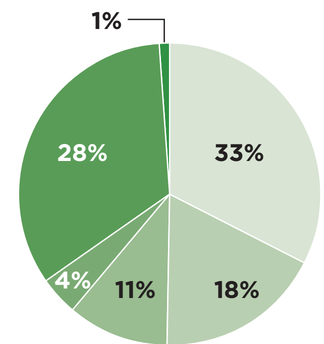


2021 ($)

- Eastern Canada - **$83,528**
- Western Canada - **$44,883**
- USA - **$28,089**
- Sustainability Solutions - **$11,191**
- Renewables - **$86,335**
- Corporate - **$1,788**

2021

- Eastern Canada
- Western Canada
- USA
- Sustainability Solutions
- Renewables
- Corporate

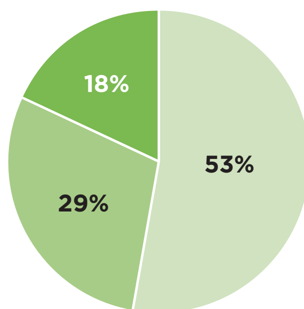


Per Consol workbook

East -	**$92,249**
West-	**$49,569**
US -	**$31,022**
Total	**$172,840**

Recalc

East -	**$83,528**
West-	**$44,883**
US -	**$28,089**
Total	**$156,501**



Note that the Inter-Business Region IC Eliminations were applied to the above

Gross Margin % - 3 Year Average

	2019	2020	2021	3-Year
Revenue	188.6	228.2	255.8	672.6
Gross Margin	68.5	76.7	68.8	213.9
GM %	36.3%	33.6%	26.9%	**31.8%**

Adjusted EBITDA Margin % - 3 Year Average

	2019	2020	2021	3-Year
Revenue	188.6	228.2	255.8	672.6
Adjusted EBITDA	25.1	32.4	21.7	79.2
EBITDA %	13.3%	14.2%	8.5%	**11.8%**

SENIOR LEADERSHIP TEAM

Richard Jackson

President & CEO

Richard is Spark Power's President & Chief Executive Officer with over 20 years of leadership experience in industrial companies across North America. Richard leads all operations within Spark including designing the organization for long-term scalable growth, formulating and leading the execution of Spark's corporate strategy, and driving functional and operating performance across the organization.

Richard Perri

Executive Vice President & CFO

Richard is Spark Power's Executive Vice President & Chief Financial Officer with over 20 years of financial and leadership experience across multiple industries. He oversees the organization's financial accounting and strives to create a team-oriented environment that is thorough in addressing and reporting the Company's financial operations.

Tom Duncan

Executive Vice President & Chief Operating Officer

Tom is Spark Power's Executive Vice President & Chief Operating Officer with over 25 years of leadership and management experience in industrial and energy services. Tom leads all of Spark's North American operations and seeks to drive operational excellence and growth. He designs and implements business strategies, plans, and procedures, both functional and operating. Tom is highly passionate about safety and team engagement.

Eric Waxman

Co-Founder & Chief Investment Officer

Eric is Spark Power's Co-Founder & Chief Investment Officer, and Board Director with over 20 years of extensive experience with M&A, investment banking, and private equity deal structures. A strong leader, Eric focuses on driving an ownership and safety-first culture within the Company and leading acquisition transactions and their integration to accelerate Spark Power's North American-wide expansion.

Cody Zaitsoff

Executive Vice President, U.S. Technical Services

Cody is Spark Power's Executive Vice President, U.S. Technical Services with over 18 years of experience in the electrical services sector. An experienced leader with a background in field engineering and system design services, Cody is responsible for overseeing all Spark Power operations across the U.S. and in Canada from Manitoba west to British Columbia, and Canada's North.

Grayson Swan

Executive Vice President, Renewables

Grayson is Spark Power's Executive Vice President, Renewables with over 10 years of experience in the renewables energy industry. Grayson is dedicated to the economic and social benefits of renewable energy projects, and responsible for overseeing Spark's wind and solar operations and maintenance, battery energy storage systems (BESS), electric vehicle (EV) infrastructure, and on-site solar initiatives across North America.

Najlaa Rauf

Vice President of People & Culture (Human Resources)

Najlaa is Spark Power's Vice President of People & Culture (Human Resources) with over 10 years of experience in employee engagement, human resources, and leadership development in non-profit, education and electrical contracting services. She is responsible for leading the organization in the areas of culture, and talent attraction, retention, and development.

Michael Mah

Vice President, Information Technology

Michael is Spark Power's Vice President of Information Technology with over 20 years of experience in technology leadership across many different industry sectors including energy and utilities, financial services, and real estate. He is responsible for leading Spark's Information Technology and Systems team in the management and delivery of technology services for the organization.

Suha Jethalal

Vice President, Sustainability

Suha is Spark Power's Vice President, Sustainability and President of the organization's sustainability division, Bullfrog Power. She brings deep expertise in strategy, product and brand management, social entrepreneurism, and sustainability.

Phil Lefko

Chief Legal Counsel, Spark Power Group of companies

Phil serves as Chief Legal Counsel to the Spark Power Group of companies and has almost 20 years of experience as a practising lawyer with a focus on corporate finance and securities, mergers and acquisitions, corporate governance, and general corporate matters. He has been providing Spark Power legal services since its inception.

BOARD OF DIRECTORS

Jason Sparaga
Co-founder and Board Chair

Jason is Spark Power's Co-Founder & Board Chair with over 20 years of experience in private company M&A, corporate finance, and merchant banking, with a history of closing more than 100 transactions. A driven entrepreneur and business leader, Jason is focused on M&A activities, corporate finance, and supporting key strategic initiatives.

Andrew Clark
Co-founder and Vice Board Chair

Andrew is Spark Power's Co-Founder & Vice Board Chair with over two decades of experience in the industrial manufacturing, merchant banking, and advanced energy sectors. Andrew's primary focus is on the company's Corporate Sustainability.

Larry D. Taylor
Lead Independent Director (1,3)

Mr. Taylor is the President of Taylor Made Solutions based in Toronto and is a CEO Group Leader for CEO Global Network also based in Toronto. Mr. Taylor is an experienced CEO with a strong track record of leadership in growing financial services and professional services firms.

Daniel Peloquin
Director (1,2)

Daniel Peloquin is a seasoned executive who has been involved in the manufacturing and exporting of products and services serving the electrical Transmission and Distribution (T&D) industry and End Users on international markets for over 35 years. Peloquin's background includes extensive executive leadership in general management, human capital, engineering, sales, marketing and operations.

Joseph Quarin
Director (2)

Joe Is a successful public company Chief Executive Officer (TSX and NYSE), corporate executive and director. He was the Chief Executive Officer and Director of Progressive Waste Solutions Ltd., a North American non-hazardous solid waste management company from January 2012 until the reverse-merger with Waste Connections Inc. in 2016.

Lucio Di Clemente
Board Member (1)

Lucio Di Clemente, CPA/CA, MBA, ICD.D, is an experienced executive, corporate director, and business advisor who brings a wealth of operational excellence and experience with financial transactions. Lucio has been instrumental in closing deals with an aggregate value of over $3B over the course of his career, working with several iconic Canadian companies across a broad spectrum of industries.

1. Member of the Audit and Risk Committee
2. Member of the Compensation and Human Capital Committee
3. Member of the Corporate Governance & Nominating Committee

DESCRIPTION OF THE BUSINESS

Overview

The Corporation is a leading provider of end-to-end electrical services, operations and maintenance services, and energy sustainability solutions to the industrial, commercial, utility, and renewable asset markets in Canada and the United States. Spark is focused on becoming its customers' Trusted Partner in Power™, taking advantage of the opportunities presented by a dynamic market.

We have focused our business on serving three major customer types: commercial and industrial customers; regulated utilities; and renewable asset owners. In addition, we have worked to develop longstanding relationships with customers focused on industries less likely to be impacted by recession or displacement (such as offshoring) – including food & beverage, warehousing for ecommerce and data centres. We manage concentration risk by ensuring that no customer represents more than 10% of our revenue.

The business of the Corporation was commenced in 2009 with the incorporation of Spark Solar Management Inc., to capitalize on the Ontario provincial government's then newly implemented Green Energy Act. Spark Power was formed in 2014 in connection with a corporate reorganization of Spark Solar Management Inc.

The Corporation's business is most mature in Eastern Canada, accounting for the largest part of our revenue. The Corporation's 'branch model' has been proven over many years, including by our wholly-owned subsidiary, New Electric. Under this model, branch managers have full profit and loss responsibility, supported by corporate services better provided centrally because of scale (such as financial reporting, marketing, supply chain management, information technology, systems and engineering). As the Corporation expands, replicating this model, particularly by expanding in regions in which a presence has already been established, has proven to be a repeatable successful model for expansion.

The Corporation's long-term North American growth and diversification strategy includes a focus on expansion opportunities in the United States. The Corporation intends to increase its presence in the United States market through a combination of new branch openings and acquisitions at the appropriate time. The Corporation will prioritize branch openings in locations where opportunities exist to grow synergistically with its Canadian industrial-commercial-institutional customers that also have U.S. operations by expanding existing relationships with these customers into new regions and leveraging business start-up costs.

In 2018, the Corporation advanced its U.S. strategy by (a) establishing a corporate head office in Raleigh, North Carolina, (b) opening its first location in Minnesota under the Northwind brand, focused on renewable energy operation and maintenance services to the commercial and industrial sector and (c) acquiring the California operations of New Electric, including branches in Fresno, California and Fremont, Nevada, establishing a presence in the western United States.

In 2019, the Corporation opened a new operating branch in Raleigh, North Carolina alongside its corporate head office, offering high and low voltage technical services in the region. In addition, the Corporation established branches in San Antonio, Dallas and Los Angeles to complement existing branches in Fremont and Fresno, California.

In 2020, the Corporation migrated its U.S. Corporate Office to Dallas, Texas and began the management transition from 'start-up state' to 'run state'. This change included the appointment of a new Executive Vice President to oversee the U.S. Line of Business.

The Corporation announced new branch openings in Houston, Texas, Bakersfield, California and Albany, New York in late 2020 and throughout 2021.

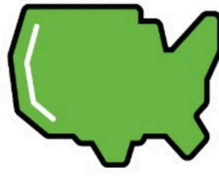
The Corporation has grown through a mix of acquisition and organic growth. Spark has made twelve acquisitions over the past nine years, and coupled with post-acquisition organic growth, this has led to substantial scale in our operations. The following chart highlights the Corporation's growth, in terms of both revenue and employees over the past 11 years.

Operating Structure

Operating within our field focused operating model, Spark is organized into reportable business segments as detailed below. Management believes that this segmentation reflects how the business is managed and provides a clear 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.

Technical Services Western Canada

Technical Services Eastern Canada



Technical Services USA

Renewables

Sustainability Solutions

Spark's integrated suite of services across North America are as follows:

Technical Services

Centred around its branch network, Spark's Technical Services business segment operates out of several locations in the U.S. and Canada and focuses on pole-to-product electrical services. With highly responsive and local technical teams, Spark offers a wide variety of services and solutions to a wide range of customers including:

Low Voltage

- Electrical contracting services
- Custom control panel design and assembly
- Industrial automation
- Systems integration
- Electronic repair
- 24/7 emergency services

Medium & High Voltage

- Power 'On' services
- Sub-station construction and maintenance
- Power line construction and maintenance
- Equipment installation
- Commissioning
- Thermography services
- Transformer maintenance

Engineering

- Power systems engineering
- Protection and control engineering
- Substation engineering
- SCADA engineering
- Arc flash studies

Power Equipment

- Buy, refurbishment and resale of used electrical equipment
- Sales and rentals of power transformers
- Sale of medium voltage electrical switchgear
- Full fabrication shop/ paint line capabilities

Renewables

Spark's Renewables business segment is one of the largest independent renewables operations and maintenance providers in North America. Operating in many centres and remote locations in the U.S. and Canada, Spark's Renewables business is primarily focused on Wind, Solar, Storage and Electric Vehicle assets. Spark's Renewables services include:

Solar

- 24/7 monitoring and analytics from central operating centre
- Fence to fence, onsite operations and maintenance to wide range of solar sites

Wind

- In-construction services
- Asset monitoring
- Operations and maintenance
- Commissioning

Battery Energy Storage Systems (BESS)

- Engineering, procurement, and construction
- Operations and maintenance
- Commissioning

Electrical Vehicle (EV)

- Construction
- Operations and maintenance

Sustainability Solutions

Through our Bullfrog brand, Spark is well positioned to deliver unique Sustainability 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. Our Sustainability Solutions business segment offers our Technical Services and current Sustainability Solutions customers the opportunity to build upon their own ESG mandates by providing them access to Renewable Energy Credits (REC's), Power Purchase Agreements (PPA's) and a variety of energy efficiency services.

FOR THE YEARS ENDED DECEMBER 31

2021 & 2020

SPARKPOWER
GROUP INC

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)

Richard Jackson
President & Chief Executive Officer

(signed)

Richard Perri
Executive Vice President & Chief Financial Officer

March 30, 2022
Oakville, Ontario

BDO

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

BDO Canada LLP
222 Bay Street, Suite 2200
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 "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, 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 Company as at December 31, 2021 and 2020, 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 Company 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that as at December 31, 2021, the Company is not in compliance with the financial covenants in its credit facility. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of Long-Lived Assets

Description of the key audit matter

The Company has long-lived assets which includes property and equipment and intangible assets totalling $62 million which are subject to impairment testing whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. Long-lived assets also include goodwill of $42 million that is required to be tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate their carrying amounts may not be recoverable. Based on the events in the current economic environment including taking into account the possible duration and impact of COVID-19, the Company concluded that impairment testing was required for all cash generating units. The impairment testing conducted by management resulted in the recognition of a $4 million impairment loss in the current period. Refer to notes 2, 3 and 10 to the consolidated financial statements.

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This area was important to our audit due to the significance of the estimates involved in the determination of the recoverable amount of each cash generating unit. The significant estimates included discount rates, revenue growth rates and margin realizations.

How the key audit matter was addressed in the audit

Our audit approach involved the assistance of our internal valuation professionals. Our audit procedures included, but were not limited to, the following:

- Assessing discount rates used by management against discount rate ranges independently developed from publicly available data sets, along with the consideration of comparable company metrics.
- Assessing management's assumptions about revenue growth rate forecasts, expected margin realization rates and terminal growth rates in light of historical results and projected future economic and market conditions.
- Challenging management's assumptions and performing additional sensitivity and stress tests for cash generating units where the impairment assessments were more sensitive to changes in estimated inputs.
- Reviewing the disclosures on the assumptions and the outcomes of the impairment testing and the sensitivity analysis presented in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises:

- the information included in the Management Discussion and Analysis for the year ended December 31, 2021 filed with the relevant Canadian Securities Commissions, and
- the information, other than the consolidated financial statements and our auditor's report thereon, included in the 2021 Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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.

The 2021 Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Jeanny Gu.

BDO Canada LLP

BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 30, 2022

SPARK POWER GROUP INC.

Consolidated Statements of Financial Position

Presented in thousands of Canadian dollars

As at December 31		2021		2020
Assets				
Current assets				
Accounts receivable (Note 4)	**$**	**63,510**	$	51,443
HST receivable		**1,951**		1,586
Inventory (Note 6)		**8,167**		7,703
Contract asset (Note 4)		**25,826**		28,809
Current portion of lease receivable (Note 7)		**-**		149
Government grant receivable (Note 5)		**-**		379
Current derivative assets (Note 15)		**1,769**		-
Prepaid expenses and deposits		**7,161**		4,889
		108,384		94,958
Non-current assets				
Lease receivable (Note 7)		**-**		230
Long-term derivative assets (Note 15)		**2,150**		-
Property and equipment (Note 8)		**33,272**		28,253
Intangible assets (Note 9)		**29,116**		36,731
Goodwill (Note 10)		**37,963**		41,963
	$	**210,885**	$	202,135
Liabilities and Shareholders' equity				
Current liabilities				
Bank indebtedness (Note 11)	**$**	**28,142**	$	25,444
Accounts payable and accrued liabilities		**54,730**		37,758
Current portion of long-term debt (Note 12)		**61,962**		66,572
Current portion of promissory notes (Note 13)		**10,738**		3,750
Current portion of lease liability (Note 14)		**6,643**		5,800
Current derivative liabilities (Note 15)		**1,203**		-
Income taxes payable		**1,656**		1,849
Contract liability (Note 4)		**7,182**		3,723
		172,256		144,896
Non-current liabilities				
Promissory notes (Note 13)		**-**		6,988
Lease liability (Note 14)		**13,984**		11,485
Deferred tax liability (Note 16)		**1,096**		1,412
		187,336		164,781
Shareholders' equity				
Share capital (Note 17)		**139,472**		132,946
Contributed surplus		**1,606**		1,017
Accumulated other comprehensive loss		**(34)**		(407)
Deficit		**(117,495)**		(96,202)
		23,549		37,354
	$	**210,885**	$	202,135

See accompanying notes to the consolidated financial statements.

SPARK POWER GROUP INC.

Consolidated Statements of Comprehensive Loss

Presented in thousands of Canadian dollars, except share and per share amounts

For years ended December 31		2021		2020
Revenue (Notes 4 and 21)	**$**	**255,815**	$	228,153
Cost of sales (Notes 5 and 21)		**203,564**		162,417
Gross profit		**52,251**		65,736
Expenses				
Selling, general and administrative (Notes 5 and 21)		**59,337**		53,969
Provison for expected credit loss (Notes 4 and 21)		**630**		1,458
Change in fair value of derivative instruments (Note 15 and 21)		**(2,716)**		-
Reorganization costs (Notes 21 and 29)		**3,492**		3,178
Realized gain on settlement of derivative instruments (Notes 15 and 21)		**(1,100)**		-
Foreign exchange (gain) loss (Note 21)		**981**		(305)
Income (loss) from operations		**(8,373)**		7,436
Other expenses				
Finance expense		**(7,126)**		(6,762)
Transaction costs (Note 28)		**(2,141)**		-
Discontinued operations (Note 30)		**(475)**		-
Earn-out (Note 20)		**-**		(1,900)
Impairment Loss (Note 10)		**(4,000)**		-
		(13,742)		(8,662)
Loss before income taxes		**(22,115)**		(1,226)
Current income tax expense		**506**		(3,047)
Deferred income tax recovery		**316**		2,594
Income taxes recovery (expense)		**822**		(453)
Net loss		**(21,293)**		(1,679)
Cumulative translation adjustment		**373**		(453)
Comprehensive loss	**$**	**(20,920)**	$	(2,132)
Loss per share attributable to equity holders				
Basic (Note 24)	**$**	**(0.38)**	$	(0.03)
Diluted (Note 24)	**$**	**(0.38)**	$	(0.03)

See accompanying notes to the consolidated financial statements.

SPARK POWER GROUP INC.

Consolidated Statements of Changes in Equity
Presented in thousands of Canadian dollars, except share and per share amounts

	Common shares		Warrants	Contributed	Accumulated other comprehensive		Shareholders'
	Number	Amount	Amount	surplus	loss	Deficit	equity
Balance at December 31, 2019	**53,649,648**	**$ 130,284**	**$ 2,662**	**$ 591**	**$ 46**	**$ (94,523)**	**$ 39,060**
Net loss	-	-	-	-	-	(1,679)	(1,679)
Stock-based compensation (Note 17)	-	-	-	426	-	-	426
Cumulative translation adjustment	-	-	-	-	(453)	-	(453)
Balance at December 31, 2020	**53,649,648**	**$ 130,284**	**$ 2,662**	**$ 1,017**	**$ (407)**	**$ (96,202)**	**$ 37,354**
Net loss	-	-	-	-	-	(21,293)	(21,293)
Exercise of options (Note 17)	411,282	782	-	(206)	-	-	576
Forfeiture of options (Note 17)	-	-	-	(87)	-	-	(87)
Conversion of restricted share units (Note 17)	219,277	144	-	(129)	-	-	15
Forfeiture of restricted share units (Note 17)	-	-	-	(61)	-	-	(61)
Stock-based compensation (Note 17)	-	-	-	1,072	-	-	1,072
Issuance of common shares (Note 17)	2,654,028	5,600	-	-	-	-	5,600
Cumulative translation adjustment	-	-	-	-	373	-	373
Balance at December 31, 2021	**56,934,235**	**$ 136,810**	**$ 2,662**	**$ 1,606**	**$ (34)**	**$ (117,495)**	**$ 23,549**

See accompanying notes to the consolidated financial statements.

SPARK POWER GROUP INC.

Consolidated Statements of Cash Flows

Presented in thousands of Canadian dollars

		2021		2020
Cash flows from operating activities				
Net loss for the year	**$**	**(21,293)**	$	(1,679)
Adjustments for non-cash items				
Amortization and depreciation		**19,421**		20,206
Amortization of deferred financing fees		**184**		124
Provision for expected credit losses (Note 4)		**(630)**		1,458
Unrealized foreign exchange (gain) loss		**1,559**		(453)
Stock-based compensation (Note 17)		**1,072**		426
Forfeited options and restricted share units (Note 17)		**(148)**		-
Deferred income taxes (Note 16)		**(316)**		(2,594)
Change in fair value of derivative instruments (Note 15)		**(2,716)**		-
Loss on sale of fixed assets		**-**		(147)
Gain on settlement of promissory note		**-**		(197)
Earn-out		**-**		1,900
Impairment loss (Note 10)		**4,000**		-
Changes in non-cash working capital balances				
Accounts receivable (Note 4)		**(11,437)**		(4,025)
HST receivable		**(365)**		(944)
Inventory		**(464)**		(802)
Contract asset		**2,983**		(7,051)
Lease receivable (Note 7)		**379**		(379)
Prepaid expenses and deposits		**(2,272)**		(1,311)
Government grant receivable (Note 5)		**379**		(379)
Accounts payable and accrued liabilities		**15,472**		3,477
Income taxes		**(193)**		660
Contract liabilities (Note 5)		**3,459**		(345)
		9,074		7,945
Cash flows from investing activities				
Purchase of property and equipment (Note 8)		**(5,599)**		(3,916)
Sale of short-term investments		-		207
		(5,599)		(3,709)
Cash flows from financing activities				
Issuance of share capital (Note 17)		**5,600**		-
Conversion of restricted share units (Note 17)		**15**		-
Exercise of warrants and options (Note 17)		**576**		-
Proceeds from long-term debt (Note 12)		**5,260**		9,907
Repayment of debt (Note 11 and 12)		**(9,508)**		(6,217)
Repayment of promissory notes (Note 13)		**-**		(5,100)
Repayment of lease liability (Note 14)		**(7,569)**		(6,224)
Increase in deferred financing fees		**(547)**		(449)
		(6,173)		(8,083)
Net change in bank indebtedness during the year		**(2,698)**		(3,847)
Bank indebtedness, beginning of year		**(25,444)**		(21,597)
Bank indebtedness, end of year	**$**	**(28,142)**	$	(25,444)

Supplementary cash flow information				
Interest paid	**$**	**6,359**	$	6,215
Cash taxes paid	**$**	**267**	$	2,705

See accompanying notes to the consolidated financial statements.

