MANAGEMENT DISCUSSION AND ANALYSIS

For the Three and Six Months Ended June 30, 2019

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 six months ended June 30, 2019, dated August 13, 2019, should be read in conjunction with the December 31, 2018 Consolidated Annual Financial Statements and related notes thereto and the 2018 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.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 condensed consolidated interim financial statements ("financial statements"), including the required comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS") for Interim Financial Reporting (IAS 34), as issued by the International Accounting Standards Board ("IASB"). Financial results, including historical comparatives contained in this MD&A, unless otherwise specified herein, are based on these financial statements. The Canadian dollar is the Company's reporting currency for purposes of preparing the financial statements given that the Company conducts most of its operations in that currency. Accordingly, all dollar references in this MD&A are in Canadian dollars, unless otherwise specified.

KEY PERFORMANCE INDICATORS (NON-IFRS MEASURES)

This Spark Power MD&A makes reference to certain non-IFRS measures, including: "EBITDA", "EBITDA Margin", "Adjusted EBITDA", "Adjusted EBITDA Margin", Pro-forma Adjusted EBITDA", Pro-forma Adjusted EBITDA Margin", Pro-forma Adjusted LTM EBITDA, Pro-forma Revenue", Pro-forma LTM Revenue, "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 and comprehensive income (loss) to EBITDA, Adjusted EBITDA and Pro-forma Adjusted EBITDA	**3 Months Ended June 30,**		**6 Months Ended June 30,**	
	2019	2018	**2019**	2018
Net and comprehensive income (loss)	**($2,139,970)**	($8,056,503)	**($2,658,539)**	($27,304,358)
Adjustments:				
Finance expense	**1,307,642**	897,481	**2,596,808**	1,995,553
Income tax expense	**(74,293)**	(201,480)	**(178,633)**	(70,059)
Amortization	**2,758,781**	1,641,182	**5,319,144**	3,330,182
EBITDA	**1,852,160**	(5,719,320)	**5,078,780**	(22,048,682)
EBITDA Margin	**4.2%**	-24.0%	**6.5%**	-50.6%
Adjustments:				
Increase in value of Puttable Class A and Class 1 Special shares	**-**	8,509,940	**-**	27,117,200
Transaction costs	**536,245**	1,112,234	**536,245**	1,112,234
Reorganization costs	**1,000,000**	-	**1,000,000**	-
Earn-out	**2,100,000**	-	**2,100,000**	-
Adjusted EBITDA	**5,488,405**	3,902,854	**8,715,025**	6,180,752
Adjusted EBITDA Margin	**12.4%**	16.4%	**11.1%**	14.2%
Other adjustments:				
Pre-acquisition EBITDA for 3 acquistions completed in 2018	**-**	2,877,430	**-**	4,891,786
Pro-forma Adjusted EBITDA	**$5,488,405**	$6,780,284	**$8,715,025**	$11,072,538
Pro-forma Adjusted EBITDA Margin	**12.4%**	17.4%	**11.1%**	15.8%

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.

SUMMARY FINANCIAL INFORMATION

The selected information presented below has been derived from and should be read in conjunction with the Company's Condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2019 and 2018.

	3 Months Ended June 30,		6 Months Ended June 30,	
	2019	2018	2019	2018
Revenue	$44,274,318	$23,846,670	$78,546,697	$43,581,089
Cost of sales	28,683,996	15,313,647	50,546,556	27,755,965
Gross profit	15,590,322	8,533,023	28,000,141	15,825,124
Selling, general and administrative expenses	12,874,448	6,316,820	24,577,003	13,010,073
Income from operations	2,715,874	2,216,203	3,423,138	2,815,051
Other income (expenses):				
Finance costs	(1,307,642)	(897,481)	(2,596,808)	(1,995,553)
Increase in value of Puttable Class A and Class 1 Special shares	-	(8,509,940)	-	(27,117,200)
Transaction costs	(536,245)	(1,112,234)	(536,245)	(1,112,234)
Reorganization costs	(1,000,000)	-	(1,000,000)	-
Earn-out	(2,100,000)	-	(2,100,000)	-
Other	13,750	45,469	(27,257)	35,519
	(4,930,137)	(10,474,186)	(6,260,310)	(30,189,468)
Income (loss) before income taxes	(2,214,263)	(8,257,983)	(2,837,172)	(27,374,417)
Income tax expense (recovery):				
Current	(960,238)	334,123	(1,436,002)	795,821
Deferred	885,945	(535,603)	1,257,369	(865,880)
	(74,293)	(201,480)	(178,633)	(70,059)
Net and comprehensive income (loss)	($2,139,970)	($8,056,503)	($2,658,539)	($27,304,358)
EBITDA	1,852,160	(5,719,320)	5,078,780	(22,048,682)
EBITDA margin	4.2%	-24.0%	6.5%	-50.6%
Adjusted EBITDA	5,488,405	3,902,854	8,715,025	6,180,752
Adjusted EBITDA margin	12.4%	16.4%	11.1%	14.2%
Pro-forma Adjusted EBITDA	5,488,405	6,780,284	8,715,025	11,072,538
Pro-forma Adjusted EBITDA margin	12.4%	17.4%	11.1%	15.8%
Pro-forma Revenue	44,274,318	38,884,305	78,546,697	70,259,772

