# MANAGEMENT DISCUSSION AND ANALYSIS

## Year Ended December 31, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## FORWARD-LOOKING INFORMATION

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

## PRESENTATION OF FINANCIAL INFORMATION

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

## KEY PERFORMANCE INDICATORS (NON-IFRS MEASURES)

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

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

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

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

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

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

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

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

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

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

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

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

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

The following table provides a reconciliation of our EBITDA measures:

| **Reconciliation of net comprehensive income (loss) to Adjusted EBITDA and Pro-forma Adjusted EBITDA** | **3 months ended** | | **12 months ended** | |
|---|---|---|---|---|
| | **Dec. 31, 2018** | **Dec. 31, 2017** | **Dec. 31, 2018** | **Dec. 31, 2017** |
| **Net comprehensive income (loss)** | **$288,554** | **($15,420,493)** | **($64,634,852)** | **($16,709,938)** |
| Adjustments: | | | | |
| Finance costs | 1,736,717 | 1,098,682 | 5,209,960 | 4,573,151 |
| Income tax expense | 61,185 | 423,376 | (134,932) | 1,693,479 |
| Amortization | 2,542,920 | 1,714,552 | 8,151,846 | 5,955,556 |
| **EBITDA** | **4,629,376** | **(12,183,883)** | **(51,407,978)** | **(4,487,752)** |
| **EBITDA Margin** | **12.2%** | **-54.9%** | **-42.9%** | **-5.6%** |
| Other adjustments: | | | | |
| Increase in value of Puttable Class A and Class 1 Special shares | - | 17,816,420 | 47,771,600 | 17,816,420 |
| Transaction costs | - | - | 10,269,633 | - |
| Excess of fair value over net asset acquired | - | - | 12,660,331 | - |
| Gain on retraction of Class 1 Special shares | - | - | (1,250,000) | - |
| Reorganization costs | 1,413,924 | - | 1,413,924 | - |
| Other non-recurring costs | - | 255,488 | 1,058,896 | 2,113,032 |
| **Adjusted EBITDA** | **6,043,300** | **5,888,025** | **20,516,406** | **15,441,700** |
| **Adjusted EBITDA Margin** | **15.9%** | **26.6%** | **17.1%** | **19.3%** |
| Other adjustments: | | | | |
| Pre-acquisition EBITDA for 3 acquistions completed in 2018 | - | 784,401 | 4,892,784 | 5,533,541 |
| **Pro-forma Adjusted EBITDA** | **$6,043,300** | **$6,672,426** | **$25,409,190** | **$20,975,241** |
| **Pro-forma Adjusted EBITDA Margin** | **15.9%** | **20.1%** | **17.4%** | **16.8%** |

## BUSINESS OVERVIEW

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

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

**Power Services**

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

**Power Solutions**

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

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

**Power Services**

***Low Voltage Technical Services***

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

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

***Medium and High Voltage Technical Services***

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

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

***Renewables Operations and Maintenance***

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

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

### *Equipment Sales and Rentals*

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

## Power Solutions

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

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

### *Power Consulting and Sustainability*

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

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

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

### Integrated Power Solutions

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

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

### *Community Power*

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

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

## SUMMARY FINANCIAL INFORMATION

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

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

# FOURTH QUARTER AND FISCAL 2018 HIGHLIGHTS

### Fourth Quarter Highlights

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

### Fiscal 2018 Highlights

- Revenue increased by $39.7 million, or 49.6%, to $119.8 million
- Acquisition related revenue growth was $25.8 million, or 32.2%, and organic growth was $13.9 million or 17.4%
- Pro-forma revenue increased by $21.4 million to $146.5 million or 17.1%
- Gross profit increased by $11.3 million or 32.5%
- Gross profit margin was 38.4%
- EBITDA was ($51.4) million
- Adjusted EBITDA $20.5 million or 17.1% of revenue
- Pro-forma Adjusted LTM EBITDA was $25.4 million or 17.4% of pro-forma LTM revenue

● On August 31, 2018 Spark Power Corp merged with Canaccord Genuity Acquisition Corp. In conjunction with the closing, CGAC was renamed Spark Power Group Inc. and commenced trading on the Toronto Stock Exchange.

● Effective July 1, 2018 Spark acquired all of the issued and outstanding shares of Orbis Engineering Field Services Ltd. and 1625704 Alberta Inc. (“Orbis”) for total consideration on closing of $8.5 million.

● Effective July 1, 2018 Spark acquired all of the issued and outstanding shares of Bullfrog Power Inc. for total consideration on closing of $17.5 million.

● Effective July 1, 2018 Spark acquired all of the issued and outstanding shares of New Electric Fresno LLC (“NEF”) for total consideration on closing of $3,287,900 (USD $2.5 million).

● During the third quarter the Company entered into a new Credit Facility (“Facility”) with The Bank of Montreal (“Senior Lender”) which provided for i) a $$44.0 million term facility, ii) a $20.0 operating line facility and iii) a $25.0 million acquisition line, the latter of which was undrawn at December 31, 2018.