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. 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, 2021.

The Board of Directors approved these consolidated financial statements on March 29, 2022.

Going Concern

In the preparation of Financial Statements, management is required to identify events or conditions that could have a significant impact on the Company's ability to continue as a going concern. When the Company identifies these conditions or events, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

As described in Note 12, Long-term debt, the Company was not in compliance with the financial covenants in its credit facility. As a result the Company's non-revolving term loan has been classified as current debt at December 31, 2021. The Company is actively working with its lender to amend the current credit facility, including a waiver of this covenant violation.

The Company is required to comply with certain covenants, terms and conditions under the credit facilities. As a result management has determined that it would be prudent to disclose that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities, reported amounts of revenue and expenses, and statement of financial position classifications used that would be necessary were the going concern assumption deemed to be inappropriate. Such adjustments could be material to the overall consolidated financial statements.

Furthermore, the Company is actively engaged in discussions with its lender to explore alternatives to re-finance the above noted non-revolving term loan and maintain the Company's current borrowing facilities to support the execution of its growth strategy. The Company raised new capital subsequent to December 31, 2021 as part of a Rights Offering which closed January 31, 2022. See Note 32 – Subsequent Events for further detail.

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) income, 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 except for our US subsidiaries; Spark Power LLC, Northwind Solutions Group (USA) Inc., Bullfrog Solutions USA Inc., One Wind Services (USA) Inc., Spark Power (Midwest USA) Corp., Spark Power (Northeast USA) Corp., Spark Power (West USA) Corp., Spark Power (Southeast USA) Corp., Spark Power (Southwest USA) Corp., and Spark Power Services (USA) Corp., whose functional currency is US dollars ("US").

2. 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, the Company sold all the shares of its 100% owned subsidiary Orbis SPA.

Subsidiary	Ownership %
1625704 Alberta Inc.	100%
2552095 Ontario Inc.	100%
3-Phase Electrical Ltd.	100%
Bullfrog Power Inc.	100%
Canadian REC Wholesale Inc.	100%
Less Emissions Inc.	100%
Lizco Sales & Rentals Group Inc.	100%
New Electric Enterprises Inc.	100%
New Electric Fresno, LLC	100%
Northwind Solutions Corp.	100%
Northwind Solutions Group Inc.	100%
Northwind Solutions Group (USA) Inc.	100%
One Wind Services Inc.	100%
One Wind Services (USA) Inc.	100%
Orbis Engineering Field Services Ltd.	100%
Sibro Technologies Ltd.	100%
Spark Power Corp.	100%
Spark Power Group Inc.	100%
Spark Power High Voltage Services Inc.	100%
Spark Power Services Corp.	100%
Spark Power Solutions Inc.	100%
Spark Power Solutions Ltd.	100%
Spark Solar Management Inc.	100%
Spark Solar Services Corp.	100%
Spark Power (USA) Corp.	100%
Spark Power (Midwest USA) Corp.	100%
Spark Power (Northeast USA) Corp.	100%
Spark Power (West USA) Corp.	100%
Spark Power (Southeast USA) Corp.	100%
Spark Power (Southwest USA) Corp.	100%

2. BASIS OF PREPARATION (Continued)

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 amounts of revenues and expenses during the reporting period. Management is required to apply judgment and estimates in recognizing revenue, determination of appropriate provisions, including expected credit losses, useful lives of assets, valuation of equity transactions, valuation of business combinations, discount rate of lease liabilities, valuation of derivative financial instruments, impairment of property and equipment and intangible assets, and impairment of goodwill. By their nature, these judgments and 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 long-term construction and management contracts, as they are long-term in nature and contain consideration that is variable based on a number of uncertain factors, such as change orders, reserves set up for additional costs/overruns, etc. Also, the Company estimates progress towards completion and gross margins to be earned at the end of these construction contracts, where a change in these estimates may have a material impact on the overall revenue recognized for the period.

Construction contracts - The Company determines the extent to which the estimate of variable consideration is constrained (and therefore excluded from the measurement of revenue) by considering historical trends and the lowest levels of annual incentive fees earned in the past.

Management contracts - Key assumptions made in determining the estimate of the transaction price related 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.

Expected credit losses – Expected credit losses associated with accounts receivable and contract assets 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. (Notes 4 and 21)

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.

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 8 and 9)

Lease liability – The lease liabilities associated with all property, equipment 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. Additionally, management makes certain assumptions regarding the extension and termination options and termination value available within its lease arrangements to determine the overall lease term. This requires significant estimates and assumptions from management that may have an impact on the Financial Statements. (Note 14)

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, including power purchase arrangements, to manage commodity price,

2. BASIS OF PREPARATION (Continued)

foreign currency and interest rate exposures. The fair value of these derivatives is 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 15)

Impairment of property and equipment and intangible assets – At the end of each reporting period, the Company reviews the carrying amounts of property and equipment and intangibles to determine whether there is any indication of impairment. If any such indication exists, the Company estimates the recoverable amount of the asset in order to determine the extent of the impairment loss, if any. The Company generally assesses impairment at the level of cash-generating units ("CGU"), which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of cash inflows from other assets. Impairment is assessed by comparing the CGU's carrying value with its net recoverable amount. The preparation of future cash flows requires management to make estimates and assumptions with respect to expected revenues and expenses, which are subject to change.

Impairment of goodwill – The annual test of impairment of goodwill is completed based on management's estimates of future performance of the related CGU based on past history and economic trends, plus estimates of the weighted average cost of capital. When circumstances warrant, impairment testing will be completed on a quarterly basis. (Note 10)

For the purpose of impairment testing, goodwill that is allocated to CGUs is compared to the net recoverable value of the CGU. The recoverable amount of each CGU was determined based on value-in-use calculations calculated using a discounted cash flow model based on a reasonable forecast of operations for each CGU.

Various assumptions are used in forecasting the business the most significant of which include:

- **Discount rates** – The discount rates reflect appropriate adjustments relating to market risk and risk factors specific to the business in generally.
- **Revenue growth rates** – Revenue growth rates assumed consider historical trends in the business unit, the general economic environment and managements views on business risks and opportunities that may exist that will impact the relevant CGUs.
- **Gross margin realizations** – Gross margin realizations assumed for each CGU considers historical trends, recent trends impacted by current economic environment and business mix within the CGUs. Outside factors considered include the state of the general economy in the region and the impact of competitive forces on pricing and levels of investment in our customers' businesses.

The estimate of the recoverable amount for the CGUs is most sensitive to the assumptions noted above. Changes in any of these key inputs/assumptions could result in a significant change to the determination of goodwill impairment.

Liquidity Risk – The Company makes estimates and assumptions concerning the future, including its projected compliance with debt covenants and potential for the disclosure of going concern indicators. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations on future events that are believed to be reasonable under the circumstances. Significant judgements and estimates surrounding future revenue growth rate assumptions and EBITDA realizations for each of its business units have the greatest impact on the potential for introducing additional liquidity risk as a result of debt covenant compliance requirements. The resulting accounting estimates and judgements may vary from actual results and could result in a risk of causing a change in presentation and/or disclosure in the future.

SPARKPOWER GROUP INC

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

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 (ie., 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 and 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 these “assurance-type” warranties in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

3. 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 services with combined inputs from applicable labour and materials.	Single performance obligation to provide 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 based on a set fee per megawatt/kilojoule of energy contracted by the customer.

3. 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 of the progress made to satisfy the performance obligation is recognized as a contract liability. Further, progress made towards the satisfaction of performance obligation at a period end in advance of milestone achieved for billing purposes is recognized as a contract asset.	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 of the progress made to satisfy the performance obligation is recognized as a contract liability. Further, progress made towards the satisfaction of performance obligation at a period end in advance of milestone achieved for billing purposes is recognized as a contract asset.	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. Contract asset is recognized when there are discrepancies between the timing of payment and recognition of revenue, as the Company is only contractually eligible to receive payment for its services upon meeting certain financial metrics in the project.	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. Contract asset or liability is recognized when the billing cycle does not coincide with the period end.

Contract liabilities relate to pre-payments received for on-going projects for which the related performance obligation is expected to be completed in the next 12 months. Contract assets related to work in progress and unbilled accounts receivable for which the related performance obligation has been completed, and amounts remain to be billed as at the end of the reporting period.

3. 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 (Loss) Income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess representing the bargain purchase is credited in full to the Consolidated Statement of Comprehensive (Loss) Income on the acquisition. The Company has had no bargain purchase on its acquisitions.

Intangible Assets

The Company has certain externally acquired intangible assets through business combinations that are initially recognized at their fair values, using appropriate valuation techniques, 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.

Management estimates the useful life of its finite life intangible assets as follows:

Customer contracts	-	1.5 years
Customer relationships	-	10 years
Non-competition agreements	-	5 years
Sales backlog	-	4 years
Tradename	-	3 years

Intangible assets determined to have an indefinite useful life are recorded at cost and not subject to amortization. The Company does not have significant 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 declining balance, except for the depreciation of our leased assets which are calculated on a declining basis over their estimated useful lives, as follows:

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

Impairment of Non-Financial Assets

Impairment tests on goodwill and indefinite life intangible assets 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.

Recent events have given rise to significant judgement and estimation uncertainty, such as project delays and government restrictions. As such, impairment tests on goodwill are being performed on a quarterly basis. See Note 2 – Impairment of Goodwill.

SPARKPOWER GROUP INC

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 CGU's. 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 (Loss) Income. The Company evaluates impairment losses for potential reversals on assets other than goodwill when management has made the judgement that events or circumstances warrant such consideration. 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. Revenues and expenses arising from foreign currency denominated transactions are translated at the average exchange rates in effect during the month of the transaction. Translation gains and losses are included in the Consolidated Statement of Comprehensive (Loss) Income.

Financial Instruments

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 (loss) income. The Company does not have any financial instruments classified as fair value through other comprehensive (loss) 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 and contract assets are recognized based on the simplified approach within IFRS 9, *Financial Instruments,* using the lifetime expected credit losses. During the process of reviewing accounts receivable and contract assets for impairment, the probability of the non-payment of the accounts receivable or contract asset 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 and contract assets. For accounts receivable and contract assets, 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) Income. On confirmation that a certain accounts receivables and contract assets 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 accounts receivable, HST receivable, government grants receivable, and contract assets.

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) Income Transaction costs associated with financial instruments measured at fair value through profit or loss are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's financial instruments classified at fair value through profit or loss include derivative financial instruments such as interest rate swaps, power purchase arrangements and hedge arrangements.

The Company entered into a power purchase agreement for the purchase and sale of renewable energy and environmental attributes for a period of seven years with an expected start date in the second quarter of 2021. The Company entered into a Hedge arrangement ("Hedge") to manage the fluctuations related to the power purchase agreement entered into (Note 15). Under these agreements, the Company is responsible for any excess risk in the current market. While this agreement economically hedges the risk of changes in cash flows due to fluctuations in power rates, hedge accounting has not been applied for these instruments. The fair value of the Hedge 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, 2021.

Financial Liabilities

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

Fair value through profit or loss

This category comprises of: contingent consideration for the earn-out related to the acquisition of One Wind Services Inc. and One Wind Services (US) Inc; derivative liabilities related to the Power Purchase Agreement.

Other financial liabilities

Other financial liabilities include bank indebtedness, accounts payable and accrued liabilities, contract liabilities, long-term debt, promissory notes, and lease liabilities, which 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.

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. (Note 24)

SPARKPOWER GROUP INC

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Further, lease terms are based on assumptions regarding extension terms that allow for operational flexibility and favorable future market conditions.

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 was 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, the Company does not allocate any amount of the contractual payment to, and account separately for, any services provided by the supplier as part of the lease contract.

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 (loss) income or directly in equity. Under these circumstances, the taxes are recognized in other comprehensive (loss) income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are initially recognized at cost (with the exception of inventories acquired as part of a business combination which are initially recognized at fair market value), and subsequently at the lower of cost and net realizable value. Cost is determined using 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.

4. ACCOUNTS RECEIVABLE, CONTRACT ASSET AND REVENUE

		2021		2020
Trade	**$**	**65,661**	$	53,162
Less: Provision for expected credit losses		**(2,151)**		(1,719)
	$	**63,510**	$	51,443

		2021		2020
Contract asset	**$**	**28,809**	$	21,758
Additions during the period		**43,833**		36,016
Amount recognized during the period		**(46,816)**		(28,965)
	$	**25,826**	$	28,809

		2021		2020
Contract liability	**$**	**3,723**	$	4,068
Additions during the period		**129,419**		90,096
Amount recognized during the period		**(125,960)**		(90,441)
	$	**7,182**	$	3,723

The provision for expected credit losses 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 experiences 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 and contract assets using the simplified approach.

4. ACCOUNTS RECEIVABLE, CONTRACT ASSET AND REVENUE (Continued)

The balance of contract asset as at December 31, 2021 is current and has no provision recorded.

Summary of provision by aging category:

2021

	Current	31-90 Days Past Due	>90 Days Past Due	Total
Balance	$ 49,735	$ 12,527	$ 3,399	$ 65,661
Provision for expected credit losses	238	855	1,058	2,151
	$ 49,497	$ 11,672	$ 2,341	$ 63,510

2020 (Note 33)

	Current	31-90 Days Past Due	>90 Days Past Due	Total
Balance	$ 41,173	$ 7,130	$ 4,859	$ 53,162
Provision for expected credit losses	1,348	184	187	1,719
	$ 39,825	$ 6,946	$ 4,672	$ 51,443

The Company determines there to be a significant increase in credit risk when balances are outstanding for more than 60 days past the customers' contractual payment terms.

Management determines whether there is any objective evidence of impairment 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.

Summary of movements in provision:

	2021	2020
Opening balance	**$ (1,719)**	$ (261)
Increase during the period	**(630)**	(1,463)
Amounts written off during the period	**198**	5
Ending balance	**$ (2,151)**	$ (1,719)

Revenue Disaggregation by Stream:

The Technical Services, Renewables, Sustainability Solutions and Corporate columns represent the segments that can be found in Note 21. The Company generates higher revenues in the second and third quarters as weather can impact available outdoor work in the first and fourth quarters.

2021

	Technical Services	Renewables	Sustainability	Corporate	Total
Service	$ 150,642	$ 86,335	$ -	$ -	$ 236,977
Management	-	-	-	1,788	1,788
Equipment	5,859	-	-	-	5,859
Retirement of green energy certificates	-	-	11,191	-	11,191
Total	$ 156,501	$ 86,335	$ 11,191	$ 1,788	$ 255,815

4. ACCOUNTS RECEIVABLE, CONTRACT ASSET AND REVENUE (Continued)

Revenue Disaggregation by Stream (Continued):

2020 (Note 33)

	Technical Services	Renewables	Sustainability	Corporate	Total
Service	$ 147,475	$ 64,538	$ -	$ -	$ 212,013
Management	-	-	-	1,618	1,618
Equipment	6,104	-	-	-	6,104
Retirement of green energy certificates	-	-	8,418	-	8,418
Total	$ 153,579	$ 64,538	$ 8,418	$ 1,618	$ 228,153

5. COVID-19 PANDEMIC & GOVERNMENT GRANTS

The outbreak of COVID-19 has resulted in worldwide emergency measures to combat the spread of the virus. These measures, including significant restrictions on commercial activity, have caused significant disruption to businesses globally, resulting in a broad-based and global economic slowdown.

The Company has also introduced its own measures, procedures, and protocols to foster the health and safety of its employees, vendors, and customers. These measures are based on the Company's health and safety policies as well as the recommendations from the public health authorities. These enhanced protocols include travel restrictions, workplace hygiene practices, employee case tracking, additional personal protective equipment for our operations workers, limited access to facilities, and alternative work options for employees where possible.

The Company's operations are exposed to a variety of business and financial risks as a result of a public threat, such as COVID-19. These risks include but are not limited to, decline in customer demand, increase in operating costs, interruption of project work, credit risk associated with customer non-payment, access to financing and change in the timing of cash flows.

The extent to which COVID-19 may further impact the Company's operations, its consolidated financial position, and performance remains uncertain, and will depend on further developments, including the duration and spread of the outbreak, its impact on the Company's customers, suppliers and employees and actions taken by governments.

Management continues to closely monitor the situation in the jurisdictions in which the Company operates.

Canada Emergency Wage Subsidy

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") in order to help employers keep and/or return Canadian-based employees to payrolls in response to challenges posed by the COVID-19 pandemic.

During the year, management determined that it met the employer eligibility criteria and applied for CEWS. The Company recognized $2,539 (2020 - $10,870) in government grants under the payroll support program which has been recorded against the segmented cost of sales and selling, general and administrative expenses to which they are related.

Of the amount recognized in the period, $nil was receivable as at December 31, 2021 (December 31, 2020 - $379).

Paycheck Protection Program

In March 2020, the United States Government announced the Paycheck Protection Program ("PPP") in order to help employers keep and/or return US-based employees to payrolls in response to challenges posed by the COVID-19 pandemic.

In the second quarter of 2020, the Company received US$1,835 in funding related to this program for our US based operations. This funding came in the form of a loan payable which was due in full on the second anniversary of its receipt, bearing an interest rate of 1% per annum, with the possibility of absolute forgiveness if eligible. Subsequent to December 31, 2020, all loans have received forgiveness. There was no PPP funding applied for in 2021.

5. COVID-19 PANDEMIC & GOVERNMENT GRANTS (Continued)

Canada Emergency Wage Subsidy (Continued)

2021										
		Technical Services		**Renewables**		**Sustainability Solutions**		**Corporate**		**Total**
Canadian Emergency Wage Subsidy										
Cost of sales	$	1,786	$	273	$	-	$	-	$	2,059
Selling, general and administrative		236		74		31		139		480
Total	$	2,022	$	347	$	31	$	139	$	2,539

2020										
		Technical Services		**Renewables**		**Sustainability Solutions**		**Corporate**		**Total**
Canadian Emergency Wage Subsidy										
Cost of sales	$	6,620	$	1,432	$	-	$	-	$	8,052
Selling, general and administrative		1,078		370		268		1,102		2,818
	$	7,698	$	1,802	$	268	$	1,102	$	10,870
Paycheck Protection Program										
Cost of sales	$	637	$	1,408	$	-	$	-	$	2,045
Selling, general and administrative		233		158		-		-		391
	$	870	$	1,566	$	-	$	-	$	2,436
Total	$	8,568	$	3,368	$	268	$	1,102	$	13,306

Skills Development Funding

During the second quarter the Company received approval for a $5.3 million grant from the Government of Ontario Skills Development Fund to support employee training and advancement initiatives within the Company. With this funding the Company will be running a one-year program between April 2021 and March 2022 whereby the funds need to be utilized through this period on programs and initiatives previously approved by the Government of Ontario. The Company will be required to return any funds not utilized in accordance with the program criteria and timelines. At the end of the year the Company had received funding towards this grant of $2,631 of which $1,470 has been utilized to fund expenditures approved under the program. The balance of $1,161 has been included in bank indebtedness.

6. INVENTORY

		2021		2020
Equipment and supplies	**$**	**8,167**	$	7,703
	$	**8,167**	$	7,703

During the year, $54,446 (2019 - $40,141) of inventory was recognized in cost of sales. There were no material amounts of inventory that were written down to their net realizable value in the current or prior year.

7. LEASE RECEIVABLE

	2021		2020
Property and office space lease bearing interest at an approximate rate of 6%. The lease extends through fiscal 2023.	-	$	379
	-		379
Less: current portion	**-**		149
Lease receivable	**-**	$	230

On June 1, 2020, the Company relocated its Bullfrog operations and entered into a 3-year sublease agreement for their previous premises, resulting in a lease receivable. Offset against finance expense is $13 (2020 - $12) of interest revenue earned on the lease receivable. Total cash inflows relating to the sublease consist of principal payments in the amount of $97 (2020 - $68). On August 31, 2021, the Company terminated its sublease agreement of their previous premises.

8. PROPERTY AND EQUIPMENT

As at December 31, 2021, property and equipment was $33,272 (December 31, 2020 - $28,253). This balance consists of both purchased assets and assets obtained through lease agreements.

Purchased assets consist of the following:

	Computer Hardware	Computer Software	Furniture and Fixtures	Leaseholds	Equipment	Vehicles	Total
Cost:							
Balance at December 31, 2019	$ 1,496	$ 4,863	$ 1,583	$ 3,102	$ 7,907	$ 1,694	$ 20,643
Additions	388	760	217	651	1,504	396	3,916
Disposals	-	(82)	-	(19)	(4)	(248)	(353)
Balance at December 31, 2020	$ 1,884	$ 5,541	$ 1,800	$ 3,734	$ 9,407	$ 1,842	$ 24,208
Additions	454	463	152	2,480	1,386	663	5,598
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2021	**$ 2,338**	**$ 6,004**	**$ 1,952**	**$ 6,214**	**$ 10,793**	**$ 2,505**	**$ 29,806**
Accumulated depreciation:							
Balance at December 31, 2019	$ 586	$ 1,725	$ 1,072	$ 468	$ 2,830	$ 181	$ 6,862
Depreciation for the period	346	1,758	134	703	1,504	603	5,048
Disposals	-	(81)	-	(18)	-	(209)	(308)
Balance at December 31, 2020	$ 932	$ 3,402	$ 1,206	$ 1,153	$ 4,334	$ 575	$ 11,602
Depreciation for the period	354	1,059	131	552	1,609	568	4,273
Disposals		-					-
Balance at December 31, 2021	**$ 1,286**	**$ 4,461**	**$ 1,337**	**$ 1,705**	**$ 5,943**	**$ 1,143**	**$ 15,875**
Net carrying amounts:							
December 31, 2020	$ 952	$ 2,139	$ 594	$ 2,581	$ 5,073	$ 1,267	$ 12,606
December 31, 2021	**$ 1,052**	**$ 1,543**	**$ 615**	**$ 4,509**	**$ 4,850**	**$ 1,362**	**$ 13,931**

Leased assets consist of the following:

	Leased Property	Leased Equipment	Leased Vehicles	Total
Cost:				
Balance at December 31, 2019	$ 16,175	$ 1,195	$ 14,940	$ 32,310
Additions	3,651	37	1,238	4,926
Disposals	(845)	-	(521)	(1,366)
Balance at December 31, 2020	$ 18,981	$ 1,232	$ 15,657	$ 35,870
Additions	4,549	54	6,789	11,392
Disposals	(668)		(895)	(1,563)
Balance at December 31, 2021	**$ 22,862**	**$ 1,286**	**$ 21,551**	**$ 45,699**
Accumulated depreciation:				
Balance at December 31, 2019 (Audited)	$ 6,571	$ 725	$ 7,421	$ 14,717
Depreciation for the period	3,191	311	2,971	6,473
Disposals	(589)	-	(378)	(967)
Balance at December 31, 2020	$ 9,173	$ 1,036	$ 10,014	$ 20,223
Depreciation for the period	3,645	165	3,723	7,533
Disposals	(570)		(828)	(1,398)
Balance at December 31, 2021	**$ 12,248**	**$ 1,201**	**$ 12,909**	**$ 26,358**
Net carrying amounts:				
December 31, 2020	$ 9,808	$ 196	$ 5,643	$ 15,647
December 31, 2021	**$ 10,614**	**$ 85**	**$ 8,642**	**$ 19,341**

9. INTANGIBLE ASSETS

	Customer contracts	Customer relationships	Non-competition agreement	Tradename	Total
Cost:					
Balance at December 31, 2019 (Audited)	$ 1,846	$ 37,448	$ 213	$ 14,193	$ 53,700
Removal of fully amortized asset	-	-	-	-	0
Balance at December 31, 2020	$ 1,846	$ 37,448	$ 213	$ 14,193	$ 53,700
Removal of fully amortized asset	(1,846)	-	(213)	-	(2,059)
Balance at December 31, 2021	**$ -**	**$ 37,448**	**$ -**	**$ 14,193**	**$ 51,641**
Accumulated Amortization:					
Balance at December 31, 2019	$ 513	$ 7,663	$ 171	$ -	$ 8,347
Amortization for the period	1,231	3,598	28	3,765	8,622
Removal of fully amortized asset	-	-	-	-	0
Balance at December 31, 2020	$ 1,744	$ 11,261	$ 199	$ 3,765	$ 16,969
Amortization for the period	102	3,725	14	3,774	7,615
Removal of fully amortized asset	(1,846)	-	(213)	-	(2,059)
Balance at December 31, 2021	**$ -**	**$ 14,985**	**$ -**	**$ 7,539**	**$ 22,525**
Net carrying amounts:					
December 31, 2020	$ 102	$ 26,187	$ 14	$ 10,428	$ 36,731
December 31, 2021	**$ -**	**$ 22,462**	**$ -**	**$ 6,654**	**$ 29,116**

Due to a change in management strategy with relation to the rebranding efforts occurring within the Company, starting January 1, 2020, management initiated the amortization of Tradenames over a three-year term related to the rebranding efforts occurring within the Company. This is a prospective change to the process as the Company's rebranding efforts began in the first quarter of 2020 and the changes will occur over time.

