

**TRUSTED
PARTNER IN POWER™**



2022 ANNUAL REPORT

SPARKPOWER®
GROUP INC



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



TABLE OF CONTENTS

CEO’s Message to Shareholders	4
Chairman’s Message to Shareholders.....	5
Key Figures	6
Management Team and Board of Directors	17
Business Overview	20
Schedule 1 – Financial Statements	22
Management’s Responsibility for Financial Reporting	23
BDO Independent Auditor’s Report	24
Consolidated Statements.....	28
Notes to the Consolidated Financial Statements.....	32
Schedule 2 – Management’s Discussion & Analysis	70
MD&A, Forward-Looking Information, Presentation of Financial Information, Key Performance Indicators	71
Business Overview	73
Summary Financial Information.....	75
EBITDA, Adjusted EBITDA, and Pro-forma EBITDA	76
Results of Operations.....	78
Results of Operations by Reportable Business Segment	84
Financial Condition, Liquidity and Capital Resources	89
Outlook	93
Off Balance-Sheet Arrangements, Commitments and Contingencies ..	94
Summary Quarterly Financial Information	93
Significant Accounting Judgements and Estimates.....	95
Financial Instruments	95
Disclosure Controls and Procedures and Internal Controls Over Financial Reporting	97
Risk Management	98
Corporate Information	100

CEO'S MESSAGE TO SHAREHOLDERS



Dear shareholders,

I am pleased to report that in 2022, Spark Power remained committed to our core values and have achieved significant improvements in our results compared to previous periods. We have taken important steps to position the business to address both current and long-term opportunities associated with electrification, with a focus on maximizing potential shareholder returns.

During the year, we dedicated significant effort towards formulating our new three-year strategy, "Let's Grow Better," aimed at creating sustainable and long-term value for shareholders through a fully integrated platform company targeting the period of 2023 - 2025. With our new vision and mission, we are prepared to unlock the next phase of our maturity, built on a foundation of operational excellence. We also made significant progress

towards achieving our "One Spark" operating model, which brings together our culture, technology platform, business processes, and organization as an integrated platform.

We continued to grow the business by adding new customers, including significant U.S. solar operations and maintenance agreements, large scope technical services work, and expanding our Renewables Operating Centre in Dallas, Texas, which monitors solar and battery storage assets across North America. These accomplishments are a testament to the tireless efforts of our team, and I thank them for their unwavering commitment.

In November, we divested our Bullfrog Power Inc. business unit. This transaction has further streamlined the business, allowing us to focus on our core Technical Services and Renewables Services segments.

I want to take this opportunity to thank our Spark Power employees for their hard work and dedication. Especially given their focus on health and safety and the continued positive trending we experienced in 2022.

To our valued customers and shareholders, thank you for the trust you have placed in us. We will continue to work tirelessly every day to maintain and build upon this trust. As an integrated North American electrical services provider with a strong strategy in place, we are well positioned for the years ahead.

Sincerely,

Richard Jackson
President & CEO



⚡ CHAIRMAN'S MESSAGE TO SHAREHOLDERS



Dear shareholders,

In 2022, Spark Power has once again demonstrated the strength of our business and the talent of our people. Through a year of strategic planning and long-term goal setting, Spark Power has continued to support communities across North America that depend on our services.

We closed the year strong, with a focus on launching the 2025 Let's Grow Better Strategy. Through the establishment of strategic pillars and supporting workstreams, we will further strengthen our ability to serve customers' evolving needs, roll-out our go-to-market plan and focus on US maturity, invest in the growth and learning of our people, and work toward continuous improvement and

operational excellence. While our business is amid a transformation, I have full confidence that we have the proper team in place to accomplish our mission.

As we look forward to another year of progress, the Board of Directors thanks our President and Chief Executive Officer, Richard Jackson, Vice President and Chief Financial Officer, Richard Perri and the entire executive team for their exceptional leadership and support through 2022. We want to recognize the hard work and commitment our Spark Power colleagues demonstrate every day, delivering a range of services rooted in trust, resilience and care.

I want to thank my fellow Board members for contributing their expertise and industry knowledge, and while I have made the decision not to stand for re-election as Chair for personal reasons.

The continued support from our shareholders is greatly appreciated, and we'd like to thank our customers for the opportunity to serve them. We will continue to work each day to maintain your trust as your partner in power.

Sincerely,

Lucio Di Clemente
Chairman of the Board





EVOLVING STRATEGIC IMPERATIVES TO DRIVE STRATEGY

Integration (Operations, Brand, Culture)

2020

- 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

Integration (Operations, Brand, Culture) & Platform

2021

- Predictable operational excellence
- Recapitalization for stability & growth

Platform for Growth

2022

- Predictable operational excellence
- Embed culture
- Acquisition & integration

GROWTH STRATEGY

The Corporation's Executive Team reviews its 3-year Strategic Plan on an annual basis to assure that the business is consistently positioned to properly address both the current and long-term opportunities; maximizing the potential for shareholder returns. In Q4 2022, the Corporation continued the establishment of a sound foundation for long-term success through its launch of the 2025 Let's Grow Better Strategy. The focus of the new strategy is profitable growth, positive free cash flow generation, and implementation of the 'Spark Way', resulting in value creation for all stakeholders. The Strategic Plan is rooted in three key pillars—customer, people and operational excellence; supported by a clear brand position, and an annual statement of strategic priorities.



Our Vision: Shaping the future of electrification in our communities.



Our Mission: As the **Trusted Partner in Power™** in North America, we deliver the highest quality standards in service, reliability and safety.



Our Strength: Our highly skilled and dedicated people, our knowledge of the power industry, our distributed branch model, and our commitment to safety ensures we deliver the right solutions for our customers.

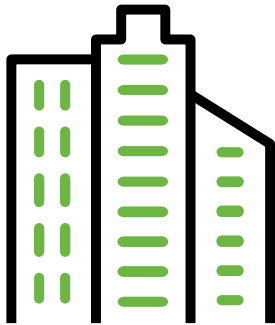


Brand Position & Promise -
Trusted Partner in Power™ The Corporation's brand position is to be our customers' Trusted Partner in Power. This brand underpins the Corporation's go-to-market strategies, including but not limited to marketing, business development, offerings development, organization and customer promise. The Corporation lives this brand overtly through its messaging (internal and external) and through the delivery on this promise to our customers.

With the newly formed 2025 Let's Grow Better Strategy, the Corporation is set to transition from a 'One Spark' operating model, focused on the final phase of integration of all the acquired subsidiaries, to establishing 'The Spark Way'. Over the course of this strategic cycle, the organization will transform to the 'Spark Way' which is described as a set of common goals, practices, and purpose to achieve the newly formed vision and mission as Spark Power prepares to unlock the next phase in its maturity supported by a foundation of operational excellence.

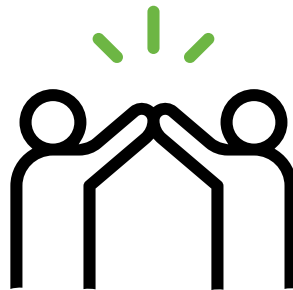
GROWTH STRATEGY (continued)

The Corporation has established the following strategic pillars and supporting workstreams as part of its 2025 Let's Grow Better Strategy:



1. Customer

- Targeted Go-to-Market
- Customer Experience
- US Market Maturity



2. People

- Learning & Growth
- Talent Management
- Leadership & Business Acumen



3. Operational Excellence

- Workforce Planning
- Enterprise Governance
- Continuous Improvement
- Quality Management



GROWTH STRATEGY

(continued)

The Corporation has established the following Guiding Principles that help clarify the organization's purpose and establishes a framework for identifying and pursuing strategic opportunities.

-
- **One Spark**
Leveraging our fully integrated lines of business, centralized corporate services and systems to deliver a customer-centric, pole-to-product service experience for our customers.
 - **Mission First**
Serving the need of our customers, employees, and our communities by applying the highest standards of excellence to our everyday work.
 - **Profitable Growth**
Institutionalizing a narrow and deep strategy focused on margin expansion and targeting industry leading gross margins in our business through the ongoing pursuit of continuous improvement opportunities. Our goal is to advance the profitable growth mindset from being EBITDA-focused to a free cash flow focused organization.
 - **North American Brand**
Become a North American Brand through the transformation of our brand position and promise as the Trusted Partner in Power with strategic customers to expand our current footprint.
 - **Predictable Business**
Strengthening rigour and discipline using governance and common processes to evolve predictability in our Business.

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



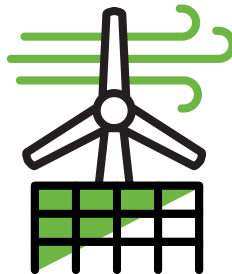
~1,200
EMPLOYEES



~700
FLEET
VEHICLES



5,500
CUSTOMERS



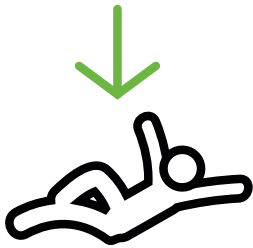
6,500+ MW
RENEWABLE ASSETS
SERVICED & SUPPORTED



1,000+
TECHICAL SKILLED
WORKERS

ZERO TOLERANCE SAFETY CULTURE

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



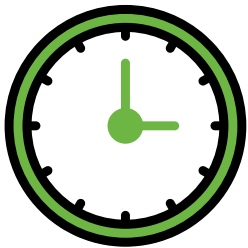
1.51

Total Recordable
Injury Frequency



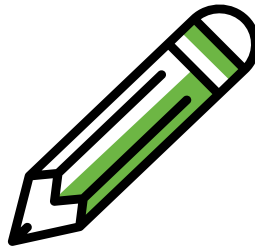
28,638

Inspections



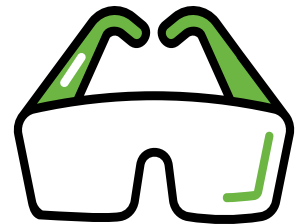
0.00

Lost Time Frequency



34,406

Meetings



7,052

Observations

WHAT IS SPARK 100?

Spark 100 is an employee-led committee focused on **promoting sustainable practices, educating our employees, and engaging with our local communities** through impactful initiatives across Spark. Our four guiding principles coupled with employee suggestions help us identify annual initiatives. The success of Spark 100 is directly related to the **voice of our employees and engagement** with the Spark 100 Team - whether that's through being directly involved as a Spark100 member, participating in events, or simply suggesting new ideas.

We are introducing Spark100's new vision, mission, guiding principles and our 2023 objectives tied to the **Let's Grow Better** Strategic Plan as part of the People Pillar.

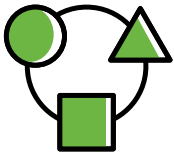
Spark 100 - Our Commitment

Vision

To inspire positive, long-term social and environmental change that will better serve our people & our communities, now and over the next century.

Mission

To engage, empower and educate our employees to create a culture that upholds Spark 100's four guiding principles.



Diversity, Equity & Inclusion

Create Industry-leading opportunities that celebrate diversity and promote equity and inclusion in our workplace.



Environment

Engaging our employees in sustainable practices that decrease our collective carbon footprint.



Health & Wellness

Providing our employees with the tools and resources to promote a culture of safety and wellness.



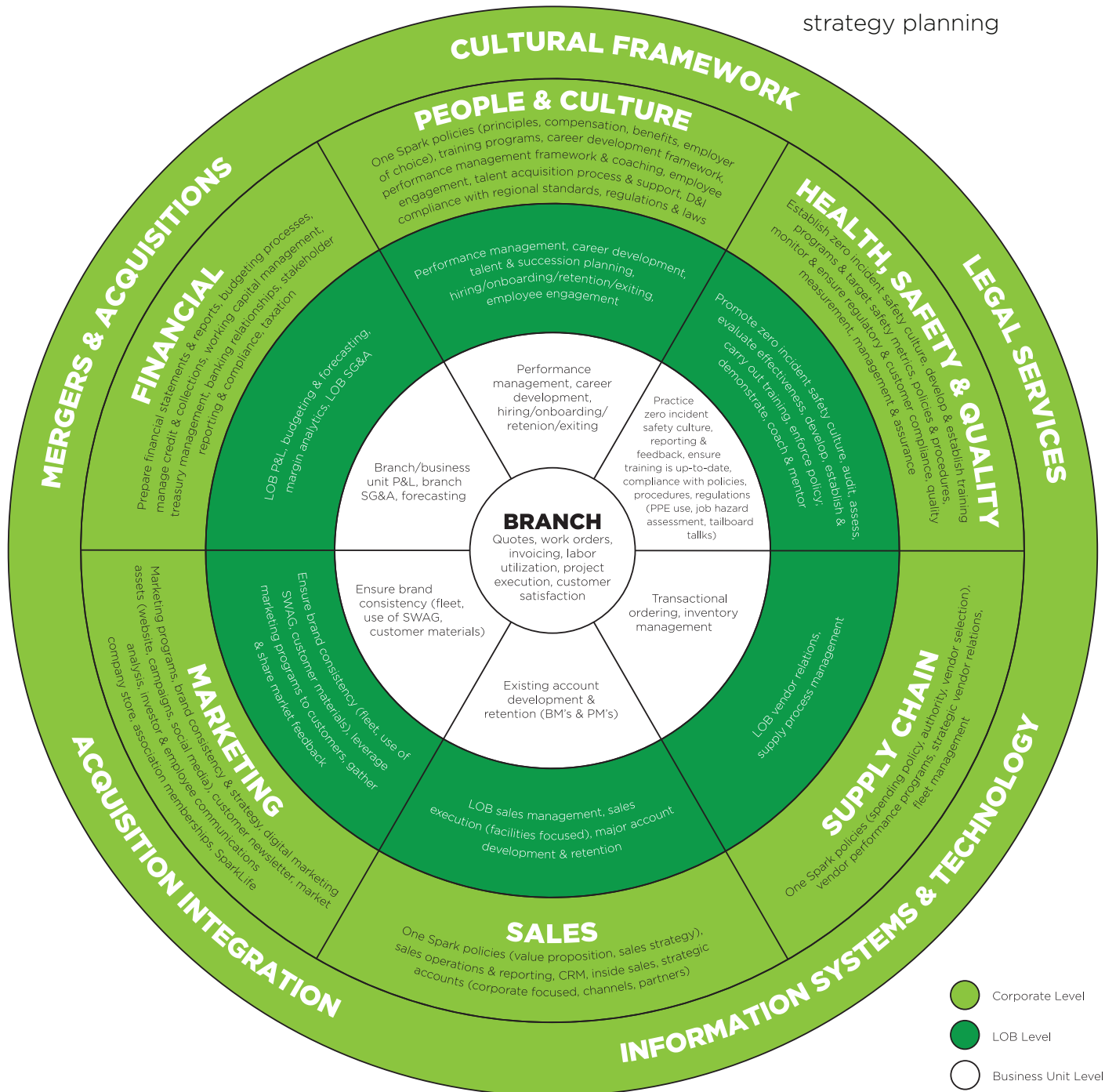
Community

Supporting our employees and the communities in which they live and work.