# RESULTS OF OPERATIONS

## Revenue

### Results for the Three Months Ended December 31, 2018

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

**Results for the Twelve Months Ended December 31, 2018**

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

## Cost of Sales and Gross Profit

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

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

**Results for the Three Months Ended December 31, 2018**

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

**Results for the Twelve Months Ended December 31, 2018**

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

## Selling, General and Administration Expenses

**Results for the Three Months Ended December 31, 2018**

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

**Results for the Twelve Months Ended December 31, 2018**

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

## Other Income and Expenses

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

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

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

### Puttable Class A and Class 1 Special Shares

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

### Transaction Costs

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

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

### Excess of Fair Value Over Net Assets Acquired on CGAC Merger

While CGAC was the legal acquirer of Spark Power, Spark Power was identified as the acquirer for accounting purposes. The Spark Power Acquisition is outside the scope of IFRS 3, Business Combinations (“IFRS 3”), and is accounted for as an equity-settled share-based payment transaction in accordance with IFRS 2, Share-based Payments (“IFRS 2”). Spark Power is considered to be a continuation of Spark Power with the net identifiable assets of CGAC deemed to have been acquired by Spark Power in exchange for shares of Spark Power. Under IFRS 2, the transaction is measured at the fair value of the shares deemed to have been issued

by Spark Power in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of Spark Power acquiring 100% of CGAC. Any difference in the fair value of the shares deemed to have been issued by Spark Power and the fair value of CGAC's net identifiable assets represents a service received by Spark Power, recorded through profit and loss. Spark Power's historical financial statements as of and for the periods ended prior to the completion of the Qualifying Acquisition are presented as the historical financial statements of Spark Power prior to the date of the completion of the Qualifying Acquisition.

Details of the Spark Power acquisition are summarized as follows:

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

**Gain on Retraction of Class B Common Class 1 Special Shares**

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

## Amortization and Depreciation and Finance Costs

**Results for the Three Months Ended December 31, 2018**

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

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

**Results for the Twelve Months Ended December 31, 2018**

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

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

## EBITDA, Adjusted EBITDA and Pro-forma EBITDA

**Results for the Three Months Ended December 31, 2018**

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

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

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

**Results for the Twelve Months Ended December 31, 2018**

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

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

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

## RESULTS OF OPERATIONS – By Reportable Business Segment

## Services Group

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

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

(1) ***Excludes corporate expenses***

### *Results for the 3 Months ended December 31, 2018*

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

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

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

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

Selling, general and administration expenses for the fourth quarter of 2018 were $8.6 million, or 25.7% of revenue, compared with $4.9 million, or 24.6% of sales. The absolute dollar increase was attributable to the impact of the 2018 acquisitions. The percentage decline was attributable to the impact of operational leverage as we realized revenue growth without corresponding increases in costs.

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

***Results for the Twelve Months Ended December 31, 2018***

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

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

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

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

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

## Solutions Group

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

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

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

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

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

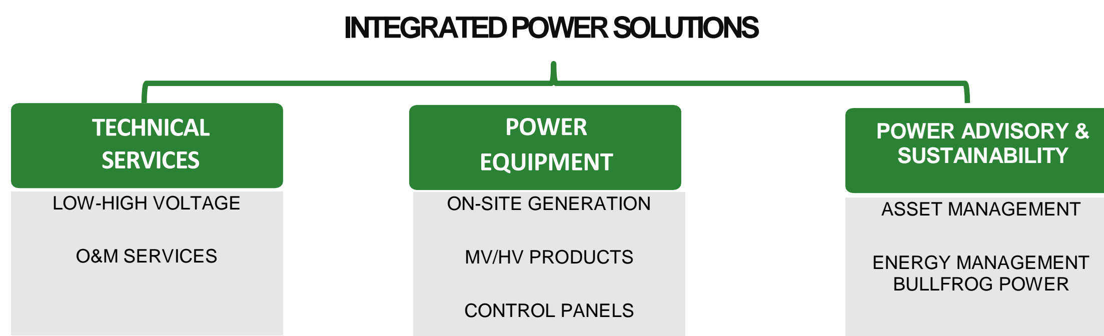
Gross profit for the three and twelve months ended December 31, 2018 was $3.5 million and $7.3 million, respectively as compared with $2.2 million and $4.7 million, respectively, over the same periods in 2017. The increase resulted primarily from the addition of Bullfrog Power in the third quarter of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

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

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

## Reportable Business Segments For 2019

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




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

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

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

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### Cash and Borrowing Capacity

