

Condensed interim consolidated financial statements of

Eguana Technologies Inc.

March 31, 2023

(Unaudited)

Eguana Technologies Inc.

Condensed interim consolidated statements of financial position

Stated in Canadian dollars

Unaudited

	Note	March 31 2023	December 31 2022
Assets			
Current:			
Cash		10,176,965	15,035,483
Accounts receivable		18,912,522	13,516,936
Inventory	3	10,399,297	7,039,779
Prepaid expenses and deposits		4,264,810	9,202,248
Total Current Assets		43,753,594	44,794,446
Non-current:			
Property and equipment		1,520,905	1,445,765
Intangible assets		445,244	118,517
Right-of-use assets		960,946	1,043,901
Total Assets		46,680,689	47,402,629
Liabilities			
Current:			
Accounts payable and accrued liabilities		4,096,348	4,228,700
Warranty provision		563,706	578,859
Deferred revenue		1,798	28,284
Current portion of long-term debt	4	4,174,143	3,571,470
Derivative liability	4	2,571,798	2,460,739
Current portion of lease liability	8	238,917	257,944
Total Current Liabilities		11,646,710	11,125,996
Non-current:			
Long-term debt	4	6,746,963	7,887,545
Convertible debentures	5	24,533,646	23,883,187
Lease liability		824,529	882,606
Total Liabilities		43,751,848	43,779,334
Shareholders' equity			
Common shares	6	90,650,016	85,198,770
Preferred shares		1	1
Warrants	7	52,598	1,665,349
Convertible debentures	5	7,310,746	7,310,746
Contributed surplus		14,589,514	13,727,317
Foreign currency translation reserve		(224,299)	(143,392)
Deficit		(109,449,735)	(104,135,496)
Total Shareholders' Equity		2,928,841	3,623,295
Total Liabilities and Shareholders' Equity		46,680,689	47,402,629

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Eguana Technologies Inc.

Condensed interim consolidated statements of net loss and comprehensive loss

Stated in Canadian dollars

Unaudited

For the three-month periods ended March 31,

	Note	2023	2022
Sales and engineering services	12	5,855,247	285,130
Cost of goods sold		5,703,077	213,482
Gross margin		152,170	71,648
Expenses			
General and administrative		1,067,735	1,299,125
Selling and marketing		600,051	529,262
Product research and development		1,344,107	439,418
Operations		351,849	323,043
		3,363,742	2,590,848
Operating Loss		(3,211,572)	(2,519,200)
Other (expenses) income			
Financing costs	10	(2,005,821)	(43,310)
Expected credit loss		(78,203)	-
Unrealized foreign exchange loss		(101,992)	(10,144)
Other income		83,349	169,718
Net loss before tax		(5,314,239)	(2,402,936)
Current tax expense		-	-
Net loss		(5,314,239)	(2,402,936)
Foreign currency translation adjustment		(80,907)	(34,387)
Total comprehensive loss		(5,395,146)	(2,437,323)
Loss per common share			
Basic and diluted		(0.01)	(0.01)
Weighted average number of common shares			
Basic and diluted	6	406,651,526	373,320,728

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Eguana Technologies Inc.

Condensed interim consolidated statements of changes in equity

Stated in Canadian dollars

Unaudited

For the three-month periods ended March 31,

	Common shares	Preferred shares	Warrants	Contributed surplus	Convertible debentures	Foreign currency translation reserve	Deficit	Total
Balance January 1, 2023	85,198,770	1	1,665,349	13,727,317	7,310,746	(143,392)	(104,135,496)	3,623,295
Net loss for the period	-	-	-	-	-	-	(5,314,239)	(5,314,239)
Foreign currency translation	-	-	-	-	-	(80,907)	-	(80,907)
Repayment of accrued interest with common shares (note 6)	1,145,507	-	-	-	-	-	-	1,145,507
Warrants exercised (note 7)	4,305,739	-	(979,134)	-	-	-	-	3,326,605
Warrants expired (note 7)	-	-	(633,617)	633,617	-	-	-	-
Share-based payments (note 8)	-	-	-	228,580	-	-	-	228,580
Balance March 31, 2023	90,650,016	1	52,598	14,589,514	7,310,746	(224,299)	(109,449,735)	2,928,841
Balance January 1, 2022	82,804,447	1	2,237,644	12,509,666	-	(252,772)	(89,968,698)	7,330,288
Net loss for the period	-	-	-	-	-	-	(2,402,936)	(2,402,936)
Foreign currency translation	-	-	-	-	-	(34,387)	-	(34,387)
Warrants exercised	73,859	-	(15,417)	-	-	-	-	58,442
Stock options exercised	8,250	-	-	(750)	-	-	-	7,500
Share-based payments	-	-	-	491,317	-	-	-	491,317
Balance March 31, 2022	82,886,556	1	2,222,227	13,000,233	-	(287,159)	(92,371,634)	5,450,224

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Eguana Technologies Inc.