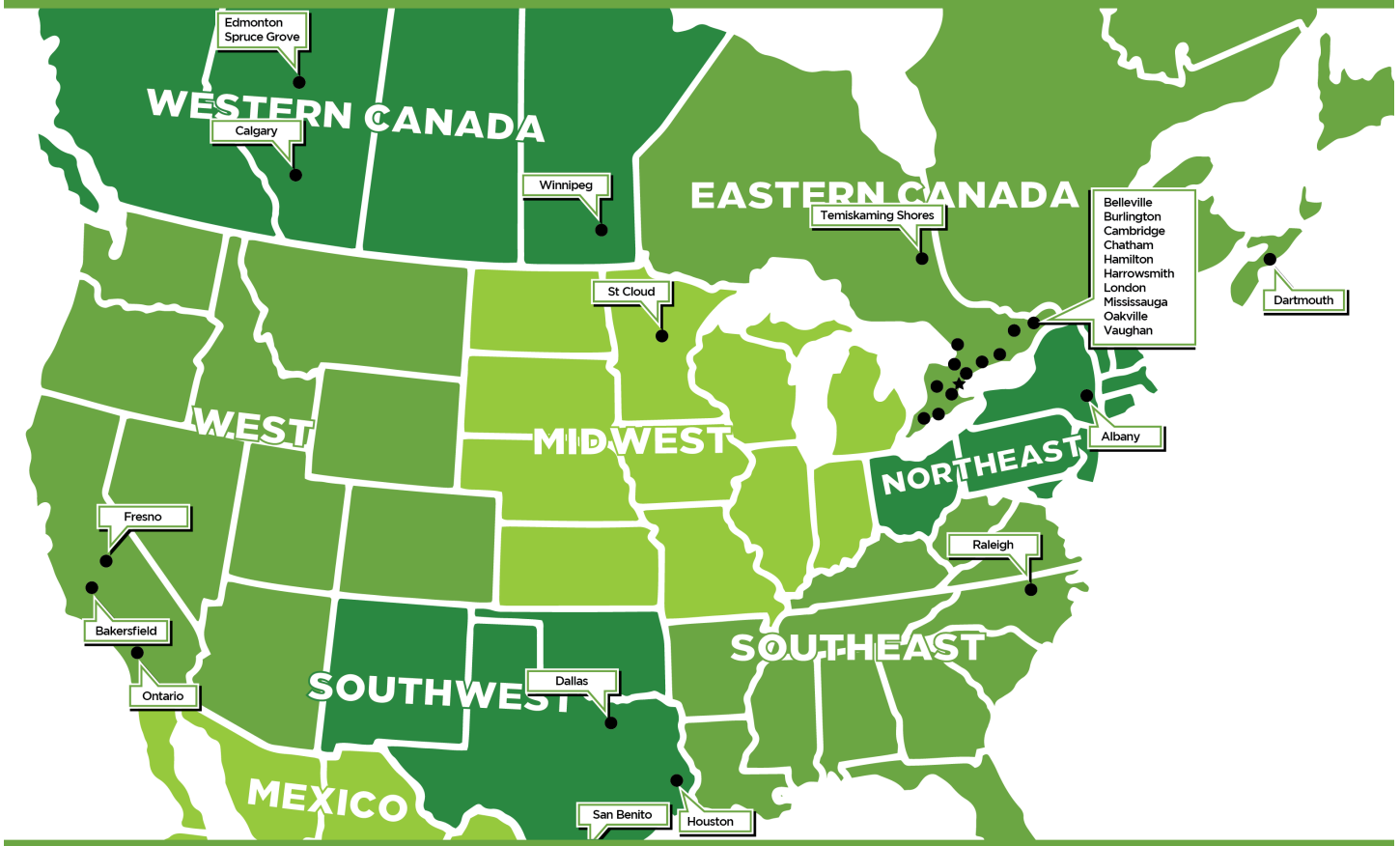
SHIFT TO SCALABLE FIELD FOCUSED MODEL

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

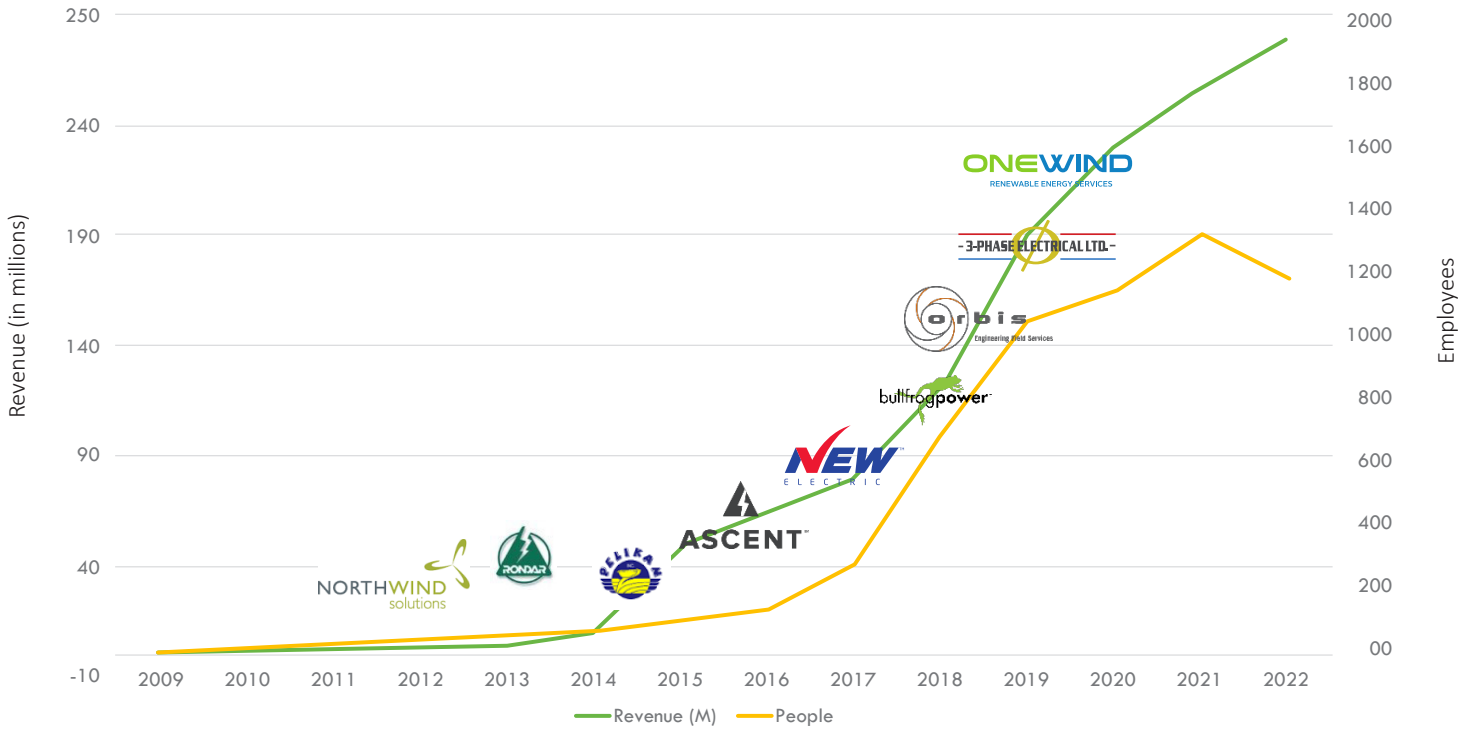
- Emphasize operational excellence
- Prioritize health and safety
- Guide capital allocation & strategy planning



OUR NORTH AMERICAN FOOTPRINT



A HISTORY OF GROWTH



*As described earlier, the Bullfrog Sale was completed in November 2022. The 2022 revenue figure includes Bullfrog -related revenue up to November 30, 2022, and the employee headcount excludes Bullfrog employees



STRONG FINANCIAL PERFORMANCE

Revenue (Millions)

32%

Compound Annual Growth Rate
2015-2021

28%

Compound Annual Growth Rate
2015-2022



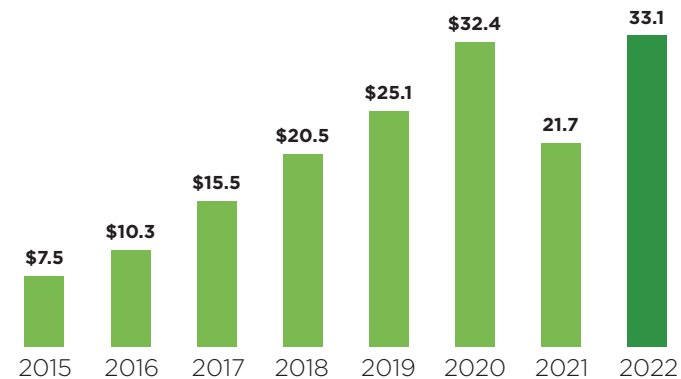
Adjusted EBITDA (Millions)

19%

Compound Annual Growth Rate
2015-2021

24%

Compound Annual Growth Rate
2015-2022



Gross Margin % - 3 Year Average

	2020	2021	2022	3-Year
Revenue	228.2	255.8	272.3	756.3
Gross Margin	76.7	68.8	54.8	200.3
GM %	33.6%	26.9%	20.1%	26.5%

Adjusted EBITDA Margin % - 3 Year Average

	2020	2021	2022	3-Year
Revenue	228.2	255.8	272.3	756.3
Adjusted EBITDA	32.4	21.7	33.1	87.2
EBITDA %	14.2%	8.5%	12.2%	11.5%

Revenue - CAD

2020

2021

2022

Spark Power Group Inc. Cons

Technical Services	153,579	156,500	181,653
Renewables	64,538	86,335	89,333
Corporate Services	1,618	1,788	1,291
Total	219,735	244,623	272,277
Sustainability - Disc. Operations	8,418	11,191	10,109
TOTAL	228,153	255,814	282,386

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.



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.



Helen Yuan

Vice President, Finance

Helen Yuan is Spark Power's Vice President, Finance with almost 18 years of experience across various industries. She is responsible for building and overseeing the finance team over financial accounting and reporting, developing and improving internal control systems, cash flow management, financial planning and analysis, and supporting decisions to help drive business performance.

SENIOR (continued) LEADERSHIP TEAM



April Currey

Vice President, Sales & Marketing

April is Spark Power's Vice President of Sales & Marketing with over 16 years of experience overseeing sales, marketing, and market intelligence initiatives, including significant experience with sector innovation projects focused on providing customers with more choices to manage electricity. She is responsible for leading the commercial strategy for the organization.



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.



Phil Lefko

Vice President, 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 CHAIR

1. Member of the Audit and Risk Committee
2. Member of the Compensation and Human Capital Committee



Lucio Di Clemente

Board Chair (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.



Jason Sparaga

Co-founder and Director

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.



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.



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.



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.



Eric Waxman

Co-Founder and Board Director

Eric is Spark Power's Co-Founder 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.



DESCRIPTION OF THE BUSINESS

Overview

The Corporation is a leading provider of end-to-end electrical services and operations and maintenance services, to the industrial, utility, and renewable asset markets in Canada and the United States. Spark Power is focused on becoming its customers' Trusted Partner in Power™, taking advantage of the opportunities presented by significant public and private investment in electrification and renewables development.

We have focused our business on serving specific segments including: industrial customers; regulated utilities; original equipment manufacturers 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, packaging, logistics, automation 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.

Currently, the Corporation's business is most mature in Eastern Canada, accounting for the largest part of our revenue. The Corporation's

'branch network' model has been proven over many years, adopted through our wholly owned subsidiary, New Electric. The Branch Network model now spans across all our North American branch locations. 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 targeted go to market plan and an intentional selection of expansion regions and service segments as well as 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 customers that also have U.S. operations by expanding existing relationships with these customers into new regions and leveraging business start-up costs.

In 2020, the Corporation migrated its U.S. Corporate Office to Dallas, Texas and began the management transition

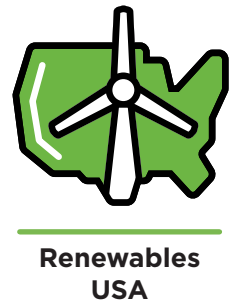
from 'start-up state' to 'run state'. This change included the appointment of a new Executive Vice President to oversee the U.S. Line of Business. The Corporation announced new branch openings in Houston, Texas, Bakersfield, California and Albany, New York in late 2020 and throughout 2021.

The Corporation has grown through a mix of acquisition and organic growth. Spark Power has made twelve acquisitions over the past ten years, and coupled with post-acquisition organic growth, this has led to substantial scale in our operations.

In November 2022, Spark Power divested its Bullfrog Power Inc. business unit, including its United States business carried on through Bullfrog Solutions USA Inc., and its subsidiary companies, for total all-cash proceeds of up to \$35.0 million, subject to customary adjustments and including an earnout of up to \$3.5 million, payable over a maximum of five years. Proceeds from the transaction were used to facilitate near-term deleveraging and strengthening of Spark Power's balance sheet, while also providing the Corporation with additional liquidity to support growth in the next stage of its maturity. The transaction will also further streamline the business, allowing it to focus on its core Technical Services and Renewables businesses.

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.



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 industrial electrical contracting services. With highly responsive and local technical teams, Spark offers a wide variety of services and solutions to a wide range of customers to meet their low to medium/high voltage needs including:

- Emergency response and shift coverage
- Preventative Maintenance
- Substation Construction
- Installation and commissioning of equipment
- Power Systems Engineering
- Customer control panel design/assembly
- Industrial automation services
- Power Equipment Sales & Rentals

Renewables

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

- | | | | |
|---|--|---|---|
| <p>Solar</p> <ul style="list-style-type: none"> • 24/7 monitoring and analytics from central operating centre • Fence to fence, onsite operations and maintenance to wide range of solar sites | <p>Wind</p> <ul style="list-style-type: none"> • In-construction services • Asset monitoring • Operations and maintenance • Commissioning | <p>Battery Energy Storage Systems (BESS)</p> <ul style="list-style-type: none"> • Engineering, procurement, and construction • Operations and maintenance • Commissioning | <p>Electric Vehicle (EV) Infrastructure</p> <ul style="list-style-type: none"> • Construction • Operations and maintenance |
|---|--|---|---|



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31

2022 & 2021

SPARKPOWER[®]
GROUP INC

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements for Spark Power Group Inc. (the "Company") 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 IFRS 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 28, 2023
Oakville, Ontario

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, 2022 and 2021, and the consolidated statements of income (loss) and comprehensive income (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, 2022 and 2021, 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 the Company is required to comply with certain covenants. These events or conditions, along with other matters as set forth in Note 2 indicate the existence of a material uncertainty 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 for the year ended December 31, 2022. 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 above, 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 \$70.9 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 \$29.8 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 impairment requirements noted, the Company conducted impairment testing on all cash generating units of the Company. The impairment testing conducted by management resulted in the recognition of a \$1.5 million impairment loss in the current year. Refer to notes 2, 3 and 11 to the consolidated financial statements.

This matter 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 revenue growth rates, margin realization rates and discount rates.

How the key audit matter was addressed in the audit

Our audit approach, which included the involvement of our internal valuation professionals, included the following audit procedures, among others:

- 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.
- 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.
- 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 consolidated financial statement disclosures related to the estimates, assumptions, sensitivities and outcomes of the impairment testing.

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, 2022.

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 for the year ended December 31, 2022 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 2022 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 Braham Moondi.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 28, 2023

SPARK POWER GROUP INC.

Consolidated Statements of Financial Position
Presented in thousands of Canadian dollars



As at December 31	Notes	2022		2021
Assets				
Current assets				
Accounts receivable	4	\$	67,995	\$ 63,510
Other receivable	5		4,816	-
HST receivable			1,229	1,951
Inventory	7		8,365	8,167
Contract asset	4		26,805	25,826
Current portion of lease receivable	8		94	-
Current derivative assets	30		-	1,769
Prepaid expenses and deposits			4,969	7,161
			114,273	108,384
Non-current assets				
Lease receivable	8		80	-
Long-term derivative assets	30		-	2,150
Long-term receivables	29		3,318	-
Property and equipment and right-of-use assets	9		48,424	33,272
Intangible assets	10		19,964	29,116
Goodwill	11		29,830	37,963
Deferred tax asset	16		2,887	-
		\$	218,776	\$ 210,885
Liabilities and Shareholders' equity				
Current liabilities				
Bank indebtedness	12	\$	24,921	\$ 28,142
Accounts payable and accrued liabilities			44,174	54,730
Current portion of long-term debt	13		4,500	61,962
Current portion of promissory notes	14		2,500	10,738
Current portion of lease liability	15		8,057	6,643
Current derivative liabilities	30		-	1,203
Income taxes payable			942	1,656
Contract liability	4		7,187	7,182
			92,281	172,256
Non-current liabilities				
Long-term debt	13		28,602	-
Lease liability	15		27,475	13,984
Deferred tax liability	16		-	1,096
			148,358	187,336
Shareholders' equity				
Share capital	17		179,303	139,472
Contributed surplus			2,041	1,606
Accumulated other comprehensive loss			(1,236)	(34)
Deficit			(109,690)	(117,495)
			70,418	23,549
		\$	218,776	\$ 210,885

See accompanying notes to the consolidated financial statements.

SPARK POWER GROUP INC.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
 Presented in thousands of Canadian dollars, except share and per share amounts

	Notes	As at December 31,	
		2022	2021
Revenue	4,20	\$ 272,277	\$ 244,624
Cost of sales	6,20	217,430	199,446
Gross profit		54,847	45,178
Expenses			
Selling, general and administrative	6,20	55,984	55,799
Provision for expected credit loss	4,20	1,769	518
Reorganization costs	20,28	2,048	3,391
Other expenses (income)		57	(49)
Foreign exchange (gain) loss	20	(624)	955
Loss from continuing operations		(4,387)	(15,436)
Other income (expenses)			
Finance expense		(8,423)	(7,126)
Transaction costs	27	(1,329)	(2,141)
Impairment loss	11	(1,500)	(4,000)
		(11,252)	(13,267)
Loss before income taxes from continuing operations		(15,639)	(28,703)
Current income tax recovery	16	1,346	1,175
Deferred income tax recovery	16	3,294	1,005
Income taxes recovery		4,640	2,180
Net loss from continuing operations		(10,999)	(26,523)
Net income from discontinued operations	29	18,804	5,230
Net income (loss)		7,805	(21,293)
Cumulative translation adjustment		(1,202)	373
Comprehensive income (loss)		\$ 6,603	\$ (20,920)
Earnings (loss) per share attributable to equity holders for continuing operations			
Basic	23	\$ (0.12)	\$ (0.47)
Diluted	23	\$ (0.12)	\$ (0.47)
Earnings per share attributable to equity holders for discontinued operations			
Basic	23,29	\$ 0.21	\$ 0.09
Diluted	23,29	\$ 0.21	\$ 0.09

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

	Notes	Common shares		Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Shareholders' equity
		Number	Amount	Amount				
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	17	411,282	782	-	(206)	-	-	576
Forfeiture of options	17	-	-	-	(87)	-	-	(87)
Conversion of restricted share units	17	219,277	144	-	(129)	-	-	15
Forfeiture of restricted share units	17	-	-	-	(61)	-	-	(61)
Stock-based compensation	17	-	-	-	1,072	-	-	1,072
Issuance of common shares	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
Net income		-	-	-	-	-	7,805	7,805
Conversion of restricted share units	17	551,434	306	-	(306)	-	-	-
Forfeiture of restricted share units	17	-	-	-	(53)	-	-	(53)
Stock-based compensation	17	-	-	-	794	-	-	794
Issuance of common shares	17	33,007,466	39,525	-	-	-	-	39,525
Cumulative translation adjustment		-	-	-	-	(1,202)	-	(1,202)
Balance at December 31, 2022		90,493,135	\$ 176,641	\$ 2,662	\$ 2,041	\$ (1,236)	\$ (109,690)	\$ 70,418

See accompanying notes to the consolidated financial statements.

SPARK POWER GROUP INC.
Consolidated Statements of Cash Flows
Presented in thousands of Canadian dollars



		For years ended December 31	
	Notes	2022	2021
Cash flows from operating activities			
Net income (loss)		\$ 7,805	\$ (21,293)
Adjustments for non-cash items			
Amortization and depreciation	9,10	19,250	18,769
Amortization of deferred financing fees	13	309	184
Provision for expected credit losses	4	1,769	(518)
Unrealized foreign exchange loss		654	1,559
Earn-out	29	(3,318)	-
Stock-based compensation	17	794	1,072
Forfeited options and restricted share units	17	(53)	(148)
Deferred income taxes	16	(3,294)	(316)
Gain on disposal of discontinued operations, net of taxes	29	(8,674)	-
Impairment loss	11	1,500	4,000
Changes in non-cash working capital balances			
Accounts receivable		(7,051)	(11,955)
Other receivable		(4,816)	-
HST receivable		722	(365)
Inventory		(1,021)	(671)
Contract asset		(1,947)	3,114
Lease receivable		(174)	379
Prepaid expenses and deposits		(34)	(1,075)
Government grant receivable		-	379
Accounts payable and accrued liabilities		(9,906)	14,657
Income taxes payables		(204)	(584)
Contract liabilities		37	3,427
Cash flows from (used in) discontinued operations	29	(4,354)	(1,541)
		(12,006)	9,074
Cash flows from investing activities			
Purchase of property and equipment	9	(4,548)	(5,599)
Investment in intangible assets	10	(4,080)	-
Disposal of discontinued operations, net of cash disposed of	29	30,017	-
		21,389	(5,599)
Cash flows from financing activities			
Bank indebtedness	12	(3,221)	2,698
Issuance of share capital	17	39,525	5,600
Conversion of restricted share units	17	-	15
Exercise of warrants and stock options	17	-	576
Proceeds from long-term debt	13	2,833	5,260
Repayment of long-term debt	13	(30,120)	(9,508)
Repayment of promissory notes	14	(8,238)	-
Repayment of lease liability	15	(8,280)	(7,569)
Increase in deferred financing fees	13	(1,882)	(547)
		(9,383)	(3,475)
Net change in cash and cash equivalents during the period		-	-
Cash and cash equivalents, beginning of period		-	-
Cash and cash equivalents, end of period		\$ -	\$ -
Supplementary cash flow information			
Interest paid		8,423	7,471
Cash taxes paid		2,304	267

See accompanying notes to the consolidated financial statements.

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

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 1337 North Service Road E, Suite 200, 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, 2022.

The Board of Directors approved these consolidated financial statements on March 27, 2023.

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.

The Company is required to comply with certain covenants, terms and conditions under the amended credit facilities including minimum cumulative monthly EBITDA commitments through March 31, 2023 and other covenants subsequent to March 31, 2023 as outlined in Note 13. EBITDA is defined as net income (loss) before finance expense, income taxes, depreciation and amortization, unrealized gains or losses on foreign exchange and derivative instruments and other approved addbacks. 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.