SECOND QUARTER HIGHLIGHTS

For the 3 months ended June 30

- Revenue increased by $20.4 million, or 85.7%, to $44.3 million
- Gross profit increased by $7.1 million or 82.7%
- Gross profit margin was 35.2% as compared to 35.8% in the second quarter of 2018
- EBITDA and Adjusted EBITDA was $1.9 million or 4.2% of revenue and $5.5 million or 12.4% of revenue respectively, as compared to ($5.7) million or (24.0%) and $3.9 million or 16.4% of revenue in 2018
- Pro-forma adjusted EBITDA was $5.5 million or 12.4% of revenue as compared to $6.8 million or 17.4% of revenue respectively, in 2018

For the 6 months ended June 30

- Revenue increased by $35.0 million, or 80.2%, to $78.6 million
- Gross profit increased by $12.2 million or 76.9%
- Gross profit margin was 35.7% as compared to 36.3% in 2018
- EBITDA and Adjusted EBITDA was $5.1 million or 6.5% of revenue and $8.7 million or 11.1% of revenue respectively, as compared to ($22.0) million or (50.6%) and $6.2 million or 14.2% of revenue respectively, in 2018
- Pro-forma adjusted EBITDA was $8.7 million or 11.1% of revenue as compared to $11.1 million or 15.8% of revenue in 2018

RESULTS OF OPERATIONS

Revenue

Revenue for the three months ended June 30, 2019 was $44.3 million, compared with $23.9 million in the second quarter of 2018, representing an increase of $20.4 million or 85.7%. The acquisitions completed in July 2018 contributed $15.5 million or 76.0% of the revenue increase with Bullfrog accounting for $3.5 million, Orbis accounting for $10.3 million and New Electric Fresno accounting for $1.7. The balance of the revenue growth in Q2 2019 of $4.9 million was attributable to organic growth representing an increase of 20.5% compared to the second quarter of 2018. Pro-forma revenue was $44.3 million in the second quarter of 2019 as compared to $38.9 million in 2018, representing organic growth of 13.9%.

Revenue for the six months ended June 30, 2019 was $78.6 million, compared with $43.6 million in 2018, representing an increase of $35.0 million or 80.2%. The acquisitions noted above contributed $27.2 million or 62.4% of the revenue increase with Bullfrog accounting for $7.6 million, Orbis accounting for $16.3 million and New Electric Fresno accounting for $3.3. The balance of the revenue growth in for the six months ended June 30, 2019 of $7.8 million was attributable to organic growth representing an increase of 17.9% compared to 2018. Pro-forma revenue was $78.5 million for the six months ended June 30, 2019 as compared to $70.3 million in 2018, representing organic growth of 11.8%.

Cost of Sales and Gross Profit

Cost of sales for the three and six months ended June 30, 2019 and 2018 were comprised of the following:

	3 Months Ended June 30				6 Months Ended June 30			
	2019		2018		2019		2018	
	$	%	$	%	$	%	$	%
Revenue	**$44,274,318**		$23,846,670		**$78,546,697**		$43,581,089	
Cost of sales:								
Labor	**13,254,287**	**29.9%**	7,564,118	31.7%	**24,145,762**	**30.7%**	13,429,662	30.8%
Materials	**6,299,699**	**14.2%**	3,903,121	16.4%	**12,448,185**	**15.8%**	7,991,305	18.3%
Subcontractors	**4,516,065**	**10.2%**	1,436,457	6.0%	**6,351,985**	**8.1%**	2,812,968	6.5%
Vehicle costs and travel	**2,793,378**	**6.3%**	1,277,535	5.4%	**4,126,137**	**5.3%**	1,422,132	3.3%
Amortization	**1,820,567**	**4.1%**	1,132,416	4.7%	**3,474,487**	**4.4%**	2,099,898	4.8%
Total Cost of Sales	**28,683,996**	**64.8%**	15,313,647	64.2%	**50,546,556**	**64.4%**	27,755,965	63.7%
Gross Profit	**15,590,322**	**35.2%**	8,533,023	35.8%	**28,000,141**	**35.6%**	15,825,124	36.3%

Gross profit in the second quarter of 2019 was $15.6 million, or 35.2% of revenue, compared with $8.5 million or 35.8% in the second quarter of 2018 representing an increase of $7.1 million or 82.7%.

