

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

1. NAME AND ADDRESS OF COMPANY

Hybrid Power Solutions Inc.
#208 - 333 Terminal Avenue
Vancouver, BC V6A 4C1

2. DATE OF MATERIAL CHANGE

December 1, 2023

3. NEWS RELEASE

News release dated December 1, 2023 was disseminated via Newsfile.

4. SUMMARY OF MATERIAL CHANGE

Hybrid Power Solutions Closes \$4.9 Million Initial Public Offering

5. FULL DESCRIPTION OF MATERIAL CHANGE

Hybrid Power Solutions Inc. (CSE: HPSS) (“**Hybrid**” or the “**Company**”) announced that it has successfully completed its initial public offering (the “**IPO**”) of 12,279,500 units of Hybrid (the “**Units**”) at a price of \$0.40 per Unit pursuant to the Company’s amended and restated prospectus dated August 28, 2023, as further amended on September 13, 2023 and October 18, 2023 (collectively, the “**Prospectus**”). The gross proceeds from the IPO, before deducting agent fees and estimated offering expenses, were \$4,911,800. Hybrid’s common shares (the “**Common Shares**”) were listed on the Canadian Securities Exchange (the “**Exchange**”) on November 29, 2023 and were immediately halted pending the closing of the IPO. Trading of Hybrid’s common shares on the Exchange is expected to resume at market open on December 4, 2023 under the ticker symbol “HPSS”.

Under the IPO, each Unit consists of one Common Share of Hybrid and one-half of one share purchase warrant (each whole warrant, a “**Warrant**”). Each Warrant entitles the holder to acquire one additional Common Share at a price of \$0.60 per Common Share until December 1, 2025, subject to acceleration such that if the daily volume weighted average trading price of the Common Shares on the Exchange exceeds \$0.80 on each of those 15 consecutive days, then the Warrants will expire 30 days following written notice (via news release) provided by Hybrid (the “**Acceleration**”).

Pursuant to an agency agreement dated July 14, 2023, between Research Capital Corporation (the “**Agent**”) and the Company, the Agent acted as agent for the Company in connection with the IPO. Hybrid paid the Agent and members of its selling group a cash commission in the amount of \$392,944 representing 8.0% of the gross proceeds of the IPO and granted the Agent and members of its selling group non-transferable warrants to purchase up to an aggregate of 982,360 Units at a price of \$0.40 per Unit until December 1, 2025, with each Unit consisting of one Common Share and one half of one Warrant, with each full Warrant entitling the Agent to purchase one additional Common Share at a price of \$0.60 per Common Share until December 1, 2025, subject

to the Acceleration. The Company also paid the Agent a corporate finance fee of \$45,000 plus GST, and reimbursed the Agent for its legal fees and reasonable expenses.

Prior to the closing of the IPO on November 29, 2023, convertible debentures of the Company previously issued on July 27, 2022 were automatically converted into 16,425,000 Common Shares. These 16,425,000 Common Shares are subject to resale restrictions such that 25% of these Common Shares were released on November 29, 2023, 25% will be released on May 29, 2024, 25% will be released on November 29, 2024, and the remaining 25% on May 29, 2025.

In addition, convertible debentures of the Company previously issued on August 19, 2022, were automatically converted into 8,142,500 Common Shares and 4,071,250 warrants (each a “Debtenture Warrant”) Each Debtenture Warrant entitles the holder to acquire one additional Common Share at a price of \$0.60 per Common Share until November 29, 2025, subject to the Acceleration. These 8,142,500 Common Shares and 4,071,250 Debtenture Warrants are subject to resale restrictions such that 10% of these securities were released on November 29, 2023, 40% will be released on March 29, 2024, and the remaining 50% on May 29, 2024.

Hybrid expects to use the net proceeds from the IPO to primarily grow its distribution and market presence in the United States, to increase marketing and outreach initiatives, to increase its product testing and production efficiency capabilities, to repay outstanding secured debentures and for general working capital purposes, all as further set out in the Prospectus. After completion of the IPO, Hybrid now has 68,947,000 Common Shares issued and outstanding on a non-diluted basis, of which 45,559,315 Common Shares are subject to statutory or voluntary escrow or resale restrictions.

Further to the Company’s news release dated August 29, 2023, Treewalk Consulting Inc. (“**Treewalk**”), a company controlled by Alex McAulay, Chief Financial Officer and a director of Hybrid, participated in the IPO and acquired 375,000 Units to partially settle outstanding debt with the Company, as provided for in the previously disclosed payment agreement between the parties.

Pursuant to Multi-Lateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions (“MI 61-101”), Treewalk’s participation in the IPO 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 Treewalk’s participation in the IPO 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 closing of the IPO as the closing date of the IPO was not immediately known and the Company wished to close on an expedited basis.

Additionally, Hybrid granted an aggregate of 3,000,000 restricted share units (“**RSUs**”) and 150,000 stock options (“**Options**”) to consultants and employees of the Company pursuant to the Company’s omnibus equity incentive plan. The RSUs vest on March 30, 2024, and the Options will be subject to vesting.

The securities referenced in the news release and this material change report have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any applicable state securities laws and may not

be offered or sold in the United States or to "U.S. persons" (as such term is defined in Regulation S under the U.S. Securities Act) absent such registration or an applicable exemption from such registration requirements. The news release and this material change report shall not constitute an offer to sell or the solicitation of an offer to buy such securities in any jurisdiction.

For more information, please refer to the Prospectus filed with the securities commissions in British Columbia, Alberta, Saskatchewan, Ontario, and Newfoundland and Labrador, available on SEDAR+ (www.sedarplus.ca), under the Company's profile.

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, CEO
Telephone: 1 (866) 549-2743

9. DATE OF REPORT

December 4, 2023