Basis of Measurement

These Financial Statements have been prepared on a historical cost basis, except for certain financial instruments 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 the Company’s US subsidiaries: Spark Power LLC, Northwind Solutions Group (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”).

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

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. On November 30, 2022, the Company sold all the shares of its 100% owned subsidiaries Bullfrog Power Inc., Canadian REC Wholesale Inc., and Less Emissions Inc. (collectively "Bullfrog"). During fiscal 2021, the Company sold all of the shares of its 100% owned subsidiary Orbis SPA.

Subsequent to the year end, the Company merged Northwind Solutions Group (USA) Inc. and One Wind Services (USA) Inc. to become Spark Power Renewables USA Inc., and Northwind Solutions Group Inc., One Wind Services Inc., and Spark Power Solutions Ltd., to become Spark Power Renewables Canada Inc., respectively. Further, New Electric Enterprises Inc. changed its legal name to Spark Power Low Voltage Services Inc.

Subsidiary	Ownership %
1625704 Alberta Inc.	100%
2552095 Ontario Inc.	100%
3-Phase Electrical Ltd.	100%
Lizco Sales & Rentals Inc.	100%
New Electric Enterprises Inc.	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 LLC	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%

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,

2. BASIS OF PREPARATION (Continued)

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. (Note 4)

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 9 and 10)

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 15)

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 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. (Note 30)

2. BASIS OF PREPARATION (Continued)

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 11)

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 is determined based on value-in-use calculations 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 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.

Discontinued operations – A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. Judgement is required in determining the timing of classification to discontinued operations, and resulting assets held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES**Revenue Recognition**

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

- *Service contracts* for the inspection, testing, repair and maintenance of electrical generating equipment. Contracts are typically short-term in nature (i.e. 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.

The Company offers limited time warranties on the quality of its work being free from material defects. In accordance with IFRS 15, *Revenue from Contracts with Customers*, 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*.

SPARK POWER GROUP INC.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

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
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.
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.
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.

SPARK POWER GROUP INC.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Step in Model	Service	Construction	Management	Equipment Sales
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.
Recognize revenue as performance obligations are satisfied	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>	Revenue is recognized at a point in time once control passes to the customer (i.e. when products are delivered).

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 Income (Loss) and Comprehensive Income (Loss). 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 Income (Loss) and Comprehensive Income (Loss) 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
ERP system	-	10 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, or when events/circumstances warrant a test to be conducted. 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.

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 Income (Loss). 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 Income (Loss) and Comprehensive Income (Loss).

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. Contingent consideration for the earn-out related to the disposal of discontinued operations are classified as amortized cost. (Note 29)

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 Income (Loss) and Comprehensive Income (Loss). 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, other 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 Income (Loss) and Comprehensive Income (Loss). 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 ("Power Purchase Agreement") for the purchase and sale of renewable energy and environmental attributes. The Company also entered into a Hedge arrangement ("Hedge") to manage the fluctuations related to the power purchase agreement entered into. 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 the reporting date. See Note 30 for further details.

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 derivative liabilities related to the Power Purchase Agreement. See Note 30 for further details.

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 17)

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

New and Amended International Financial Reporting Standards Adopted in 2022

In October 2022 International Financial Reporting Interpretations Committee (“IFRIC”) reached a final agenda decision related to the accounting treatment of warrants on a special purpose acquisition company (“SPAC”) acquisition. IFRIC takes different fact patterns into consideration and discusses the underlying accounting treatment under IFRS 2, *Share-based payment* and IAS 32, *Financial instruments: presentation*. This is not an amendment to the IFRS standards. Management assessed the impact of the agenda decision on the Company’s warrants originally issued in 2018 as part of the reverse takeover transaction between Canaccord Genuity Acquisition Corp IV (SPAC) and Spark Power Corp, and concluded that the adoption of the standards will not have an material impact on the Financial Statements.

New and Amended International Financial Reporting Standards to be Adopted in 2023 or Later

The following new standards and amendments to existing standards were issued by the IASB and are expected to be adopted by the Company in 2023 or later.

- Amendments to IAS 1, *Presentation of Financial Statements*,
 - requiring entities to disclose material, instead of significant, accounting policy information, and
 - clarifying the definition of “accounting policies” and “accounting estimates”. (January 1, 2023).
- Amendments to IAS 12, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrowing the scope for exemption when recognizing deferred taxes. (January 1, 2023).
- Amendments to IAS 1, *Presentation of Financial Statements*, clarifying the classification requirements in the standard for liabilities as current or non-current. (January 1, 2024).
- Amendments to IFRS 16, *Leases – Lease Liability in a Sale and Leaseback*, clarifying subsequent measurement requirements for sale and leaseback transactions for sellers-lessees. (January 1, 2024).
- Amendments to IAS 1, *Presentation of Financial Statements – Non-current Liabilities with Covenants*, modifying the 2020 amendments to IAS 1 to further clarify the classification, presentation, and disclosure requirements in the standard for non-current liabilities with covenants. (January 1, 2024).

We do not expect the adoption of these amendments, if any, will have any material impacts on the Company’s Financial Statements.

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

4. ACCOUNTS RECEIVABLE, CONTRACT ASSET AND REVENUE

	2022		2021	
Trade	\$	70,570	\$	65,661
Less: Provision for doubtful accounts		(2,575)		(2,151)
	\$	67,995	\$	63,510

	2022		2021	
Contract asset	\$	25,826	\$	28,809
Additions during the period		59,875		43,833
Amount recognized during the period		(58,896)		(46,816)
	\$	26,805	\$	25,826

	2022		2021	
Contract liability	\$	7,182	\$	3,723
Additions during the period		130,228		129,419
Amount recognized during the period		(130,223)		(125,960)
	\$	7,187	\$	7,182

Summary of aging:

As at December 31, 2022

	Current	31-90 days		Total
		Past Due	>90 days	
Balance	52,492	6,482	11,596	70,570
Provision for doubtful accounts	62	121	2,392	2,575
	52,430	6,361	9,204	67,995

As at December 31, 2021

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

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.

The Company determines there to be an 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.

The balance of contract asset as at December 31, 2022 is current and has no provision recorded.

SPARK POWER GROUP INC.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

4. ACCOUNTS RECEIVABLE, CONTRACT ASSET AND REVENUE (Continued)**Summary of movements in provision:**

	2022	2021
Opening balance	\$ (2,151)	\$ (1,719)
Increase during the period	(1,769)	(630)
Write-off during the period	1,345	198
Ending balance	\$ (2,575)	(2,151)

Revenue Disaggregation by Stream:

The Technical Services, Renewables and Corporate columns represent the segments that can be found in Note 20. The Company generates higher revenues in the second and third quarters as weather can impact available outdoor work in the first and fourth quarters.

The Sustainability segment was sold on November 30, 2022 as disclosed further in Note 29.

2022					
	Technical Services	Renewables	Corporate	Total	
Service	\$ 177,378	\$ 89,333	\$ -	\$	266,711
Management	-	-	1,291		1,291
Equipment	4,275	-	-		4,275
Total	\$ 181,653	\$ 89,333	\$ 1,291	\$	272,277

2021					
	Technical Services	Renewables	Corporate	Total	
Service	\$ 157,922	\$ 79,055	\$ -	\$	236,977
Management	-	-	1,788		1,788
Equipment	5,859	-	-		5,859
Total	\$ 163,781	\$ 79,055	\$ 1,788	\$	244,624

5. Other Receivables

	December 31 2022	December 31 2021
Leasehold improvement receivables (i)	\$ 2,285	-
Disposal of discontinued operations	2,263	-
Other	268	-
	\$ 4,816	\$ -

(i) Since the second quarter of 2022, the Company incurred costs relating to the interior buildout of its new head office in Oakville, Ontario. The costs incurred to date are reimbursable by the landlord and therefore have been recorded as a receivable at December 31, 2022.

6. COVID-19 PANDEMIC & GOVERNMENT GRANTS

The COVID-19 pandemic and its variants continued to disrupt global health and impact economic conditions. The Company maintained its business continuity plans to ensure appropriate measures, procedures and protocols were in place to safeguard service to our customers while prioritizing employee, customer and vendor safety.

While governments have eased some COVID-19 restrictions, the Company's financial results and operations continued to be impacted by COVID-19 either by its customers' planned work schedule changes or due to a broader government directive which resulted in the need to modify work practices to meet appropriate health and safety standards, or by other COVID-19 related impacts on the availability of labour or to the supply chain. The extent to which COVID-19 may further impact the Company's operations, its consolidated financial position, and performance will depend on further developments, including the resurgence and spread of any new variants, its impact on the Company's customers, suppliers and employees and actions taken by governments.

The ongoing conflict in Ukraine has also resulted in significant uncertainty in the global economy, such as higher volatile commodity prices, currency exchange rates and interest rates, and increasing rates of inflation.

The Company continues to monitor ongoing developments and attempts to mitigate the business and financial risks related to the events described above, including but 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 changes in the timing of cash flows.

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 2021, management determined that it met the employer eligibility criteria and applied for CEWS. The Company recognized \$2,539 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. There were no CEWS received in 2022.

Skills Development Funding

During the second quarter of 2021 the Company received approval for a \$5,300 grant from the Government of Ontario Skills Development Fund to support employee training and advancement initiatives within the Company. With this funding the Company implemented a one-year program between April 2021 and March 2022 whereby the funds were utilized through this period on programs and initiatives previously approved by the Government of Ontario. The Company would be required to return any funds not utilized in accordance with the program criteria and timelines. At the end of 2022, the Company had received funding towards this grant of \$4,846 which has fully been utilized to fund expenditures approved under the program and \$3 has been earned in interest on the funds received. The Company has received all funding related to this grant as at December 31, 2022.

During the second quarter of 2022 the Company received approval for a \$3,440 grant from the Government of Ontario Skills Development Fund to support employee training and advancement initiatives within the Company. With this funding the Company implemented a one-year program between April 2022 and March 2023 whereby the funds need to be utilized through this period on programs and initiatives previously approved by the Government of Ontario. At the end of the year the Company had received funding towards this grant of \$1,866 of which \$1,463 has been utilized to fund expenditures approved under the program. The balance of \$403 has been included in bank indebtedness.

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021

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

7. INVENTORY

	December 31 2022	December 31 2021
Equipment and supplies	\$ 8,365	\$ 8,167
	\$ 8,365	\$ 8,167

During the year, \$52,309 (2021 - \$54,446) 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.

8. LEASE RECEIVABLE

On June 1, 2022, the Company relocated its US Head Office in Dallas, Texas and entered into a 3-year sublease agreement for their previous premises, resulting in a lease receivable. The leased property bears an interest at an approximate rate of 6% expiring in 2024.

9. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

As at December 31, 2022, property and equipment and right-of-use assets was \$48,424 (December 31, 2021 - \$33,272). 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, 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
Additions	540	897	50	1,622	1,346	93	4,548
Disposals	-	-	-	-	-	-	-
Disposal of discontinued operations	(473)	(70)	(208)	(302)	(144)	-	(1,197)
Balance at December 31, 2022	2,405	6,831	1,794	7,534	11,995	2,598	33,157
Accumulated depreciation							
Balance at December 31, 2020	932	3,402	1,206	1,153	4,334	575	11,602
Additions	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
Additions	424	649	41	995	1,391	283	3,783
Disposals	-	-	-	-	-	-	-
Disposal of discontinued operations	(461)	(69)	(205)	(274)	(144)	-	(1,153)
Balance at December 31, 2022	1,249	5,041	1,173	2,426	7,190	1,426	18,505
Net carrying amounts							
December 31, 2021	1,052	1,543	615	4,509	4,850	1,362	13,931
December 31, 2022	1,156	1,790	621	5,108	4,805	1,172	14,652

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021

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

9. PROERTY AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (Continued)

Right-of-use assets consist of the following:

	Leased Property	Leased Equipment	Leased Vehicles	Total
Cost				
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
Additions	11,281	-	12,942	24,223
Disposals	(1,141)	-	(1,720)	(2,861)
Disposal of discontinued operations	(445)	(6)	-	(451)
Balance at December 31, 2022	32,557	1,280	32,773	66,610
Accumulated depreciation				
Balance at December 31, 2020	9,173	1,036	10,014	20,223
Additions	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
Additions	3,697	40	4,869	8,606
Disposals	(626)	-	(1,274)	(1,900)
Disposal of discontinued operations	(223)	(3)	-	(226)
Balance at Dec 31, 2022	15,096	1,238	16,504	32,838
Net carrying amounts				
December 31, 2021	10,614	85	8,642	19,341
December 31, 2022	17,461	42	16,269	33,772

10. INTANGIBLE ASSETS

	Customer contracts	Customer relationships	Non- competition agreement	Tradename	ERP System	Total
Cost:						
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
Additions	-	-	-	-	4,080	4,080
Disposal of discontinued operations	-	(5,028)	-	(2,897)	-	(7,925)
Balance at December 31, 2022	\$ -	\$ 32,420	\$ -	\$ 11,296	\$ 4,080	\$ 47,796
Accumulated Amortization:						
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	\$ -	\$ 14,986	\$ -	\$ 7,539	\$ -	\$ 22,525
Amortization for the period	-	3,616	-	3,752	29	7,397
Disposal of discontinued operations	-	(2,090)	-	-	-	(2,090)
Balance at December 31, 2022	\$ -	\$ 16,512	\$ -	\$ 11,291	\$ 29	\$ 27,832
Net carrying amounts:						
December 31, 2021	\$ -	\$ 22,462	\$ -	\$ 6,654	\$ -	\$ 29,116
December 31, 2022	\$ -	\$ 15,908	\$ -	\$ 5	\$ 4,051	\$ 19,964

During 2022, the Company commenced implementing an enterprise resource planning system ("ERP System") and has capitalized certain internal and third-party costs related to the development, testing and implementation of the ERP System. The new ERP System implementation is expected to be completed in 2023 and will be amortized over 10 years. During 2022, immaterial amortization was recorded as it relates to US operations.

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021

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

11. GOODWILL

	Original carrying amount	Disposal	Impairment	Net carrying amount as at December 31	
				2022	2021
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.	4,449	-	(1,500)	2,949	4,449
One Wind Services Inc. and One Wind Services (US) Inc.	5,107	-	-	5,107	5,107
	\$ 37,963	\$ (6,633)	\$ (1,500)	\$ 29,830	\$ 37,963

During the year, the Company disposed of the goodwill related to Bullfrog Power Inc. See Note 29 for detailed discussion.

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 factors such as market interest rate volatilities, inflationary pricing impact, labour shortages, and the possible impact of COVID-19 due to new variants, management determined that the 3-Phase Electrical Ltd. CGU required an impairment adjustment of \$1,500 (2021 - \$4,000). Management will continue to monitor the impact of COVID-19 on a quarterly basis.

The recoverable value of each CGU was based on value-in-use calculation using a discounted cash flow methodology. The value-in-use was calculated using unobservable (Level 3) inputs such as the budgeted and projected revenues and EBITDA margin for a five-year period plus a terminal year. The EBITDA is defined as net income (loss) 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 13% and 18% (2021 - 10% 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 market interest rate, and in operational strength each CGU has seen in operations since acquisition.

Growth rates ranging between 0% and 18% (2021 - 0% and 18%) and terminal rate of 2% (2021 - 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.

12. BANK INDEBTEDNESS

	2022	2021
\$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, 2024. The lender has general security over the Company.	26,062	\$ 29,344
Cash on hand	(1,141)	(1,202)
	\$ 24,921	\$ 28,142

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021

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

12. BANK INDEBTEDNESS (Continued)

On November 30, 2022, the Company amended its credit agreement with its lender (herein referred to as the "Amended and Restated Credit Agreement"), with a \$35,000 revolving credit facility that matures on September 30, 2024, subject to certain borrowing base conditions. Bank indebtedness bears interest at prime plus 2.0% - 3.0%, with an incremental interest rate margin of 1.0% applied through March 31, 2023. During the year, the Company paid \$2,061 (2021 - \$1,451) of interest related to bank indebtedness which has been included in Finance expense.

Further details of the Amended and Restated Credit Agreement are included in Note 13 – Long-term debt.

13. LONG TERM DEBT

	2022	2021
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 and reduced to \$1,125 commencing December 2022. The loan matures on September 30, 2024. The lender has general security over the Company. (i) and (ii)	\$ 35,922	\$ 62,459
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 was secured by a General Security Agreement and repaid in full on April 30, 2022.	-	750
	35,922	63,209
Less: current portion	4,500	61,962
Less: financing fees, net of amortization	2,820	1,247
Long-term debt	\$ 28,602	\$ -

- (i) During the year ended December 31, 2022, the Company paid \$7,371 in principal payments against the term loan (2021 - \$9,508).
- (ii) On November 30, 2022, the Company repaid \$22,000 against the term loan, including the \$2,000 advance on the term loan received in the third quarter of 2022, using the proceeds from the disposal of discontinued operations. (Note 29)

During the year, the Company paid \$4,359 (2021 - \$3,014) of interest related to the long-term debt which has been included in Finance expense.

On November 30, 2022, the Company entered into a new Amended and Restated Credit Agreement with its Lender. Key terms of these Agreements are as follows:

- The maturity date of this new facility was extended to September 30, 2024 and will be amortized over an 8-year period with quarterly repayments of \$1,125, reduced from previously \$2,082 per quarter;
- Achieve a minimum cumulative monthly EBITDA at the end of each calendar month through March 31, 2023;
- Maintain incremental interest rate margin of 1.00% on facility advances in place from April 29, 2022 through March 31, 2023;
- Subsequent to the 2022 fiscal year, maintain certain covenants on a 12-month rolling quarterly basis, including:
 - Minimum fixed charge coverage ratio of 1.00 for the quarter ended March 31, 2023, as revised subsequent to the year end, increasing to 1.25 for each fiscal quarter thereafter;
 - Maximum total senior debt to EBITDA ratio based on the most recently completed four fiscal quarters of 3.25:1.00;

SPARK POWER GROUP INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

13. LONG TERM DEBT (Continued)

- Maximum total debt to EBITDA ratio based on the most recently completed four fiscal quarters of 3.75:1.00.

As at December 31, 2022, the Company was in compliance with the financial covenants in effect in its credit facility, being the minimum cumulative monthly EBITDA covenant.

14. PROMISSORY NOTES

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

During the year, the Company incurred \$100 (2021 - \$868) of interest related to the promissory notes which has been recorded to Finance expense.

15. LEASE LIABILITY

	2022	2021
Property and office space leases bearing interest at an approximate rate of 6%. The leases extend through fiscal 2037.	\$ 18,798	\$ 11,477
Motor vehicle leases bearing interest at an approximate rate of 6%. The leases extend through fiscal 2027.	16,689	9,059
Equipment and hardware leases bearing interest at an approximate rate of 6%. The leases extend through 2025.	45	91
	35,532	20,627
Less: current portion	8,057	6,643
Lease liability	\$ 27,475	\$ 13,984

Included in Finance expense is \$1,412 (2021 - \$1,159) of interest expense on lease liabilities. Total cash outflows relating to leases consist of principal payments in the amount of \$8,280 (2021 - \$7,569). Short term and low value leases are not significant.