Gross profit for the six months ended June 30, 2019 was $28.0 million, or 35.7% of revenue, compared with $15.8 million or 36.3% in 2018 representing an increase of $12.2 million or 76.9%.

The gross profit percentage decline in both the three and six month periods ended June 30, was primarily attributable primarily to the impact of lower gross margin realizations from the Orbis business compared to higher margins in the Bullfrog business, both of which were not included the results for the three and six months ended June 30, 2018 as they were acquired in Q3 2018.

Selling, General and Administration Expense

Selling, general and administration expenses for the second quarter of 2019 were $12.9 million, or 29.1% of revenue, compared with $6.3 million, or 26.5% of revenue in the second quarter of 2018 representing an increase of $6.6 million or 104.8%. The absolute dollar increase was attributable primarily to the impact of the 2018 acquisitions with Bullfrog adding $1.8 million, Orbis $1.3 million and New electric Fresno $0.3 million. The balance of the increase was attributable to increases in other business units and corporate costs, partially offset by savings from the fall 2018 reorganization activities.

Selling, general and administration expenses for the six months ended June 30, 2019 were $24.6 million, or 31.3% of revenue, compared with $13.0 million, or 29.9% of revenue in 2018 representing an increase of $11.6 million or 88.9%. The absolute dollar increase was attributable primarily to the impact of the 2018 acquisitions with Bullfrog adding $3.5 million, Orbis $2.5 million and New electric Fresno $0.5 million. The balance of the increase was attributable to increases in other business units and corporate costs, partially offset by savings from the fall 2018 reorganization activities.

As a percentage of revenue selling, general and administration costs were driven primarily be scale achieved as a result of increased revenues, partially offset by the impact of Bullfrog Power as all costs associated with this business are included in selling, general and administration.

Amortization and Depreciation and Finance Costs

Amortization and depreciation for the three months ended June 30, 2019 was $2.8 million compared with $1.6 million over the same period in 2018. Amortization and depreciation for the six months ended June 30, 2019 was $5.3 million compared with $3.3 million over the same period in 2018. The increase reflects the impact of amortization and depreciation on fixed assets and intangible assets that arose from the acquisitions completed during 2018 with the balance of the increase was driven by additions of property and equipment and right of use vehicles and property.

Finance costs in the second quarter were $1.3 million as compared to $0.9 million in the second quarter of 2018. Finance costs in the six months ended June 30, 2019 were $2.6 million as compared to $2.0 million in 2018. The increase was attributable primarily to the higher debt levels and the impact of mark-to-market losses on an interest rate swap.

EBITDA, Adjusted EBITDA and Pro-forma EBITDA

Results for the Three Months Ended June 30, 2019

EBITDA for the three months ended was $1.9 million or 4.2% of revenue compared with ($5.7) million in the second quarter of 2018. During the second quarter of 2018 the Company incurred a $8.5 million charge for the increase in value of puttable shares held by the Company at that time.

For the three months ended June 30, 2019, Adjusted EBITDA was $5.5 million, or 12.4% of revenue, compared with $3.9 million, or 16.4%, of revenue in the second quarter of 2018, representing an increase of $1.6 million or 40.6%.

Pro-forma adjusted EBITDA was $5.5 million or 12.4% of pro-forma revenue compared with $6.8 million or 17.4% of pro-forma revenue in the second quarter of 2018, representing a decrease of $1.3 million or 19.1%.

Results for the Six Months Ended June 30, 2019

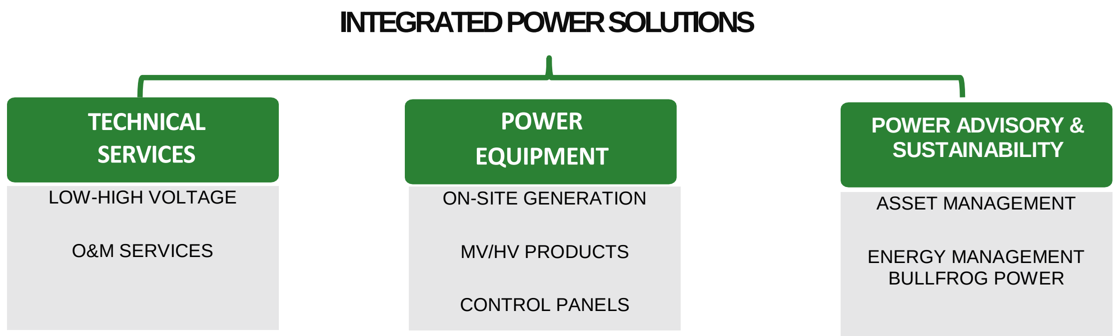
EBITDA for the six months ended was $8.8 million or 11.1% of revenue compared with ($22.1) million in 2018. During the six months ended June 30, 2018 the Company incurred a $27.1 million charge for the increase in value of puttable shares held by the Company at that time.