Condensed interim consolidated statements of cash flows

Stated in Canadian dollars

Unaudited

For the three-month periods ended March 31,

	Note	2023	2022
Operating activities			
Net loss		(5,314,239)	(2,402,936)
Share-based payments	8	228,580	491,317
Financing costs	10	2,005,821	43,310
Amortization of capital assets and leased assets		196,238	139,090
Warranty provision		98,099	(872)
Write down of inventory	3	-	82,913
Bad debt expense		-	965
Expected credit loss		78,203	-
Unrealized foreign exchange loss		101,992	10,144
		(2,605,306)	(1,636,069)
Net change in non-cash working capital	11	(3,468,892)	162,466
Cash flow (used in) from operating activities		(6,074,198)	(1,473,603)
Financing activities			
Proceeds on exercise of stock options	10	-	7,500
Proceeds on exercise of warrants	12	3,326,605	58,442
Repayment of long-term debt	4	(1,171,114)	(73,498)
Repayment of leases		(108,862)	(108,098)
Repayment of other liabilities		-	(155,775)
Net change in non-cash working capital	11	(575,918)	-
Cash flow from financing activities		1,470,711	(271,429)
Investing activities			
Property and equipment additions		(175,934)	(147,726)
Intangible asset additions		(340,300)	-
Net change in non-cash working capital	11	292,131	-
Cash flow used in investing activities		(224,103)	(147,726)
Effects of exchange rate changes on cash held in foreign currencies		(30,928)	(21,681)
Net change in cash		(4,858,518)	(1,914,439)
Cash, beginning of period		15,035,483	2,817,108
Cash, end of period		10,176,965	902,669

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Eguana Technologies Inc.

Notes to the condensed interim consolidated financial statements

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1. Description of the business

Eguana Technologies Inc. (“the Company”), incorporated under the Alberta Business Corporations Act, designs, markets, manufactures and sells fully integrated energy storage solutions, based on its proprietary advanced power electronics platform, for global residential and commercial markets. The Company also markets and sells a suite of micro inverter products, which are integrated with its energy storage platform, providing consumers with full solar + storage system architecture for residential and commercial applications. Eguana has two decades of experience delivering grid edge power electronics for fuel cell, photovoltaic and battery applications. The Company is a publicly traded company headquartered at 3636 7th Street SE, Calgary, Alberta, Canada and its shares trade on the TSX Venture Exchange (the “TSX-V”) under the symbol “EGT” and on the Over-the-Counter Bulletin Board (OCT-BB) under the symbol “EGTYF”.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements (“financial statements”) were prepared in accordance with IAS 34 Interim Financial Reporting.

These financial statements do not comprise all the information required for annual audited consolidated financial statements and therefore should be read in conjunction with the annual audited consolidated financial statements for the fifteen-month period ended December 31, 2022 and year ended September 30, 2021, which were prepared in accordance with IFRS, “the Annual Financial Statements”.

These financial statements follow the same accounting policies as outlined in Notes 2 and 4 of the Annual Financial Statements.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in Note 2(d) of the Annual Financial Statements.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company, on May 29, 2023.

(b) Change in Year End

In the previous year, the Board of Directors approved a change in the Company’s year end from September 30 to December 31, to be more comparative with a majority of its industry peers. Consequently, the Annual Financial Statements ended December 31, 2022 included 15 months of financial information.

(c) Nature of operations

The Company has cash of \$10.2 million as at March 31, 2023, providing a sufficient source of liquidity, due largely to the Company’s financing activities completed in the prior year (see notes 4 and 5). The Company continues to rely upon completing equity and debt financings until it is able to start generating profit and positive cash flows from operations to pay liabilities and contractual obligations as they come due and enable the Company to continue operations.

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(d) Critical Accounting Estimates

The Company has accounts receivable totaling \$18.9 million as at March 31, 2023, and applies significant judgement to estimate the expected credit loss (“ECL”). The Company considers customer-specific factors, expected timing of cash receipts, and discount rates to account for time value of money when required. The Company also considered historical default rates, forecasted economic conditions in the assessment, amongst other factors. Actual judgements and estimates will change over time and management reviews these frequently and will adjust ECL, based on this changing information. Actual credit losses may differ significantly from ECL. As at March 31, 2023, the Company has one customer that represents 92% of total accounts receivable which at March 31, 2023, has \$7.8 million of total accounts receivable that are over 90 days past due and has been delayed in making payments. As a result, the Company has recorded a provision at March 31, 2023 for \$1.5 million based on the estimated timing of cash receipts adjusted for the time value of money relating to the delayed payments. Management still believes the full amount will be received from the customer.