SPARK POWER GROUP INC.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

15. 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:

2023	9,132
2024	8,208
2025	6,790
2026	5,197
2027 and thereafter	15,301
	44,628
Less: imputed interest	9,096
	35,532

16. INCOME TAXES

Major components of income tax expense:

	2022	2021
Current tax expenses (recovery)		
Current year	\$ (868)	\$ (677)
True-up of prior year	(478)	(498)
	(1,346)	(1,175)
Deferred tax expenses (recovery)		
Origination and reversal of temporary differences	(3,294)	(1,005)
	(3,294)	(1,005)
Tax expenses (recovery) on continuing operations	\$ (4,640)	\$ (2,180)

Tax expenses on continuing operations excludes the tax expenses on the discontinued operations of \$2,850 (2021 - \$1,358) and tax expenses on the gain on sale of discontinued operations of \$1,860 (2021: nil). Both of these have been included in net income from discontinued operations, net of taxes. See Note 29.

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.5% (2021 - 26.5%) to the income for the year and is reconciled as follows:

	2022	2021
Loss before income taxes from continuing operations	\$ (15,639)	\$ (28,902)
Statutory rate	26.5%	26.5%
Expected income tax recovery	(4,144)	(7,659)
Increase (decrease) in income taxes due to:		
Permanent differences	2,397	1,543
Change in valuation allowance	(1,470)	3,793
True-up of prior year	(935)	82
Other	(488)	61
Income tax expense (recovery)	\$ (4,640)	\$ (2,180)

SPARK POWER GROUP INC.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

16. INCOME TAXES (Continued)

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

	2022	2021
Deferred tax assets		
Loss carryforwards	\$ 6,516	\$ 4,296
Provision for expected credit losses	-	-
Property and equipment and right of use asset	467	338
Financing costs	69	129
Other	-	567
	7,052	5,330
Deferred tax liabilities		
Intangible assets	316	(2,746)
Property and equipment	(915)	(1,262)
Other	(3,566)	(2,418)
	(4,165)	(6,426)
Net deferred tax asset/(liability)	\$ 2,887	\$ (1,096)

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

2040	\$ 11,982
2041	15,798
2042	7,581
	35,361
Valuation allowance	(10,995)
	\$ 24,366

Operating losses incurred by the Company's certain subsidiaries for which a deferred tax asset has not been recognized were \$10,995 (2021 - \$17,132).

17. SHARE CAPITAL**Authorized:**

Unlimited Common shares

Issued:

	Number	Amount
Balance, 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) and (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
Issuance of common shares through rights offering (viii)	24,674,133	29,525
Issuance of common shares through private placement (ix)	8,333,333	10,000
Conversion of restricted share units (x)	551,434	306
Balance, December 31, 2022	90,493,135	\$ 176,641

17. SHARE CAPITAL (Continued)

- (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.
- (viii) In January 2022, 24,674,133 common shares were issued upon the closing of a rights offering at a price of \$1.20 per share for net cash proceeds of \$29,525, excluding issuance costs of \$84.
- (ix) In January 2022, 8,333,333 common shares were issued upon the closing of a non-brokered private placement at a price of \$1.20 per share for cash proceeds of \$10,000. There were no issuance costs associated with this financing.
- (x) During 2022, 551,434 common shares were issued upon the conversion of Restricted Share Units. A fair value of \$306 was applied to these shares and reallocated from Contributed surplus.

Omnibus Equity Incentive Plan

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

As at December 31, 2022, there were 5,832,426 stock options, RSU, DSU or PSU that are available to be granted under the Omnibus Equity Incentive Plan (December 31, 2021 – 5,693,424). Options generally expire after ten years, with vesting provisions stated in the Omnibus Plan.

In addition, 1,735,980 stock options were part of a rollover when the Company completed the acquisition of Genuity Acquisition Corp., of which 1,039,542 remain outstanding, and accordingly are not included against the total options available under the Omnibus Equity Incentive Plan.

SPARK POWER GROUP INC.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

17. SHARE CAPITAL (Continued)**Stock Options**

Activity in the Company's stock option Omnibus Plan for the years ended December 31, 2022 and 2021 are summarized as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number of Options	Weighted Average Option Exercise Price \$	Number of Options	Weighted Average Option Exercise Price \$
Outstanding, beginning of period	2,083,198	1.29	2,688,480	1.32
Granted during the period (xi)	1,178,844	1.21	-	-
Forfeiture during the period (xii) and (xiii)	(325,000)	1.20	(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	2,937,042	1.27	2,083,198	1.29

(xi) During the second and third quarter of 2022, the Company granted 68,844 and 1,110,000 stock options with an exercise price of \$1.38 and \$1.20, vesting equally over a three-year period with a ten-year term and a four-year period with a five-year term, respectively.

(xii) In 2021, 108,000 options and 66,000 with an exercise price of \$1.66 and \$1.34 per unit, respectively, were forfeited upon the departure of an employee. A value of \$54 and \$33, respectively, were applied to these options and removed from Contributed surplus.

(xiii) In 2022, 100,000 and 225,000 options with an exercise price of \$1.38 and \$1.20 per unit, respectively, were forfeited upon employee's departure. No adjustment made to the Contributed Surplus.

The Company used the Black-Scholes option pricing model to estimate the fair value of options granted in the year based on the following inputs:

	2022
Estimated life	5 years
Volatility	50%
Dividend growth rate	0%
Risk-free interest rate	3.64%

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

Of the total number of options outstanding at December 31, 2022, 1,985,376 (December 31, 2021 – 1,379,031) had vested and were exercisable. The weighted average remaining life of the options was 8.1 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.

SPARK POWER GROUP INC.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

17. SHARE CAPITAL (Continued)

Activity in the Company's RSU plan for the years ended December 31, 2022 and 2021 are summarized as follows:

	Number	Amount
Balance, December 31, 2020	608,441	\$ 307
Granted during the period (xiv) and (xv)	1,163,529	801
Exercised during the period (xv)	(219,277)	(144)
Forfeited during the period (xvi)	(146,733)	(77)
Balance, December 31, 2021	1,405,960	\$ 887
Granted during the period (xvii) and (xviii)	1,890,000	586
Exercised during the period (xix)	(551,434)	(306)
Forfeited during the period (xx)	(301,305)	(53)
Balance, December 31, 2022	2,443,221	\$ 1,114

- (xiv) 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.
- (xv) 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.
- (xvi) In 2021, 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.
- (xvii) On June 29, 2022, the Company issued 1,755,000 RSUs with an exercise price of \$0.71 per unit, 600,000 of which cliff vest on June 29, 2025 and the remaining vest in three installments on each anniversary date of grant.
- (xviii) On September 16, 2022, the Company issued 135,000 RSUs with an exercise price of \$0.75 per unit which vest in three installments on each anniversary date of grant.
- (xix) In 2022, the 551,434 vested RSU's were converted into common shares, and a value of \$306 was applied to these RSUs and transferred from contributed surplus to common shares during the year.
- (xx) In 2022, 301,305 RSUs with a value of \$0.57 per unit were forfeited upon the departure of various employees. A value of \$53 was applied to these RSUs and removed from contributed surplus during the period.

The weighted average fair value of RSUs granted during 2022 is \$0.31 (2021 - \$0.63). 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:

	2022	2021
Estimated life	3 years	3 years
Volatility	69%	70%
Dividend growth rate	0%	0%
Risk-free interest rate	3.72%	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.

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

17. SHARE CAPITAL (Continued)

Activity in the Company's DSU plan for the years ended December 31, 2022 and 2021 are summarized as follows:

	Number	Amount
Balance, December 31, 2020	56,654	\$ 35
Granted during the period (xix)	24,532	44
Balance, December 31, 2021	81,186	\$ 79
Granted during the period (xx)	160,519	98
Balance, December 31, 2022	241,705	\$ 177

(xix) In 2022, the Company issued 160,519 DSUs (2021 – 24,532 DSUs) with a weighted average exercise price of \$0.61 (2021 – \$2.04) per unit. These units vest upon date of the grant.

The weighted average fair value of deferred share units granted during 2022 is \$0.61 (2021 - \$0.98). 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:

	2022	2021
Estimated life	3 years	3 years
Volatility	70%	70%
Dividend growth rate	0%	0%
Risk-free interest rate	3.35%	0.56%

Performance Share Units

On September 20, 2022, the Company granted 1,550,000 equity settled PSUs, with an exercise price of \$1.20, with an expiry date on January 1, 2027.

For each of the financial years ended December 31, 2022, December 31, 2023, December 31, 2024 and December 31, 2025, 12.5% of the PSUs are eligible to vest with a multiplier of 50% to 150% based on the achievement of the Gross Margin Percentage and Operational EBITDA performance goals (the "Performance Goals"). Notwithstanding the maximum for 150% vesting set out for each Performance Goal, in each year, a maximum of 25% of the PSUs are eligible to vest.

The fair value of PSUs granted is estimated at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions, on which the PSUs were granted, with estimates regarding probability of performance condition being met and forfeiture rates. During the year, \$76 expenses were recorded in contributed surplus. During the year, 300,000 PSUs were forfeited.

The following inputs were used to estimate the fair value of the PSUs:

- Estimated Life – 4.25 years
- Volatility – 70%
- Dividend growth rate – 0%
- Risk-free interest rate – 3.70%

Share Appreciation Rights Plan

On September 16, 2022, the Company adopted a stock appreciation rights plan (the "SAR Plan"). The SAR Plan further aligns the Company's strategic objective of value creation to the compensation of the senior management team of the Company.

On September 20, 2022, the Company's senior management team were granted 2,325,000 share appreciation rights ("SARs"), to be settled in cash, with an expiry date on January 1, 2027.

- The SARs vest on the occurrence of a change in control that achieves certain financial thresholds, or upon satisfaction of the alternative vesting condition, provided that such vesting condition is satisfied prior to the expiry date.
- The liability for the share appreciation rights is measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying bi-nominal pricing model, taking

17. SHARE CAPITAL (Continued)

into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered services to date.

The following inputs were used to estimate the fair value of the SARs:

- Estimated Life – 4.01 years
- Volatility – 71%
- Dividend growth rate – 0%
- Risk-free interest rate – 3.99%

There were nil financial liabilities recorded as at December 31, 2022. 450,000 SARs were forfeited at year end.

Share-based compensation

During the year ended December 31, 2022, share-based compensation of \$794 (2021 - \$1,072) 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, 2022 and December 31, 2021 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.

On January 31, 2022, 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 1.028 Common share to 1.10 Common shares at an exercise price of \$3.14 per share for a remaining term of 1.7 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 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

18. FINANCIAL INSTRUMENTS (Continued)

instruments carried at fair value categorized in Level 3 as at December 31, 2022 and 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 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 financial instruments carried at fair value categorized in Level 3 as at period end.

The carrying values of accounts receivable, other receivable, HST receivable, government grant receivable, contract assets, bank indebtedness, accounts payable and accrued liabilities, income taxes payable 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 COVID-19 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 may 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), 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. Notwithstanding the phased reduction in restrictions in most jurisdictions following the peak of the COVID-19 variant in 2022, unexpected developments in financial markets, regulatory environments, supply chains, or supplier, employee, or customer behaviour and confidence may have adverse impacts on our financial results and condition, and business operations and reputation if another epidemic or pandemic-scale infectious disease arises, or if a mutation of the COVID-19 virus results in renewed government and private sector restrictions. The Company cannot accurately predict what future effects such conditions may have on its operations or financial results. 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.

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 an 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 12) 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, 2022, if interest rates had been higher by 2% with all other variables held constant, net loss would have been \$1,500 higher. A decline in interest rates of 1% would have decreased the Company's net loss by \$750.

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 13.

The following table sets out the contractual maturities as at December 31, 2022 (representing undiscounted contractual cash flows) of financial liabilities:

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021

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

18. FINANCIAL INSTRUMENTS (Continued)

2022								
	Notes	Carrying amount	Contractual cash flow	2023	2024	2025	2026	2027 and thereafter
Bank indebtedness	12	24,921	24,669	24,669	-	-	-	-
Accounts payable and accrued liabilities		44,174	44,174	44,174	-	-	-	-
Long-term debt	13	33,102	33,102	4,500	28,602	-	-	-
Promissory notes	14	2,500	2,500	2,500	-	-	-	-
Lease liability	15	35,532	44,628	9,132	8,208	6,790	5,197	15,301
		140,229	149,073	84,975	36,810	6,790	5,197	15,301

2021								
	Notes	Carrying amount	Contractual cash flow	2022	2023	2024	2025	2026 and thereafter
Bank indebtedness	12	\$ 28,142	\$ 28,142	\$ 28,142	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities		53,748	53,748	53,748	-	-	-	-
Long-term debt	13	61,962	64,051	64,051	-	-	-	-
Promissory notes	14	10,738	11,673	11,673	-	-	-	-
Lease liability	15	20,627	22,856	7,558	5,443	4,190	2,783	2,882
Derivative liabilities	29	1,203	1,203	1,203	-	-	-	-
Future lease commitment	30	-	15,020	-	904	904	904	12,308
		\$ 176,420	\$ 196,693	\$ 166,375	\$ 6,347	\$ 5,094	\$ 3,687	\$ 15,190

19. CAPITAL MANAGEMENT

The Company defines its managed capital as the total of interest-bearing long-term debt and shareholders' equity, including share capital, contributed surplus, accumulated other comprehensive (loss) income and retained earnings (deficit). As at December 31, 2022, total managed capital was \$106,340 (2021 - \$86,758).

The Company's objectives when managing capital are:

- To maintain balance sheet strength, ensuring the Company's strategic objectives are met, while retaining an appropriate amount of leverage; and
- 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, 2022 or 2021.

20. SEGMENTED INFORMATION

The Company has three primary segments: Technical Services, Renewables and Corporate. Two 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 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 the One Wind, Northwind, and Spark Power Solutions CGUs.

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

The Sustainability segment was sold in 2022, and therefore excluded in the segmented information. Details of the Sustainability segment are presented in Note 29.

SPARK POWER GROUP INC.


Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

20. SEGMENTED INFORMATION (Continued)

2022				
	Technical Services	Renewables	Corporate	Total
Segment revenues	\$ 181,653	\$ 89,333	\$ 1,291	\$ 272,277
Segment cost of sales	145,141	72,289	-	217,430
Segment selling, general and administration expenses	25,272	9,671	21,041	55,984
Segment provision for expected credit loss	1,769	-	-	1,769
Segment reorganization costs	266	512	1,270	2,048
Segment change in foreign exchange (gain) loss	(270)	(95)	(259)	(624)
Other expenses (income)	-	-	57	57
Segment amortization and depreciation	16,012	2,196	1,351	19,559
Segment profit (loss)	9,475	6,956	(20,818)	(4,387)
Finance expense	-	-	-	(8,423)
Transaction Costs	-	-	-	(1,329)
Impairment Loss	(1,500)	-	-	(1,500)
Total Company income (loss) before taxes from continuing operations				\$ (15,639)
Segment assets	\$ 113,343	\$ 68,620	\$ 33,926	\$ 215,889
Deferred tax asset	\$ -	\$ -	2,887	2,887
Total Company assets				\$ 218,776
Segment liabilities	\$ 44,836	\$ 53,976	\$ 49,546	\$ 148,358
Long-term debt				-
Total Company liabilities				\$ 148,358
2021				
	Technical Services	Renewables	Corporate	Total
Segment revenues	\$ 163,781	\$ 79,055	\$ 1,788	\$ 244,624
Segment cost of sales	136,645	62,801	-	199,446
Segment selling, general and administration expenses	25,271	8,007	22,521	55,799
Segment provision for expected credit loss	518	-	-	518
Segment change in fair value of derivative instruments	-	-	-	-
Segment change in realized gain on settlement of derivative instruments	-	-	-	-
Segment reorganization costs	569	453	2,369	3,391
Segment change in foreign exchange (gain) loss	239	519	197	955
Other expenses (income)	-	-	(49)	(49)
Segment amortization and depreciation	15,261	1,519	2,173	18,953
Segment profit (loss)	539	7,275	(23,250)	(15,436)
Finance expense	-	-	-	(7,126)
Transaction Costs	-	-	-	(2,141)
Impairment Loss	(4,000)	-	-	(4,000)
Total Company income (loss) before taxes from continuing operations				\$ (28,703)
Segment assets	\$ 130,421	\$ 35,806	\$ 22,573	\$ 188,800
Segment liabilities	\$ 74,688	\$ 19,630	\$ 87,377	\$ 181,695
Deferred tax liability				407
Long-term debt				-
Total Company liabilities				\$ 182,102

SPARK POWER GROUP INC.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

20. SEGMENTED INFORMATION (Continued)

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

	2022		
	Canada	USA	Total
Regional revenues	\$ 178,861	\$ 93,416	\$ 272,277
Regional cost of sales	144,127	73,303	217,430
Regional selling, general and administration expenses	46,325	9,659	55,984
Regional provision for expected credit loss	1,769	-	1,769
Other expenses (income)	57	-	57
Regional reorganization costs	2,048	-	2,048
Regional change in foreign exchange (gain) loss	(624)	-	(624)
Regional profit (loss)	\$ (14,841)	\$ 10,454	\$ (4,387)
Property and equipment	\$ 40,959	\$ 7,465	\$ 48,424
Intangible assets	\$ 19,201	\$ 763	\$ 19,964
Goodwill	\$ 29,545	\$ 285	\$ 29,830
	2021		
	Canada	USA	Total
Regional revenues	\$ 171,946	\$ 72,678	\$ 244,624
Regional cost of sales	133,771	65,675	199,446
Regional selling, general and administration expenses	47,200	8,599	55,799
Regional provision for expected credit loss	85	433	518
Other expenses (income)	(49)	-	(49)
Regional reorganization costs	3,340	51	3,391
Regional change in foreign exchange (gain) loss	955	-	955
Regional profit (loss)	\$ (13,356)	\$ (2,080)	\$ (15,436)
Property and equipment	\$ 27,841	\$ 5,431	\$ 33,272
Intangible assets	\$ 27,978	\$ 1,138	\$ 29,116
Goodwill	\$ 37,679	\$ 284	\$ 37,963

21. RELATED PARTY TRANSACTIONS

In the year ended December 31, 2022, \$6,255 (2021 - \$1,455) of revenue was earned from and there was \$662 owing from Red Jar Capital, owned by the Company's founders, in accounts receivable (2021 - \$256). Further, there were no other balances due to/from related parties and/or shareholders as at December 31, 2022 and 2021.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, comprised of the Company's directors and executive officers. Salaries and other benefits paid to the key management personnel in the year were \$2,292 (2021 - \$1,871).