For the six months ended June 30, 2019, Adjusted EBITDA was $8.8 million, or 11.1% of revenue, compared with $6.2 million, or 14.2%, of revenue in 2018, representing an increase of $2.6 million or 41.0%.

Pro-forma adjusted EBITDA was $8.8 million or 11.1% of pro-forma revenue compared with $11.1 million or 15.8% of pro-forma revenue in 2018, representing a decrease of $2.3 million or 21.3%.

RESULTS OF OPERATIONS – By Reportable Business Segment

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.



Technical 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; and our operations and maintenance service group operating under the Northwind brand.

	3 months ended June 30			6 months ended June 30		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
Revenue	**$37,143,099**	$21,568,622	15,574,477	**$64,863,945**	$39,342,276	25,521,669
Cost of sales	**$27,008,844**	$14,372,745	12,636,099	**$47,242,556**	$25,721,617	21,520,939
Gross profit	**10,134,255**	7,195,877	2,938,378	**17,621,389**	13,620,659	4,000,730
Gross profit margin	**27.3%**	33.4%	18.9%	**27.2%**	34.6%	15.7%
Selling, general and administration	**5,806,669**	3,860,378	1,946,291	**11,643,702**	7,793,911	3,849,791
Segment EBITDA	**6,414,914**	4,698,995	1,715,919	**10,013,334**	8,498,945	1,514,389
Segment EBITDA %	**17.3%**	21.8%	11.0%	**15.4%**	21.6%	5.9%
Segment profit	**4,327,586**	3,335,499	992,087	**5,977,687**	5,826,748	150,939

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

Results for the 3 and 6 Months ended June 30, 2019

Revenue in the second quarter ended June 30, 2019 was $37.1 million compared with $21.6 million in the second quarter of 2018, representing an increase of $15.6 million or 71.9%. Effective July 1, 2018 the Company completed the acquisitions of Orbis and NEF that are included in the Technical Services Group and contributed $12.1 million or 56.0% to the revenue increase in the quarter. The balance of the revenue growth in the second quarter of 2019 of $3.4 million was attributable to organic growth representing an increase of 15.7%.

Revenue for the six months ended June 30, 2019 was $64.9 million compared with $39.3 million in 2018, representing an increase of $25.5 million or 64.9%. Effective July 1, 2018 the Company completed the acquisitions of Orbis and NEF that are included in the Technical Services Group and contributed $21.1 million or 53.7% to the revenue increase in the period. The balance of the revenue growth in 2019 of $4.4 million was attributable to organic growth representing an increase of 11.2%.

Business Unit	Jun.30, 2019	Jun. 30, 2018	Change	Acquisition	Organic	Acquisition	Organic	Total
Low Voltage Electrical Services	**$28,612,430**	$22,907,783	$5,704,647	$3,634,811	$2,069,836	15.9%	9.0%	24.9%
High Voltage Electrical Services	**28,659,026**	10,255,605	18,403,421	17,412,359	991,062	169.8%	9.7%	179.4%
Operations and Maintenance Services	**7,592,489**	6,178,618	1,413,871	-	1,413,871	-	22.9%	22.9%
	$64,863,945	$39,342,006	$25,521,939	$21,047,170	$4,474,769	53.5%	11.4%	64.9%

Revenue in the Company's low voltage services business operating under the New Electric brand increased by $5.7 million or 24.9% in the six months ended June 30, 2019. 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, driving organic growth of $2.1 million or 9.0%. The acquisition of New Electric Fresno in July 2018 accounted for $3.6 million or 15.9% of the revenue growth in the period. The increase in high voltage services of $18.4 million was driven by the impact of the Orbis acquisition completed in July 2018 which added $17.4 million of revenue. Organic revenues increased by $1.0 million or 9.7% in the period.. Operations and maintenance services increased by $1.4 million or 22.9% and resulted from organic growth with the divisions existing customer base and the impact of new revenue growth from US based customers acquired during 2018.

Gross profit in the second quarter of 2019 was $10.1 million, or 27.3% of revenue, compared with $7.2 million or 33.4% in the second quarter of 2018. The absolute dollar change was due to the impact of acquisition and organic growth in the segment. The gross profit percentage decline was primarily attributable to the impact of lower gross margin realizations from the high voltage line of business.

Gross profit for the six months ended $17.6 million, or 27.2% of revenue, compared to $13.6 million or 34.6% in 2018.