10. GOODWILL

	Original carrying amount	Impairment	Net carrying amount as at December 31, 2021	2020
Spark Power Solutions Ltd.	**$ 1,554**	**$ -**	**$ 1,554**	$ 1,554
Spark Power High Voltage Services Inc.	**3,633**	**-**	**3,633**	3,633
New Electric Enterprises Inc.	**13,847**	**-**	**13,847**	13,847
Orbis Engineering Services Ltd.	**2,456**	**-**	**2,456**	2,456
Bullfrog Power Inc.	**6,633**	**-**	**6,633**	6,633
Spark Power LLC	**284**	**-**	**284**	284
3-Phase Electrical Ltd.	**8,449**	**(4,000)**	**4,449**	8,449
One Wind Services Inc. and One Wind Services (US) Inc.	**5,107**	**-**	**5,107**	5,107
	$ 41,963	**$ (4,000)**	**$ 37,963**	$ 41,963

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 present value of the cash flows.

Based on the events in the current economic environment, management has performed a calculation at the end of each quarter to determine whether goodwill has suffered any impairment. Based on management's projections, taking into account the possible duration and impact of COVID-19, management determined that the 3-Phase Electrical Ltd. CGU required an impairment adjustment of $4,000. Management will continue to monitor the impact of COVID-19 on a quarterly basis.

10. GOODWILL (Continued)

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 2022-2026 revenues and EBITDA margin. The EBITDA is defined as net (loss) 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 discount rates in the range of 10% and 12% (2020 – 11% and 12%), 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 each CGU. The change in the discount rate in the current year as compared to the prior year is related to the change in operational strength each CGU has seen in operations since acquisition.

Growth rates ranging between 0% and 18% (2020 – 1% and 15%) and terminal rate of 2% (2020 – 2%) have been used to estimate future cash flows of each of the CGUs. The change in the growth rate range in the current year as compared to the prior year is related to the organic growth the Company has seen in the CGUs since acquisition. The above inputs include those that were used in the most recent detailed calculation made in a preceding period of the recoverable amount of a CGU which meet the requirements within *IAS 36 - Impairment of Assets*, to be carried forward and used in the impairment test for that CGU in the current period.

11. BANK INDEBTEDNESS

		2021		2020
$35,000 revolving credit facility, subject to borrowing base limits, bearing interest at prime plus 2.00% - 3.00% per annum payable monthly. The loan matures on September 30, 2023. The lender has general security over the Company.	**$**	**29,344**	$	21,198
$5,000 demand revolving credit facility to finance growth capital expenditures, bearing interest at prime plus 0.50% - 2.50% per annum payable monthly. Quarterly principal payments commenced December 31, 2019. The loan is due and repayable at the request of the lender. The lender has general security over the Company.		**-**		4,479
Cash on hand		**(1,202)**		(233)
Bank Indebtedness	**$**	**28,142**	$	25,444

In June 2021, in conjunction with entering into an Amended and Restated Credit Agreement with its lender the following changes were made to bank indebtedness:

a. The previous $30,000 demand revolving credit facility was replaced by a $35,000 revolving credit facility that matures on September 30, 2023, subject to certain borrowing base conditions.

b. Interest charged on the facility increased to prime plus 2.0% - 3.0% from prime plus 0.50% - 2.50%.

c. The $5.0 million demand revolving credit facility for growth capital expenditures was eliminated and repaid through advances under the new long-term debt credit facility. During the year, the Company paid $261 in principal payments (2020 - $519).

Further details of the Amended and Restated Credit Agreement are included in Note 12 – Long-term debt.

During the year, the Company paid $1,451 (2020 - $1,208) of interest related to bank indebtedness which has been included in finance expense.

12. LONG TERM DEBT

		2021		2020
Non-revolving term loan with Bank of Montreal bearing interest at prime plus 2.00% - 3.00% per annum, payable monthly. Principal payments of $2,082 per quarter commenced June 30, 2021. The loan matures on September 30, 2023. The lender has general security over the Company. (i)	$	62,459	$	-
Non-revolving term loan with Bank of Montreal bearing interest at prime plus 1.00% - 3.00% per annum, payable monthly. Principal payments of $1,235 per quarter commenced December 31, 2019. The loan matures on June 30, 2022. 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% (Note 15). The lender has general security over the Company. (i)		-		37,030
Revolving Reducing Acquisition Line with Bank of Montreal bearing interest at prime plus 1.00% - 3.00% and standby fees calculated daily and payable quarterly. Each drawdown shall amortize quarterly over 10 years and will be repaid in quarterly installments of principal plus interest with balance due and payable June 30, 2022. (ii)		-		23,734
Covid Loan with Bank of Montreal bearing interest at prime plus 1.00% - 3.00%. Due on demand and repayable in quarterly installments of $1,981 plus interest through September 2021. (iii)		-		5,942
Loan bearing interest at 4.00% per annum and repayable in annual payments of principal plus accrued interest. Principal payments to be made as follows: 2021 - $750. The loan matures on April 30, 2021 and is secured by a General Security Agreement.		750		750
		63,209		67,456
Less: current portion		61,962		66,572
Less: financing fees, net of amortization		1,247		884
Long-term debt	$	-	$	-

(i) During the year ended December 31, 2021, the Company paid $6,634 in principal payments against the term loan (2020 - $2,470).

(ii) During the year ended December 31, 2021, the Company paid $633 in principal payments on the Acquisition Line (2020 - $1,266).

(iii) During the year ended December 31, 2021, the Company paid $1,981 in principal payments on the Covid Loan (2020 - $1,981).

During the year, the Company paid $3,014 (2020 - $3,093) of interest related to the long-term debt which has been included in finance expense.

12. LONG TERM DEBT (Continued)

During the second quarter the Company entered into a new Amended and Restated Credit Agreement dated June 17, 2021 and a subsequent Amendment Agreement dated June 25, 2021 with its Lender. Key terms of these Agreements are as follows:

a. A consolidation of the non-revolving term loan, revolving acquisition line, COVID loan and demand revolving facility to finance growth capital expenditures into a new committed non-revolving term loan totaling $66,600;

b. The maturity date of this new facility was extended to September 30, 2023 and will be amortized over an 8-year period with quarterly repayments of $2,082;

c. The $30,000 demand revolving credit facility was replaced by a $35,000 committed margined revolving credit facility, subject to borrowing base limits;

d. An increase in interest rates, based on applicable margins;

e. An adjustment to covenants, as noted below.

The Company is also required to comply with certain covenants, terms and conditions under the credit facilities. These covenants include a fixed charge coverage ratio, a total debt to EBITDA and a total senior debt to defined EBITDA covenant calculated on a 12-month rolling quarterly basis. On December 14, 2021, the Credit Agreement was amended to revise the covenant requirements as follows:

- Minimum fixed charge covenant ratio of 1.10 extended for the quarters ended December 31, 2021 and March 31, 2022, increasing to 1.25 for each quarter ended thereafter;
- Maximum total senior debt to EBITDA ratio based on the most recently completed four fiscal quarters of 3.25:1.00;
- Maximum total debt to EBITDA ratio based on the most recently completed four fiscal quarters of 4.00:1.00 extended for the quarters ended December 31, 2021 and March 31, 2022, decreasing to 3.75:1.00 for each fiscal quarter thereafter.

As at December 31, 2021, the Company was not in compliance with the financial covenants in its credit facility. As a result the Company’s non-revolving term loan have been classified as current debt at December 31, 2021. The Company is actively working with its lender to amend the current credit facility, including a waiver of this covenant violation.

13. PROMISSORY NOTES

		2021		2020
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.	**$**	**988**	$	988
Issued July 1, 2018 and bears interest at 6% per annum paid quarterly. Principal payments to be made on each anniversary as follows: 2021 - $2,000; 2022 - $2,000.		**4,000**		4,000
Issued August 1, 2019 and bears interest at 4%. Principal payments of are to be made on each anniversary as follows: 2021 - $1,250; 2022 - $1,250. Accrued interest is due and payable on each anniversary.		**2,500**		2,500
Issued November 1, 2019 and bears interest at 5%. Principal payments are to be made on each anniversary as follows: 2021 - $500; 2022 - $2,750. Accrued interest is due and payable on each anniversary.		**3,250**		3,250
		10,738		10,738
Less: current portion		**10,738**		3,750
Promissory notes	**$**	**-**	$	6,988

During the second quarter of 2021 the Company amended its credit agreement with its lending institution requiring no payment on account or in respect to any promissory note during any period following June 30, 2021 when the Total Funded Debt to EBITDA ratio ("the ratio") as of the last day of the most recently completed fiscal quarter is greater than 3.00:1.00, the sum of 'revolver availability' and 'cash on hand', as defined within the Amended and Restated Credit Agreement, is less than $10,000, and the fixed charge coverage ratio is less than 1.10:1.00. As a result, repayments were not made during 2021.

Where the ratio is on covenant and would be on covenant following any payments on the promissory notes, the lending institution shall give good-faith consideration to any request by the Company to make scheduled payments on the promissory notes. Each request shall be considered on its own merits. Consent to make one payment will not imply consent to make additional payments.

During the year, the Company incurred $868 (2020 - $879) of interest related to the promissory notes which has been recorded to Finance expense.

14. LEASE LIABILITY

		2021		2020
Property and office space leases bearing interest at an approximate rate range of 5% to 6%. The leases extend through fiscal 2030.	**$**	**11,477**	$	10,880
Motor vehicle leases bearing interest at an approximate rate range of 4% to 6%. The leases extend through fiscal 2025.		**9,059**		6,202
Equipment and hardware leases bearing interest at an approximate rate range of 4% to 6%. The leases extend through 2025.		**91**		203
		20,627		17,285
Less: current portion		**6,643**		5,800
Lease liability	**$**	**13,984**	$	11,485

Included in finance expense is $1,159 (2020 - $1,116) of interest expense on lease liabilities. Total cash outflows relating to leases consist of principal payments in the amount of $7,569 (2020 - $6,224). Short term and low value leases are not significant.

14. LEASE LIABILITY (Continued)

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

2022	$	7,558
2023		5,443
2024		4,190
2025		2,783
2026 and thereafter		2,882
		22,856
Less: imputed interest		2,229
	$	20,627

15. POWER PURCHASE AGREEMENT

During the year ended December 31, 2020, the Company entered into a Power Purchase Agreement ("PPA") for the purchase and sale of renewable energy and environmental attributes, including Certified Renewable Energy Certificates, for a period of seven years with an expected start date in the second quarter of 2021.

During the year, the Company has recognized an unrealized gain in the change in fair value of the derivative asset with an estimated fair value of $3,918 (2020 - $nil). An amount of $1,769 is expected to be realized within the next twelve months and therefore has been recorded as a current asset (2020 - $nil).

To offset any risk and volatility of this agreement, management entered into a related power swap arrangement to hedge the risk of changes in cash flows due to the fluctuations of power prices in the Alberta market. While this agreement economically hedges the risk of changes in cash flows due to fluctuations in power rates, hedge accounting has not been applied for these instruments. The change in the fair value of the hedge agreement during the year is $1,202 (2020 - $nil) is based on the projected market values of similar contracts with similar remaining durations as if the contract has been entered into on December 31, 2021 (December 31, 2020 - $nil)

During the year, the Company recognized realized settlements on the PPA in the amount of $2,050 (2020 - $nil), offset by realized settlements on the hedge of $950 (2020 - $nil), respectively for a net gain of $1,100.

Under the PPA the Company also receives entitlement to the environmental attributes ("renewable energy credits" or "REC's") provided through this agreement that are available for sale by the Company. These attributes, or renewable energy credits, are similar to those purchased and sold by the company from other third parties. At December 31, 2021, the Company had 20,217 REC's equal to $111 (2020 - $nil) that were included in inventory and held for sale by the Company under its normal course of business.

In accordance with the terms of the PPA agreement and the hedge agreement, the Company has issued Letters of Credit to the seller and hedge broker in the amount of $508 and $100, respectively, which have both been applied against the available balance of our demand revolving credit facility (Note 11).

16. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.5% (2020 - 26.5%) to the income for the year and is reconciled as follows:

		2021		2020
Loss before income taxes	**$**	**(22,115)**	$	(1,226)
Statutory rate		**26.5%**		26.5%
Expected income tax (recovery) expense	**$**	**(5,860)**	$	(325)
Increase (decrease) in income taxes due to:				
Permanent differences		**1,543**		174
Change in valuation allowance		**3,793**		267
True-up of prior year		**125**		590
Other		**(423)**		(253)
Income tax expense (recovery)	**$**	**(822)**	$	453

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

		2021		2020
Deferred tax assets				
Loss carryforwards	**$**	**4,296**	$	4,209
Provision for expected credit losses		**-**		130
Property and equipment and right of use asset		**338**		337
Financing costs		**129**		368
Other		**567**		261
Deferred tax liabilities				
Intangible assets	**$**	**(2,746)**	$	(4,663)
Property and equipment		**(1,262)**		(555)
Other		**(2,418)**		(1,499)
Net deferred tax liability	**$**	**(1,096)**	$	(1,412)

The Company has non-capital losses available that can be utilized to reduce taxable income of future years. These losses expire as follows:

Non-capital losses		
2039	$	7,735
2040		8,997
2041		15,798
		32,530
Valuation allowance		(17,132)
	$	15,398

17. SHARE CAPITAL

Authorized:

Unlimited Common shares

Issued:

Balance, December 31, 2019 and December 31, 2020	53,649,648	$	130,284
Exercise of stock options (i), (ii) and (iii)	411,282		782
Conversion of restricted share units (iv), (vi), (vii)	219,277		144
Issuance of common shares through private placement (v)	2,654,028		5,600
Balance, December 31, 2021	**56,934,235**	**$**	**136,810**

(i) In January 2021, 75,075 common shares were issued upon the exercise of options granted under the Omnibus Equity Incentive Plan (the "Omnibus Plan") at an exercise price of $1.66 per option for cash proceeds of $125. An additional value allocated to these shares in the amount of $37 was reallocated from contributed surplus to share capital.

(ii) In February 2021, 186,207 common shares were issued upon the exercise of options granted under the Omnibus Plan at an exercise price of $1.34 per option for cash proceeds of $250. An additional value allocated to these shares in the amount of $94 was reallocated from contributed surplus to share capital.

(iii) In April 2021, 150,000 common shares were issued upon the exercise of options granted under the Omnibus Plan at an exercise price of $1.34 per option for cash proceeds of $201. An additional value allocated to these shares in the amount of $75 was reallocated from Contributed surplus to Share capital.

(iv) In May 2021, 189,277 common shares were issued upon the conversion of Restricted Share Units. A value of $129 was applied to these shares and reallocated from contributed surplus to share capital.

(v) In June 2021, 2,654,028 common shares were issued upon the closing of a non-brokered private placement at a price of $2.11 per share for cash proceeds of $5,600. Approximately 88% of the equity capital was provided by the three founders of the business.

(vi) In July 2021, 20,000 common shares were issued upon the conversion of Restricted Share Units. A value of $0.50 per unit was applied to these shares and reallocated from contributed surplus to share capital.

(vii) In August 2021, 10,000 common shares were issued upon the conversion of Restricted Share Units. A value of $0.50 per unit was applied to these shares and reallocated from contributed surplus to share capital.

Omnibus Equity Incentive Plan

The Company has an Omnibus Equity Incentive Plan (the "Omnibus Plan") that provides for Stock Options, Restricted Share Units ("RSU"), or Deferred Share Units ("DSU") to be issued to directors, officers, employees and consultants, subject to certain conditions, so that they may participate in its growth and development.

As of December 31, 2021, there were 5,693,424 stock options or restricted share units that are available to be granted under the Omnibus Equity Incentive Plan (December 31, 2020 – 5,364,965). Options generally expire after ten years, with vesting provisions stated in the Omnibus Plan.

In addition, 1,735,980 options were part of a rollover when the Company completed the acquisition of Canaccord Genuity Acquisition Corp. and accordingly are not included against the total options available under the Omnibus Equity Incentive Plan.

17. SHARE CAPITAL (Continued)

Stock Options

Activity in the Company's stock option Omnibus Plan for the years ended December 31, 2021 and 2020 are summarized as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Number of Options	**Weighted Average Option Exercise Price $**	**Number of Options**	**Weighted Average Option Exercise Price $**
Outstanding, beginning of period	**2,688,480**	**1.32**	2,688,480	1.32
Forfeiture during the period (viii) and (ix)	**(174,000)**	**1.54**	-	-
Cancelled during the period	**(20,000)**	**1.32**	-	-
Exercised during the period (i), (ii) and (iii)	**(411,282)**	**1.40**	-	-
Outstanding, end of year	**2,083,198**	**1.29**	2,688,480	1.32

(viii) During the period, 108,000 options with an exercise price of $1.66 per unit were forfeited upon the departure of an employee. A value of $54 was applied to these options and removed from Contributed surplus.

(ix) During the period, 66,000 options with an exercise price of $1.34 per option were forfeited upon the departure of an employee. A value of $33 was applied to these options and removed from Contributed surplus.

The Company used the Black-Scholes option pricing 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
- Volatility – 50%
- Dividend growth rate – 0%
- Risk-free interest rate – 2.10%

There were no options granted during the year ended December 31, 2021.

Of the total number of options outstanding at December 31, 2021, 1,379,031 (December 31, 2020 – 1,313,615) had vested and were exercisable. The weighted average remaining life of the options was 6.1 years.

Restricted Share Unit Plan

The Omnibus Equity Incentive Plan allows the Board of Directors to issue equity settled RSUs, provided that, when combined, the maximum number of common shares reserved for issuance under all stock-based compensation arrangements of the Company does not exceed 10% of the Company's outstanding Common shares.

17. SHARE CAPITAL (Continued)

Activity in the Company's RSU plan for the years ended December 31, 2021 and 2020 are summarized as follows:

	Number		Amount
Balance, December 31, 2019	554,870	$	277
Granted during the period (x)	53,571		30
Balance, December 31, 2020	**608,441**	**$**	**307**
Granted during the period (xi) and (xii)	1,163,529		801
Exercised during the period (xii)	(219,277)		(144)
Forfeited during the period (xiii)	(146,733)		(77)
Balance, December 31, 2021	**1,405,960**	**$**	**887**

(x) On May 19, 2020, the Company issued 53,571 RSUs with an exercise price of $1.12 per unit. These units shall cliff vest on the third anniversary of the grant date.

(xi) On April 6, 2021, the Company issued 790,962 RSUs with an exercise price of $1.77 per unit. These units shall cliff vest on the third anniversary of the grant date.

(xii) On April 6, 2021, the Company issued 372,567 RSUs with an exercise price of $1.77 per unit of which 189,277 of these units vest immediately and are converted into common shares, while the remaining 183,290 units shall cliff vest on 18 months after the grant date.

(xiii) During the year, 120,000 RSUs with a value of $1.05 per unit, were forfeited upon the departure of various employees. Additionally, 26,733 RSUs with a value of $1.77 per unit, were forfeited upon the departure of various employees. A value of $61 was applied to these RSU's and removed from contributed surplus during the year.

The weighted average fair value of RSUs granted during 2021 is $0.63 (2020 - $0.50). The estimated fair value of the equity settled RSUs granted will be recognized as an expense over the vesting period of the RSUs. The following inputs were used to estimate the fair value of the RSUs:

- Estimated Life - 3 years
- Volatility – 70%
- Dividend growth rate – 0%
- Risk-free interest rate – 0.70%

Deferred Share Unit Plan

The Omnibus Equity Incentive Plan allows the Board of Directors to issue equity settled DSUs, provided that, when combined, the maximum number of common shares reserved for issuance under all stock-based compensation arrangements of the Company does not exceed 10% of the Company's outstanding Common shares.

Activity in the Company's DSU plan for the years ended December 31, 2021 and 2020 are summarized as follows:

	Number		Amount
Balance, December 31, 2019	-	$	-
Granted during the period (xiv), (xv) & (xvi)	56,654		35
Balance, December 31, 2020	**56,654**	**$**	**35**
Granted during the period (xvii), (xviii) & (xix)	24,532		44
Balance, December 31, 2021	**81,186**	**$**	**79**

(xiv) On July 4, 2020, the Company issued 26,849 DSUs with an exercise price of $1.16 per unit. These units vest upon date of the grant.

(xv) On September 30, 2020, the Company issued 20,083 DSUs with an exercise price of $1.50 per unit. These units vest upon date of the grant.

17. SHARE CAPITAL (Continued)

(xvi) On December 31, 2020, the Company issued 9,722 DSUs with an exercise price of $1.35 per unit. These units vest upon date of the grant.

(xvii) On March 31, 2021, the Company issued 7,290 DSUs with an exercise price of $1.57 per unit. These units vest upon date of the grant.

(xviii) On July 13, 2021, the Company issued 8,336 DSUs with an exercise price of $2.18 per unit. These units vest upon date of the grant

(xix) On October 3, 2021, the Company issued 8,906 DSUs with an exercise price of $2.29 per unit. These units vest upon date of the grant.