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

22. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2021	Cash flows	Non-cash changes		2022
			Deferred financing fees	New leases acquired during the year	
Bank indebtedness	28,142	(3,221)	-	-	24,921
Long-term debt	61,962	(29,169)	309	-	33,102
Promissory notes	10,738	(8,238)	-	-	2,500
Lease liability	20,627	(8,280)	-	23,185	35,532
	121,469	(48,908)	309	23,185	96,055

	2020	Cash flows	Non-cash changes		2021
			Deferred financing fees	New leases acquired during the year	
Bank indebtedness	\$ 25,444	\$ 2,698	\$ -	\$ -	\$ 28,142
Long-term debt	66,572	(4,794)	184	-	61,962
Promissory notes	10,738	-	-	-	10,738
Lease liability	17,285	(8,050)	-	11,392	20,627
	\$ 120,039	\$ (10,146)	\$ 184	\$ 11,392	\$ 121,469

23. 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 from continuing operations in the current year, the outstanding option, RSUs, DSUs and warrants are anti-dilutive.

Basic and diluted earnings per share

	2022		2021	
Numerator:				
Net (loss) income from continuing operations	\$	(10,999)	\$	(26,523)
Net income (loss) from discontinued operations		18,804		5,230
Net income (loss)		7,805		(21,293)
Denominator:				
Weighted average number of basic shares outstanding		89,560,957		56,564,958
Weighted average number of diluted shares outstanding		89,560,957		56,564,958
(Loss) earnings per share from continuing operations:				
Basic	\$	(0.12)	\$	(0.47)
Diluted	\$	(0.12)	\$	(0.47)
(Loss) earnings per share from discontinued operations:				
Basic	\$	0.21	\$	0.09
Diluted	\$	0.21	\$	0.09

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

24. EXPENSE BY NATURE

	2022	2021
Material, equipment and subcontractors	\$ 68,304	\$ 70,225
Other administration costs	44,304	36,556
Office and telephone	5,696	4,816
Salaries and wages	129,085	118,200
Occupancy costs	2,592	1,858
Advertising and promotion	334	634
Depreciation of property and equipment	12,389	11,806
Amortization of intangible assets	7,396	7,615
Professional fees	3,314	3,535
	\$ 273,414	\$ 255,245

25. PROVISION FOR EXPECTED CREDIT LOSSES

As of December 31, 2022, the Company recognized \$1,769 in Provision for Expected Credit Losses (2021 - \$580).

26. FINANCE EXPENSE

	Notes	2022	2021
Interest on bank indebtedness	12	\$ 2,061	\$ 1,451
Interest on long-term debt	13	4,358	3,014
Interest on promissory notes	14	100	868
Interest on lease liabilities	15	1,412	1,159
Mark-to-Market interest gain	18	-	(345)
Other		492	979
		\$ 8,423	\$ 7,126

27. TRANSACTION COSTS

During the year ended December 31, 2022, the Company recognized \$1,329 in transaction costs. These are costs associated with the rights offering and the strategic review process. In addition, there were \$1,985 transaction costs incurred related to the sale of Bullfrog and included in the calculation of gain on disposal of discontinued operations as disclosed in Note 29. The transactions costs include legal and advisory 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.

28. REORGANIZATION AND OTHER NON-RECURRING COSTS

During the year ended December 31, 2021, the Company recognized \$2,048 of severance related costs (2021 - \$2,141) of which \$1,376 was included in accrued liabilities as at December 30, 2022 (December 31, 2021 - \$1,794). These costs relate to management's reorganization initiative to integrate field operations and rationalize corporate overheads.

SPARK POWER GROUP INC.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

29. DISCONTINUED OPERATIONS

On November 30, 2022, the Company sold its Bullfrog business unit, a wholly owned subsidiary, for approximately \$35.0 million to a third party. Bullfrog was classified as a discontinued operation as at December 31, 2022. The Bullfrog business represented the entirety of the Company's Sustainability operating segment until November 30, 2022. With Bullfrog being sold, the Sustainability segment is no longer presented in the Segment note.

Results of discontinued operations for the years ended:

	Notes	2022	2021
Revenue		10,109	11,191
Cost of sales	6	2,830	4,118
Gross profit		7,279	7,073
Expenses			
Selling, general and administrative	6,24	2,930	3,538
Provision for expected credit loss	4	15	112
Change in fair value of derivative instruments	30	(7,427)	(2,716)
Realized gain on settlement of derivative instruments	30	(1,234)	(1,051)
Foreign exchange loss		15	26
Reorganization costs		-	101
Results from operating activities		12,980	7,063
Current income tax expense		885	669
Deferred income tax expense		1,965	689
Income tax expense	16	2,850	1,358
Results from discontinued operations, net of taxes		10,130	5,705
Gain on sale of discontinued operations		10,534	-
Income tax expenses on sale of discontinued operations	16	1,860	-
		8,674	-
Net income from discontinued operations, net of taxes		18,804	5,705
Basic earnings per share		\$ 0.21	\$ 0.09
Diluted earnings per share		\$ 0.21	\$ 0.09

Cash flows from (used in) discontinued operation:

	2022	2021
Net cash provided by (used in) operating activities	\$ (4,354)	\$ (1,541)
Net cash from investing activities	30,017	-
Net cash flows for the year	\$ 25,663	\$ (1,541)

SPARK POWER GROUP INC.



Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

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

29. DISCONTINUED OPERATIONS (Continued)

Effect of disposal on the financial position of the Company:

	Notes	2022
Trade and other receivables		(1,489)
Contract assets		(1,000)
Inventories		(885)
Prepaid expenses and deposits		(1,552)
Property, plant and equipment		(269)
Goodwill		(6,634)
Intangibles		(5,835)
Current and long-term derivative assets		(10,684)
Trade payables and accrued liabilities		1,055
Contract liabilities		46
Deferred taxes liabilities		2,654
Income tax payables		825
Current and long-term derivative liabilities		541
Lease liabilities		241
Net assets and liabilities		(22,986)
Consideration received in cash		30,000
Other		24
Cash and cash equivalents disposed of		(7)
Net cash inflows		30,017

Components of considerations:

Consideration received upon close	30,000
Consideration in escrow	1,500
Earn-out	3,318
Working capital adjustments	336
Other	450
Net cash inflows	35,604

During the third quarter of 2021, 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 for the period ended December 31, 2021.

30. POWER PURCHASE AGREEMENT

As disclosed in Note 29 discontinued operations, the Power Purchase Agreement and the power swap arrangement were sold on November 30, 2022 as the Company sold Bullfrog.

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 \$6,765 (2021 - \$3,918). As at December 31, 2021, an amount of \$1,769 was recorded as a current asset and expected to be realized within the next twelve months.

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 unrealized gain in change in the fair value of the other derivative liability during the year of \$662 (2021 – \$1,202 loss) is based on the projected market values of similar contracts with similar remaining durations as if the contract has been entered into at end of each period.

On March 9, 2022, the Company signed a second Power Purchase Agreement for the purchase and sale of renewable energy and environmental attributes, including Certified Renewable Energy Certificates. The agreement started during the second quarter of 2022.

During the year, the Company recognized realized settlements on the PPA in the amount of \$4,478 offset by realized settlements on the hedge of \$3,244 respectively for a net gain of \$1,234.


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, and as such, recorded as inventory. At November 30, 2022, the Company had 10,984 REC’s equal to \$60 (December 31, 2021 - \$111) 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’s parent, Spark Power Group Inc., had issued Letters of Credit to the seller and the hedge broker in the amount of \$760 and \$100 respectively.

31. COMMITMENTS AND CONTINGENT LIABILITY

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.

MANAGEMENT DISCUSSION & ANALYSIS



FOR THE YEARS ENDED DECEMBER 31
2022

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, 2022, dated March 28, 2023, should be read in conjunction with the December 31, 2022 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 refinancing, future financial position, our ability to secure new financing on reasonable terms, our business strategy, execution of 'Let's Grow Better' strategic plan, 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, 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, 2022, filed on March 28, 2023 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.

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", 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".

"Adjusted EBITDA" means EBITDA adjusted for any reorganization and transaction costs, discontinued operations, change in estimate and non-recurring items 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.

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

"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.

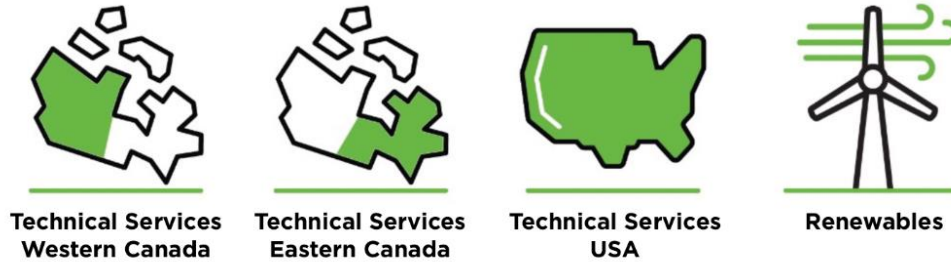
"EBITDA" means net income (loss) before amortization and depreciation, finance costs, and provision for income taxes.

"EBITDA Margin" means EBITDA divided by revenue.

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 three specific business segments: Technical Services, Renewables, 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 | <ul style="list-style-type: none"> • Electrical contracting services • Industrial automation • Systems integration | <ul style="list-style-type: none"> • Custom control panel design and assembly • Electronic repair • 24/7 emergency services |
| Medium & High Voltage | <ul style="list-style-type: none"> • Power 'On' services • Sub-station construction and maintenance • Power line construction and maintenance | <ul style="list-style-type: none"> • Equipment installation • Commissioning • Thermography services • Transformer maintenance |
| Engineering | <ul style="list-style-type: none"> • Power systems engineering • Protection and control engineering | <ul style="list-style-type: none"> • Substation engineering • SCADA engineering • Arc flash studies |
| Power Equipment | <ul style="list-style-type: none"> • Buy, refurbishment and resale of used electrical equipment • Sales and rentals of power transformers | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 24/7 monitoring and analytics from central operating centre | <ul style="list-style-type: none"> • Fence to fence, onsite operations and maintenance to wide range of solar sites |
| Wind | <ul style="list-style-type: none"> • In-construction services • Asset monitoring | <ul style="list-style-type: none"> • Operations and maintenance • Commissioning |
| Battery Energy Storage Systems (BESS) | <ul style="list-style-type: none"> • Engineering, procurement, and construction | <ul style="list-style-type: none"> • Operations and maintenance • Commissioning |
| Electric Vehicle (EV) | <ul style="list-style-type: none"> • Construction | <ul style="list-style-type: none"> • Operations and maintenance |

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 and twelve months ended December 31, 2022 and 2021.

(in \$000's)

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Revenue	\$ 64,518	\$ 63,086	\$ 272,277	\$ 244,624
Cost of sales	52,033	55,085	217,430	199,446
Gross profit	12,485	8,001	54,847	45,178
Selling, general and administrative expenses	13,690	16,242	55,984	55,799
Provision for expected credit losses	1,500	439	1,769	518
Other expense (income)	57	(49)	57	(49)
Reorganization costs	198	1,862	2,048	3,391
Foreign exchange (gain) loss	2,062	513	(624)	955
Loss from operations	(5,022)	(11,006)	(4,387)	(15,436)
Finance costs	(2,737)	(2,233)	(8,423)	(7,126)
Transaction costs	(336)	(580)	(1,329)	(2,141)
Impairment loss	(1,500)	(4,000)	(1,500)	(4,000)
	(4,573)	(6,813)	(11,252)	(13,267)
Income (loss) before income taxes from continuing operations	(9,595)	(17,819)	(15,639)	(28,703)
Income tax recovery (expense):				
Current	2,547	1,513	1,346	1,175
Deferred	1,510	(2,214)	3,294	1,005
	4,057	(701)	4,640	2,180
Net income (loss) from continuing operations	(5,538)	(18,520)	(10,999)	(26,523)
Net income from discontinued operations	10,673	645	18,804	5,230
Net income (loss)	5,135	(17,875)	7,805	(21,293)
Cumulative translation adjustment	(14)	241	(1,202)	373
Comprehensive loss	5,121	(17,634)	6,603	(20,920)
EBITDA	\$ 10,566	\$ (10,240)	\$ 34,442	\$ 4,617
EBITDA margin	16.0%	(15.7%)	12.2%	1.8%
Adjusted EBITDA	6,972	3,136	33,083	23,304
Adjusted EBITDA margin	10.5%	4.8%	11.7%	9.1%
Adjusted EBITDA excl. unrealized gains on derivatives	4,496	3,294	25,656	20,588
Adjusted EBITDA margin excl. unrealized gains on derivatives	6.8%	5.0%	9.1%	8.0%

EBITDA and Adjusted EBITDA

The following tables provide a reconciliation of our EBITDA measures:

(in \$000's)

Reconciliation of Total EBITDA and Adjusted EBITDA	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
EBITDA - continuing operations	\$ (760)	(10,650)	\$ 12,343	\$ (2,624)
EBITDA - discontinued operations	11,326	410	22,099	7,241
Total EBITDA	10,566	(10,240)	34,442	4,617
Adjusted EBITDA - continuing operations	4,320	2,648	19,643	15,375
Adjusted EBITDA - discontinued operations	2,652	488	13,440	7,929
Total Adjusted EBITDA	\$ 6,972	3,136	\$ 33,083	23,304
Total Adjusted EBITDA excl. unrealized gains on derivatives	\$ 4,496	3,294	\$ 25,656	20,588

(in \$000's)

Reconciliation of net income (loss) to EBITDA and Adjusted EBITDA - Continuing operations	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Net Income (loss) from continuing operations	\$ (5,538)	\$ (18,520)	\$ (10,999)	\$ (26,523)
Adjustments:				
Finance expense	2,737	2,233	8,423	7,126
Income tax (recovery) expense	(4,057)	701	(4,640)	(2,180)
Amortization and depreciation	6,098	4,936	19,559	18,953
EBITDA - continuing operations	\$ (760)	\$ (10,650)	\$ 12,343	\$ (2,624)
EBITDA Margin - continuing operations	(1.2%)	(16.9%)	4.5%	(1.1%)
Adjustments:				
Provision for expected credit loss	1,500	439	1,769	518
Impairment loss	1,500	4,000	1,500	4,000
Foreign exchange loss (gain)	1,546	619	654	1,559
Reorganization costs	198	1,862	2,048	3,391
Transaction costs	336	580	1,329	2,141
Change in estimate	-	3,740	-	6,390
Year end provisions	-	2,058	-	-
Adjusted EBITDA - continuing operations	\$ 4,320	\$ 2,648	\$ 19,643	\$ 15,375
Adjusted EBITDA Margin - continuing operations	6.7%	4.2%	7.2%	6.3%

(in \$000's)

Reconciliation of net income to EBITDA and Adjusted EBITDA - Discontinued operations	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Net Income from discontinued operations	\$ 10,673	\$ 645	\$ 18,804	\$ 5,230
Adjustments:				
Income tax expense	597	(435)	2,850	1,358
Amortization and depreciation	56	200	445	653
EBITDA - discontinued operations	\$ 11,326	\$ 410	\$ 22,099	\$ 7,241
EBITDA Margin - discontinued operations	681.1%	17.5%	218.6%	64.7%
Adjustments:				
Provision for expected credit loss	-	78	15	112
Reorganization costs	-	-	-	101
(Gain) loss on sale of discontinued operations	(8,674)	-	(8,674)	475
Adjusted EBITDA - discontinued operations	\$ 2,652	\$ 488	\$ 13,440	\$ 7,929
Adjusted EBITDA Margin - discontinued operations	159.5%	20.9%	133.0%	70.9%
Adjusted EBITDA excl. unrealized gains on derivatives	\$ 176	\$ 646	\$ 6,013	\$ 5,213
Adjusted EBITDA margin excl. unrealized gains on derivatives	10.6%	27.6%	59.5%	46.6%

RECENT DEVELOPMENTS

Launch of New Three Year Strategy

At the start of 2023, the Company launched its new three year 'Let's Grow Better' strategy designed to create value for all stakeholders in the business. The focus of the strategy is to deliver profitable growth by way of a targeted go-to-market plan, enhance gross margins and cash flow, and leverage a scalable platform to support the next stage of growth. The Company plans on sharing details of the strategy in the coming months.

Sale of Bullfrog Power Inc.

On November 30, 2022, the Company sold its Bullfrog Power Inc. ("Bullfrog") business unit, a wholly owned subsidiary, for total all-cash proceeds of up to \$35.0 million. Proceeds from the transaction were used to reduce debt and fund working capital needs. At September 30, 2022, Bullfrog was classified as a discontinued operation.

Amendment to Credit Facility

On November 30, 2022, the Company entered into a new Amended and Restated Credit Agreement with its Lender. Key terms of this Agreement are as follows:

- a) The maturity date of this new facility was extended to September 30, 2024 and will be amortized over an 8-year period with quarterly repayments of \$1.1 million, reduced from previously \$2.1 million per quarter;
- b) Achieve a minimum cumulative monthly EBITDA at the end of each calendar month through March 31, 2023;
- c) Maintain incremental interest rate margin of 1.00% on facility advances in place from April 29, 2022 through March 31, 2023;
- d) Subsequent to the 2022 fiscal year, maintain certain covenants on a 12-month rolling quarterly basis, including:
 - Minimum fixed charge coverage ratio of 1.00 for the quarter ended March 31, 2023, as revised subsequent to the year end, increasing to 1.25 for each fiscal quarter 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 3.75:1.00.

As at December 31, 2022, the Company was in compliance with the financial covenants in effect in its credit facility, being the minimum cumulative monthly EBITDA covenant.

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.

ERP Migration

In September 2022, the Company migrated its first business unit on to the new Enterprise Technology platform (US Technical Services). The new platform is expected to streamline processes across the organization, improve operational and financial reporting, and deliver operational efficiencies.

In January 2023, the Company migrated its Renewables US business unit on to the new Enterprise Technology platform. The Company expects to migrate the Canadian business units later in 2023.

Business Integration

Through the second half of 2022, the Company completed its business-wide integration initiative to consolidate Spark Power's operating enterprise across all lines of business to achieve synergies and optimize financial performance.

This action is expected to unify our go-to-market strategy across the enterprise, unlock operational efficiencies in our management structure, simplify business processes while eliminating complexity, and provide for more enhanced service delivery across the markets it serves.

During the year, the Company recorded \$2.0 million related to reorganization costs as part of the integration program.

Rights Offering and Private Placement

On January 31, 2022, the Company completed a rights offering ("Rights Offering") and private placement raising \$39.6 million in new capital.

Upon closing of the Rights Offering, the Company issued approximately 24,674,133 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 is entitled to subscribe for 0.4393346119 of a Common Share for every right held by such shareholder.

For the private placement, the Company issued 8,333,333 Common Shares at a price of \$1.20 per Common Share for aggregate gross proceeds of approximately \$10.0 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 was owing by the Company. The balance of the proceeds were used to reduce its line of credit to support working capital purposes.

COVID-19 Pandemic

The COVID-19 pandemic and its variants continued to disrupt global health and impact economic conditions. The Company maintained its business continuity plans to ensure appropriate measures, procedures and protocols were in place to safeguard service to our customers while prioritizing employee, customer and vendor safety.