Selling, general and administration expenses for the second quarter of 2019 were $5.8 million, or 15.6% of revenue, compared with $3.9 million, or 17.9% of revenue in 2018. The absolute dollar increase was attributable to the impact of the 2018 acquisitions of Orbis and New Electric Fresno. The percentage decline was attributable to the impact of operational leverage as we realized revenue growth without corresponding increases in costs, partially offset by the impact of the Raleigh operations noted below..

For the six months ended June 30, 2019, selling, general and administration expenses were $11.6 million or 18.0% of revenue, compared with $7.8 million or 19.9% of revenue.

For the three months ended June 30, 2019, Segment EBITDA was $6.4 million or 17.3% of revenue compared with $4.7 million or 21.8% of revenue in the second quarter of 2018, representing a increase of $1.7 million. For the six months ended June 30, 2019 Segment EBITDA was $10.0 million or 15.4% of revenue compared to $8.5 million or 21.6% of revenue in 2018.The decrease was attributable to the factors noted.

Impact of Raleigh, North Carolina branch on Operating Performance

The services segment continues to be negatively impacted by the Company's operations in Raleigh, North Carolina. The Company opened this location in July 2018 based with a goal initially achieving the following objectives:

1. To further develop and commercialize modular sub-station technology acquired through association of a group of individuals resident in the USA who had been hired by the Company;

2. To provide a key branch location for launching a branch to provide high voltage and low voltage electrical services in the region;

3. To be the initial head office location.

Since its opening in the third quarter of 2018 the Company has incurred loss's totalling $1.4 million realized over the last 4 quarters as follows:

	Q3	Q4	Q1	Q2	Total
Raleigh Branch Losses	$ 249,401	$ 337,892	$ 386,492	$ 457,179	$ 1,430,964

Of the $1.4M in stated losses, approximately $1.1M can be attributed to point 1 above; the develop and commercialization of modular substation technology which has recently ceased in Raleigh. All activity related to modular substation technology is now being handled out of our Oakville office by existing staff and we have focused the Raleigh operations on business development of electrical service opportunities.

Recently, a new branch manager with state licensing and industry experience has been hired to lead the Raleigh Service Branch's efforts. We anticipate revenue generation in mid-to-late Q3 and fully anticipate the Raleigh operation to be producing positive EBITDA in 2020. Start up costs of this service facility are anticipated to be higher as we have our U.S. senior management team's costs allocated to this location.

Power Equipment Group

The power equipment group is comprised of sales and rentals of new and used equipment under the companies Lizco brand and sales of control panels through New Electric and Orbis.

	3 months ended June 30			6 months ended June 30		
	2019	2018	Change	2019	2018	Change
Revenue	**$2,006,072**	$1,319,513	686,559	**$4,187,492**	$2,538,225	1,649,267
Gross profit	**330,920**	378,611	(47,691)	**883,492**	503,877	379,615
Gross profit margin	**16.5%**	28.7%	-6.9%	**21.1%**	19.9%	23.0%
Selling, general and administration	**256,762**	59,695	197,067	**567,312**	209,323	357,989
Segment EBITDA	**213,304**	387,521	(174,217)	**529,942**	363,159	166,783
Segment EBITDA %	**10.6%**	29.4%	-25.4%	**12.7%**	14.3%	10.1%
Segment profit	**74,157**	318,916	(244,759)	**316,180**	294,554	21,626

Results for the 3 and 6 Months ended June 30, 2019

Revenue in the second quarter ended June 30, 2019 was $2.0 million compared with $1.3 million in the second quarter of 2018, representing an increase of $0.7 million or 53.9%, and was driven by organic growth in equipment sales and rental and control panels.

Revenue in the six months ended June 30, 2019 was $4.2 million compared with $2.5 million in 2018, representing an increase of $1.7 million or 65.0%.

Gross profit in the second quarter of 2019 was $0.3 million, or 16.5% of revenue, compared with $0.4 million or 28.7% in the second quarter of 2018. The absolute dollar change was driven by higher volumes. On a year to date basis gross margins increased $0.4 million to $0.9 million or 21.1% of revenue as compared to 19.9% of revenue in 2018.

Selling, general and administration expenses for the second quarter of 2019 were $0.3 million, or 12.8% of revenue, compared with $0.1 million, or 4.6% of revenue in 2018. On a year to date basis selling, general and administration expenses increased $0.4 million to $0.0.6 million or 13.5% of revenue as compared to 8.2% of revenue in 2018.

Power Advisory & Sustainability Group

The Solutions Group is comprised of our recent Bullfrog acquisition and asset management services.