The weighted average fair value of deferred share units granted during 2021 is $0.98 (2020 - $0.59). The estimated fair value of the equity settled DSUs granted will be recognized as an expense over the vesting period of the DSUs. The following inputs were used to estimate the fair value of the DSUs:

- Estimated Life - 3 years
- Volatility – 70%
- Dividend growth rate – 0%
- Risk-free interest rate – 0.56%

Share-based compensation

During the year ended December 31, 2021, share-based compensation of $1,072 (2020 - $426) was recorded as an expense and added to contributed surplus.

Warrants

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 both December 31, 2021 and December 31, 2020 at a value of $2,662.

On October 31, 2019 the Company completed a Rights Offering to its shareholders. Pursuant to the Warrant agreement, and in connection to this Rights Offering, the number of shares issuable upon exercise of each Warrant has been adjusted from 1 Common share to 1.028 Common shares at an exercise price of $3.45 per share for a remaining term of 3.5 years.

These warrants 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.

18. 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

18. FINANCIAL INSTRUMENTS (Continued)

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, 2021.

There were no transfers between levels during the period.

The financial instruments recorded at fair value are the Interest Rate Swap arrangement and derivative financial instruments such as PPA and Hedge arrangements and are categorized as Level 2.

The fair value of the Interest Rate Swap arrangement in a cumulative loss amount of $nil (2020 - $367) has been recorded to finance expense using Mark-to-Market ("MtM") information as at December 31, 2021 from a third party. The Interest Rate Swap arrangement ended on September 30, 2021 and was not renewed.

The Company does not have any instruments carried at fair value categorized in Level 3 as at period end.
The carrying values of accounts receivable, HST receivable, government grant receivable, contract assets, bank indebtedness, accounts payable and accrued liabilities, and contract liabilities approximate their fair values due to the immediate or short-term nature of these securities.

The fair values of the borrowings approximate their carrying values as they 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, risk from infectious diseases, credit risk, interest rate risk, liquidity risk and foreign currency risk. Except for risks highlighted by the current pandemic, 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.

Infectious diseases

Outbreaks or the threat of outbreaks of viruses or other infectious diseases or similar health threats, including the COVID-19 outbreak, could have a material adverse effect on the Company by causing operational and supply chain delays and disruptions (including as a result of government regulation and prevention actions), labour shortages and shutdowns, decreased demand, declines in gross margin realizations, capital markets volatility, or other unknown but potentially significant impacts. At this time the Company cannot accurately predict what effects these conditions will have on its long-term operations or financial results, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of the travel restrictions and business closures that have been or may be imposed by the governments of impacted countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in economic downturn that could result in a material adverse effect on the demand for the

Company's services, investor confidence, and general financial market liquidity, all of which may adversely affect the Company's business and the market price of the Common Shares. Accordingly, any outbreak or threat of an outbreak of an epidemic disease or similar public health emergency could have a material adverse effect on the Company's business, financial condition and results of operations as a result of delays of customer projects or government-mandated shutdowns.

18. 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 determines there to be a significant increase in credit risk when balances are outstanding for more than 60 days past the customers' contractual payment terms.

The Company considers a receivable to be in default when contractual payments are 120 days past due, except when they are within terms. 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 a change in credit quality or industry factors 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. A 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 bank indebtedness are subject the Company to credit risk. Bank indebtedness is held with a major Canadian bank which the Company believes lessens the degree of credit risk. Contract assets subject the Company to credit risk in the case of non-performance or disputes on performance. Contract assets are reviewed similar to receivables when deemed necessary.

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.

The revolving facilities (Note 11) bear interest at a variable rate; however, the balance of the lines is continually adjusted based on the balance held in the operating accounts, mitigating the Company's interest rate risk. Therefore, the interest rate risk and cash flow exposure are not significant. The long-term debt also bears interest at a variable rate. At December 31, 2021, if interest rates had been higher by 2% with all other variables held constant, net loss would have been $649 higher. A decline in interest rates of 0.25% would have decreased the Company's net loss by $81.

In November 2018, the Company entered into an Interest Rate Swap to effectively fix the interest rate on $22,000 of its $44,000 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%), where plus or minus 1% would not have a material impact on the statements. Notional amount of interest rate swaps outstanding at December 31, 2021 was $nil. 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, 2021, the Company incurred a gain of $345 that has been included in finance expense (2020 – loss of $41) 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 quarterly information regarding cash balances and cash flow projections. The liquidity risk of each subsidiary is managed centrally by the treasury function. Additional information related to liquidity risk is found in Note 2 and 12.

18. FINANCIAL INSTRUMENTS (Continued)

The following table sets out the contractual maturities as at December 31, 2021 (representing undiscounted contractual cash flows) of financial liabilities:

2021	Carrying amount	Contractual cash flow	2022	2023	2024	2025	2026 and thereafter
Bank indebtedness (Note 11)	$ 28,142	$ 28,142	$ 28,142	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	53,748	53,748	53,748	-	-	-	-
Long-term debt (Note 12)	61,962	64,051	64,051	-	-	-	-
Promissory notes (Note 13)	10,738	11,673	11,673	-	-	-	-
Lease liability (Note 14)	20,627	22,856	7,558	5,443	4,190	2,783	2,882
Derivative liabilities (Note 15)	1,203	1,203	1,203	-	-	-	-
Future lease commitment (Note 30)	-	15,020	-	904	904	904	12,308
	$ 176,420	$ 196,693	$ 166,375	$ 6,347	$ 5,094	$ 3,687	$ 15,190

2020	Carrying amount	Contractual cash flow	2021	2022	2023	2024	2025 and thereafter
Bank indebtedness (Note 11)	$ 25,444	$ 25,444	$ 25,444	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	37,758	37,758	37,758	-	-	-	-
Long-term debt (Note 12)	66,572	68,301	68,301	-	-	-	-
Promissory notes (Note 13)	10,738	11,418	4,227	7,191	-	-	-
Lease liability (Note 14)	17,285	19,446	6,873	4,785	2,795	1,692	3,301
Future lease commitment (Note 30)	-	15,020	-	904	904	904	12,308
	$ 157,797	$ 177,387	$ 142,603	$ 12,880	$ 3,699	$ 2,596	$ 15,609

19. CAPITAL MANAGEMENT

The Company defines its managed capital as the total of long-term debt and shareholders' equity, including share capital, contributed surplus, accumulated other comprehensive (loss) income and retained earnings (deficit). As at December 31, 2021, total managed capital was $88,961 (2020 - $103,926).

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, 2021 or 2020.

20. BUSINESS COMBINATIONS

On November 1, 2019, Spark acquired all the issued and outstanding common shares of One Wind. As part of the sale and purchase agreement, there is an earn-out clause which became applicable when the Company had earnings above the earn-out thresholds. The earn-out period ended December 31, 2020 and it was determined that the amount of the earn-out payable was $4,000, which has been included in accrued liabilities.

Payment of the earn-out is subject to the same terms and conditions associated with payments of promissory notes as described in Note 13.

21. SEGMENTED INFORMATION

The Company has four segments; Technical Services, Renewables, Sustainability Solutions and Corporate. Three of the 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 Chief Executive Officer, Chief Operating Officer, and the Chief Financial Officer.

The technical services segment includes the New Electric, Spark High Voltage, Orbis, Lizco and 3-Phase CGUs. The renewables segment includes both the One Wind, Northwind, and Spark Power Solutions CGUs. The sustainability solutions segment includes the Bullfrog Power CGU.

The Company evaluates segment performance on the basis of profit and loss from operations but excluding any non-recurring losses and share-based payments.

2021	Technical Services	Renewables	Sustainability Solutions	Corporate	Total
Segment revenues	$ 156,501	$ 86,335	$ 11,191	$ 1,788	$ 255,815
Segment cost of sales	129,365	70,081	4,118	-	203,564
Segment selling, general and administration expenses	25,271	8,007	3,401	22,658	59,337
Segment provision for expected credit loss	580	-	50	-	630
Segment change in fair value of derivative instruments	-	-	(2,716)	-	(2,716)
Segment change in realized gain on settlement of derivative instruments	-	-	(1,100)	-	(1,100)
Segment reorganization costs	569	453	101	2,369	3,492
Segment change in foreign exchange (gain) loss	239	519	26	197	981
Segment amortization and depreciation	15,261	1,519	653	2,173	19,606
Segment profit (loss)	477	7,275	7,311	(23,436)	(8,373)
Finance expense					(7,126)
Discontinued Operations					(475)
Transaction Costs					(2,141)
Impairment Loss					(4,000)
Total Company income (loss) before taxes					$ (22,115)
Segment assets	$ 130,421	$ 35,806	$ 22,266	$ 22,392	$ 210,885
Segment liabilities	$ 74,688	$ 19,630	$ 7,725	$ 84,197	$ 186,240
Deferred income taxes					1,096
Long-term debt					-
Total Company liabilities					$ 187,336

2020	Techinal Services	Renewables	Sustainability Solutions	Corporate	Total
Segment revenues	$ 153,579	$ 64,538	$ 8,418	$ 1,618	$ 228,153
Segment cost of sales	112,564	47,638	2,215	-	162,417
Segment selling, general and administration expenses	24,711	8,392	3,188	19,578	55,869
Segment provision for expected credit loss	1,290	0	110	58	1,458
Segment reorganization costs	1,016	27	(61)	2,196	3,178
Segment change in foreign exchange (gain) loss	14	(185)	16	(150)	(305)
Segment amortization and depreciation	15,336	1,517	644	2,833	20,330
Segment profit (loss)	13,984	8,666	2,950	(20,064)	5,536
Finance expense					(6,762)
Total Company income (loss) before taxes					$ (1,226)
Segment assets	$ 132,667	$ 26,083	$ 17,940	$ 25,445	$ 202,135
Segment liabilities	$ 70,559	$ 17,563	$ 4,604	$ 70,643	$ 163,369
Deferred income taxes					1,412
Long-term debt					-
Total Company liabilities					$ 164,781

21. SEGMENTED INFORMATION (Continued)

The Company has locations in Canada and the US. Details of the Company's operations by geographical area are as follow:

						2021
		Canada		USA		Total
Regional revenues	$	175,857	$	79,958	$	255,815
Regional cost of sales		130,551		73,013		203,564
Regional selling, general and administation expenses		50,165		9,172		59,337
Regional provision for expected credit loss		130		500		630
Regional change in fair value of financial instruments		(2,716)		-		(2,716)
Regional change in realized gain on settlement of derivative instruments		(1,100)		-		(1,100)
Regional reorganization costs		3,442		50		3,492
Regional change in foreign exchange (gain) loss		981		-		981
Regional profit (loss)	$	(5,596)	$	(2,777)	$	(8,373)
Property and equipment	$	27,841	$	5,431	$	33,272
Intangible assets	$	27,978	$	1,138	$	29,116
Goodwill	$	37,679	$	284	$	37,963

						2020
		Canada		USA		Total
Regional revenues	$	179,899	$	48,254	$	228,153
Regional cost of sales		121,901		40,516		162,417
Regional selling, general and administation expenses		48,311		7,557		55,869
Regional provision for expected credit loss		199		1,259		1,458
Regional reorganization costs		2,799		379		3,178
Regional change in foreign exchange (gain) loss		(305)		-		(305)
Regional profit (loss)	$	6,994	$	(1,458)	$	5,536
Property and equipment	$	24,494	$	3,759	$	28,253
Intangible assets	$	35,209	$	1,522	$	36,731
Goodwill	$	43,579	$	284	$	43,863

22. RELATED PARTY TRANSACTIONS

In the year ended December 31, 2021, $1,455 of revenue was earned from and there was $256 owing from Red Jar Capital in accounts receivable (2020 - $nil). There were no expenses incurred, no amounts included in accounts payable and accrued liabilities owing to a former shareholder of a company acquired in Note 20, at both December 31, 2021 or 2020. Further, there were no other balances due to/from related parties and/or shareholders as at December 31, 2021 (December 31, 2020 - $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 $1,871 (2020 - $3,097).

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2020	Cash flows	Non-cash changes: Deferred financing fees	Non-cash changes: Gain on settlement	Non-cash changes: New leases acquired during the year	2021
Bank indebtedness	$ 25,444	$ 2,698	$ -	$ -	$ -	$ 28,142
Long-term debt	66,572	(4,248)	(362)	-	-	61,962
Promissory notes	10,738	-	-	-	-	10,738
Lease liability	17,285	(8,050)	-	-	11,392	20,627
	$ 120,039	$ (9,600)	$ (362)	-	$ 11,392	$ 121,469

	2019	Cash flows	Non-cash changes: Deferred financing fees	Non-cash changes: Acquisition (Note 20)	Non-cash changes: New leases acquired during the year	2020
Bank indebtedness	$ 21,597	$ 3,847	$ -	$ -	$ -	$ 25,444
Long-term debt	63,207	3,690	(325)	-	-	66,572
Promissory notes	16,213	(5,278)	-	(197)	-	10,738
Lease liability	18,917	(7,088)	-	-	5,456	17,285
	$ 119,934	$ (4,829)	$ (325)	$ (197)	$ 5,456	$ 120,039

24. 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 in the current year, the outstanding option, RSUs, DSUs and warrants are anti-dilutive.

Basic and diluted earnings per share

	2021	2020
Numerator:		
Net (loss) income	**$ (21,293)**	$ (1,679)
Denominator:		
Basic shares outstanding	**56,565**	53,650
Diluted shares outstanding	**56,565**	53,650
(Loss) earnings per share:		
Basic	**$ (0.38)**	$ (0.03)
Diluted	**$ (0.38)**	$ (0.03)

25. EXPENSE BY NATURE

		2021		2020
Material, equipment and subcontractors	**$**	**74,330**	$	64,594
Other administration costs		**38,083**		27,332
Office and telephone		**4,816**		4,420
Salaries and wages		**120,075**		94,807
Occupancy costs		**1,858**		1,807
Advertising and promotion		**634**		560
Depreciation of property and equipment		**11,806**		11,517
Amortization of intangible assets		**7,615**		8,685
Professional fees		**3,683**		2,664
	$	**262,900**	$	216,386

26. PROVISION FOR EXPECTED CREDIT LOSSES

As of December 31, 2021, the Company recognized $630 in Provision for expected credit losses (2020 - $1,458).

27. FINANCE EXPENSE

		2021		2020
Interest on bank indebtedness (Note 11)	**$**	**1,451**	$	1,208
Interest on long-term debt (Note 12)		**3,014**		3,093
Interest on promissory notes (Note 13)		**868**		879
Interest on lease liabilities (Note 14)		**1,159**		1,116
Mark-to-Market interest loss (gain) (Note 18)		**(345)**		41
Other		**979**		425
	$	**7,126**	$	6,762

28. TRANSACTION COSTS

During the year ended December 31, 2021 the Company incurred $2,141 in transactions costs. These are related to costs associated with the convertible debenture process and costs associated with the strategic review process including legal costs and special committee fees. There were no such costs incurred in the year ended December 31, 2020.

29. REORGANIZATION AND OTHER NON-RECURRING COSTS

During the year ended December 31, 2021, the Company recognized $3,492 of severance related costs (2020 - $3,178) of which $1,794 was included in accrued liabilities as at December 30, 2021 (December 31, 2020 - $1,297). These costs relate to management's reorganization initiative that commenced in the fourth quarter of 2020 and 2021.

30. DISCONTINUED OPERATIONS

During the year the Company sold all the shares of its 100% owned subsidiary Orbis SPA for $189 (US$150) to a third party, including the assumption of value added tax outstanding of $144 and outstanding legal fees of $57. As a result of this sale the Company recorded a loss on discontinued operations of $475 (December 31, 2020 – $nil).

31. COMMITMENTS AND CONTINGENT LIABILITY

(i) From time to time, the Company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these types of proceedings is generally not determinable. Any loss resulting from these proceedings will be charged to operations in the period that a loss becomes probable.

(ii) The Company has entered into a lease agreement for a 40,000 sq ft building intended to house the Company's new head office. The agreement is a custom build, with upfront liability for the build held by Spark, with reimbursement by the leasing company once the build is complete. Upon transfer to the leasing company, Spark will then be responsible for monthly lease payments on the location for a term of fifteen years. Completion of the build and possession of the leased location is expected in the fourth quarter of 2022.

32. SUBSEQUENT EVENTS

On January 31, 2022 the Company completed a $39.6M equity financing to extinguish $13.0M of subordinated secured vendor debt, and to inject capital to its Statement of Financial Position and support working capital needs.

On March 9, 2022, the Company announced the signing of a second Power Purchase Agreement for the purchase and sale of renewable energy and environmental attributes, including Certified Renewable Energy Certificates. The expected start date is the second quarter of 2022.

33. 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.

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ANALYSIS

FOR THE YEAR ENDED DECEMBER 31

2021

SPARKPOWER
GROUP INC

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, 2021, dated March 30, 2022, should be read in conjunction with the December 31, 2021 Consolidated Annual Financial Statements and related notes thereto and the 2021 Management Information Circular. Additional information related to Spark Power is available under the Company's SEDAR profile at www.sedar.com and on our website at www.sparkpowercorp.com. Unless otherwise specified all amounts are expressed in Canadian dollars.

FORWARD-LOOKING INFORMATION AND GOING CONCERN

This Spark Power MD&A contains forward-looking information and future oriented financial information within the meaning of applicable Canadian securities laws ("forward-looking information"). All information other than statements of current and historical fact contained in this Spark Power MD&A is forward-looking information and reflect management's expectations regarding the prospects, results of operations, performance and business of the Corporation based on information currently available to the Corporation. Forward-looking information is provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "intend", "estimate", "plan", "believe" or other similar words but the absence of these words does not mean that a statement is not forward-looking.

Forward-looking information in this Spark Power MD&A includes, but is not limited to, information relating to Spark Power's future financial and business operations outlook as set in the section entitled "Outlook" herein, statements regarding the Corporation's business, future development, debt restructuring, future financial position, our ability to secure new financing on reasonable terms, our business strategy, the success and profitability of the business and our ability to support the services of our business, the electrical power industry in general, potential future acquisitions, the ability of the Corporation to procure additional sales from new and existing customers, the Corporation's plans and objectives, the impact of trading patterns in our share price, the impact of regulators' actions and decisions on our business, the demand for our business and services, general business and economic conditions, our ability to manage corporate growth and acquisitions, changes in interest rates, litigation, stabilization of Covid-19 business effects and recovery to pre-Covid 19 pandemic business levels, our gross margin realization, and improvements in liquidity. In developing the forward-looking information in this Spark Power MD&A, we have applied several material assumptions, as set out herein, including those under the section "Outlook" and those related to general business and economic conditions and our ability to attract new financing on reasonable terms.

By their nature, forward-looking information is inherently uncertain, is subject to risk and is based on numerous assumptions, including those regarding present and future business strategies, the environment in which the Corporation will operate in the future, expected revenues, financing plans, expansion plans and the Corporation's ability to achieve its goals. Although management of the Corporation believes that the expectations represented in such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. The future outcomes that relate to forward-looking information may be influenced by many factors that could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information, including, but not limited to, those described in this Spark Power MD&A and in "Risk Factors" in the Company's annual information form for the year ended December 31, 2021, filed on March 30, 2022 and 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 future oriented financial information and the inherent uncertainty of forward-looking information and future oriented financial information and are cautioned not to place undue reliance on such information. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors,

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is provided as of the date of this Spark Power MD&A or such other date specified herein, and the Corporation assumes no obligation to update or revise such forward-looking information to reflect new events or circumstances except as required under applicable Canadian securities laws.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial statements ("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 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.

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", and "Adjusted Working Capital". 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 reorganization and transaction costs, discontinued operations and change in estimate 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 period for the period prior to acquisition.

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

"Adjusted revenue for change in estimate" means revenue adjusted for the revenue impact of the change in estimate.

"EBITDA Margin" means EBITDA divided by revenue.

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

"Adjusted EBITDA Margin for change in estimate" means Adjusted EBITDA divided by adjusted revenue for change in estimate.

"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, 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.

BUSINESS OVERVIEW

Headquartered in Oakville, Ontario, Canada, Spark Power Group Inc. is a leading provider of end-to-end electrical contracting, operations and maintenance services, and energy sustainability solutions to the industrial, commercial, utility, and renewable asset markets in Canada and the United States. Spark is focused on delivering our promise of being our customers' Trusted Partner in Power™, taking advantage of the opportunities presented by a dynamic market.

Operating within our field focused operating model, Spark Power is structured and financially reports the organization in four specific business segments: Technical Services, Renewables, Sustainability Solutions, and Corporate. The Technical Services business segment is managed in three geographic, operational regions: Western Canada, Eastern Canada, and USA.

Spark's integrated suite of services across North America are as follows:

Technical Services

Centred around its branch network, Spark's Technical Services business segment operates out of several locations in the U.S. and Canada and focuses on pole-to-product electrical services. With highly responsive and local technical teams, Spark offers a wide variety of services and solutions to a wide range of customers including:

Low Voltage	• Electrical contracting services • Industrial automation • Systems integration	• Custom control panel design and assembly • Electronic repair • 24/7 emergency services
Medium & High Voltage	• Power 'On' services • Sub-station construction and maintenance • Power line construction and maintenance	• Equipment installation • Commissioning • Thermography services • Transformer maintenance
Engineering	• Power systems engineering • Protection and control engineering	• Substation engineering • SCADA engineering • Arc flash studies
Power Equipment	• Buy, refurbishment and resale of used electrical equipment • Sales and rentals of power transformers	• Sale of medium voltage electrical switchgear • Full fabrication shop/paint line capabilities

Renewables

Spark Power's Renewables business segment is one of the largest independent renewables operations and maintenance providers in North America. Operating in many centres and remote locations in the U.S. and Canada, Spark's Renewables business is primarily focused on Wind, Solar, Storage and Electric Vehicle assets. Spark Power's Renewables services include:

Solar	• 24/7 monitoring and analytics from central operating centre	• Fence to fence, onsite operations and maintenance to wide range of solar sites
Wind	• In-construction services • Asset monitoring	• Operations and maintenance • Commissioning
Battery Energy Storage Systems (BESS)	• Engineering, procurement, and construction	• Operations and maintenance • Commissioning
Electric Vehicle (EV)	• Construction	• Operations and maintenance

Sustainability Solutions

Through our Bullfrog brand, Spark Power is well positioned to deliver unique Sustainability 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. Our Sustainability Solutions business segment offers our Technical Services and current Sustainability Solutions customers the opportunity to build upon their own ESG mandates by providing them access to Renewable Energy Credits (RECs), Power Purchase Agreements (PPAs) and a variety of energy efficiency services.

SUMMARY FINANCIAL INFORMATION

The selected information presented below has been derived from and should be read in conjunction with the Company's consolidated financial statements and related notes for the three months and years ended December 31, 2021 and 2020.