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

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

### Debt and Capital Structure

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

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

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

(i) Based on Debt:EBITDA range

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

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

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

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

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

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

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

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

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

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

**Summary of Cash Flows**

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

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

**Cash flows from operating activities**

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

#### Cash flows from investing activities

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

#### Cash flows used for financing activities

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

#### External Factors Impacting Liquidity

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

#### Working Capital and Adjusted Working Capital

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

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

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

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

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

### Contractual Obligations

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

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

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

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

### Outstanding Share Data

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

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

#### *Warrants*

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

#### *Stock options*

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

## OFF-BALANCE SHEET ARRANGEMENTS, COMMITMENTS AND CONTINGENCIES

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

## OUTLOOK

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

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

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

## SUMMARY QUARTERLY FINANCIAL INFORMATION

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

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

## SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

results could differ from those estimates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## SIGNIFICANT ACCOUNTING POLICIES

**Revenue recognition**

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

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

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

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

**Goodwill**

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

**Intangible Assets**

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

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

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

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

**Property and Equipment**

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

**Impairment of Non-Financial Assets**

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

**Leases**

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

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

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

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

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

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

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

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

## FINANCIAL INSTRUMENTS

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

**Financial Assets**

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

*Amortized cost*

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

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

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

*Fair value through profit or loss*

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

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

**Financial Liabilities**

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

*Fair value through profit or loss*

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

*Other financial liabilities*

Other financial liabilities include the following items:

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

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

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

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

## RISK MANAGEMENT

**Financial Risks**

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

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject Spark Power to cash flow interest rate risk include financial assets and

liabilities with variable interest rates. Spark Power is currently exposed to cash flow risk on its credit facilities and lease liability as they do not bear interest at variable interest rates.

**Credit Risk**

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

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

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

**Liquidity Risk**

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

## RISKS AND UNCERTAINTIES

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

● Volatility in the electricity business and industry conditions – such as the demand for Spark Power's services may decline, which may reduce Spark Power's revenue and earnings

● Unionization of the Corporation's work force could drastically impact the Corporation's business model, which may reduce revenue and earnings

●Risks related to the credit facility

●Political Risk Related to New Ontario Government

●The wind and solar power markets are still at a relatively early stage of development and future demand for wind and solar power services is uncertain

●The Federal, State and Provincial Governments may revise, reduce or eliminate subsidies and economic incentives for wind and solar power, which could cause demand for the Corporation's services to decline

●Availability of qualified employees

●Servicing projects for the power sectors exposes the Corporation to unique industry risks

●Changes in tax law may have a material adverse effect on the Corporation's business, financial condition and results of operations

●The Corporation's quarterly operating results may fluctuate from period to period based on a number of factors, including:

- - the average selling prices of its power services;
- - the timing of completion of construction of its customer's energy and power projects;
- - the timing and pricing of its services;
- - the rate and cost at which the Corporation is able to expand its customer servicing capacity;
- - the availability and cost of goods from its suppliers and manufacturers;
- - changes in government incentive programs and regulations, particularly in the Corporation's key target markets;
- - the unpredictable volume and timing of customer orders;
- - the loss of one or more key customers or the significant reduction or postponement of orders;
- - the availability and cost of external financing for on-grid and off-grid power applications;

- - acquisition and investment costs;
- - foreign currency fluctuations, particularly in the U.S. dollar;
- - The Corporation's ability to establish and expand customer relationships;
- - the timing of new services or technology introduced or announced by the Corporation's competitors;
- - allowances for doubtful accounts and advances to suppliers;
- - inventory write-downs;
- - long-lived asset impairment;

●Reputation and Financial Results Could be Harmed in the Event of Accidents or Incidents

●Litigation

●General global economic conditions may have an adverse impact on the Corporation's operating performance and results

●Seasonal variations in demand linked to construction cycles and weather conditions may influence the Corporation's results of operations

●If the Corporation's cash from operations is not sufficient to meet its current or future operating needs, expenditures and debt service obligations, its business, financial condition and results of operations may be materially and adversely affected.

●The loss of one or more significant customers may cause fluctuations or declines in the Corporation's revenues

●Failure to protect the Corporation's intellectual property rights may undermine its competitive position

●The Corporation may face health, safety and environmental risks

●Equipment failure or unexpected operations and maintenance activity may unduly delay or disrupt the Corporation's energy and power projects

●The Corporation may experience breaches in its cybersecurity which may delay or disrupt its energy or power services or create losses in customer loyalty

●The Corporation must successfully maintain and upgrade its information technology systems, and its failure to do so could have a material adverse effect on its business, financial condition and results of operations.

●Use of social media may materially and adversely affect the Corporation's reputation or subject it to fines or other penalties.

●The Corporation is subject to insurance-related risks

●Parties with whom the Corporation does business with may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to the Corporation

●Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect the Corporation's reported financial results or financial condition

●The market price for Common Shares may be volatile and could decline in value

●If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about the Corporation or its business, the Common Share trading price and volume could decline

●The Corporation's future business depends in part on its ability to make strategic acquisitions, investments and divestitures and to establish and maintain strategic relationships, and the Corporation's failure to do so could have a material and adverse effect on its market penetration and revenue growth

●No assurance of future performance of acquisitions

●The Corporation may fail to realize the anticipated benefits of its acquisitions

●Risks related to acquisition financing

●The Corporation may not be able to successfully implement and manage its growth