	3 months ended June 30			6 months ended June 30		
	2019	2018	Change	2019	2018	Change
Revenue	**$4,957,054**	$504,176	4,452,878	**$9,153,548**	$733,661	8,419,887
Gross profit	**4,957,054**	504,176	4,452,878	**9,153,548**	733,661	8,419,887
Gross profit margin	**100.0%**	100.0%	100.0%	**100.0%**	100.0%	100.0%
Selling, general and administration	**2,036,684**	6,433	2,030,251	**3,808,037**	7,861	3,800,176
Segment EBITDA	**3,101,867**	497,986	2,603,881	**5,701,475**	726,286	4,975,189
Segment EBITDA %	**62.6%**	98.8%	58.5%	**62.3%**	99.0%	59.1%
Segment profit	**2,920,370**	497,743	2,422,627	**5,345,511**	725,800	4,619,711

Results for the 3 and 6 months ended June 30, 2019

Revenue for the three months ended June 30, 2019 was $5.0 million compared with $0.5 million over the same period in 2018. Revenue for the six months ended June 30, 2019 was $9.2 million compared with $0.7 million over the same period in 2018.

Gross profit for the three months ended June 30, 2019 was $4.9 million as compared with $0.5 million over the same period in 2018. Gross profit for the 6 months ended $9.2 million as compared to $0.7 million in 2018.

Selling, general and administration expenses for the three-months ended June 30, 2019 were $2.0 million compared with $6,433 over the same period in 2018. Selling, general and administration expenses for the six-months ended June 30, 2019 were $3.8 million as compared to $7,861 in 2018

For the three months ended June 30, 2019, Segment EBITDA was $2.9 million compared with $0.5 million over the same period in 2018. For the six months ended June 30, 2019 Segment EBITDA was $2.9 million as compared to $0.5 million in 2018.

All of the above noted changes resulted primarily from the addition of Bullfrog Power in the third quarter of 2018.

Corporate Group

	3 months ended June 30			6 months ended June 30		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
Revenue	**$168,094**	$454,359	(286,266)	**$341,713**	$966,927	(625,215)
Gross profit	**168,094**	454,359	(286,266)	**341,713**	966,927	(625,215)
Gross profit margin	**100.0%**	100.0%	100.0%	**100.0%**	100.0%	100.0%
Selling, general and administration	**4,774,333**	2,390,313	2,384,020	**8,557,953**	4,998,980	3,558,973
Segment EBITDA	**(4,241,515)**	(1,727,234)	(2,514,281)	**(7,502,480)**	(3,443,275)	(4,059,205)
Segment profit	**(4,606,239)**	(1,935,954)	(2,670,285)	**(8,216,240)**	(4,032,052)	(4,184,188)

Revenues in the Corporate Group were $168,094 in the second quarter of 2019 and $341,713 year to date as compared to $454,359 and $966,927 respectively in 2018. The revenue relates to billings to third parties for accounting, IT, payroll and operational software services. The decline from the prior year was due a customer deciding to take these services in-house and the impact of the Company purchasing New Electric Fresno who was utilizing these services as a third party prior to the acquisition.

Corporate expenses are comprised of the following:

	3 months ended June 30			6 months ended June 30		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
Salaries and benefits	**$2,791,854**	$1,370,385	$1,421,469	**$5,159,704**	$3,042,092	$2,117,612
Director and professional fees	**597,901**	289,463	308,438	**1,046,359**	531,664	$514,695
Travel, meals and entertainment	**430,484**	231,416	199,068	**662,191**	357,786	$304,405
Office and administration	**589,370**	290,211	299,159	**975,939**	478,661	$497,278
Depreciation and amortization	**364,724**	208,838	155,886	**713,760**	588,895	$124,865
	$4,774,333	$2,390,313	$2,384,020	**$8,557,953**	$4,999,098	$3,558,855

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 $16.4 million at June 30, 2019 as compared to $14.6 million at the end of the first quarter and $11.7 million at December 31, 2018 and a cash balance of $3.5 million at June 30, 2018. As at June 30, 2019 the Company had additional borrowing capacity under the revolving line of credit of $3.6 million.

Debt and Capital Structure

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 8 year amortization thereafter	10 year amortization post drawdown	
Amount Drawn at June 30, 2019	$16,384,925	$44,000,000	nil	$60,384,925

Long-term indebtedness, including the current portion of long-term debt, increased to $76.9 million at June 30, 2019 from $73.7 million at March 31, 2019 and $71.5 million at December 31, 2018. Long-term debt is comprised of the following components:

	June 30, 2019	March 31, 2019	December 31, 2018
Term debt, excluding financing fees	$ 45,250,000	$ 45,500,000	$ 45,500,000
Acquisition line	911,000	-	-
Promissory notes	13,081,972	10,233,527	10,233,527
Lease liability, including current portion	17,636,755	17,922,813	15,741,559
Total Long-term debt	$ 76,879,727	$ 73,656,340	$ 71,475,086

The increase in long-term debt in the second quarter was attributable to increases in promissory notes as a result of earn-outs accrued in the quarter, a draw of $911,000 on the acquisition line to fund a wind turbine acquisition, partially offset by a $250,000 loan payment.