(in $000's)

	Three months ended December 31, 2021	Three months ended December 31, 2020	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020
Revenue	**$ 65,424**	$ 66,865	**$ 255,815**	$ 228,153
Cost of sales	**55,907**	48,342	**203,564**	162,417
Gross profit	**9,517**	18,523	**52,251**	65,736
Selling, general and administrative expenses	**17,210**	14,865	**59,337**	53,969
Provision for expected credit losses	**517**	1,405	**630**	1,458
Change in fair value of derivative instruments	**157**	-	**(2,716)**	-
Reorganization costs	**1,862**	1,947	**3,492**	3,178
Realized gain on settlement of derivative instrument	**65**	-	**(1,100)**	-
Foreign exchange (gain) loss	**503**	(31)	**981**	(305)
Loss from operations	**(10,797)**	337	**(8,373)**	7,436
Finance costs	**(2,233)**	(1,793)	**(7,126)**	(6,762)
Transaction costs	**(580)**	-	**(2,141)**	-
Discontinued Operations	**-**	-	**(475)**	-
Earn-out	**-**	(1,900)	**-**	(1,900)
Impairment Loss	**(4,000)**	-	**(4,000)**	-
	(6,813)	(3,693)	**(13,742)**	(8,662)
Loss before income taxes	**(17,610)**	(3,356)	**(22,115)**	(1,226)
Income tax recovery (expense):				
Current	**1,807**	(226)	**506**	(3,047)
Deferred	**(2,073)**	276	**316**	2,594
	(266)	50	**822**	(453)
Net loss	**(17,876)**	(3,306)	**(21,293)**	(1,679)
Cumulative translation adjustment	**241**	8	**373**	(453)
Comprehensive loss	**$ (17,635)**	$ (3,298)	**$ (20,920)**	$ (2,132)
EBITDA	**($10,241)**	$ 3,621	**$ 4,615**	$ 25,866
EBITDA margin	**-15.7%**	5.4%	**1.8%**	11.3%
Adjusted EBITDA	**2,516**	8,873	**21,743**	32,402
Pro-forma Revenue	**65,424**	66,865	**255,815**	228,153
Pro-forma EBITDA margin	**3.8%**	13.3%	**8.5%**	14.2%
Adjusted revenue for change in estimate	**68,464**	66,865	**259,330**	228,153
Adjusted EBITDA margin for change in estimate	**3.7%**	13.3%	**8.4%**	14.2%

EBITDA and Adjusted EBITDA

The following table provides a reconciliation of our EBITDA measures:

(in $000's)

Reconciliation of net loss to EBITDA and Adjusted EBITDA	Three months ended December 31, 2021	2020	Twelve months ended December 31, 2021	2020
Net loss	**$ (17,876)**	$ (3,306)	**$ (21,293)**	$ (1,679)
Adjustments:				
Finance expense	**2,233**	1,793	**7,126**	6,762
Income tax expense	**266**	(50)	**(822)**	453
Amortization and depreciation	**5,136**	5,184	**19,604**	20,330
EBITDA	**$ (10,241)**	$ 3,621	**$ 4,615**	$ 25,866
EBITDA Margin	**-15.7%**	5.4%	**1.8%**	11.3%
Adjustments:				
Provision for expected credit loss	**517**	1,405	**630**	1,458
Reorganization costs	**1,862**	1,947	**3,492**	3,178
Transaction costs	**580**	-	**2,141**	-
Earn-out	**-**	1,900	**-**	1,900
Discontinued operations	**-**	-	**475**	-
Change in estimate	**3,740**	-	**6,390**	-
Year end provisions	**2,058**	-	**-**	-
Impairment Loss	**4,000**	-	**4,000**	-
Adjusted EBITDA	**$ 2,516**	$ 8,873	**$ 21,743**	$ 32,402
Adjusted EBITDA Margin	**3.8%**	13.3%	**8.5%**	14.2%
Adjusted EBITDA margin for change in estimate	**3.7%**	13.3%	**8.4%**	14.2%

RECENT DEVELOPMENTS

Rights Offering and Private Placement

On January 31, 2022, the Company completed a rights offering and private placement raising $39.6M in new capital.

Upon closing of the Rights Offering, the Company issued approximately 24.7 million common shares of the Company ("Common Shares") at a price of $1.20 per Common Share for aggregate gross proceeds of approximately $29.6 million. Pursuant to the terms of the Rights Offering, each eligible shareholder was entitled to subscribe for 0.4393346119 of a Common Share for every right held by such shareholder.

For the private placement, the Company issued approximately 8,333,333 Common Shares at a price of $1.20 per Common Share for aggregate gross proceeds of approximately $10 million. The entire Private Placement was subscribed for by funds managed by Stornoway Portfolio Management Inc. ("Stornoway").

The Company used a portion of the net proceeds to (i) repay certain indebtedness under the various promissory notes held by the First Standby Guarantors in connection with past acquisitions and (ii) to satisfy an earn-out payment that is owing by the Company. The balance of the proceeds were used to reduce its line of credit to support working capital purposes.

Change in Accounting Estimate

Significant judgements and estimates are involved in recognizing revenue related to the long term construction contracts as disclosed in the significant accounting judgements and estimates section of the MD&A. During the third and fourth quarters of 2021, the Company conducted a robust review of the revenues and costs associated with longer-term construction contracts for a number of its business lines. As a result of this robust review, including a review of change orders and reserves set up for additional costs/overruns, estimate updates as detailed below has been reflected in the third and fourth quarters as a change in accounting estimate. The accounting policies related to revenue recognition and recoverability of costs has not changed.

Management has determined that the estimate updates do not reflect the forward-looking underlying, operational trends for both revenues and gross margins in the business. Furthermore, such estimate updates do not impact the current upward trends in the growth and cash flow generation of the business. Management remains optimistic in its outlook and expects the current momentum in the business to extend into 2022 and beyond.

Details of the adjustment related to a change in estimates is as follows:

(in $000's)						Three months ended December 31, 2021
Financial Statement Area Impacted		Technical Services	Renewables	Sustainability Solutions	Corporate	Total
Revenue	$	1,840	$ 1,200	$ -	$ -	$ 3,040
Cost of goods sold		700	-	-	-	700
Selling, general and administration		-	-	-	-	-
	$	**2,540**	**$ 1,200**	**$ -**	**$ -**	**$ 3,740**

(in $000's)						Twelve months ended December 31, 2021
Financial Statement Area Impacted		Technical Services	Renewables	Sustainability Solutions	Corporate	Total
Revenue	$	3,515	$ -	$ -	$ -	$ 3,515
Cost of goods sold		2,464	-	-	-	2,464
Selling, general and administration		34	117	-	260	411
	$	**6,013**	**$ 117**	**-**	**$ 260**	**$ 6,390**

Management is of the view that the processes used starting in the third quarter and going forward for estimating revenues and costs associated with longer-term construction contracts will enhance the precision of such estimates for future periods.

Executive Leadership Reorganization

On January 5, 2021 the Company announced that co-CEO's Jason Sparaga and Andrew Clark would be stepping back from their roles in the day-to-day operations of the Company. Both are continuing as board members and major shareholders with Mr. Sparaga assuming a new role as Executive Board Chair and Mr. Clark as the Company's Vice Board Chair. The Company also announced that the Company's Chief Operating Officer, Richard Jackson would be appointed as the Company's new President and Chief Executive Officer.

Subsequently, on January 21, 2021 the Company announced a new senior leadership team and a renewed focus on the business operations. This resulted in severance costs related to the reorganization, of which $1.3 million was accrued in the fiscal 2020 results and the balance incurred through 2021. As of December 31, 2021 the Company has amounts outstanding related to these severance costs of $0.5 million, that will be paid through the first quarter of 2022.

During the third quarter the Company announced the addition of two new senior leadership members to the organization. Tom Duncan joined the organization in July 2021 assuming the role of Executive Vice-President Technical Services – Canada. Richard Perri joined the company in August 2021 assuming the role of Senior Vice-President Finance with responsibility to oversee the day-to-day operations of the Finance team, including financial planning and analysis, treasury management and all financial reporting activities. Subsequently, on November 16, 2021 the Company announced the appointment of Tom Duncan as the Chief Operating Officer and Richard Perri as the Executive Vice-President and Chief Financial Officer.

COVID-19 Pandemic

Management initiated internal discussions on COVID-19 as early as January 2020 and began developing plans on how the company should approach any possible impacts. As the virus spread, our efforts intensified, and the Company put in place a variety of measures that focused on employee safety, assistance and employment, liquidity, communication, daily business updates and strategies, and proactive negotiations with our lenders on the potential impact of COVID-19 on our business.

The pandemic had the largest impact on the company in the second quarter of 2020 despite most of our business being deemed an essential service. The uncertainty that remained about the future, both locally and globally, was strong and prevalent and impacted our business decisions. Some of our customers shut their facilities to outside contractors and others deferred projects during the early phases of the pandemic. The impact of most of these customer decisions was evident in April and May of 2020 as revenues declined approximately 26% on a pro-forma basis, with our Canadian revenues down 33%, partially offset by a pro-forma increase in revenues of 26% in our US business.

The third quarter of 2020 was less impacted by the pandemic as revenues returned to historical levels in all of our business units with the exception of our low voltage business in our Technical Services Eastern segment. The fourth quarter came back strong as customers moved to catch up on work that was delayed during government mandated restrictions.

With the resurgence of COVID-19 driven by the impact of new variants in the beginning of 2021 the Company once again realized year-on-year revenue declines in its some of its Technical Services operations. These lower revenues, along with the impact of ongoing COVID protocols, has continued to impact gross margin realizations through 2021, albeit to a lesser extent.

During the fourth quarter of 2021 the Company continued to experience the effects of the pandemic on the operational efficiencies within its business units. Furthermore, the Company has realized significant inflationary price increases for certain of its key cost inputs resulting in downward pressure on gross margins. The Company has introduced certain pricing measures, including commodity surcharges and billable rate increases, to offset the impact on gross margins. The Company anticipates the benefits of such price actions to be more fully realized in the first quarter of 2022.

Amendment to Credit Facility

During the second quarter the Company entered into a new Amended and Restated Credit Agreement dated June 17, 2021 and a subsequent Amendment Agreement dated June 25, 2021 with its Lender. Key terms of these Agreements are as follows:

a. A consolidation of the non-revolving term loan, revolving acquisition line, COVID loan and demand revolving facility to finance growth capital expenditures into a new committed non-revolving term loan totaling $66,600;

b. The maturity date of this new facility was extended to September 30, 2023 and will be amortized over an 8-year period with quarterly repayments of $2,082;

c. The $30,000 demand revolving credit facility was replaced by a $35,000 committed margined revolving credit facility, subject to borrowing base limits;

d. An increase in interest rates, based on applicable margins;

e. An adjustment to covenants, as noted below.

The Company is also required to comply with certain covenants, terms and conditions under the credit facilities. These covenants include a fixed charge coverage ratio, a total debt to EBITDA and a total senior debt to defined EBITDA covenant calculated on a 12-month rolling quarterly basis. On December 14, 2021, the Credit Agreement was amended to revise the covenant requirements as follows:

- Minimum fixed charge covenant ratio of 1.10 extended for the quarters ended December 31, 2021 and March 31, 2022, increasing to 1.25 for each quarter ended thereafter;
- Maximum total senior debt to EBITDA ratio based on the most recently completed four fiscal quarters of 3.25:1.00;
- Maximum total funded debt to EBITDA ratio based on the most recently completed four fiscal quarters of 4.00:1.00 extended for the quarters ended December 31, 2021 and March 31, 2022, decreasing to 3.75:1.00 for each fiscal quarter thereafter.

As at December 31, 2021 the Company was not in compliance with the financial covenants in its credit facility. As a result the Company's non-revolving term loan have been classified as current debt at December 31, 2021. Subsequent to December 31, 2021 the Company received a waiver of this covenant violation from its lender.

The Company is required to comply with certain covenants, terms and conditions under the credit facilities. As a result management has determined that it would be prudent to disclose that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

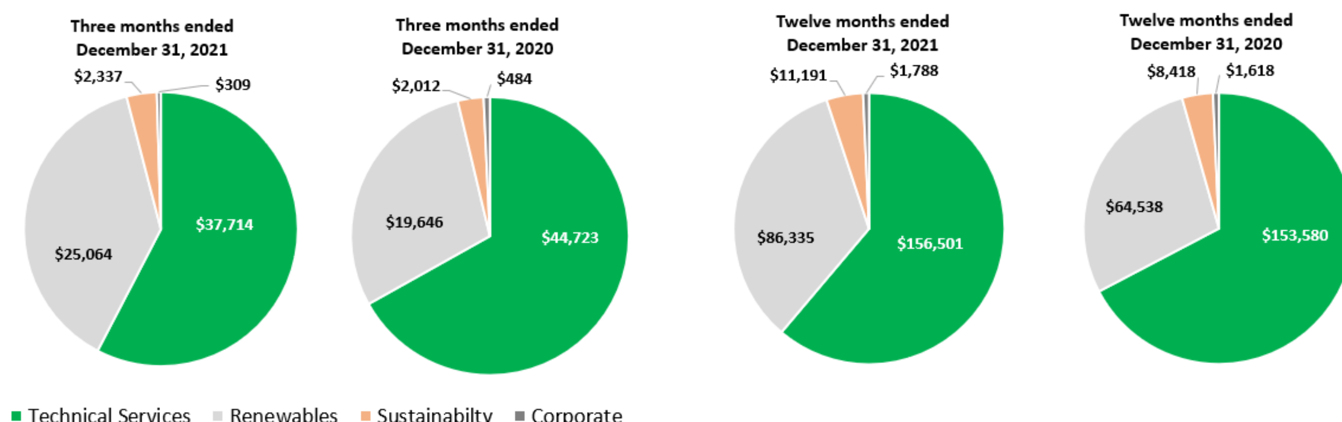
The Company commenced discussions with its lender to explore alternatives to re-finance the above noted non-revolving term loan into a long-term facility and expand the Company's borrowing facilities to support future growth opportunities, including possible syndication of its debt.

RESULTS OF OPERATIONS

Results for the three and twelve months ended December 31, 2021 have been impacted by the continuing COVID-19 pandemic that began impacting the business in late March of 2020 and continued through the balance of fiscal 2020 with the largest impact being experienced in the second quarter of 2020. The impact of COVID protocols, including quarantine requirements and site testing and questionnaires have continued to impact our operating and labour efficiencies through fiscal 2021. Furthermore, the impact of inflationary price increases have impacted our realized gross margins in the fourth quarter of 2021.

Revenue

Revenue is broken down by segment as follows ($000's):



Revenue for the three-months ended December 31, 2021 was $65.4 million, compared with $66.9 million in the fourth quarter of 2020, representing a decrease of $1.4 million or 2.2% (adjusted three-months ended December 31, 2021 was $68.5 million or 2.4% excluding the impact on Revenue of the change in estimate). The primary reason for the change was due to a decrease in revenue in Technical Services of $7.0 million or 15.7% tied to a shift in business strategy in our Western Canada operation to focus on higher margin Service work, offset by organic growth in our Renewables business unit that experienced organic growth of $5.4 million or 27.6%.

Revenue for the twelve-months ended December 31, 2021 was $255.8 million, compared with $228.2 million in the same period in 2020, representing an increase of $27.7 million or 12.1% (adjusted twelve-months ended December 31, 2021 was $259.3 million or 13.7% excluding the impact on Revenue of the change in estimate). The increase was attributable to an increase in Technical Services revenues of $2.9 million or 1.9% (4.2% growth for Technical Services excluding the impact of the change in estimate) and strong Renewables revenue growth of $21.8 million or 33.8% due primarily to the growing demand in the US marketplace for renewable energy solutions.

Organic revenue growth is broken down as follows:

(in $000's)

Three months ended December 31	2021	Adjusted 2021	2020	$ Growth	% Growth	% Operational Growth
Technical Services	**$ 37,714**	**$ 39,554**	$ 44,723	$ (7,009)	(15.7%)	(11.6%)
Renewables	**25,064**	**26,264**	19,646	5,418	27.6%	33.7%
Sustainability	**2,337**	**2,337**	2,012	325	16.2%	16.2%
Corporate	**309**	**309**	484	(175)	(36.2%)	(36.2%)
Total	**$ 65,424**	**$ 68,464**	$ 66,865	$ (1,441)	(2.2%)	2.4%

(in $000's)

	Twelve months ended December 31					
	2021	Adjusted 2021	2020	$ Growth	% Growth	% Operational Growth
Technical Services	$ **156,501**	$ **160,016**	$ 153,580	$ 2,921	1.9%	4.2%
Renewables	**86,335**	**86,335**	64,538	21,797	33.8%	33.8%
Sustainability	**11,191**	**11,191**	8,418	2,773	32.9%	32.9%
Corporate	**1,788**	**1,788**	1,618	170	10.5%	10.5%
Total	$ **255,815**	$ **259,330**	$ 228,154	$ 27,661	12.1%	13.7%

Government Grants

The outbreak of COVID-19 has resulted in worldwide emergency measures to combat the spread of the virus. These measures, including significant restrictions on commercial activity, have caused massive disruption to businesses globally, resulting in a broad-based and global economic slowdown.

The Company's operations are exposed to a variety of business and financial risks as a result of a public threat, such as COVID-19. These risks include but are not limited to, decline in customer demand, increase in operating costs, interruption of project work, credit risk associated with customer non-payment, access to financing and change in the timing of cash flows.

When the pandemic struck in early 2020, the Company experienced a disruption in its operations due to restrictions implemented by the federal, state and provincial governments in relation to this outbreak. Both the Canadian and US governments responded to the expected economic crisis by announcing payroll subsidies.

2021	Technical Services	Renewables	Sustainability Solutions	Corporate	Total
Canadian Emergency Wage Subsidy					
Cost of sales	$ 1,786	$ 273	$ -	$ -	$ 2,059
Selling, general and administrative	236	74	31	139	480
Total	$ 2,022	$ 347	$ 31	$ 139	$ 2,539

2020	Technical Services	Renewables	Sustainability Solutions	Corporate	Total
Canadian Emergency Wage Subsidy					
Cost of sales	$ 6,620	$ 1,432	$ -	$ -	$ 8,052
Selling, general and administrative	1,078	370	268	1,102	2,818
	$ 7,698	$ 1,802	$ 268	$ 1,102	$ 10,870
Paycheck Protection Program					
Cost of sales	$ 637	$ 1,408	$ -	$ -	$ 2,045
Selling, general and administrative	233	158	-	-	391
	$ 870	$ 1,566	$ -	$ -	$ 2,436
Total	$ 8,568	$ 3,368	$ 268	$ 1,102	$ 13,306

Canada Emergency Wage Subsidy

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") in order to help employers keep and/or return Canadian-based employees to payrolls in response to challenges posed by the COVID-19 pandemic.

In the first three quarter of 2021, management determined that it met the employer eligibility criteria and applied for funding under the CEWS and recorded $2.5 million in the three quarters which was recorded against the segmented cost of sales and selling, general and administration ("SG&A") expenses to which they are related. During the fourth quarter of 2021 the Company did not qualify under the CEWS program. During 2020 the Company recognized $10.9 million which was recorded against segment cost of sales and SG&A expenses to which they are related.

Paycheck Protection Program

In March 2020, the United States Government announced the Paycheck Protection Program ("PPP") in order to help employers keep and/or return US-based employees to payrolls in response to challenges posed by the COVID-19 pandemic. In the second quarter of 2020, the Company received $2.4 million in funding related to this program for our US based operations. This funding came in the

form of a loan payable which was due in full on the second anniversary of its receipt, bearing an interest rate of 1% per annum, with the possibility of absolute forgiveness if eligible. Subsequent to December 31, 2020, all loans have received forgiveness. There was no PPP funding in 2021.

Cost of Sales and Gross Profit

For the three months ended December 31, 2021, gross profit, inclusive of depreciation and amortization decreased $9.0 million to $9.5 million as compared to $18.5 million in the same period in 2020 (adjusted three-months ended December 31, 2021 was $13.3 million excluding the impact on gross profit of the change in estimate). Gross profit margins were 14.5%, down from 27.7% in the fourth quarter of 2020 resulting in a decline in gross margin realization of 13.2% (adjusted gross profit margins were 19.4% excluding the impact of the change in estimate). Gross profit excluding depreciation and amortization decreased $8.8 million to 19.2% of revenue resulting in a 12.8% decrease in gross margin realizations (adjusted gross profit excluding depreciation and amortization decreased $5.1 million to 23.8% excluding the impact of the change in estimate). The primary reasons for the change were related to government grants under the CEWS and PPP programs of $2.8 million recognized in the fourth quarter of 2020 as compared to $nil in the fourth quarter of 2021, change in estimates of $3.7 million recorded in the quarter, and gross margin rate pressure due to inflationary cost increases and the impact of revenue mix.