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 some of its Technical Services operations. These lower revenues, along with the impact of ongoing COVID protocols, continued to impact gross margin realizations through 2021, albeit to a lesser extent.

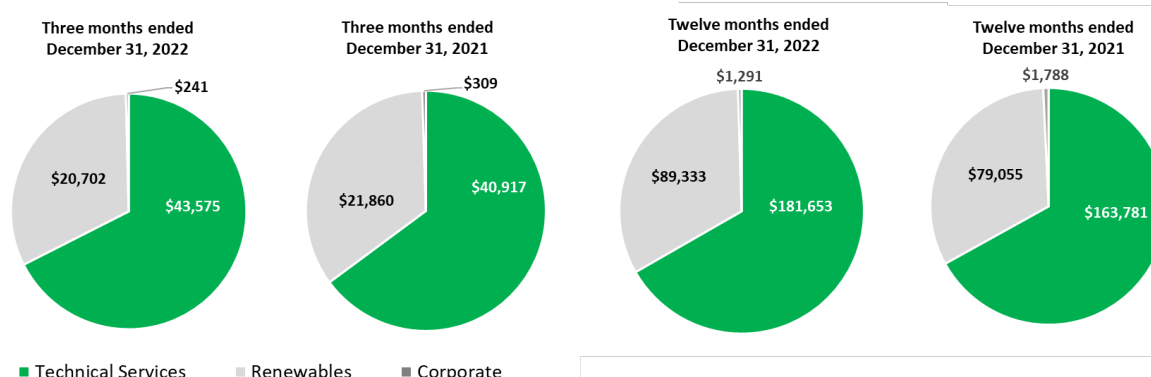
During the first quarter of 2022, the Company continued to experience the effects of the pandemic on the operational efficiencies within its business units. Furthermore, the Company has realized significant inflationary price increases for certain of its key cost inputs resulting in downward pressure 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 continues to closely monitor price inflation and the impact on key costs inputs and will continue to pursue pricing measures to the extent possible moving into 2023.

RESULTS OF OPERATIONS

Results of continuing operations for the three and twelve months ended December 31, 2022, reflect the benefits of the gross margin expansion and integration initiatives executed through the year to counter the rising costs of inflation and streamline the business operations as the Company scales for growth. Moreover, the Company continues to proactively implement pricing actions to counteract any ongoing cost increases. The fourth quarter is historically impacted by lower volumes due to seasonal demand and higher quoted work mix that results in lower gross margin realization.

Revenue

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



Revenue for the three months ended December 31, 2022, was \$64.5 million reflecting more modest growth overall, compared with \$63.1 million in the fourth quarter of 2021, representing an increase of \$1.4 million or 2.3%. The primary reason for the change was due to strong growth in Technical Services of \$2.7 million or 6.5% tied to higher volumes in Canada, offset with lower volumes in our Renewables business of \$1.2 million or 5.3% due to large project work in the prior period in the Wind segment.

Revenue for the twelve months ended December 31, 2022, was \$272.3 million, compared with \$244.6 million in the same period in 2021, representing an increase of \$27.7 million or 11.3%. The increase was attributable to strong growth in Technical Services of \$17.9 million or 10.9% and ongoing Renewables revenue growth of \$10.3 million or 13.0% related to strong growth in our Solar segment in the US.

Organic revenue growth is broken down as follows:

(in \$000's)

	Three months ended December 31			
	2022	2021	\$ Growth	% Growth
Technical Services	\$ 43,575	\$ 40,917	\$ 2,658	6.5%
Renewables	20,702	21,860	(1,158)	(5.3%)
Corporate	241	309	(68)	(22.0%)
Total	\$ 64,518	\$ 63,086	\$ 1,432	2.3%

	Twelve months ended December 31			
	2022	2021	\$ Growth	% Growth
Technical Services	\$ 181,653	\$ 163,781	\$ 17,872	10.9%
Renewables	89,333	79,055	10,278	13.0%
Corporate	1,291	1,788	(497)	(27.8%)
Total	\$ 272,277	\$ 244,624	\$ 27,653	11.3%

Government Grants

When the COVID-19 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.

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 three and twelve months ended December 31, 2021, the Company recognized \$nil and \$2.5 million, respectively, which was recorded against segment cost of sales and SG&A expenses to which they are related. There was no CEWS funding in 2022.

	Twelve months ended December 31, 2021			
	Technical Services	Renewables	Corporate	Total
<i>Canadian Emergency Wage Subsidy</i>				
Cost of sales	1,786	273	-	2,059
Selling, general and administrative	236	74	139	449
Total	\$ 2,022	\$ 347	\$ 139	\$ 2,508

Skills Development Funding

During the second quarter of 2021 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 implemented a one-year program between April 2021 and March 2022 whereby the funds were utilized through this period on programs and initiatives previously approved by the Government of Ontario. The Company would be required to return any funds not utilized in accordance with the program criteria and timelines. At the end of 2022, the Company had received funding towards this grant of \$4.8 million which has fully been utilized to fund expenditures approved under the program and interest on the funds earned and received was insignificant. The Company has received all funding related to this grant as at December 31, 2022.

During the second quarter of 2022 the Company received approval for a \$3.4 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 implemented a one-year program between April 2022 and March 2023 whereby the funds need to be utilized through this period on programs and initiatives previously approved by the Government of Ontario. At the end of the year the Company had received funding towards this grant of \$1.9 million of which \$1.5 million has been utilized to fund expenditures approved under the program. The balance of \$0.4 million has been included in bank indebtedness.

Cost of Sales and Gross Profit

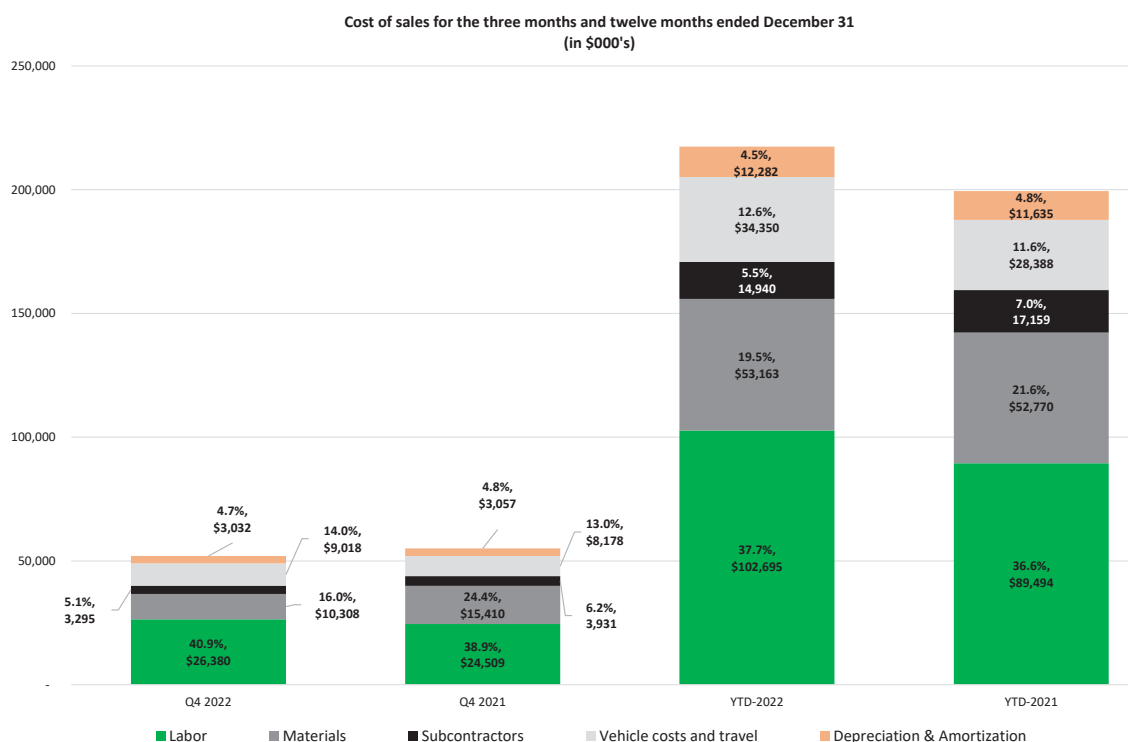
For the three months ended December 31, 2022, gross profit, inclusive of depreciation and amortization increased \$4.5 million to \$12.5 million as compared to \$8.0 million in the same period in 2021. Gross profit margins were 19.4%, up from 12.7% in the fourth quarter of 2021 resulting in an increase in gross margin realization of 6.7%. Gross profit excluding depreciation and amortization increased \$5.0 million to 24.9% of revenue resulting in a 7.4% increase in gross margin realizations. The primary reasons for the change were related to improving revenue mix as the Company shifts focus to higher margin service work combined with the impact of cost inflation increases in the prior year.

For the twelve months ended December 31, 2022, gross profit, inclusive of depreciation and amortization increased \$9.7 million to \$54.8 million as compared to \$45.2 million in the same period in 2021. Gross profit margins were 20.1%, up from 18.5% in the same period in 2021 resulting in an increase in gross margin realization of 1.6%. Gross profit excluding depreciation and amortization increased to 24.9% of revenue from 23.2% in the same period in 2021 resulting in a 1.7% increase in gross margin realizations. The increase reflects the benefits of the gross margin expansion initiatives executed through the year combined with improving revenue mix and the impact of estimate updates in the prior year. Partially offsetting this are the government grants under the CEWS and Paycheck Protection programs of \$2.1 million recognized in the twelve months ended December 31, 2021 as compared to \$nil in the twelve months ended December 31, 2022.

(in \$000s)

	Three months ended December 31				Twelve months ended December 31			
	2022		2021		2022		2021	
	\$	%	\$	%	\$	%	\$	%
Revenue	\$ 64,518		\$ 63,086		\$ 272,277		\$ 244,624	
Cost of sales	52,033	80.6%	55,085	87.3%	217,430	79.9%	199,446	81.5%
Gross profit	\$ 12,485	19.4%	\$ 8,001	12.7%	\$ 54,847	20.1%	\$ 45,178	18.5%
Depreciation and amortization included in cost of sales	3,578		3,057		12,828		11,635	
Gross profit, excluding depreciation and amortization	\$ 16,063	24.9%	\$ 11,058	17.5%	\$ 67,675	24.9%	\$ 56,813	23.2%

Components of cost of sales were as follows:



During the three and twelve months ended December 31, 2022, labour costs were \$26.4 million and \$102.7 million, respectively, as compared to \$24.5 million and \$89.5 million in the same period in 2021. These costs in the three and twelve months ended December 31, 2022 were offset by \$nil and \$nil, respectively as compared to \$nil and \$2.1 million, respectively in the same period in 2021 in government grants under the CEWS and Paycheck Protection programs. The increase in labour costs is related to revenue growth and the improved mix of service work.

During the three and twelve months ended December 31, 2022, vehicle costs and travel increased to \$9.0 million or 14.0% of revenue and \$34.4 million or 12.6% of revenue, respectively from \$8.2 million or 13.0% of revenue and \$28.4 million or 11.6% of revenue in the same period of 2021. The increase is related to an increase in travel in our Technical Services group tied to revenue growth and higher vehicle and fuel costs in our Renewables segment tied to cost inflation and increased servicing of remote sites. Price increases and commodity surcharges have been implemented throughout the year to offset such cost increases.

During the three and twelve months ended December 31, 2022, materials decreased to \$10.3 million or 16.0% of revenue and increased to \$53.2 million or 19.5% of revenue, respectively, from \$15.4 million or 24.4% of revenue and \$52.8 million or 21.6% of revenue in the same period of 2021. The decrease in materials mix in the three and twelve months ended December 31, 2022 is driven by project mix as the Company focuses on higher margin service work and becomes more selective on larger-scale projects requiring more materials.

During the three and twelve months ended December 31, 2022, subcontractor costs decreased to \$3.3 million or 5.1% of revenue and \$14.9 million and 5.5% of revenue, respectively, from \$3.9 million or 6.2% of revenue and \$17.2 million or 7.0% of revenue in the same period of 2021. The decrease compared to prior year is due to a change in project mix in our Technical Services segment with fewer large-scale projects requiring additional third-party labour.

Selling, General and Administration Expense

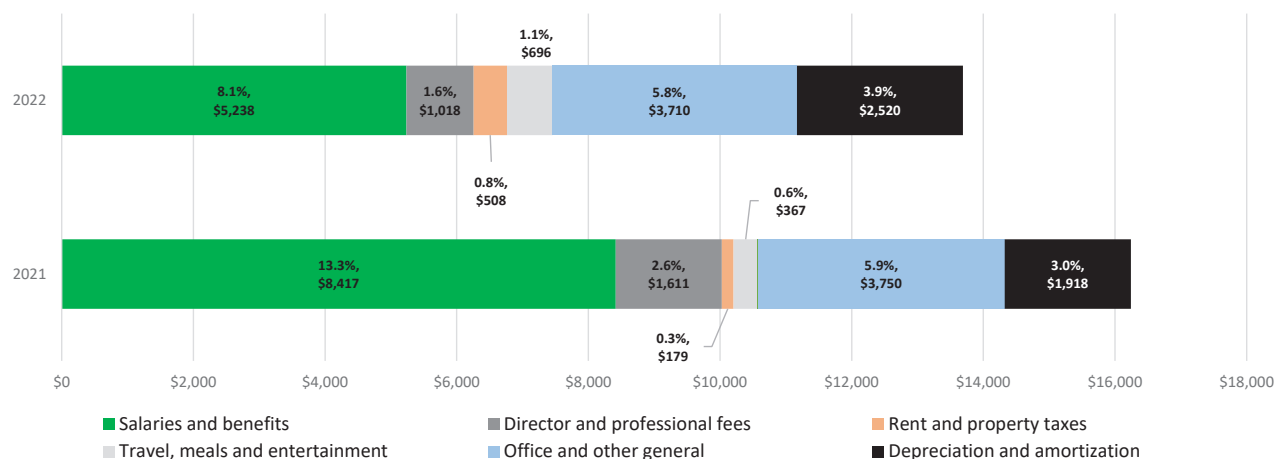
For the three and twelve months ended December 31, 2022, SG&A expenses decreased to \$13.7 million or 21.2% of revenue and increased to \$56.0 million or 20.6% of revenue, respectively, from \$16.2 million or 25.7% of revenue and \$55.8 million or 22.8% of revenue in the same period of 2021. SG&A excluding depreciation and amortization was \$11.2 million or 17.3% of revenue and \$48.2 million or 17.7% in the three and twelve months ended December 31, 2022 as compared to \$14.3 million or 22.7% of revenue and \$48.0 million or 19.6% over the same period in 2021. The decrease in the three months ended December 31, 2022, reflects the benefits of the cost actions executed earlier in the year combined with one-time provisions recorded in the prior period.

(in \$000s)

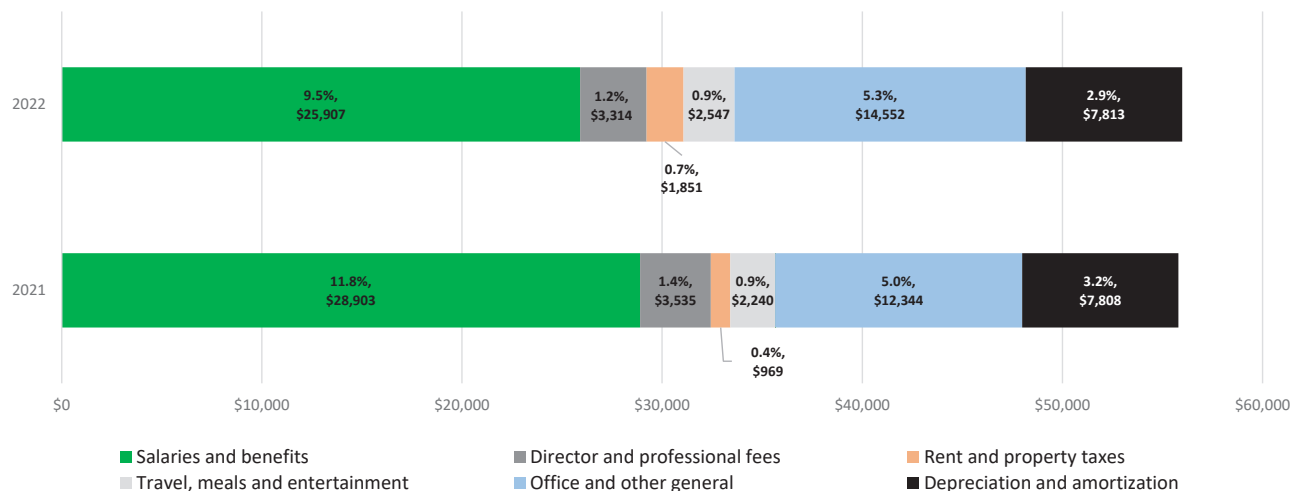
	Three months ended December 31				Twelve months ended December 31			
	2022		2021		2022		2021	
	\$	%	\$	%	\$	%	\$	%
Revenue	64,518		63,086		272,277		244,624	
Selling, general and administrative expenses	13,690	21.2%	16,242	25.7%	55,984	20.6%	55,799	22.8%
Depreciation and amortization included in selling, general and administrative expenses	2,520		1,918		7,813		7,808	
SG&A, excluding depreciation and amortization	11,170	17.3%	14,324	22.7%	48,171	17.7%	47,991	19.6%

Components of SG&A costs were as follows:

Selling, general and administrative expenses for the three months ended December 31 (in \$000's)



Selling, general and administrative expenses for the twelve months ended December 31 (in \$000's)



During the three and twelve months ended December 31, 2022, salaries and benefits costs decreased to \$5.2 million and \$25.9 million from \$8.4 million and \$28.9 million in the same period in 2021. During the three and twelve months ended December 31, 2022, salaries and benefits were offset by \$nil and \$nil million, respectively, by government grants under the CEWS and Paycheck Protection programs announced in April 2020 as compared to \$nil and \$0.5 million during the three and twelve months ended December 31, 2021. Salaries and benefits as a percentage of revenue was down by 5.2% for the three months ended December 31, 2022 as compared to the same period in 2021 reflecting the benefits of the cost actions taken through the first half of the year to rationalize S,G&A headcount combined with year end provisions recorded in the prior period.

Office and other general costs during the three and twelve months ended December 31, 2022, were \$3.7 million or 5.8% of revenue and \$14.6 million or 5.3% of revenue, respectively as compared to \$3.8 million or 5.9% of revenue and \$12.3 million or 5.0% of revenues in the same period of 2021. The increases were primarily due to higher insurance costs and higher computer expenses related to the ERP migration.

Rent and property costs during the three and twelve months ended December 31, 2022, were \$0.5 million or 0.8% of revenue and \$1.9 million or 0.7% of revenue, respectively as compared to \$0.2 million or 0.3% of revenue and \$1.0 million or 0.4% of revenues in the same period of 2021. The increase was primarily due to overlapping rent costs for the fourth quarter related to our head office move.

