

**FORM 51-102F3
MATERIAL CHANGE REPORT**

1. NAME AND ADDRESS OF COMPANY

Hybrid Power Solutions Inc.
Suite 208 - 333 Terminal Avenue, Vancouver, British Columbia, V6A 4C1

2. DATE OF MATERIAL CHANGE

August 18, 2023 and August 28, 2023

3. NEWS RELEASE

August 29, 2023

4. SUMMARY OF MATERIAL CHANGE

Hybrid Power Solutions Inc. closes secured convertible debenture financing and enters into payment agreement.

5. FULL DESCRIPTION OF MATERIAL CHANGE

On August 18, 2023, Hybrid Power Solutions Inc. (“Hybrid” or the “Company”) closed a non-brokered private placement of secured convertible debentures (the “Debentures”) for aggregate gross proceeds of \$535,000. The Company issued 535 Debentures to an arm’s length lender, KW Capital Partners Inc. (the “Lender”), with an aggregate principal amount of approximately \$594,444. The net proceeds received by the Company from the offering will be used to satisfy interim payment obligations, pay operational costs and for general working capital.

The Debentures are secured against all assets of the Company and its wholly-owned subsidiary, HPS Solar Inc. (the “Subsidiary”), pursuant to general security agreements issued in favour of the Lender by the Company and the Subsidiary, and mature 12 months from issuance. The Debenture does not bear interest unless there is an event of default, in which case the principal amount outstanding under the Debentures will accrue interest at a rate of 25% per annum. The principal amount of the Debentures and any interest thereon is convertible into common shares (each, a “Share”) of the Company, at the option of the holder and at a conversion price of \$0.32 per Share, any time after issuance while the indebtedness remains outstanding.

Additionally, Hybrid entered into an agreement (the “Payment Agreement”) setting out the terms on which \$688,137 in outstanding bona-fide debt owed to Treewalk Consulting Inc. (“Treewalk”) will be settled by Hybrid through a combination of cash payments, a promissory note deferring existing obligations, and Treewalk’s participation in the Company’s proposed initial public offering (the “IPO”). Treewalk, a company controlled by Alex McAulay, Chief Financial Officer and a director of Hybrid, provides accounting, financial, and administrative services including interim controllership, temporary accounting services, audit preparation, and budgeting analysis services. In addition to the services described above, the amount being settled also includes fees for services related to the going public transaction provided by Treewalk.

Pursuant to Multi-Lateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions (“MI 61-101”), the Payment Agreement and transactions contemplated therein is a “related-party transaction”, as defined in MI 61-101. The Company is relying on the exemptions from the formal valuation requirements contained in section 5.5(b) of MI 61-101 and the minority shareholder approval requirements contained in section 5.7(1)(a) of MI 61-101, as the Company is not listed on specified markets and the fair market value of the debt settlement to Treewalk does not exceed 25% of the Company’s market capitalization, as determined in accordance with MI 61-101. The Company did not file a material change report in respect of the related party transaction at least 21 days before the execution of the Payment Agreement as the details of the Payment Agreement were not finalized until shortly before execution.

The Company previously obtained a receipt for its long form prospectus dated July 14, 2023, with the securities regulatory authorities in the Provinces of British Columbia, Alberta, Saskatchewan, Ontario, and Newfoundland and Labrador in connection with the proposed IPO. As the IPO has not been completed, the Company intends to file an amended and restated prospectus, amending the final prospectus with the applicable Canadian securities regulatory authorities and on its SEDAR + profile which will include disclosure for the issuance of the Debentures and the Payment Agreement.

6. RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102

Not applicable.

7. OMITTED INFORMATION

Not applicable.

8. EXECUTIVE OFFICER

Francois Renaud-Bryne
Chief Executive Officer
Email: info@hybridps.ca

9. DATE OF REPORT

August 29, 2023