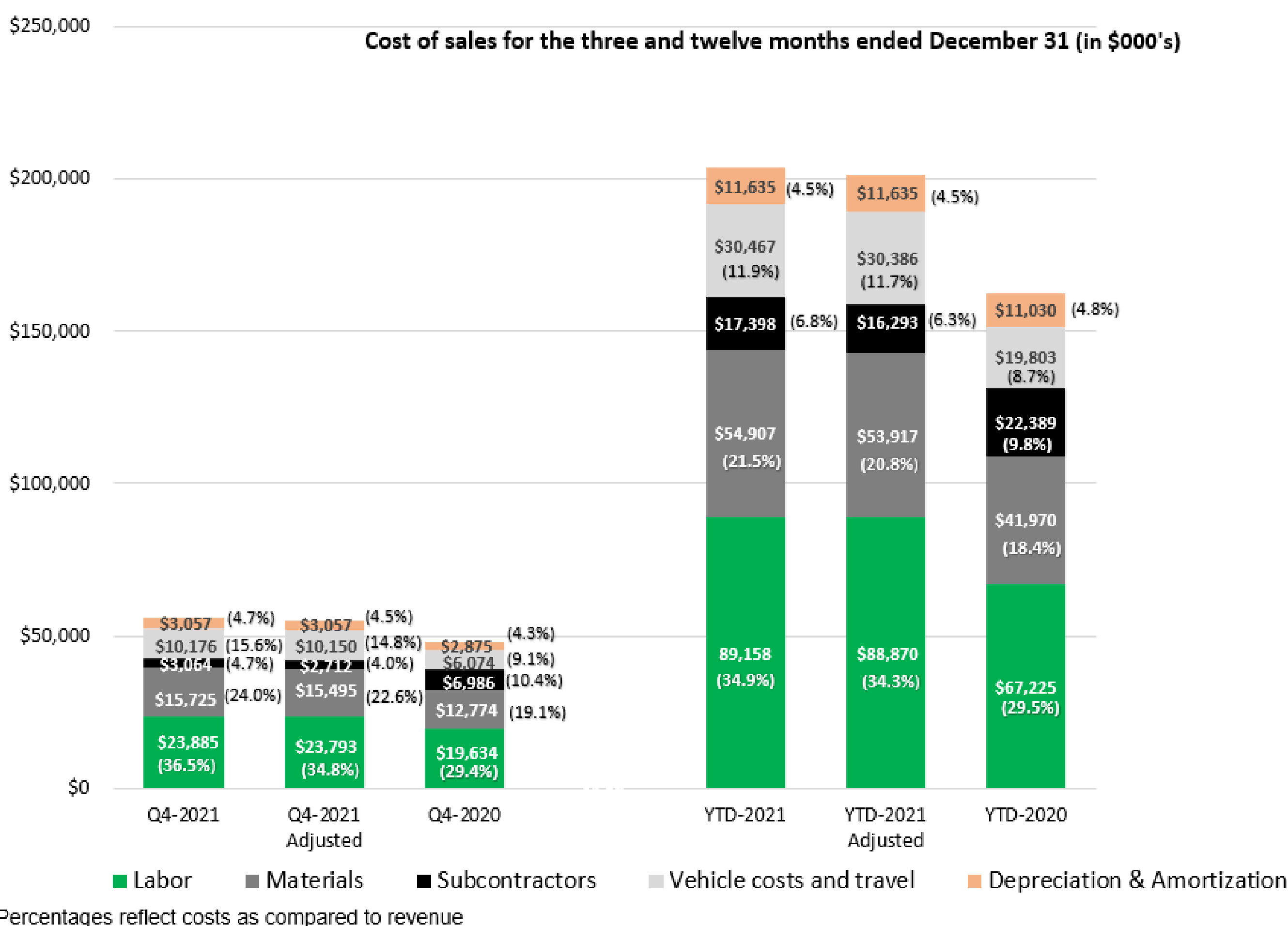
For the twelve months ended December 31, 2021, gross profit decreased $13.5 million to $52.3 million as compared to $65.7 million in the same period in 2020 (adjusted twelve-months ended December 31, 2021 was $58.2 million excluding the impact on gross profit of the change in estimate). Gross profit margins, inclusive of depreciation and amortization, were 20.4% down from 28.8% in the same period in 2020 resulting in a decrease in gross margin realization of 8.4% (adjusted gross profit margins were 22.5% excluding the impact of the change in estimate). Gross profit excluding depreciation and amortization decreased to 25.0% of revenue from 33.6% in the same period in 2020 resulting in a 8.6% decrease in gross margin realizations (adjusted gross profit excluding depreciation and amortization decreased $6.9 million to 26.9% excluding the impact of the change in estimate). The primary reasons for the change were related to government grants under the CEWS and PPP programs due to the cost of sales being offset by $10.1 million in the twelve-month period ended December 31, 2020 as compared to $2.1 million in the twelve months ended December 31, 2021 and the change in estimate recorded in the third quarter of 2021.

(in $000s)

	Three months ended December 31				Twelve months ended December 31			
	2021		2020		2021		2020	
	$	%	$	%	$	%	$	%
Revenue	**$ 65,424**		$ 66,865		**$ 255,815**		$ 228,153	
Cost of sales	**55,907**	**85.5%**	48,342	72.3%	**203,564**	**79.6%**	162,417	71.2%
Gross profit	**$ 9,517**	**14.5%**	$ 18,523	27.8%	**$ 52,251**	**20.4%**	$ 65,736	28.8%
Depreciation and amortization included in cost of sales	**3,057**		2,875		**11,635**		11,030	
Gross profit, excluding depreciation and amortization	**12,574**	**19.2%**	21,398	32.0%	**63,886**	**25.0%**	76,766	33.6%
Adjusted revenue	**$ 68,464**		$ 66,865		**$ 259,330**		$ 228,153	
Adjusted cost of sales	**55,207**		48,342		**201,099**		162,417	
Adjusted gross profit	**$ 13,257**	**19.4%**	$ 18,523	27.8%	**$ 58,230**	**22.5%**	$ 65,736	28.9%
Adjusted gross profit excluding, depreciation and amortization	**$ 16,314**	**23.8%**	$ 21,398	32.0%	**$ 69,865**	**26.9%**	$ 76,766	33.6%

The impact of government-imposed restrictions related to the outbreak of COVID-19 resulted in a decline of our revenues, specifically our high and low voltage operations in the East, which negatively impacted gross margin realizations, primarily due to lower labour utilization. The government grants through the CEWS program helped offset significant labour costs maintained by the company and other operating inefficiencies realized during the pandemic.

Components of cost of sales were as follows:



Percentages reflect costs as compared to revenue

During the three and twelve months ended December 31, 2021, labour costs were $23.9 million and $91.2 million respectively, as compared to $22.0 million and $77.3 million in the same periods in 2020 (adjusted labour costs were $23.8 million and $91.0 million respectively, excluding the impact of the change in estimate). These costs in the three and twelve months ended December 31, 2021 were offset by $nil and $2.1 million, respectively in 2021, as compared to $2.4 million and $10.1 million in the same periods in 2020 in government grants under the CEWS and PPA programs. This reduced total labor costs to $23.9 million and $89.2 million, respectively in 2021 from $19.6 million and $67.2 million in the same periods in 2020 (adjusted labour costs were $23.8 million and $88.9 million respectively, excluding the impact of the change in estimate).

During the three and twelve months ended December 31, 2021, vehicle costs and travel increased to $10.2 million or 15.6% of revenue and $30.5 million or 11.9% of revenue, respectively, from $6.1 million or 9.1% of revenue and $19.8 million or 8.7% of revenue in the same periods of 2020 (adjusted vehicle costs and travel were $10.2 or 14.8% of revenue and $30.4 million or 11.7% of revenue respectively, excluding the impact of the change in estimate). The increase is related to an increase in travel in our Renewables group as a result of revenue growth in this segment and increased servicing of remote sites requiring significant travel costs.

During the three and twelve months ended December 31, 2021, materials increased to $15.7 million or 24.0% of revenue and $54.9 million or 21.5% of revenue, respectively, from $12.8 million or 19.1% of revenue and $42.0 million or 18.4% of revenue in the same periods of 2020 (adjusted materials were $15.5 or 22.6% of revenue and $53.9 million or 20.8% of revenue respectively, excluding the impact of the change in estimate). The increase is related to an increase in larger projects in our Technical Services segment that have a higher material component relative to labor.

During the three and twelve months ended December 31, 2021, subcontractor costs decreased to $3.1 million or 4.7% of revenue and decreased to $17.4 million or 6.8% of revenue, respectively, from $7.0 million or 10.4% of revenue and $22.4 million or 9.8% of revenue in the same periods of 2020 (adjusted subcontractor costs were $2.7 or 4.0% of revenue and $16.3 million or 6.3% of revenue respectively, excluding the impact of the change in estimate). The decrease compared to prior year is due to a change in mix of the business in our Technical Services business units that experience variation in the levels of labor, materials and sub-contractor costs when servicing jobs.

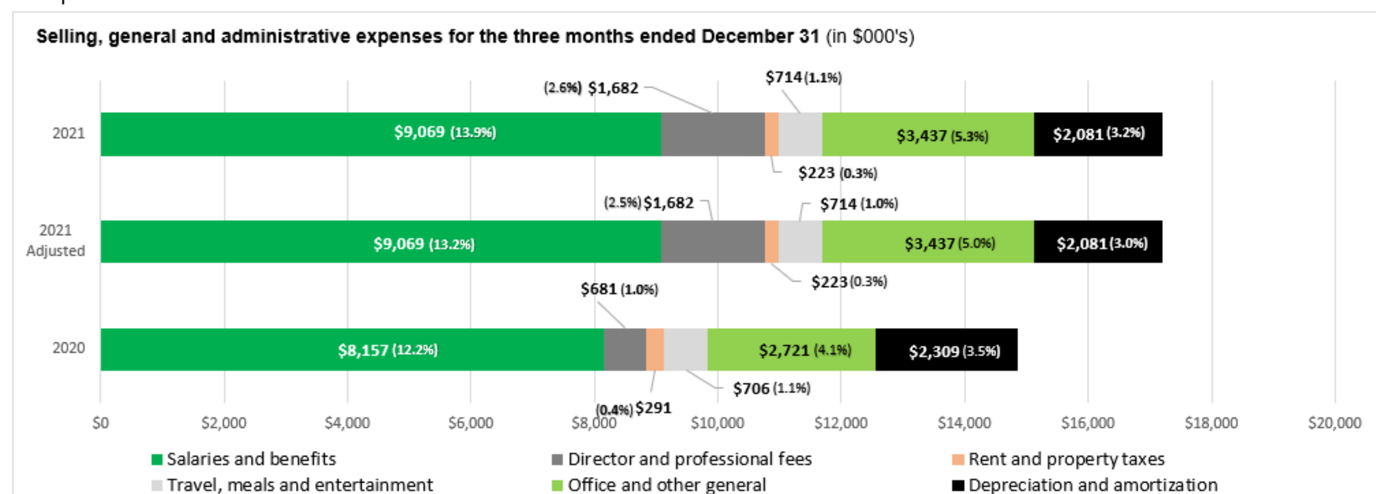
Selling, General and Administration Expense

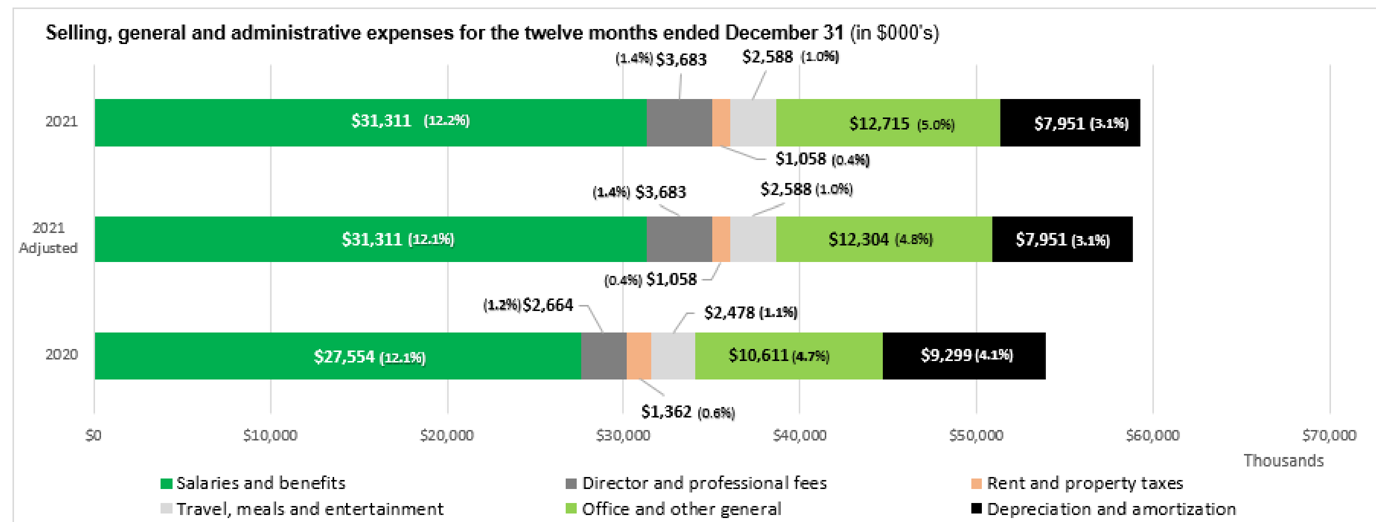
For the three and twelve months ended December 31, 2021, SG&A expenses increased to $17.2 million or 26.3% of revenue and $59.3 million or 23.2% of revenue, respectively, from $14.9 million or 22.2% of revenue and $54.0 million or 23.7% of revenue in the same periods of 2020 (adjusted three and twelve months ended December 31, 2021 was $17.2 million or 25.1% of revenue and $58.9 million or 22.7% of revenue, respectively, excluding the impact on SG&A of the change in estimate). SG&A excluding depreciation and amortization was $15.1 million or 23.1% of revenue and $51.4 million or 20.1% in the three and twelve months ended December 31, 2021 respectively, as compared to $12.6 million or 18.8% of revenue and 44.7 million or 19.6% of revenue over the same period in 2020 (adjusted three and twelve months ended December 31, 2021 was $15.1 million or 22.1% of revenue and $51.0 million or 19.6% of revenue, respectively, excluding the impact on SG&A of the change in estimate).

(in $000s)

	Three months ended December 31				Twelve months ended December 31			
	2021		2020		2021		2020	
	$	%	$	%	$	%	$	%
Revenue	$ 65,424		$ 66,865		$ 255,815		$ 228,153	
Selling, general and administrative expenses	**17,206**	**26.3%**	**14,865**	**22.2%**	**59,337**	**23.2%**	**53,969**	**23.7%**
Depreciation and amortization included in selling, general and administrative expenses	**2,081**		2,309		**7,970**		9,299	
SG&A, excluding depreciation and amortization	**15,125**	**23.1%**	12,556	18.8%	**51,367**	**20.1%**	44,670	19.6%
Adjusted revenue	**68,464**		66,865		**259,330**		228,153	
Adjusted selling, general and administrative	**17,206**	**25.1%**	14,865	22.2%	**58,926**	**22.7%**	53,969	23.7%
Adjusted SG&A, excluding depreciation and amortization	$ **15,125**	**22.1%**	$ 12,556	18.8%	$ **50,956**	**19.6%**	$ 44,670	19.6%

Components of SG&A costs were as follows:





During the three and twelve months ended December 31, 2021 labour costs were $9.1 million and $31.8 million, respectively, from $8.6 million and $30.8 million in the same periods in 2020. During the three and twelve months ended December 31, 2021, salaries and benefits were offset by $nil and $0.5 million, respectively, by government grants under the CEWS and PPP programs announced in April 2020 as compared to $0.4 million and $3.2 million during the three and twelve months ended December 31, 2020.

Depreciation and amortization costs included in SG&A during the three and twelve months ended December 31, 2021 were $2.1 million or 3.1% of revenue and $8.0 million or 3.1% of revenue as compared to $2.3 million or 3.5% of revenue and $9.3 million or 4.1% of revenue in the same period of 2020. The decrease is related to the removal of fully amortized intangibles in the first quarter of 2021 as compared to the same period in 2020.

Change in fair value of derivative instruments

During the year ended December 31, 2020, the Company entered into a Power Purchase Agreement ("PPA") for the purchase and sale of renewable energy and environmental attributes, including Certified Renewable Energy Certificates, for a period of seven years with an expected start date in the second quarter of 2021.

During the three and twelve months ended December 31, 2021, the Company has recognized a change in the fair value of this derivative asset of $0.2 million and $3.9 million, respectively which is derived from the market projections of power prices in the Alberta market over the expected life of the contract.

To offset any risk and volatility of this agreement, management entered into a related power swap arrangement to hedge the risk of changes in cash flows due to the fluctuations of power prices in the Alberta market. The change in the estimated fair value of the other derivative liability during the three and twelve months ended December 31, 2021 was $0.1 million and $1.2 million respectively, and is based on the projected market values of similar contracts with similar remaining durations as if the contract has been entered into on December 31, 2021 (December 31, 2020 - $nil).

During the fourth quarter and on a year-to-date basis for 2021 the Company recognized a realized gain on the sale of energy in excess of its contracted purchase price under the PPA of $0.2 million and $1.9 million, respectively. These gains were partially offset by realized losses over the same periods of $0.3 million and $0.8 million, respectively, on the hedge associated with this agreement.

Reorganization and transaction costs

Reorganization costs for the three and twelve months ended December 31, 2021 was $1.9 and $3.5 million respectively, compared to $1.9 million and $3.2 million in the same period in 2020 (adjusted twelve months ended December 31, 2021 was $2.4 million respectively). Reorganization costs in 2021 relate primarily to severances paid and accrued related to the Company's leadership reorganization announced in the first and fourth quarters. Transaction costs for the three and twelve months ended December 31, 2021 were $0.6 and $2.1 million respectively, as compared to nil in the comparable periods in 2020 (adjusted twelve months ended December 31, 2021 was $1.8 million respectively). Transaction costs relate primarily to professional fees associated with the Company's debenture process in the second quarter of 2021 and legal and special committee fees related to the ongoing strategic review process as well as fees related to the rights offering launched in December 2021.

Amortization and Depreciation and Finance Costs

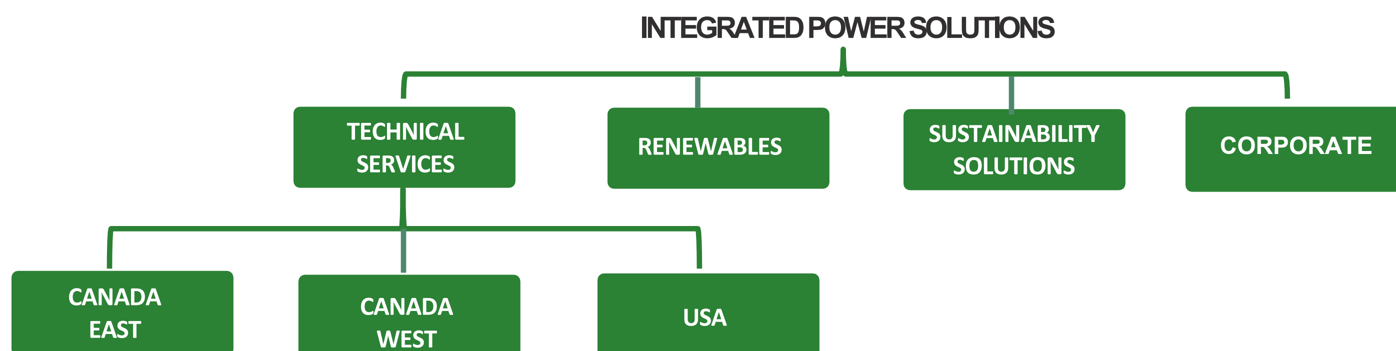
Amortization and depreciation, included in cost of goods sold and SG&A expenses, for the three months and twelve months ended December 31, 2021 was $5.1 million and $19.6 million respectively, compared with $5.2 million and $20.3 million over the same period in 2020.

Finance costs for the three months and twelve months ended December 31, 2021 were $2.2 million and $7.1 million respectively, as compared to $1.8 million and $6.8 million during the same period of 2020. The change in the period as compared to the same period in 2020 was due to a decline in the mark-to-market loss on an interest rate swap. This is discussed further in the "Risk Management" section of this report. The offsetting increase is related to an increase in our debt facilities through 2021 which resulted in an increase in interest expense in the third and fourth quarters.

BUSINESS SEGMENTS

RESULTS OF OPERATIONS – By Reportable Business Segment

The Company has structured its reportable business segments as detailed below. Management believes that this segmentation 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.



Technical Services Segment

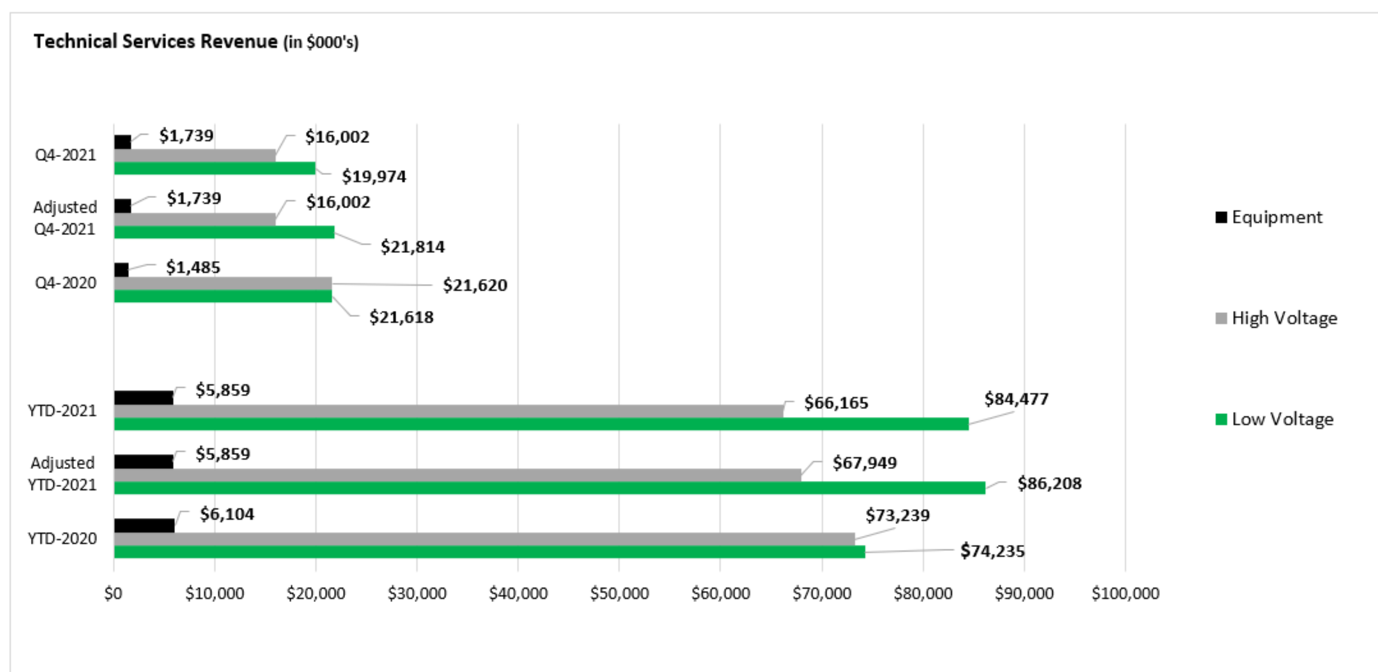
The Technical Services segment is segregated by region, Canada East, Canada West, and USA, and includes all low-voltage services (New Electric brand, Orbis, and 3-Phase), high-voltage services (Spark Power High Voltage) and all new and used equipment sales and service (Lizco brand).

The financial results for the Technical Services segment for the three and twelve months ended December 31, 2021 and 2020 were as follows:

(in $000's)	Three months ended December 31			Twelve months ended December 31		
	2021	2020	Change	2021	2020	Change
Revenue	$ 37,715	$ 44,722	$ (7,007)	$ 156,501	$ 153,579	$ 2,922
Cost of sales	33,147	33,567	(420)	129,365	112,564	16,801
Gross profit	4,568	11,155	(6,587)	27,136	41,015	(13,879)
Gross profit margin	12.1%	24.9%	(12.8%)	17.3%	26.7%	(9.4%)
Selling, general and administration	6,527	6,673	(146)	25,271	24,711	560
Provision for expected credit loss	501	1,290	(789)	580	1,290	(710)
Reorganization costs	98	227	(129)	569	1,016	(447)
Foreign exchange (gain) loss	7	(141)	148	239	14	225
Segment EBITDA	1,413	6,928	(5,515)	15,738	29,320	(13,582)
Segment EBITDA %	3.7%	15.5%	(11.7%)	10.1%	19.1%	(9.0%)
Segment profit	$ (2,565)	$ 3,106	$ (5,670)	$ 477	$ 13,984	(13,507)

(in $000's)	Three months ended December 31			Twelve months ended December 31		
	2021	2020	Change	2021	2020	Change
Adjusted revenue	$ 39,555	$ 44,722	$ (5,168)	$ 160,016	$ 153,579	$ 6,437
Adjusted gross profit	7,108	11,155	(4,047)	33,116	41,015	(7,899)
Adjusted gross margin	18.0%	24.9%	(7.0%)	20.7%	26.7%	(6.0%)
Adjusted EBITDA	3,953	6,928	(2,975)	21,750	29,320	(7,570)
Adjusted EBITDA %	10.0%	15.5%	(5.5%)	13.6%	19.1%	(5.5%)

Results for the three and twelve months ended December 31, 2021



Revenue during the three and twelve months ended December 31, 2021, decreased and increased by 15.7% and 1.9%, respectively, over the same period in 2020 (adjusted three and twelve months ended December 31, 2021 decreased and increased by 11.6% and 4.2%, respectively, excluding the impact on Revenue of the change in estimate). The decrease in the three months ended December 31, 2021 was in part due to a change in estimate related to a large account. The primary reason for the increase during the twelve months of 2021 was the impact that COVID-19 had on the Technical Services Group in the second quarter of 2020, somewhat offset by the change in estimate recorded in the third quarter.