Depreciation and amortization costs included in SG&A during the three and twelve months ended December 31, 2022, were \$2.5 million or 3.9% of revenues and \$7.8 million or 2.9% of revenue, respectively as compared to \$1.9 million or 3.0% of revenue and \$7.8 million or 3.2% of revenue in the same period of 2021.

Reorganization and transaction costs

Reorganization costs for the three and twelve months ended December 31, 2022, was \$0.2 million and \$2.0 million, respectively compared to \$1.9 million and \$3.4 million in the same period in 2021. Reorganization costs in 2022 relate primarily to severances paid and accrued related to the Company's business integration program to reduce overhead costs. Transaction costs for the three and twelve months ended December 31, 2022, was \$0.3 million and \$1.3 million, respectively, as compared to \$0.6 million and \$2.1 million in the comparable period in 2021. Transaction costs in 2022 related primarily to professional fees associated with the rights offering. Transaction costs related to the Bullfrog sale have been recorded as part of discontinued operations.

Amortization and Depreciation and Finance Costs

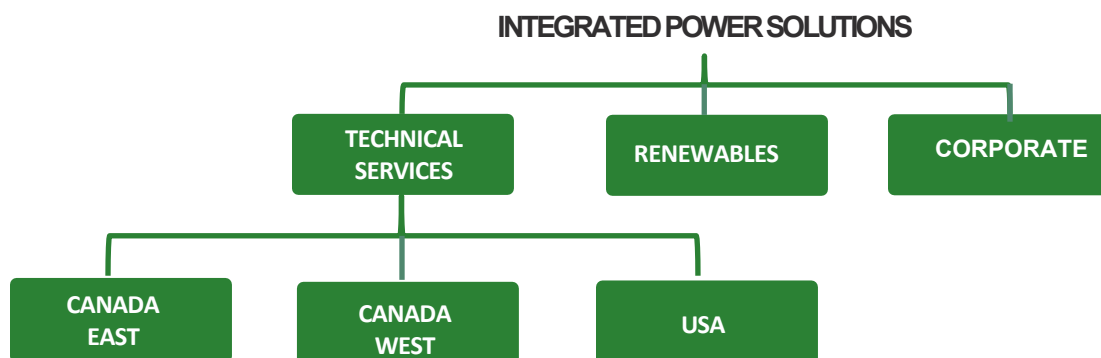
Amortization and depreciation, included in cost of goods sold and SG&A expenses, for the three and twelve months ended December 31, 2022, was \$6.1 million and \$20.6 million compared with \$5.0 million and \$19.4 million over the same period in 2021.

Finance costs for the three and twelve months ended December 31, 2022, were \$2.7 million and \$8.4 million as compared to \$2.2 million and \$7.1 million during the same period of 2021.

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.



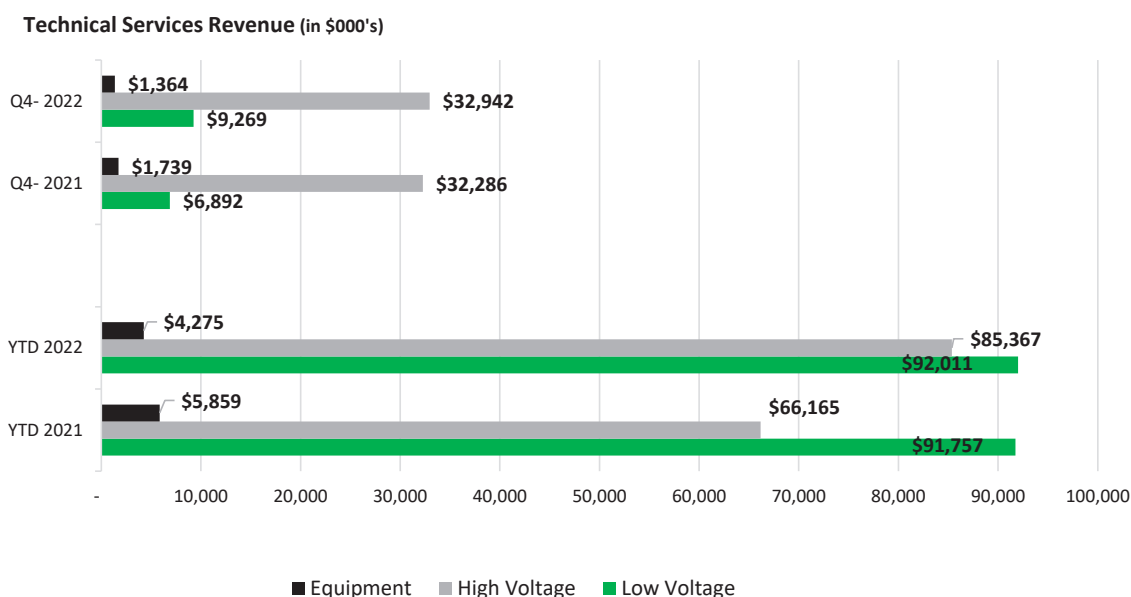
Technical Services Segment

The Technical Services segment is segregated by region, Canada East, Canada West, and USA, and includes all low-voltage services (New Electric brand and 3-Phase), high-voltage services (Spark Power High Voltage and Orbis) 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, 2022 and 2021 were as follows:

(in \$000's)

	<u>Three months ended December 31</u>			<u>Twelve months ended December 31</u>		
	2022	2021	Change	2022	2021	Change
Revenue	\$ 43,575	\$ 40,917	\$ 2,658	\$ 181,653	\$ 163,781	\$ 17,872
Cost of sales	34,417	36,351	(1,934)	145,141	136,645	8,496
Gross profit	9,158	4,566	4,592	36,512	27,136	9,376
Gross profit margin	21.0%	11.2%	9.9%	20.1%	16.6%	3.5%
Gross profit margin, excluding depreciation and amortization	30.6%	20.9%	9.7%	28.9%	25.9%	3.0%
Selling, general and administration	6,469	6,527	(58)	25,272	25,271	1
Provision for expected credit loss	1,500	439	1,061	1,769	518	1,251
Reorganization costs	23	98	(75)	266	569	(303)
Foreign exchange (gain) loss	(277)	7	(284)	(270)	239	(509)
Segment profit	1,443	(2,505)	3,948	9,475	539	8,936
Segment EBITDA	\$ 5,607	\$ 1,473	\$ 4,134	\$ 25,487	\$ 15,800	\$ 9,687
Segment EBITDA %	12.9%	3.6%	9.3%	14.0%	9.6%	4.4%

Results for the three and twelve months ended December 31, 2022

Revenue during the three and twelve months ended December 31, 2022, increased by 6.5% and 10.9%, respectively, over the same period in 2021. The increase in the three months ended December 31, 2022 was related to volume growth in the Low Voltage segment while the increase in the twelve months ended was related to growth in the High Voltage segment combined with larger projects carried forward from 2021.

Gross profit during the three and twelve months ended December 31, 2022, increased by 100.6% and 34.6%, respectively, as compared to the same period in 2021. The increase during the three and twelve months ended December 31, 2022, was due to improving revenue mix related to higher margin service work combined with the impact of estimate updates in the prior year.

SG&A expenses during the three and twelve months ended December 31, 2022, decreased by \$0.1 million and \$nil, respectively, over the same period in 2021. The decrease during the three months ended December 31, 2022 reflects the cost actions taken to rationalize S,G&A expenses.

For the three and twelve months ended December 31, 2022, Segment EBITDA increased by 4.1 million or 280.7% and \$9.7 million or 61.3%, respectively, over the same period in 2021. The increase related to the factors mentioned above.

Renewables Segment

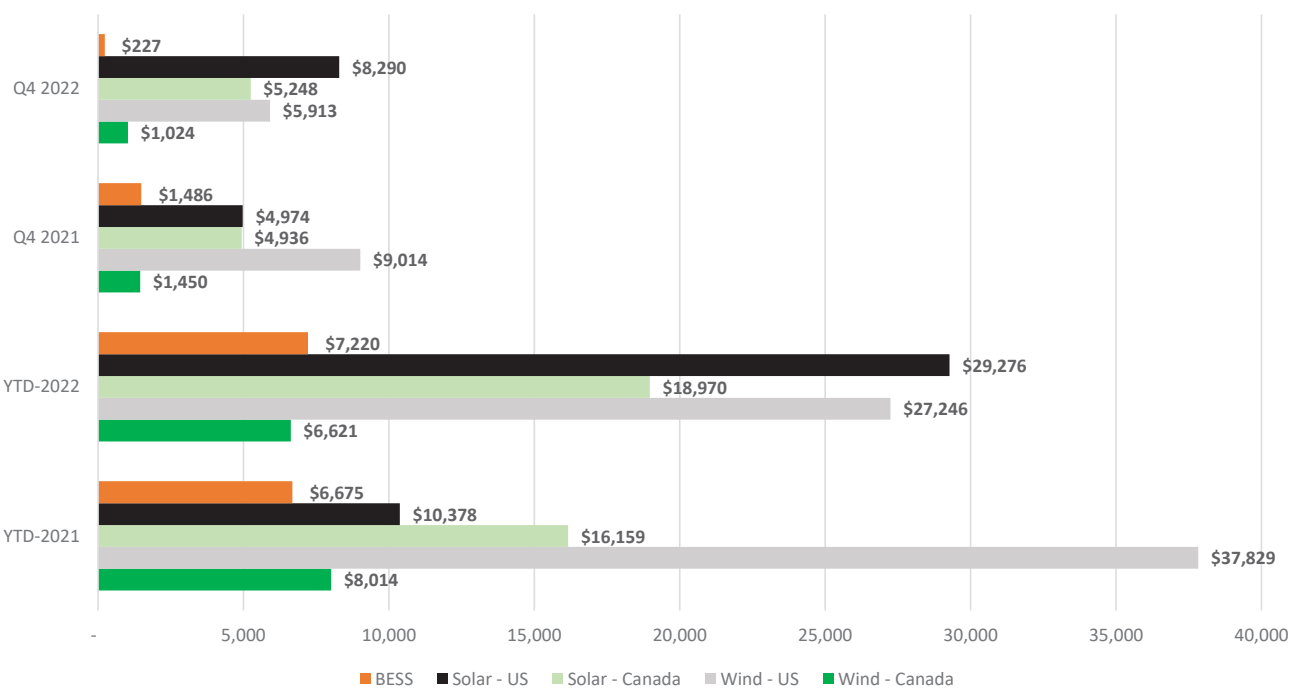
The Renewables segment includes all operations and maintenance services under the One Wind and Northwind brands.

(in \$000's)

	Three months ended December 31			Twelve months ended December 31		
	2022	2021	Change	2022	2021	Change
Revenue	\$ 20,702	\$ 21,860	\$ (1,158)	\$ 89,333	\$ 79,055	\$ 10,278
Cost of sales	17,616	18,734	(1,118)	72,289	62,801	9,488
Gross profit	3,086	3,126	(40)	17,044	16,254	790
Gross profit margin	14.9%	14.3%	0.6%	19.1%	20.6%	(1.5%)
Gross profit margin, excluding depreciation and amortization	17.9%	16.2%	1.8%	21.5%	22.5%	(0.9%)
Selling, general and administration	2,506	2,167	339	9,671	8,007	1,664
Reorganization costs	43	-	43	512	453	59
Foreign exchange (gain) loss	1,303	133	1,170	(95)	519	(614)
Segment gain on sale of asset	-	-	-	-	-	-
Segment profit	(766)	826	(1,592)	6,956	7,275	(319)
Segment EBITDA	\$ (140)	\$ 1,234	\$ (1,374)	\$ 9,152	\$ 8,794	\$ 358
Segment EBITDA %	(0.7%)	5.6%	(6.3%)	10.2%	11.1%	(0.9%)

Results for the three and twelve months ended December 31, 2022

Renewables Segment Revenue (\$000's)



Revenue during the three and twelve months ended December 31, 2022, decreased by 5.3% and increased by 13.0%, respectively, over the same period in 2021. The decrease for the three months ended December 31, 2022 is primarily related to significant large Wind projects in prior year offset by growth in the Solar segment, in particular the US market. The increase for the twelve months ended is reflective of the ongoing growth opportunities in the Renewables segment, in particular in the US market.

Gross profit for the three and twelve months ended December 31, 2022, decreased by 1.3% and increased by 4.9% as compared to the same period in 2021. The increase for the twelve months ended December 31, 2022 was due to higher volumes in our Solar segment partially offset by lower margin realization in our Wind segment.

SG&A expenses during the three and twelve months ended December 31, 2022, decreased by \$0.3 million or 15.6% and increased by \$1.7 million or 20.8%, respectively, over the same period in 2021. The increase in the twelve months ended December 31, 2022 is tied to revenue growth and to a lesser extent the government grant funding from the CEWS program in the twelve month period ended December 31, 2021 which was offset against related labour costs.

Segment EBITDA for the three and twelve months ended December 31, 2022, decreased by \$1.4 million and increased by \$0.4 million, respectively, as compared to the same period in 2021. The change is related to the factors mentioned above.

Corporate Segment

(in \$000's)

	Three months ended December 31			Twelve months ended December 31		
	2022	2021	Change	2022	2021	Change
Revenue	\$ 241	\$ 309	\$ (68)	\$ 1,291	\$ 1,788	\$ (497)
Gross profit	241	309	(68)	1,291	1,788	(497)
Gross profit margin	100.0%	100.0%	-	100.0%	100.0%	-
Selling, general and administration	4,715	7,548	(2,833)	21,041	22,521	(1,480)
Reorganization costs	132	1,764	(1,632)	1,270	2,369	(1,099)
Foreign exchange (gain) loss	1,036	373	663	(259)	197	(456)
Other expenses (income)	57	(49)	106	57	(49)	106
Segment loss	(5,699)	(9,376)	3,677	(20,818)	(23,250)	2,432
Segment EBITDA	\$ (5,562)	\$ (8,824)	\$ 3,262	\$ (19,467)	\$ (21,077)	\$ 1,610

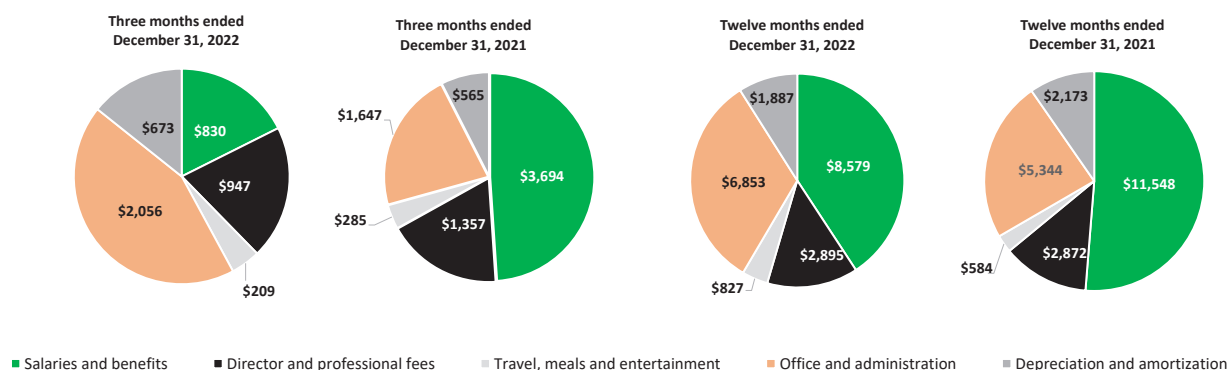
Results for the three and twelve months ended December 31, 2022

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, 2022, both revenue and gross profit decreased due to lower fees over the same period in 2021.

SG&A expenses in three and twelve months ended December 31, 2022, decreased by \$2.8 million or 37.5% and \$1.5 million or 6.6%, respectively, over the same period in 2021. The decrease for the three and twelve months ended December 31, 2022, is primarily due to lower salaries and benefits related to the cost actions taken through the year and year end provisions recorded in the prior year somewhat offset by higher computer related costs tied to the ERP migration and government grant funding from the CEWS program in the twelve month period ended December 31, 2021, which was offset against related labour costs.

Corporate expenses are comprised of the following:

(in \$000's)



Discontinued Operations - Sustainability Solutions Segment

On November 30, 2022, the Company sold its Bullfrog Power Inc. ("Bullfrog") business unit, a wholly owned subsidiary for approximately \$35.0 million to a third-party. Bullfrog was classified and presented as a discontinued operation as at December 31, 2022. The Bullfrog business represented the entirety of the Company's Sustainability operating segment until November 30, 2022.

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		
	2022	2021	Change	2022	2021	Change
Revenue	\$ 1,663	\$ 2,338	\$ (675)	\$ 10,109	\$ 11,191	\$ (1,082)
Cost of sales	587	822	(235)	2,830	4,118	(1,288)
Gross profit	1,076	1,516	(440)	7,279	7,073	206
Gross profit margin	64.7%	64.8%	(0.1%)	72.0%	63.2%	8.8%
Selling, general and administration	472	1,419	(947)	2,930	3,538	(608)
Provision for expected credit loss	-	16	(16)	15	112	(97)
Change in fair value of financial instruments	(2,476)	158	(2,634)	(7,427)	(2,716)	(4,711)
Change in realized loss (gain) on settlement	818	113	705	(1,234)	(1,051)	(183)
Reorganization costs	-	-	-	-	101	(101)
Foreign exchange (gain) loss	15	(11)	-	15	26	(11)
Segment profit	2,247	(179)	2,426	12,980	7,063	5,917
Segment EBITDA	\$ 2,303	\$ 21	\$ 2,282	\$ 13,425	\$ 7,716	\$ 5,709
Segment EBITDA %	138.5%	0.9%	137.6%	132.8%	68.9%	64.0%

Results for the three and twelve months ended December 31, 2022

Revenue during the three and twelve months ended December 31, 2022, decreased by \$0.7 million and increased by \$1.1 million, respectively, over the same period in 2021. The decrease in the three and twelve months ended December 31, 2022 is related to the sale of the business on November 30, 2022.

Gross profit for the three and twelve months ended December 31, 2022, decreased 29.0% and increased 2.9%, respectively, over the same period in 2021. The decrease in the three months ended December 31, 2022 is related to the sale of the business on November 30, 2022 while the increase over the twelve month period is due to higher realized gross margins based on strong procurement channels to source environmental attributes at economical prices.

SG&A expenses during the three and twelve months ended December 31, 2022, decreased 66.7% and 17.2%, respectively, over the same period in 2021. The decrease in the three months ended December 31, 2022 is related to the sale of the business on November 30, 2022.

Change in fair value of financial instruments for the three and twelve months ended December 31, 2022 is related to the power purchase arrangement offset by the change in a related hedge.

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

For the three and twelve months ended December 31, 2022, Segment EBITDA increased \$1.6 million and \$5.1 million over the same period in 2021 as a result of the factors noted above.