The current portion of long-term debt increased to $12.2 million at June 30, 2019 compared to $8.5 million March 31, 2019 and $7.1 million at December 31, 2018. The increase is attributable to an increase in current payments related to the term loan of $1.4 million, $0.9 million being drawn on the acquisition line and an increase in current portion of promissory notes of $1,000,000 related to the Orbis earn-out.

We monitor our capital structure through the use of the total long-term debt to Pro-forma Adjusted EBITDA metric. As at June 30, 2019, our long-term debt to Pro-forma Adjusted EBITDA ratio was 3.49 compared with 3.03 at March 31, 2019 and 2.81 at December 31, 2018, calculated as follows:

	June 30, 2019	March 31, 2019	December 31, 2018
Total long-term debt	**$76,879,727**	$73,656,340	$71,475,086
Pro-forma LTM Adjusted EBITDA	**$22,057,767**	$24,318,799	$25,409,190
Net long-term debt to Pro-Forma Adjusted EBITDA	**3.49**	3.03	2.81

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 June 30, 2019 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%. During the second quarter the Company recorded a mark-to-market gain of $723 related to this swap arrangement. Since the inception of the swap in Q4 2018 the total mark-to-market charge is $523,515 and has been recorded in finance expense and accounts payable and accrued liabilities.

Summary of Cash Flows

The following table summarizes Spark Power's cash flows for the three and six months ended June 30, 2019 and 2018:

	3 Months Ended June 30		6 Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Operating activities	$2,264,115	$2,294,540	$3,388,406	$3,002,147
Investing activities	(2,966,049)	(941,585)	(5,965,888)	(1,338,732)
Financing activities	701,934	(1,135,115)	2,577,482	(1,386,636)
Increase (decrease) in cash	-	217,840	-	276,779
Cash, beginning of period	-	3,239,698	-	3,180,759
Cash, end of period	-	$3,457,538	-	$3,457,538

For the 3 and 6 months ended June 30, 2019

Cash flows from operating activities

Cash generated in operating activities was $2.3 million for three months ended June 30, 2019 compared to $2.3 million the same period in 2018. The drivers to cash flow from operations was attributable to an decrease in net loss for the period of $5.9 million compared to 2018, an increase in amounts due in relation to earn-out and organization costs of $2.8 million, an increase in amortization and depreciation of $1.1 million, an increase in deferred tax balances of $1.4 million, offset by an increase investment in non-cash working capital of $2.2 million and a decrease in value of puttable shares of $8.5 million.

Cash generated in operating activities was by $3.4 million for six months ended June 30, 2019 compared to $3.0 million the same period in 2018. The increase in cash flow from operations of $0.4 million was primarily attributable to an decrease in net loss for the period of $24.6 million compared to 2018, an increase in amortization and depreciation of $2.0 million, an increase in deferred tax balances of $2.1 million, an increase in amounts due from earn-out and organization costs of $2.8 million, offset by an increase investment in non-cash working capital of $3.4 million and a decrease in value of puttable shares of $27.2 million and a decrease in other of $0.5 million.

Cash flows from investing activities

Cash used in investing activities was $3.0 million for the three months ended June 30, 2019 as compared to $0.9 million in 2018
Cash used in investing activities was $6.0 million for the six months ended June 30, 2019 as compared to $1.3 million in 2018. All investing activities related to the purchase of property, plant and equipment.

Cash flows used for financing activities

Cash flows generated from financing activities in the three months ended June 30, 2019 were $0.7 million representing an increase of $1.8 million compared to the same period in 2018. The increase was attributable to $1.7 million of cash being drawn on the operating line, an increase in lease payments of $1.2 million, and a decrease in repayment of long-term debt of $0.4 million and an increase in long-term debt of $0.9 million.

Cash flows generated from financing activities in the six months ended June 30, 2019 were $2.6 million representing an increase of $4.0 million compared to the same period in 2018. The increase was attributable to $4.7 million of cash being drawn on the operating line, an increase in long-term debt of $0.9 million partially offset by an increase in lease payments of $1.7 million and a decrease in issuance of share capital of $1.2 million.

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 cash, short-term investments, accounts receivable, contract assets, inventory and prepaid expenses and deposits, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, contract liability, current portion of long-term debt promissory notes and lease liability. Adjusted Working Capital excludes the current portion of long-term debt, promissory notes and lease liability, and therefore provides management and investors with a clearer understanding of the efficiency of operational working capital needs absent working capital required as a result of capital structure.