Gross profit during the three and twelve months ended December 31, 2021, decreased by 59.0% and 33.8% as compared to the same period in 2020 (adjusted three and twelve months ended December 31, 2021 decreased by 36.3% and 19.3%, respectively, excluding the impact on Gross Profit of the change in estimate). The change during the three months ended December 31, 2021 was in part due to the change in estimate to Revenue. The change during the twelve months of 2021 was primarily due to the cost of sales being offset by an incremental $7.3 million in funding received from the CEWS program in 2020 versus 2021 and the change in estimate recorded in the third quarter.

SG&A expenses during the three and twelve months ended December 31, 2021, decreased and increased by $0.1 million or 2.2% and $0.6 million or 2.3% over the same period in 2020 (adjusted twelve months ended December 31, 2021 increased by 2.1%, excluding the impact on Gross Profit of the change in estimate). The decrease during the twelve months of 2021 is mainly offset by lower government grant funding from the CEWS and PPP programs in the twelve-month period ended December 31 2021 as compared to 2020, which was offset against related labour costs.

For the three and twelve months ended December 31, 2021, Segment EBITDA as a percentage of revenue decreased by 11.7% and 9.0%, respectively over the same period in 2020 (adjusted three and twelve months ended December 31, 2021 decreased by 5.0% and 5.2%, respectively, excluding the impact on selling, general and administration costs of the change in estimate). The decrease related to the factors mentioned above.

Renewables Segment

The Renewables segment includes all operations and maintenance services under the One Wind and Northwind brands.

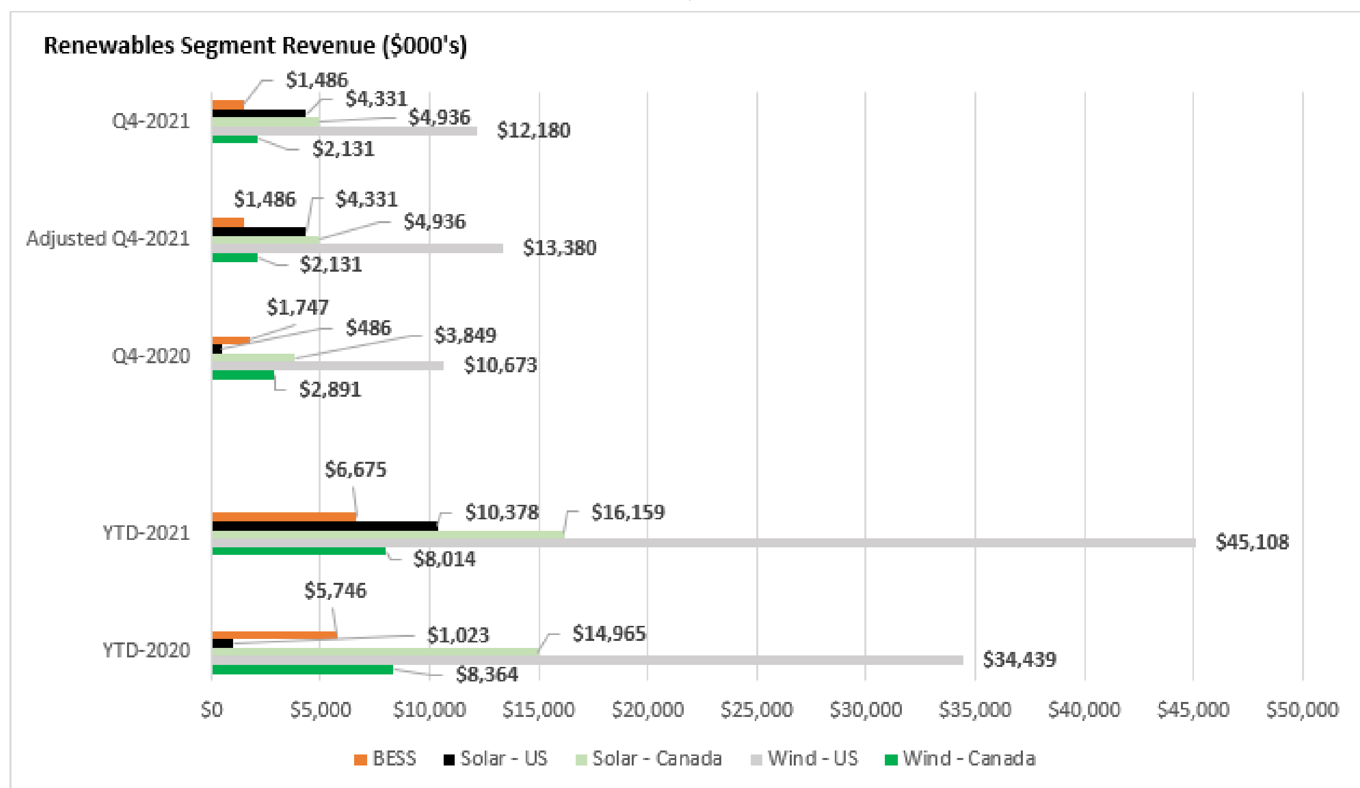
(in $000's)

	Three months ended December 31			Twelve months ended December 31		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Revenue	**$ 25,064**	$ 19,646	$ 5,418	**$ 86,335**	$ 64,538	$ 21,797
Cost of sales	**21,938**	14,305	7,633	**70,081**	47,638	22,443
Gross profit	**3,126**	5,341	(2,215)	**16,254**	16,900	(646)
Gross profit margin	**12.5%**	27.2%	(14.7%)	**18.8%**	26.2%	(7.4%)
Selling, general and administration	**2,163**	3,612	(1,449)	**8,007**	8,392	(385)
Provision for expected credit loss	**-**	-	-	**-**	-	-
Reorganization costs	**-**	66	(66)	**453**	27	426
Foreign exchange (gain) loss	**133**	(142)	275	**519**	(185)	704
Segment EBITDA	**1,238**	2,139	(901)	**8,793**	10,183	(1,389)
Segment EBITDA %	**4.9%**	10.9%	(5.9%)	**10.2%**	15.8%	(5.6%)
Segment profit	**$ 830**	$ 1,805	$ (976)	**$ 7,275**	$ 8,666	(1,391)

(in $000's)

	Three months ended December 31			Twelve months ended December 31		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Adjusted revenue	**$ 26,264**	$ 19,646	$ 6,617	**$ 86,335**	$ 64,538	$ 21,797
Adjusted gross profit	**4,326**	5,341	(1,016)	**16,254**	16,900	(646)
Adjusted gross margin	**16.5%**	27.2%	(10.7%)	**18.8%**	26.2%	(7.4%)
Adjusted EBITDA	**2,438**	2,139	299	**8,910**	10,183	(1,272)
Adjusted EBITDA %	**9.3%**	10.9%	(1.6%)	**10.3%**	15.8%	(5.5%)

Results for the three and twelve months ended December 31, 2021



Revenue during the three and twelve months ended December 31, 2021, increased by 27.6% and 33.8%, respectively, over the same period in 2020 (adjusted three and twelve months ended December 31, 2021 increased by 33.7% and 33.8%, respectively, excluding the impact on Revenue of the change in estimate). The increase is primarily related to significant growth in the renewables industry and the organic growth of our solar business, primarily in the USA somewhat offset by a change in estimate in the fourth quarter related to a large account.

Gross profit during the three and twelve months ended December 31, 2021, decreased by 41.5% and 3.8% as compared to the same period in 2020 (adjusted three and twelve months ended December 31, 2021 decreased 19.0% and 3.8%, respectively, excluding the impact on Revenue of the change in estimate). The decrease for the twelve months ended was primarily due to the cost of sales being offset by an incremental $2.6 million in funding received from the CEWS and PPP programs in 2020 versus 2021 combined with the change in estimate.

SG&A expenses during the three and twelve months ended December 31, 2021, decreased by $1.5 million or 40.1% and $0.4 million or 13.0% over the same period in 2020, including the $0.1 million of SG&A change in estimate recorded in the third quarter. The decrease in the fourth quarter of 2021 is primarily due to the $1.9 million of One Wind Earn Out recorded in the fourth quarter in 2020. Additionally, the receipt of $0.5 million of the government grant funding from the CEWS program in the twelve-month period ended December 31, 2020 was offset against related labour costs. S,G&A as a percentage of revenue was 8.6% and 9.3% in the three and twelve month periods ended December 31, 2021 as compared to 18.4% and 13.0% in 2020, excluding the impact of CEWS, and shows the scalability of S,G&A costs with increases in revenue.

Segment EBITDA for the three and twelve months ended December 31, 2021, decreased by 42.1% and 13.6%, respectively as compared to the same period in 2020 (adjusted three and twelve months ended December 31, 2021 increased and decreased by 14.0% and 12.5%, respectively, excluding the impact on Revenue of the change in estimate). The change is related to the factors mentioned above.

Sustainability Solutions Segment

The Sustainability Solutions segment consists of the operations of Bullfrog Power, a green energy provider, offering a 100% clean, renewable energy choice to Canadians.

(in $000's)

	Three months ended December 31			Twelve months ended December 31		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Revenue	**$ 2,337**	$ 2,059	$ 277	**$ 11,191**	$ 8,418	$ 2,773
Cost of sales	**821**	470	352	**4,118**	2,215	1,902
Gross profit	**1,515**	1,589	(74)	**7,073**	6,203	870
Gross profit margin	**64.8%**	77.2%	(12.5%)	**63.2%**	73.7%	(10.5%)
Selling, general and administration	**907**	998	(91)	**3,401**	3,188	213
Provision for expected credit loss	**15**	110	(95)	**50**	110	(60)
Change in fair value of financial instruments	**157**	-	157	**(2,716)**	-	(2,716)
Change in realized gain on settlement	**65**	-	65	**(1,100)**	-	(1,100)
Reorganization costs	**-**	(12)	12	**101**	(61)	162
Foreign exchange (gain) loss	**4**	4	-	**26**	16	10
Segment EBITDA	**555**	643	(89)	**7,964**	3,594	4,371
Segment EBITDA %	**23.7%**	31.2%	(7.6%)	**71.2%**	42.7%	28.5%
Segment profit	**$ 367**	$ 489	$ (121)	**$ 7,311**	$ 2,950	$ 4,362

Results for the three and twelve months ended December 31, 2021

Revenue during the three and twelve months ended December 31, 2021, increased by 13.5% and 32.9%, respectively, over the same period in 2020 related to organic growth over the prior period.

Gross profit for the three and twelve months ended December 31, 2021, decreased and increased by 4.7% and 14.0%, respectively, over the same period in 2020. The increase is due to the ability to obtain environmental attributes at economical prices.

SG&A expenses during the three and twelve months ended December 31, 2021, decreased and increased by $0.1 million or 9.1% and $0.2 million or 6.7% over the same period in 2020. The increase is primarily due to the receipt of $0.3 million of the government grant funding from the CEWS program in the twelve-month period ended December 31, 2020, which was offset against related labour costs.

Change in fair value of financial instruments for the three and twelve months ended December 31, 2021 is related to the power purchase arrangement offset by the change in a related hedge. There was no such contract during the same period in 2020.

Change in realized gain on settlement is related to settlement of energy contracts and hedge contracts under the terms of the PPA.

For the three and twelve months ended December 31, 2021, Segment EBITDA decreased and increased 13.7% and 121.6%, respectively over the same period in 2020 as a result of the factors noted above.

Corporate Segment

(in $000's)

	Three months ended December 31			Twelve months ended December 31		
	2021	2020	Change	2021	2020	Change
Revenue	$ 309	$ 437	$ (128)	$ 1,788	$ 1,618	$ 170
Gross profit	309	$ 437	(128)	1,788	$ 1,618	$ 170
Gross profit margin	100.0%	100.0%	-	100.0%	100.0%	-
Selling, general and administration	7,608	5,481	2,127	22,658	19,578	3,079
Provision for expected credit loss	-	5	(5)	-	58	(58)
Reorganization costs	1,764	1,666	98	2,369	2,196	173
Foreign exchange (gain) loss	359	249	110	197	(150)	347
Segment EBITDA	(8,877)	(6,089)	(2,788)	(21,283)	(17,231)	(4,052)
Segment loss	$ (9,422)	$ (6,964)	$ (2,458)	$ (23,436)	$ (20,064)	$ (3,372)

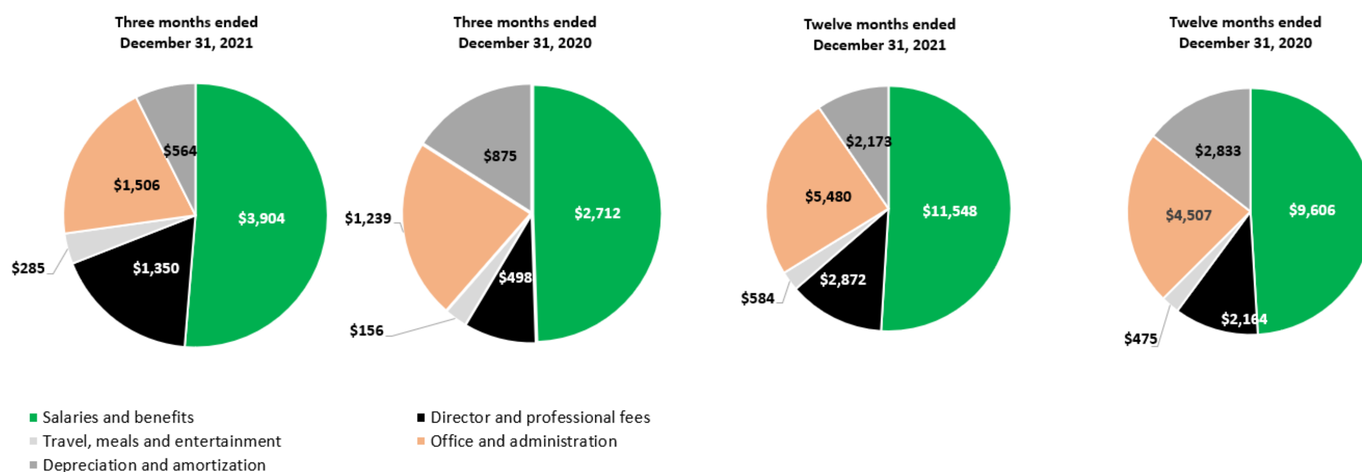
Results for the three and twelve months ended December 31, 2021

The corporate segment incurs no costs related to revenues resulting in a gross profit that is equal to its revenue. The revenue relates to billings for management fees charged to the solar co-operatives managed by the Company. For the three and twelve months ended December 31, 2021, both revenue and gross profit decreased and increased by 29.5% and 10.5%, respectively over the same period in 2020.

SG&A expenses in three and twelve months ended December 31, 2021 increased by $2.1 million or 38.8% and $3.1 million or 15.7%, respectively over the same period in 2020, including the $0.3 million of SG&A change in estimate recorded in the third quarter of 2021. The increase for the three months ended December 31, 2021 is primarily due to changes in estimates in the fourth quarter to YTD provisions. The increase for the twelve months of 2021 is primarily due to the receipt of $1.1 million of the government grant funding from the CEWS and PPP programs in the twelve-month period ended December 31, 2020, which was offset against related labour costs and an increase in Office and Administration costs related to a reclassification of certain costs from the operating segments to corporate in 2021.

Corporate expenses are comprised of the following:

(in $000's)



FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and Borrowing Capacity

Bank indebtedness was $28.1 million at December 31, 2021 and was comprised of $29.3 million on the operating line and cash on hand of $1.2 million. This compares to bank indebtedness of $25.4 million net of cash on hand of $0.2 million at December 31, 2020. At December 31, 2021 the Company had additional borrowing capacity under the revolving line of credit of $5.0 million.

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.

Debt and Capital Structure

The Company's lending facility is comprised of two main components with details and terms as follows:

(in $000's)

	Operating Line	Term Loan	Total
Amount	$35,000	$62,459	$97,459
Term	Committed	Committed	
Interest rate (i)	Prime + 2.00% - 3.00%	Prime + 2.00% - 3.00%	
Maturity date	September 30, 2023	September 30, 2023	
Repayment terms	Revolving	8 year amortization thereafter	
Amount Drawn at December 31, 2021	**$29,344**	**$62,459**	**$91,803**
Letter of Credit	**608**	**-**	**608**
Amount Available to be Drawn (ii)	**$5,048**	**$ -**	**$5,048**

(i) - based on Debt:EBITDA ranges

(ii) - assumes maximum borrowing base available

During the second quarter the Company entered into a new Amended and Restated Credit Agreement dated June 17, 2021 and a subsequent Amendment Agreement dated June 25, 2021 with its Lender. Key terms of these Agreements are as follows:

f. A consolidation of the non-revolving term loan, revolving acquisition line, COVID loan and demand revolving facility to finance growth capital expenditures into a new committed non-revolving term loan totaling $66,600;

g. The maturity date of this new facility was extended to September 30, 2023 and will be amortized over an 8-year period with quarterly repayments of $2,082;

h. The $30,000 demand revolving credit facility was replaced by a $35,000 committed margined revolving credit facility, subject to borrowing base limits;

i. An increase in interest rates, based on applicable margins;

j. An adjustment to covenants, as noted below.

The Company is also required to comply with certain covenants, terms and conditions under the credit facilities. These covenants include a fixed charge coverage ratio, a total debt to EBITDA and a total senior debt to defined EBITDA covenant calculated on a 12-month rolling quarterly basis. The requirements related to the covenants were revised in December 2021 to extend the current targets. Requirement under these covenants are as follows:

- Minimum fixed charge covenant ratio of 1.10 for the quarters ended December 31, 2021 and March 31, 2022, increasing to 1.25 for each quarter ended thereafter;
- Maximum total senior debt to EBITDA ratio based on the most recently completed four fiscal quarters of 3.25:1.00;
- Maximum total debt to EBITDA ratio based on the most recently completed four fiscal quarters of 4.00:1.00 for the quarters ended December 31, 2021 and March 31, 2022, decreasing to 3.75:1.00 for each fiscal quarter thereafter.

As at December 31, 2021, the Company was not in compliance with the financial covenants in its credit facility. As a result the Company's non-revolving term loan has been classified as current debt at December 31, 2021. **The Company is actively working with its lender to amend the current credit facility, including a waiver of this covenant violation.**

Subsequent to year end, on January 31, 2022, the Company completed a rights offering and private placement raising $39.6M in new capital.

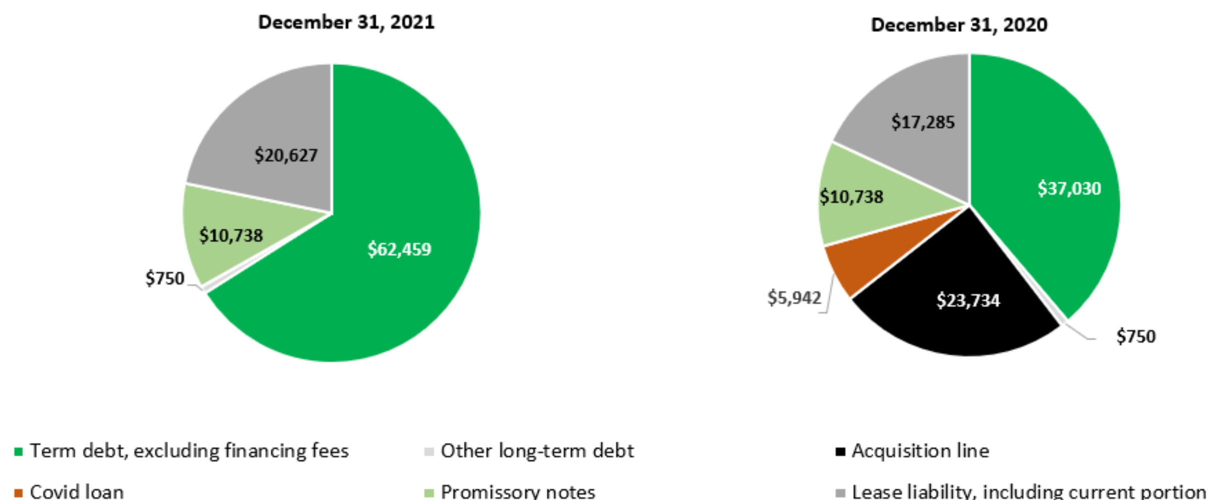
Upon closing of the Rights Offering, the Company issued approximately 24.7 million common shares of the Company ("Common Shares") at a price of $1.20 per Common Share for aggregate gross proceeds of approximately $29.6 million. Pursuant to the terms of the Rights Offering, each eligible shareholder was entitled to subscribe for 0.4393346119 of a Common Share for every right held by such shareholder.

For the private placement, the Company issued approximately 8,333,333 Common Shares at a price of $1.20 per Common Share for aggregate gross proceeds of approximately $10 million. The entire Private Placement was subscribed for by funds managed by Stornoway Portfolio Management Inc. ("Stornoway").

The Company used a portion of the net proceeds to (i) repay certain indebtedness under the various promissory notes held by the First Standby Guarantors in connection with past acquisitions and (ii) to satisfy an earn-out payment that is owing by the Company. The balance of the proceeds were used to reduce its line of credit to support working capital purposes.

Debt, including long-term debt, lease liabilities and promissory notes, decreased to $94.6 million at December 31, 2021, from $95.5 million at December 31, 2020. Long-term debt is comprised of the following components:

(in $000's)



The decrease in long-term debt for the period ended December 31, 2021 was attributable primarily to principal repayments on the term loan, acquisition line and Covid loan partially offset by an increase in lease liabilities.

We monitor our capital structure in accordance with the covenants required under our credit facility and the availability of long-term capital to support growth opportunities.

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.

A condition to the original Credit 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 1.00% - 3.00%, for an aggregate fixed interest rate of 4.97%. During the twelve months ended December 31, 2021, the Company recorded a mark-to-market gain of $0.3 million related to this swap arrangement. The notional amount currently outstanding is $nil. Further discussion on this can be found in the "Risk Management" section of this report. The interest rate swap arrangement ended on September 30, 2021 and was not renewed.