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, 2022, the Company has recognized an unrealized gain (loss) in the change in fair value of the derivative asset with an estimated fair value of \$1,989 and \$6,765 respectively (three and twelve months ended December 31, 2021 – \$488 and \$3,918, respectively). At December 31, 2021, an amount of \$1,769 was expected to be realized within the next twelve months and was recorded as a current asset. 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 unrealized gain (loss) in change in the fair value of the other derivative liability during the three and twelve months ended

December 31, 2022 of \$487 and \$662, respectively (three and twelve months ended December 31, 2021 – (\$646) and (\$1,202), respectively) is based on the projected market values of similar contracts with similar remaining durations as if the contract has been entered into at end of each period.

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 agreement started during the second quarter of 2022.

During the three and twelve months ended December 31, 2022, the Company recognized realized settlements on the PPA in the amount of \$499 and \$4,478, respectively offset by realized settlements on the hedge of \$1,317 and \$3,244 respectively for a net gain (loss) of (\$818) and \$1,234, respectively.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and Borrowing Capacity

Bank indebtedness was \$24.9 million at December 31, 2022, and was comprised of \$26.1 million on the operating line and cash on hand of \$1.1 million. This compares to bank indebtedness of \$28.1 million net of cash on hand of \$1.2 million at December 31, 2021. At December 31, 2022, the Company had additional borrowing capacity under the revolving line of credit of \$6.9 million, as compared to \$5.0 million as of December 31, 2021.

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	\$35,922	\$70,922
Term	Committed	Committed	
Interest rate (i)	Prime +	Prime +	
Maturity date	2.00% - 3.00%	2.00% - 3.00%	
Repayment terms	September 30, 2024	September 30, 2024	
	Revolving	Quarterly payments with remaining payable on maturity	
Amount Drawn	\$26,062	\$35,922	\$61,984
Letter of Credit	2,000	-	2,000
Amount Available to be Drawn (ii) - December 31, 2022	\$6,938	-	\$6,938

(i) - based on Debt:EBITDA ratio ranges with an incremental interest rate margin of 1.00% from April 29, 2022 through March 31, 2023.

(ii) - assumes maximum borrowing base available

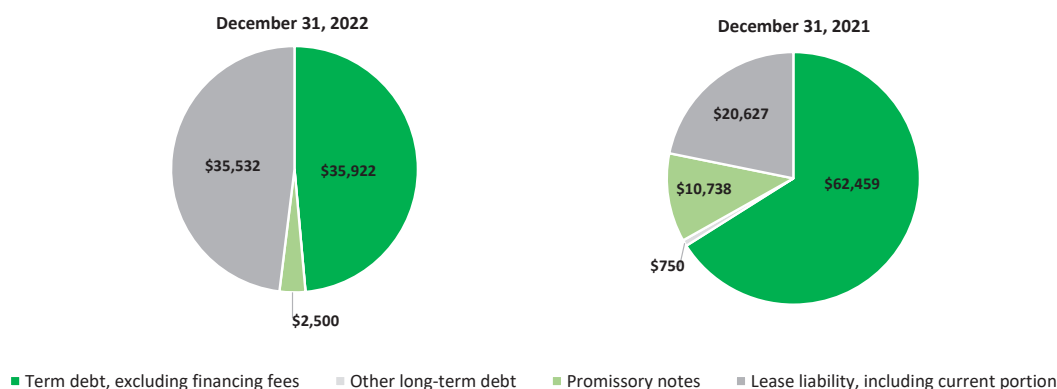
On November 30, 2022, the Company entered into a new Amended and Restated Credit Agreement with its Lender. Key terms of this Agreement are as follows:

- The maturity date of this new facility was extended to September 30, 2024 and will be amortized over an 8-year period with quarterly repayments of \$1.1 million, reduced from previously \$2.1 million per quarter;
- Achieve a minimum cumulative monthly EBITDA at the end of each calendar month through March 31, 2023;
- Maintain incremental interest rate margin of 1.00% on facility advances in place from April 29, 2022 through March 31, 2023;
- Subsequent to the 2022 fiscal year, maintain certain covenants on a 12-month rolling quarterly basis, including:
 - Minimum fixed charge coverage ratio of 1.00 for the quarter ended March 31, 2023, as revised subsequent to the year end, increasing to 1.25 for each fiscal quarter 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 3.75:1.00.

As at December 31, 2022, the Company was in compliance with the financial covenants in effect in its credit facility, being the minimum cumulative monthly EBITDA covenant.

Debt, including long-term debt, lease liabilities and promissory notes, decreased to \$74.0 million at December 31, 2022 from \$94.6 million at December 31, 2021. Long-term debt is comprised of the following components:

(in \$000's)



The decrease in long-term debt for the period ended December 31, 2022, was attributable to a reduction in term debt funded by the proceeds from the sale of the Bullfrog business unit and the paydown of promissory notes with funds from the Rights Offering partially offset by an increase in the lease liability tied to our new head office lease.

The Company monitors its capital structure in accordance with the covenants required under its 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.

Summary of Cash Flows

The following table summarizes Spark Power's cash flows for the three and twelve months ended December 31, 2022:

(in \$000's)

	Three months ended December 31		Twelve months ended December 31	
	2022	2021	2022	2021
Operating activities	\$ 2,876	\$ 1,921	\$ (7,652)	\$ 10,615
Investing activities	(2,669)	(691)	(8,628)	(5,599)
Financing activities	(30,647)	(2,563)	(9,383)	(3,475)
Discontinued operations	30,440	1,333	25,663	(1,541)
Decrease (increase) in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

Cash flows from operating activities

For the three and twelve months ended December 31, 2022, cash generated in operating activities from continuing operations increased by \$1.0 million to \$2.9 million and decreased by \$18.3 million to (\$7.7) million, respectively, as compared to cash generated of \$1.9 million and \$10.6 million in the same period in 2021. The main driver for the changes to cash flow from operations was attributable to the net change in working capital, deferred income taxes and net income.

Cash flows from investing activities

For the three and twelve months ended December 31, 2022, cash used in investing activities was \$2.7 million and \$8.6 million as compared to \$0.7 million and \$5.6 million in the same period in 2021. The purchase of property, plant and equipment increased by \$1.3 million and decreased by \$1.1 million, respectively, for the three and twelve months ended December 31, 2022 as compared to the same period in 2021. The Company also had investments of \$4.1 million relating to the ERP migration, Spark's technology and business process transformation initiative.

Cash flows from financing activities

For the three and twelve months ended December 31, 2022, cash used in financing activities was \$30.6 million and \$9.4 million, respectively, as compared to cash used of \$2.6 million and \$3.5 million in the same period in 2021. The repayment of the term loan of \$29.6 million is the primary reason for the increase in cash used for the three and twelve months ended December 31, 2022 as compared to the same period in 2021.

Cash flows from discontinued operations

For the three and twelve months ended December 31, 2022, cash flow from discontinued operations activities increased by \$29.1 million to \$30.4 million and increased by \$27.2 million to \$25.7 million, respectively, as compared to cash flow of \$1.3 million and cash used of \$1.5 million in the same period in 2021.

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, other 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 portions 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, 2022, Working Capital (deficiency) and Adjusted Working Capital were 22.0 million and \$37.0 million, respectively, compared with (\$63.9) million and \$13.2 million, respectively at December 31, 2021. The change in adjusted working capital of \$23.9 million was due primarily to an increase in contract assets and accounts receivable related to higher revenue growth and a decrease in accounts payable in part funded by the proceeds from the Rights Offering.

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

(in \$000's)

	December 31 2022	December 31 2021
Working capital (deficiency)	\$ 21,992	\$ (63,872)
Current portion of long-term debt	4,500	61,962
Current portion of promissory notes	2,500	10,738
Current portion of lease liability	8,057	6,643
Working capital from discontinued operations	-	2,297
Adjusted working capital	\$ 37,049	\$ 13,174

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.

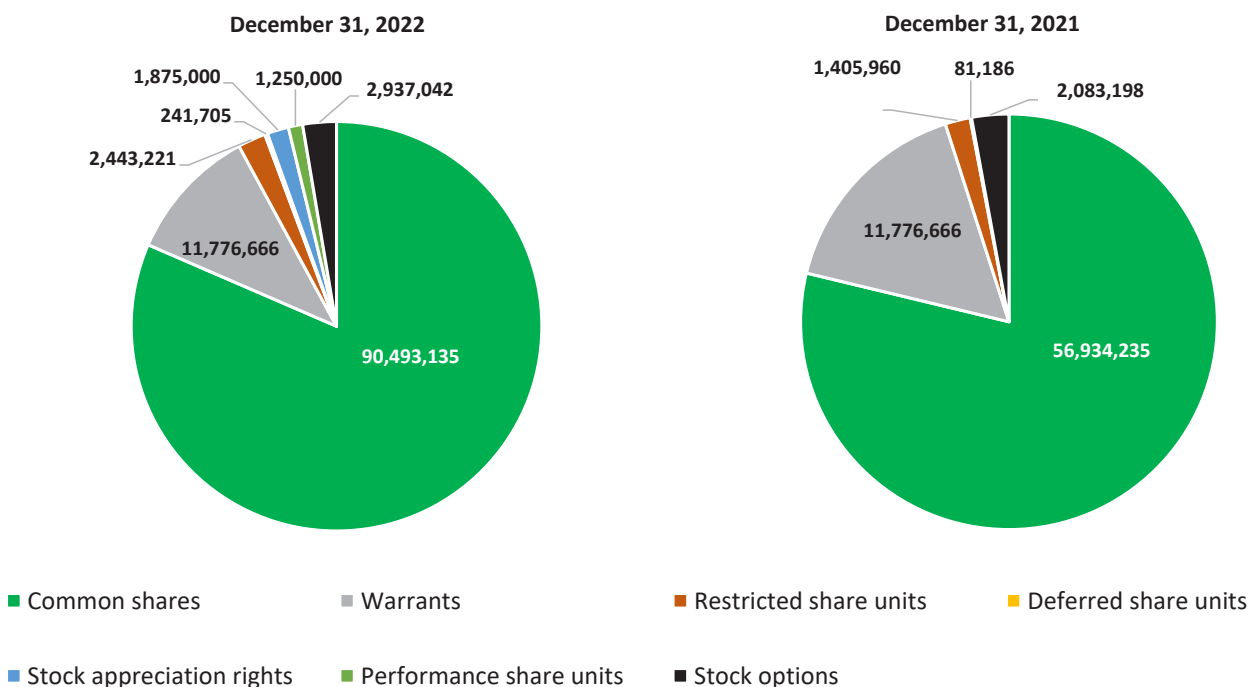
Adjusted working capital consists of the following:

(in \$000's)

	December 31 2022	December 31 2021
Non-cash working capital balances	\$ 63,111	\$ 43,613
Operating line	(26,062)	(28,142)
Working capital from discontinued operations	-	2,297
Adjusted working capital	\$ 37,049	\$ 13,174

Outstanding Share Data

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



Warrants

At December 31, 2022, the Company had 11,776,666 warrants outstanding. Each whole warrant gives the right to purchase 1.10 Common shares at an exercise price of \$3.14 per Common share over the term. These warrants have been measured using the Black-Scholes method.

Stock options, Restricted share units, Deferred share units and Performance 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 ("PSU") 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 terms of the plan. Options generally expire after five or ten years, with vesting provisions stated in the plan and per grant

agreements. RSU's generally vest over 3 to 4 years or cliff vest after 3 years and are granted in accordance with the plan. The PSU's granted to date vest over a 4 year period as performance conditions are achieved. The DSU's vest immediately.

The Plan provides for equity compensation awards to be issued to eligible participants 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 and PSU'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, PSU's and DSU'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.

Share Appreciation Rights

On September 16, 2020, the Company adopted a stock appreciation rights plan (the "SAR Plan"). The SAR Plan further aligns the Company's strategic objective of value creation to the compensation of the senior management team of the Company.

On September 20, 2022, the Company's senior management team were granted 2,325,000 share appreciation rights, to be settled in cash, with an expiry date on January 1, 2027. The SARs vest on the occurrence of a change in control that achieves certain financial threshold, or upon satisfaction of the alternative vesting condition, provided both events occur prior to the expiry date. As at December 31, 2022, 1,875,000 share appreciation rights were outstanding.

OUTLOOK

Business & Operations Outlook

As part of the recent Let's Grow Better 2025 Strategy launch, management has been focused on rolling out the deeper tactical plans aligned with the strategic plan. These plans are tied directly to strategic workstreams laid out in the new strategy. A heavy focus in the early part of the launch has been focused around the commercial aspects of the strategy and more specifically, the new go-to-market plan. In the first quarter of 2023, management expects to have the new strategy fully launched Company-wide and expects to measure Company performance against the strategic plan starting with internal first quarter 2023 reporting.

In addition to the extensive focus on its new strategic plan, the Company continues to prioritize on executing the balance of its turnaround plan actions announced throughout 2022. These actions include the ongoing focus and improvement of gross margin performance, cash conversion and working capital management. While the Company progressed well in 2022, management is committed to getting the organization performing with better predictability.

Demand on Spark's Renewables business segment continues to be strong. In the fourth quarter of 2022, Spark continued to experience positive gains in the booking of new customers. Its U.S. operations will see significant growth in its solar segment with the onboarding of several new long-term O&M customer under master service agreements, covering sites throughout the Southwest and West U.S. The pipeline of new opportunities for Spark's operations and maintenance service offering expanded significantly for solar and battery storage systems in 2022. Spark expects to capture significant market opportunities with its expanded operations in the U.S., both in the field and with its enhanced Renewables Operating Centre (ROC) in Dallas, Texas. The new operating centre supports customers who require monitoring of their assets, mainly in solar and battery storage systems. Spark's ROC is NERC certified and supports O&M agreements signed on larger, utility scale, power producing sites.

Further, the U.S. Technical Services operations also experienced an improvement in its work mix with the onboarding of new customers aligned well with the targeted go-to-market plan. Towards the end of 2022, the Eastern Canadian Technical Services operations gained momentum with improved margins and an enhanced mix of backlog expected to continue to drive better margin performance. In Western Canada, the Company is ramping up activity with its largest Regulated Utility customer in Alberta as part of the three year contract renewal signed in the second quarter of 2022. Outside of the utility segment, the Western Canadian business underperformed on its ongoing market expansion in the industrial segment. Management has launched get well plans for each of the affected business units. Management anticipates improvements to backlog, overall revenue mix and margins in the latter part of first half of 2023 throughout Western Canada.

In the first quarter of 2023, the Company executed its second go-live on its previously announced Project Darwin – integrated technology and business process platform. The U.S. Renewables operations came onto the new technology and business process platform in January. Spark's entire U.S. operation is now live and operating in the integrated technology platform. The Canadian business operations will launch the new platform later in 2023.

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 2023.

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, albeit to a lesser extent than prior years;
- Pricing trends in key commodities such as copper, steel, aluminum and plastics that have seen significant price increases since late 2021 due to supply constraints and increasing price inflation, coupled with ongoing overall market inflation including labour, continue to impact full margin realization;
- Demand for our services is expected to be reasonably strong barring any further infectious disease related mandates and/or economic slowdown 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 2023:

- Moderate Revenue growth across key segments and markets;
- Continued growth in our Renewables segment through 2023 is expected given expanding market demands in the Solar sector;
- Operational gross margin realizations to continue to improve across most segments;
- Selling, general and administration costs are expected to be in the range of \$46.0 million to \$47.0 million, excluding amortization and depreciation; and
- Liquidity is expected to improve through the 2023 with improvements in net working capital

Other financial metrics the Company also expects include:

- Capital expenditures, excluding lease additions, between \$6.5 and \$7.5 million;
- Lease payments in the range of \$8.5 and \$9.0 million; and
- Interest expense (excluding the impact of IFRS 16 – leases) in the range of \$6.0 to \$7.0 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											
	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Adjusted Q4 2021	Q4 2021	Adjusted Q3 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	
Revenue	\$ 64,518	\$ 73,353	\$ 72,938	\$ 70,043	\$ 68,464	\$ 65,424	\$ 72,497	\$ 68,982	\$ 65,372	\$ 56,037	\$ 66,865	
Gross Profit	12,485	18,326	16,878	13,564	13,257	9,517	18,690	12,710	15,851	14,173	18,523	
	19.4%	25.0%	23.1%	19.4%	19.4%	14.5%	25.8%	18.4%	24.2%	25.3%	27.7%	
Income (Loss) from Operations	(5,022)	9,940	3,182	(2,139)	(7,057)	(10,797)	5,012	(1,479)	2,764	1,138	306	
Net income (loss)	5,135	5,425	467	(3,257)	(14,136)	(17,876)	3,985	(2,862)	156	(712)	(3,306)	
Adjusted EBITDA	6,972	14,864	10,398	2,775	2,516	2,516	10,264	10,264	7,350	7,295	8,873	
Adjusted EBITDA Margin	10.8%	20.3%	14.3%	4.0%	3.7%	3.8%	14.2%	14.9%	11.2%	13.0%	13.3%	
Adjusted LTM EBITDA	35,009	30,553	25,952	22,905	27,425	27,425	33,782	33,782	32,502	34,264	32,349	
Adjusted LTM EBITDA Margin	12.5%	10.8%	9.1%	8.3%	10.6%	10.7%	13.0%	13.1%	13.0%	14.9%	14.2%	
LTM Revenue	279,273	281,758	283,942	276,376	259,330	255,816	260,772	257,257	249,711	230,678	228,153	

Note: (1) "Adjusted EBITDA" and Adjusted EBITDA margin are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms. (2) Q4 2022 net income excludes results of discontinued operations.

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 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 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 rates.

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.

Valuation of derivative financial – 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 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.

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.

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 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.

Discontinued operations – A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. Judgement is required in determining the timing of classification to discontinued operations, and resulting assets held for sale.

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, 2022 and 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 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 financial instruments carried at fair value categorized in Level 3 as at period end.

The carrying values of accounts receivable, other receivable, HST receivable, government grant receivable, contract assets, bank indebtedness, accounts payable and accrued liabilities, income taxes payable 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.

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, 2022, 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, 2022, 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, 2022, that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting. Management has identified actions that have been implemented in the year and 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, liquidity risk and foreign currency risk. Except for risks highlighted by COVID-19 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 may 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), 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. Notwithstanding the phased reduction in restrictions in most jurisdictions following the peak of the COVID-19 variant in 2022, unexpected developments in financial markets, regulatory environments, supply chains, or supplier, employee, or customer behaviour and confidence may have adverse impacts on our financial results and condition, and business operations and reputation if another epidemic or pandemic-scale infectious disease arises, or if a mutation of the COVID-19 virus results in renewed government and private sector restrictions. The Company cannot accurately predict what future effects such conditions may have on its operations or financial results. 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.

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 an 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 of the financial statements.

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 12 of the financial statements) 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 twelve months ended December 31, 2022, if interest rates had been higher by 2% with all other variables held constant, net income would have been \$0.4 million and \$1.5 million lower, respectively. A decline in interest rates of 1.0% would have increased the Company's net income by \$0.2 million and \$0.8 million, respectively.

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 13 of the financial statements.

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

1337 North Service Road East, Suite 200
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 MEETING OF SHAREHOLDERS

Thursday May 25, 2023 at 9am ET

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