3. Inventory

	March 31 2023	December 31 2022
Finished goods	1,018,765	1,086,476
Components	9,380,532	5,953,303
	10,399,297	7,039,779

As at March 31, 2023, \$10,372,564 (December 31, 2022 - \$7,003,197) of inventory was carried at cost and \$26,733 (December 31, 2022 - \$36,582) was carried at net realizable value. During the period ended March 31, 2023, no inventory write-down was recorded (March 31, 2022 - \$82,913). During the quarter, Eguana transferred \$0.5 million of raw component inventory to its manufacturing partner, Omega EMS (“Omega”) (March 31, 2022 - \$0.3 million). Eguana and Omega announced a manufacturing partnership on November 2, 2021. Approximately \$2.6 million for future inventory purchases is included in prepaids and deposits (December 31, 2022 – \$6.8 million).

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4. Long-term debt and derivative liability

	Derivative liability	Long-term debt	Total
Balance October 1, 2021	1,270,950	283,239	1,554,189
Proceeds from issuance of long-term debt	-	12,830,000	12,830,000
Fair value allocation to warrant exchange	2,056,818	(2,056,818)	-
Financing costs	-	(156,112)	(156,112)
Accretion and accrued interest	-	1,528,981	1,528,981
Repayment	(1,362,100)	(1,527,095)	(2,889,195)
Fair value loss on derivative liability	495,071	-	495,071
Loss on foreign exchange	-	556,820	556,820
Balance December 31, 2022	2,460,739	11,459,015	13,919,754
Accretion and accrued interest	-	643,569	643,569
Repayment	-	(1,171,114)	(1,171,114)
Fair value loss on derivative liability	111,059	-	111,059
Gain on foreign exchange	-	(10,364)	(10,364)
Balance March 31, 2023	2,571,798	10,921,106	13,492,904
Less: current portion	(2,571,798)	(4,174,143)	(6,745,941)
Long-term portion	-	6,746,963	6,746,963

On April 1, 2022, the Company entered into a new loan agreement (the “New Senior Loan”) for general working capital for up to USD\$10.0 million with Western Technology Investment (the “Lender”). The first USD\$5.0 million was available immediately, while the additional USD\$5.0 million is available through August 31, 2022 upon the Company achieving revenue of at least CAD\$14.0 million between May 1, 2022 and July 31, 2022 and the Company having unrestricted cash of CAD\$10.0 at the time of the draw. The New Senior Loan bears interest at a rate of 12% per annum, per draw, with interest only payments being paid during the first six months, followed by both principal and interest being paid in equal installments over a period of 30 months commencing on the 6-month anniversary of the relevant draw. The Company may prepay the Loan by paying all scheduled but unpaid payments, subject to a scaling discount off future interest owed depending the date of on repayment.

As consideration for the advance of the Loan, the Company entered into an agreement to issue common share purchase warrants entitling the Lender to purchase up to an aggregate of 4,934,309 common shares of the Company at a price of \$0.355 per common share for a period of five years from the date of the Loan, with 50% of the warrants issued immediately and 50% of the warrants issued ratably on subsequent draws made under the Loan, all vesting immediately. The vested unexercised warrants will be exchangeable, at the option of the holder, after the earlier of a liquidity event and September 30, 2025, for an amount equal to the sum of: (i) USD\$1.5 million; and (ii) the product obtained by multiplying USD\$1.5 million by the percentage of the principal amount of the Loan actually advanced by the Lender relative to USD\$10.0 million. These warrants are recorded as a warrant derivative liability at fair value through profit or loss.

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The Company drew USD\$5.0 million on April 7, 2022, resulting in the issuance of 3,700,732 common share purchase warrants and measured the fair value of the warrant derivative liability associated with the New Senior Loan with the residual assigned to the loan. The warrant derivative liability was estimated using the higher of the present value of the warrant exchange payment using a discount rate of 20% and the fair value of the warrants. Financing fees of \$156,112 were allocated to the long-term loan. The New Senior Loan will be accreted to its face value over the term of the loan using an effective interest rate of 28%.

On August 31, 2022, the Lender waived the financial milestones required under the Loan Agreement for the second tranche of the New Senior Loan and the Company drew the remaining USD\$5.0 million. This resulted in the issuance of 1,233,577 common share purchase warrants. The second tranche warrant derivative liability was estimated using the higher of the present value of the warrant exchange payment using a discount rate of 20% and the fair value of the warrants. The second tranche of the New Senior Loan will be accreted to its face value over the term of the loan using an effective interest rate of 15%.

The derivative liability associated with the New Senior Loan is carried at fair value, through profit or loss and re-measured at each reporting date. The fair value was the present value of the warrant exchange payment, using a discount rate of 20%. The fair value was determined to be \$2,571,798 at March 31, 2023, with a resulting fair value loss of \$111,059 being recorded for the three-month period ended March 31, 2023.