Spark Power's main sources of liquidity have been cash generated from operating activities and borrowings under its existing and previous credit facilities. At June 30, 2019 Working Capital and Adjusted Working Capital were $3.5 and $15.7 million, respectively, compared with $9.9 million and $17.0 million, respectively at December 31, 2018 and $6.9 million and $15.3 million at March 31, 2019.

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	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Working capital (deficiency)	**$3,521,207**	**$6,863,519**	**$9,860,843**
Adjustments to working capital:			
Current portion of long-term debt	5,536,000	3,000,000	1,625,000
Current portion of promissory notes	2,282,496	1,282,496	1,282,496
Current portion of lease liability	4,399,483	4,183,926	4,234,216
Adjusted Working Capital	**18,021,682**	**16,612,438**	**18,285,051**
Comprised of:			
Cash	-	-	-
Operating line	(16,384,925)	(14,662,232)	(11,666,604)
Non-cash working capital balances	34,406,607	31,274,670	28,669,159

Outstanding Share Data

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

As at	June 30, 2019	March 31, 2019	December 31, 2018
Common shares	44,977,553	44,923,553	44,920,313
Warrants	11,776,648	11,776,648	11,776,648
Stock options	1,937,980	1,991,980	1,991,980
Total	**58,692,181**	**58,692,181**	**58,688,941**

Warrants

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 based on their estimated fair market value as at the date of issuance.

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

Revenue

The Company will continue its focus on driving organic growth through all business segments. New branch openings in both Canada and the U.S., expanding relationships with existing customers and cross selling the capabilities of all business units will be the key drivers to organic growth.

Growth through acquisition will continue 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.

EBITDA and Profitability

The Company has recently experienced some margin compression and has made a substantially investment in all functional departments supporting the operations of the Company. Management expects the benefits of this investment will be to support continue growth, both organically and through acquisitions, and will decline as a percentage of sales as the business expands.

Leverage

With the term sheet outlining the details for an amendment credit agreement entered into in July 2019, the Company believes it has adequate resources to support growth opportunities in 2019. Availability on the Company's $25.0 operating line and prudent cash flow management 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. Management believes the Company is currently undercapitalized and will continue to look for sources of new equity or other forms of capitalization to support the execution of managements strategic plans.

SUMMARY QUARTERLY FINANCIAL INFORMATION

	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	$ 44,274,318	$ 34,272,379	$37,909,647	$38,268,707	$23,846,670	$19,734,419	$22,175,002	$22,639,739
Gross Profit	15,590,322	12,409,819	15,573,718	13,297,002	9,063,895	7,292,101	10,170,337	9,334,055
Income from Operations	2,715,874	707,264	3,609,261	5,019,404	2,216,203	598,848	3,913,210	2,919,661
Net income (loss)	(2,139,970)	(518,569)	288,554	(37,619,048)	(8,056,503)	(19,247,855)	(15,420,493)	1,289,888
Adjusted Net Income (Loss)	1,496,275	(518,569)	1,702,478	3,603,082	1,565,671	(640,595)	2,395,927	1,289,888
Adjusted EBITDA	5,488,405	3,212,353	6,043,300	7,313,709	4,836,030	2,287,848	5,888,024	4,564,677
Adjusted EBITDA Margin	12.4%	9.4%	15.9%	19.1%	20.3%	11.6%	26.6%	20.2%
Pro-forma Revenue	44,274,318	34,272,379	37,909,647	38,268,707	38,896,800	31,375,467	33,164,273	35,717,899
Pro-forma Adjusted EBITDA	5,488,405	3,212,353	6,043,300	7,313,709	7,749,437	4,302,745	6,672,425	6,996,149
Pro-forma Adjusted EBITDA Margin	12.4%	9.4%	15.9%	19.1%	19.9%	13.7%	20.1%	19.5%
Pro-forma Adjusted LTM EBITDA	22,057,767	$24,318,799	$25,409,191	$26,038,316	$25,720,756	$21,928,265	$20,975,241	
Pro-forma Adjusted LTM EBITDA Mar	14.3%	16.3%	17.4%	18.4%	18.5%	16.8%	16.8%	
Pro-forma LTM Revenue	154,725,051	$149,347,533	$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. 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.

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.

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.

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.

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.

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.

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.

FINANCIAL INSTRUMENTS

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

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

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

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

either directly or indirectly.

Level 3: inputs for the asset or liability that are no based on observable market data. There were no financial instruments carried at fair value categorized in Level 3 as at June 30, 2019.

There were no transfers between levels during the period.

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

The fair value of the Interest Rate Swap arrangement has been recorded using Mark-to-Market ("MtM") information as at June 30, 2019 from a third party and is categorized as Level 2.

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

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

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

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 interest rate risk on some of its credit facilities with its lender as approximately 50% of the term loan and all of the operating line interest are 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, promissory notes 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.