Summary of Cash Flows

The following table summarizes Spark Power's cash flows for the three and twelve months ended December 31, 2021 and 2020:

(in $000's)

	Three months ended December 31		Twelve months ended December 31	
	2021	**2020**	**2021**	**2020**
Operating activities	**$ 3,254**	$ 3,481	**$ 9,074**	$ 7,945
Investing activities	**(691)**	(1,183)	**(5,599)**	(3,709)
Financing activities	**(4,182)**	(7,348)	**(6,173)**	(8,083)
Increase in bank indebtedness	**(1,619)**	(5,050)	**(2,698)**	(3,847)
Bank indebtedness, beginning of period	**(26,523)**	(20,394)	**(25,444)**	(21,597)
Bank indebtedness, end of period	**$ (28,142)**	$ (25,444)	**$ (28,142)**	$ (25,444)

Cash flows from operating activities

For the three and twelve months ended December 31, 2021, cash generated in operating activities decreased and increased by $0.2 million to $3.3 million and by $1.2 million to $9.1 million, respectively as compared to cash generated of $3.5 million and of $7.9 million in the same period in 2020. The main driver in the increase to cash flow from operations was attributable to an increase in non-cash working capital, excluding the impact of the change in estimate for the twelve-month ended December 31, 2021.

Cash flows from investing activities

For the three and twelve months ended December 31, 2021, cash used in investing activities was $0.7 million and $5.6 million, respectively as compared to $1.2 million and $3.7 million in the same period in 2020. The purchase of property, plant and equipment decreased and increased by $0.5 million and $1.1 million for the three and twelve months as compared the same period in 2020, partially offset in the twelve month period by the impact of the $0.2 million sale of short-term investments in the first quarter of 2020, where there were no such sales in the current year.

Cash flows used for financing activities

For the three and twelve months ended December 31, 2021, cash invested in financing activities decreased to $4.2 million and $6.2 million, respectively as compared to $7.3 million and $8.1 million in the same period in 2020 due to increases in principal payments on term debt and lease liability. During the second quarter the Company raised $5.6 million from a private placement of equity which was applied to the operating facility. In addition, in conjunction with the Amended Credit Facility implemented in the second quarter, the company received proceeds from long-term debt that were utilized to satisfy the capital expenditure debt that was previously included in bank indebtedness.

External Factors Impacting Liquidity

Please refer to the "Risks" section contained in the Spark Power Group Inc. Annual Information Form 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 accounts receivable, HST receivable, government grant receivable, current portion of lease receivable, contract assets, inventory, current portion of derivative assets, and prepaid expenses and deposits, bank indebtedness, accounts payable and accrued liabilities, other derivative liability, income taxes payable, contract liability, and the current portion of long-term debt, promissory notes and lease liability. Adjusted Working Capital excludes the current portion of long-term debt, promissory notes and lease liability, 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 generated from operating activities and borrowings under its credit facilities. At December 31, 2021 Working Capital (deficiency) and Adjusted Working Capital were ($63.9) million and $15.5 million, respectively, compared with ($49.9) million and $26.2 million, respectively at December 31, 2020. The change in adjusted working capital of $10.7 million was due to an increase in accounts receivable of $12.1 million and principal repayments on long-term debt in the period, offset by a $7.0 million increase in the current portion of promissory notes as the maturity dates of three of the long-term notes comes due within the next year.

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

(in $000's)

	December 31 2021	December 31 2020
Working capital (deficiency)	**$ (63,872)**	**$ (49,937)**
Current portion of long-term debt	**61,962**	**66,572**
Current portion of promissory notes	**10,738**	**3,750**
Current portion of lease liability	**6,643**	**5,800**
Adjusted working capital	**$ 15,471**	**$ 26,185**

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.

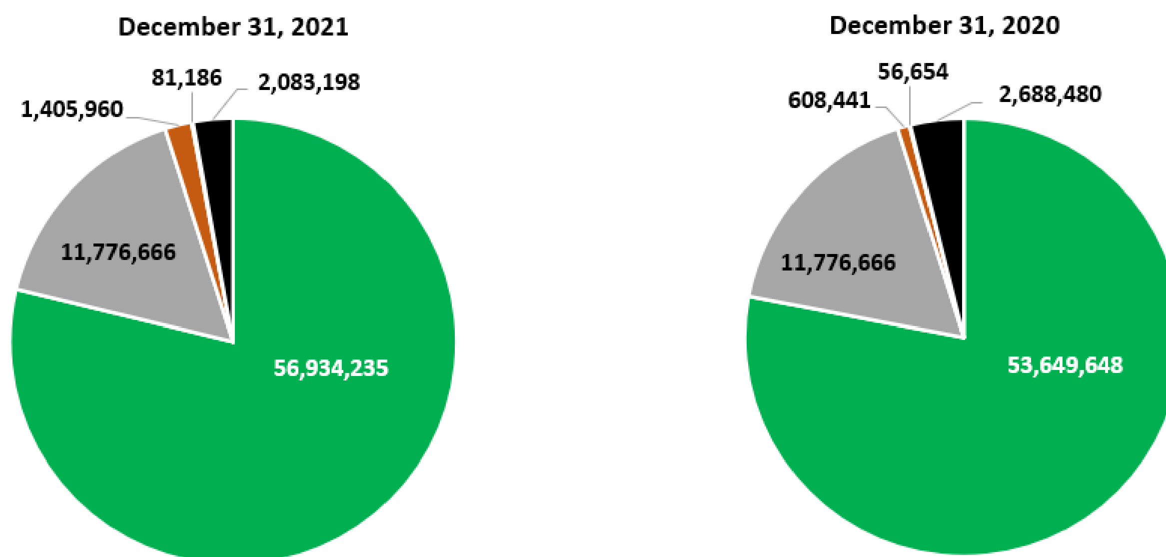
Adjusted working capital consists of the following:

(in $000's)

		December 31 2021		December 31 2020
Non-cash working capital balances	$	44,815	$	51,862
Operating line		(29,344)		(25,677)
Adjusted working capital	$	15,471	$	26,185

Outstanding Share Data

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



Warrants

At December 31, 2021, the Company had 11,776,666 warrants outstanding. Each whole warrant gives the right to purchase 1.028 Common shares at an exercise price of $3.45 per Common share over the term. These warrants have been measured using the Black-Scholes method.

Stock options, Restricted share units, and Deferred share units

The Company has an Option Plan adopted and effective as of August 31, 2018. Under the terms of the Option Plan, directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. Options are priced in accordance with regulatory requirements and the plan generally expires after ten years, with vesting provisions stated in the plan. With the adoption of the Omnibus Equity Incentive Plan, at the annual and special meeting of shareholders on May 15, 2019, the Company has not issued any further options under the Option Plan and does not intend to do so.

The Company has an Omnibus Equity Incentive Plan ("the Plan"). Under the terms of the plan, directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares, Restricted Share Units ("RSU"), and Performance Share Units of the Company. In addition, directors may be granted Deferred Share Units ("DSU") of the Company. All equity compensation awards are priced in accordance with regulatory requirements and the term of the plan. Options generally expire after ten years, with vesting provisions stated in the plan. RSU's generally vest over 3 years or cliff vest after 3 years and are granted in accordance with the plan and DSU's vest immediately.

The Plan provides for equity compensation awards to be issued to directors, officers, employees and consultants of the Company so that they may participate in its growth and development. Subject to the specific provisions of the Plans, eligibility, vesting period, terms of the options, RSU's, PSU's and DSU's and the number of equity awards granted are to be determined by the Board of

Directors at the time of the grant. The Plan allows the Board of Directors to issue equity settled RSU's, provided that, when combined, the maximum number of common shares reserved for issuance under all stock-based compensation arrangements of the Company does not exceed amounts available for issuance under regulatory guidelines.

OUTLOOK

Business & Operations Outlook

Through 2021 Spark Power continued to execute on its current growth strategy while at the same time navigating through the impacts of the global pandemic. As a result, the company experienced another year of organic revenue growth while at the same time seeing gross margin ratios in the business underperform to the expected levels. Although there were intentional mix changes in the business that impacted gross margins, in 2022 management is repositioning the focus of the organization towards long-term, sustainable growth in markets the company has expanded into with a focus on gross margin enhancement. This includes the U.S. and Western Canadian market expansions in the Technical Services segment in addition to the ongoing and accelerated growth in the Renewables segment, specifically in the U.S.

In addition to transitioning the business strategy towards its next cycle of maturity, in 2021 Spark Power has continued the integration of its acquired businesses as set out in late 2020. With the brand, management and organizational integration in place, Spark has continued to focus the organization on business process and systems reengineering through 2021 and will go live with its integrated business systems and processes platform throughout 2022 with the expectation the business is fully integrated by the end of the year, cap stoning the entire integration process and settling the business with the integrated platform for scale.

To support the continued maturing of Spark, ongoing enhancements to the depth and experience of the management team have been made in key operational and functional areas in late 2021 and early 2022. This includes new leadership appointments for the Canadian Technical Services operations, sales and marketing, and finance. The enhanced leadership team will work closely on driving the delivery of integrated key business processes and the system implementation (internally called Project Darwin) in 2022 while at the same time crafting the strategic plan for 2023 and beyond as Spark enters into the final period of its strategic transition from founder to mature phase.

Financial Outlook

With the growth in our business over the past few years, the diversification of our business, both on a geographic and industry basis, and the stabilization of Covid-19 related effects on the business, management has determined that it is now appropriate, and on a reasonable basis, to provide comments on certain key items that are expected to influence our business results through 2022.

Management advises the reader that the following comments represent forward-looking information and are qualified by our forward-looking statement disclaimer set out in this management discussion and analysis. The following comments are also based on underlying assumptions on which management has relied, which in the view of management are reasonable in the circumstances:

- the continued impact of COVID-19 protocols on demand and labor and equipment utilization will impact margin realizations on a basis consistent with operating levels prior to COVID-19 impacting operations in April 2020;
- pricing trends in key commodities such as copper, steel, aluminum and plastics that have seen significant price increases over the past several quarters due to supply constraints and increasing price inflation;
- demand for our services is expected to be reasonably strong barring any COVID-19 related mandates that would impact any of our businesses providing non-essential services.

Based on the foregoing, management currently expects the following range of performance targets for the Company in fiscal 2022:

- Revenues to return to pre-COVID-19 pandemic levels with early indications of momentum building towards our historical growth levels;
- continued growth in our Renewables segment through 2022 is expected given expanding market demands in the renewable energy sector;
- operational gross margin realizations to improve across most segments, notwithstanding the effects of prior year government grants under the CEWS program and the change in estimate recorded in the third and fourth quarters;
- selling, general and administration costs are expected to be in the range of $50.0 million to $52.0 million; and
- liquidity is expected to improve based on the rights offering in early 2022

Other financial metrics the Company also expects include:

- capital expenditures, excluding lease additions, between $8.0 and $10.0 million;

- lease payments in the range of $6.5 and $7.5 million; and
- interest expense (excluding the impact of IFRS 16 – leases) in the range of $5.5 to $6.0 million.

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 resource.

SUMMARY QUARTERLY FINANCIAL INFORMATION

(in $000's)

	For the three months ended									
	Adjusted Q4 2021	Q4 2021	Adjusted Q3 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenue	$ 68,464	$ 65,424	$ 72,497	$ 68,982	$ 65,372	$ 56,037	$ 66,865	$ 61,436	$ 46,340	$ 53,512
Gross Profit	13,257	9,517	18,690	12,710	15,851	14,173	18,523	17,909	15,981	13,323
	19.4%	*14.5%*	*25.8%*	*18.4%*	*24.2%*	*25.3%*	*27.7%*	*29.2%*	*34.5%*	*24.9%*
Income (Loss) from Operations	(7,057)	(10,797)	5,012	(1,479)	2,764	1,138	306	3,742	4,366	(52)
Net income (loss)	(14,136)	(17,876)	3,985	(2,862)	156	(712)	(3,306)	2,070	1,232	(1,675)
Adjusted Net Income (Loss)	(14,136)	(17,876)	3,985	(2,862)	156	(712)	(3,306)	2,070	1,232	(1,675)
Adjusted EBITDA	2,516	2,516	10,264	10,264	7,350	7,295	8,873	8,984	9,112	5,380
Adjusted EBITDA Margin	3.7%	3.8%	14.2%	14.9%	11.2%	13.0%	13.3%	14.6%	19.7%	10.1%
Pro-forma Revenue	68,464	65,424	72,497	68,982	65,372	56,037	66,865	61,436	46,340	53,512
Pro-forma Adjusted EBITDA	2,516	2,516	10,264	10,264	7,350	7,295	8,873	8,984	9,112	5,380
Pro-forma Adjusted EBITDA Margin	3.7%	3.8%	14.2%	14.9%	11.2%	13.0%	13.3%	14.6%	19.7%	10.1%
Pro-forma Adjusted LTM EBITDA	27,425	27,425	33,782	33,782	32,502	34,264	32,349	32,409	33,196	32,118
Pro-forma Adjusted LTM EBITDA Margin	10.6%	10.7%	13.0%	13.1%	13.0%	14.9%	14.2%	14.5%	14.8%	13.8%
Pro-forma LTM Revenue	259,330	255,816	260,772	257,257	249,711	230,678	228,153	222,846	223,663	232,534

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 and estimates in recognizing revenue, determination of appropriate provisions, useful lives of assets, valuation of equity transactions, valuation of business combinations, discount rate of lease liabilities, valuation of derivative financial instruments, impairment of property and equipment and intangible assets, and impairment of goodwill. By their nature, these judgments and 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 long-term construction contracts, as they are long-term in nature and contain consideration that is variable based on a number of uncertain factors, such as change orders, reserves set up for additional costs/overruns, etc. Also, the Company estimates progress towards completion and gross margins to be earned at the end of these construction contracts, where a change in these estimates may have a material impact on the overall revenue recognized for the period.

Construction contracts – The Company determines the extent to which the estimate of variable consideration is constrained (and therefore excluded from the measurement of revenue) by considering historical trends and the lowest levels of annual incentive fees earned in the past.

Management contracts – 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.

Expected credit losses – Expected credit losses associated with accounts receivable and contract assets 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 period-end.

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.

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 and amortization rates.

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

Lease liability – The lease liabilities associated with all property, equipment 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 estimates 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. Additionally, management makes certain assumptions regarding the extension and termination options available within its lease arrangements to determine the overall lease term. This requires significant estimates and assumptions from management that may have an impact on the Financial Statements.

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, including power purchase arrangements, 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.

Impairment of property and equipment and intangible assets – At the end of each reporting period, the Company reviews the carrying amounts of property and equipment to determine whether there is any indication of impairment. If any such indication exists, the Company estimates the recoverable amount of the asset in order to determine the extent of the impairment loss, if any. The Company generally assesses impairment at the level of cash-generating units ("CGU"), which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of cash inflows from other assets. Impairment is assessed by comparing the CGU's carrying value with its net recoverable amount. The preparation of future cash flows requires management to make estimates and assumptions with respect to expected revenues and expenses, which are subject to change.

Impairment of goodwill – The annual test of impairment of goodwill is completed based on management's estimates of future performance of the related CGU based on past history and economic trends, plus estimates of the weighted average cost of capital. When circumstances warrant, impairment testing will be completed on a quarterly basis.

For the purpose of impairment testing, goodwill that is allocated to CGUs is compared to the net recoverable value of the CGU. The recoverable amount of each CGU was determined based on value-in-use calculations calculated using a discounted cash flow model based on a reasonable forecast of operations for each CGU.

Various assumptions are used in forecasting the business the most significant of which include:

- **Discount rates** – The discount rates reflect appropriate adjustments relating to market risk and risk factors specific to the business in general.
- **Revenue growth rates** – Revenue growth rates assumed consider historical trends in the business unit, the general economic environment and managements views on business risks and opportunities that may exist that will impact the relevant CGUs.
- **Gross margin realizations** – Gross margin realizations assumed for each CGUs consider historical trends, recent trends impacted by current economic environment and business mix within the CGUs. Outside factors considered include the state of the general economy in the region and its impact of competitive forces on pricing and levels of investment in our customers' businesses.

The estimate of the recoverable amount for the CGUs is most sensitive to the assumptions noted above. Changes in any of these key inputs/assumptions could result in a significant change to the determination of goodwill impairment.

Liquidity Risk – The Company makes estimates and assumptions concerning the future, including its projected compliance with debt

covenants and potential for the disclosure of going concern indicators. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations on future events that are believed to be reasonable under the circumstances. Significant judgements and estimates surrounding future revenue growth rate assumptions and EBITDA realizations for each of its business units have the greatest impact on the potential for introducing additional liquidity risk as a result of debt covenant compliance requirements. The resulting accounting estimates and judgements may vary from actual results and could result in a risk of causing a change in presentation and/or disclosure in the future.

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 than quoted prices 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 not based on observable market data. There were no financial instruments carried at fair value categorized in Level 3 as at December 31, 2021.

There were no transfers between levels during the period.

The financial instruments recorded at fair value are the Interest Rate Swap arrangement, derivative financial instruments such as PPA agreement and Hedge agreements are categorized as Level 2.

The fair value of the Interest Rate Swap arrangement in the amount was nil at December 31, 2021 (December 31, 2020 – ($0.4) million) has been recorded to finance expense using Mark-to-Market ("MtM") information as at December 31, 2021 from a third party. The fair value of the PPA in the amount of $3.9 million (2020 - $nil) has been recorded to Change in fair value of derivatives. The fair value of the Hedge arrangement liability in the amount of ($1.2) million (2020 - $nil) has been recorded to Change in fair value of derivatives. All are categorized as Level 2.

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

The fair values of the borrowings approximate their carrying values as they 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.

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.

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 CEO and CFO evaluate quarterly the DC&P and ICFR. As of December 31, 2021, the Company's CEO and CFO concluded that the Company's DC&P and ICFR were properly designed and were operating effectively other than as detailed below in the section "Material weakness".

Our internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has identified the material weakness outlined below:

Material weakness

The material weakness identified in our internal controls over financial reporting at December 31, 2021 is that we did not sufficiently design internal controls to provide the appropriate level of oversight regarding the review of the Company's financial reporting.

Consistent with our stage of development, we continue to rely on risk-mitigating procedures during our financial closing process in order to provide comfort that the financial statements are presented fairly in accordance with IFRS.

Changes in internal controls over financial reporting

Management has evaluated whether there were changes to our internal controls over financial reporting during the period ended December 31, 2021 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting. During the first quarter of 2021, the Company implemented various procedures on internal controls related to financial reporting including the implementation of segregation of duty guidelines for senior finance staff in financial statement preparation and presentation. Management has identified actions that have been implemented in the yearand will continue to be improved upon to further refine and enhance the estimates surrounding revenue recognition and provisions. Actions include optimization of system generated activities and reporting and a more comprehensive monthly review process of estimations used in calculating the value of contract assets.

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, risk from infectious diseases, credit risk, interest rate risk and liquidity risk. Except for the risks highlighted by the current pandemic, 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.

Infectious Diseases

Outbreaks or the threat of outbreaks of viruses or other infectious diseases or similar health threats, including novel coronavirus (COVID-19) and its continuing effect, could have a material adverse effect on the Corporation by causing operational and supply chain delays and disruptions (including as a result of government regulation and prevention actions), adverse effects on operational efficiency, including due to quarantine, testing and monitoring obligations, labour shortages and shutdowns, decreased demand, increased unrecoverable costs, declines in gross margin realizations, capital markets volatility, or other unknown but potentially significant impacts. In 2021, the continuing international response to the spread of COVID-19 and its variants continued to have significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in business activity. Notwithstanding the phased reduction in restrictions in some jurisdiction following the peak of the Omicron COVID-19 variant, unexpected developments in financial markets, regulatory environments, supply chains, or supplier, employee, or customer behaviour and confidence may continue to have adverse impacts on our financial results and condition, and business operations and reputation, for a substantial period of time. The Corporation cannot accurately predict what future effects such conditions may have on its operations or financial results. In addition, a significant outbreak of non-COVID-19 contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in economic downturn that could result in a material adverse effect on the demand for the Corporation's services, investor confidence, and general financial market liquidity, all of which may adversely affect the Corporation's business and the market price of the Common Shares. Accordingly, any outbreak or threat of an outbreak of an epidemic disease or similar public health emergency could have a material adverse effect on the Corporation's business, financial condition and results of operations.

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 determines there to be a significant increase in credit risk when balances are outstanding for more than 60 days past the customers' contractual payment terms.

The Company considers a receivable to be in default when contractual payments are 120 days past due, except when they are within terms. 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 a change in credit quality or industry factors 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. A 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 3 of the financial statements.

The Company's balances of bank indebtedness and short-term investments also subject the Company to credit risk. Bank indebtedness is held with a major Canadian bank which the Company believes lessens the degree of credit risk. Contract assets subject the Company to credit risk in the case of non-performance or disputes on performance. Contract assets are reviewed similar to receivables when deemed necessary.

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.

The revolving facilities (Note 10) bear interest at a variable rate; however, the balance of the lines is continually adjusted based on the balance held in the operating accounts, mitigating the Company's interest rate risk. Therefore, the interest rate risk and cash flow exposure are not significant. The long-term debt also bears interest at a variable rate. For the three and six months ended June 30, 2021, if interest rates had been higher by 2% with all other variables held constant, net loss would have been $0.3 and $0.7 million higher, respectively. A decline in interest rates of 0.25% would have decreased the Company's net loss by less than $0.1 million and $0.1 million, respectively.

In November 2018, the Company entered into an Interest Rate Swap to effectively fix the interest rate on $22.0 million of its then $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%), where plus or minus 1% would not have a material impact on the statements. Notional amount of interest rate swaps outstanding at December 31, 2021 was $nil (December 31, 2020 - $19.3 million). 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 three and twelve months ended December 31, 2021, the Company incurred a gain of $0.1 million and $0.2 million that has been included in finance expense (2020 – gain of $0.1 million and loss of $0.3 million) 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 quarterly information regarding cash balances and cash flow projections. The liquidity risk of each subsidiary is managed centrally by the treasury function.

Cost inflation risk

Cost inflation risk arises from rapid increases in key costs inputs due to price inflation in the markets. Given the nature of certain customer contracts and the time required to introduce compensating price increases to our customer base, there may be a period of time where cost increases outpace the realized benefit of price increases.

CORPORATE INFORMATION

SPARK POWER HEAD OFFICE

1315 North Service Road East, Suite 300
Oakville, Ontario L6H 1A7 Canada
1-833-775-7697

LISTING

SPG.TO
SPG.WT

AUDITORS

BDO Canada LLP

TRANSFER AGENT

TSX Trust Company

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Wednesday May 25, 2022 at 1:30pm ET

The meeting will be held virtually. For attendance details, please review the Notice of Annual and Special General Meeting of Shareholders, which is available online through the System for Electronic Document Analysis and Retrieval (SEDAR) at sedar.com.

Additional information about Spark Power has been filed electronically with various securities regulators in Canada through SEDAR and is available online at sedar.com