5. Convertible debentures

	Debt component of convertible debenture	Equity component of convertible debentures	Total
Balance October 1, 2021	-	-	-
Convertible debentures	23,374,033	9,625,967	33,000,000
Deferred tax recovery	-	(2,183,729)	(2,183,729)
Transaction costs	(321,928)	(131,492)	(453,420)
Interest	(772,109)	-	(772,109)
Accretion	1,603,191	-	1,603,191
Balance December 31, 2022	23,883,187	7,310,746	31,193,933
Interest	(569,590)	-	(569,590)
Accretion	1,220,049	-	1,220,049
Balance March 31, 2023	24,533,646	7,310,746	31,844,392

On August 31, 2022 (the "Closing Date"), the Company closed a strategic investment by the ITOCHU Corporation ("ITOCHU") in the amount of \$33.0 million in the form of an unsecured convertible debenture (the "Debenture"). The Debenture bears interest at a rate of 7% per annum, paid semi-annually in either cash or with the issuance of shares, and matures on August 31, 2025.

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While the Debenture remains outstanding, at any time following the date that is four months plus one day following the Closing Date, if the Company files a financial statement in respect of a three-month period which reports stable positive net income and the parties mutually agree (such consent not to be unreasonably withheld), ITOCHU will be entitled to convert all or part of the principal amount of the Debenture into common shares at a price of \$0.50 per common share. Additionally, beginning on the date that is four months plus one day following the Closing Date, if the Company files a financial statement in respect of a three-month period which reports stable positive net income, the daily volume weighted average trading price of the Common Shares on the TSXV is greater than \$1.00 for any 20 consecutive trading days, and the parties mutually agree (such consent not to be unreasonably withheld), the Company can require ITOCHU to convert the Debenture into Common Shares at a price of \$0.50 per Common Share on not less than 30 days' notice.

The debt component was measured at the issue date at the present value of the cash interest and principal payments using a discount rate of 20% and a three-year term. The difference between the debt component and the face value of the Debentures is classified as equity. Financing fees of \$453,420 were allocated between the liability and equity portion of the Debentures.

6. Common shares

Authorized, unlimited number

Issued

	Number of shares	Amount (\$)
Balance October 1, 2021	368,419,912	75,293,880
Issuance of common shares for dividends, net	1,326,986	597,144
Share issuance costs	-	(11,577)
Exercise of warrants	15,095,580	4,393,857
Exercise of stock options	205,000	75,556
Exercise of preferred shares	18,119,167	4,849,910
Balance December 31, 2022	403,166,645	85,198,770
Repayment of accrued interest with common shares	4,242,617	1,145,507
Exercise of warrants, net issuance costs	16,666,666	4,305,739
Balance March 31, 2023	424,075,928	90,650,016

In March 2023, ITOCHU and Eguana agreed to convert \$1,145,507 of interest owing under the Company's 7% unsecured convertible debentures into 4,242,617 common shares of Eguana, in full satisfaction of the interest payment due on March 1, 2023.

Weighted average number of common shares

The weighted average number of shares as at March 31, 2023 and December 31, 2022 was determined by excluding preferred shares, stock options and warrants, as the Company was in a loss position and the impact would have been anti-dilutive to earnings per share.

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7. Warrants

Changes in the Company's warrants are as follows:

	Issued with common shares and debt (#)	Broker warrants (#)	Total purchase warrants (#)	Allocated fair market value (\$)
Balance October 1, 2021	30,815,057	5,851,651	36,666,708	2,896,568
Warrants issued	4,934,309	510,604	5,444,913	48,558
Warrants exercised	(10,833,325)	(4,262,255)	(15,095,580)	(1,260,607)
Warrants expired	(3,315,066)	-	(3,315,066)	(19,170)
Balance December 31, 2022	21,600,975	2,100,000	23,700,975	1,665,349
Warrants exercised	(16,666,666)	-	(16,666,666)	(979,134)
Warrants expired	-	(2,100,000)	(2,100,000)	(633,617)
Balance March 31, 2023	4,934,309	-	4,934,309	52,598

In March 2023, ITOCHU received 16,666,666 common shares (note 6) of the Company through the exercise of their remaining share purchase warrants, for total proceeds, net of issuance costs, of \$3,326,605.

Outstanding and exercisable warrants as at March 31, 2023 were as follows:

Range of exercise prices	Warrants	Weighted average exercise prices (\$)	Weighted average years to expiry
\$0.31 - \$0.40	4,934,309	0.36	4.01
Balance March 31, 2023	4,934,309	0.36	4.01

8. Share-based payments

The Company established the Stock Option Plan, which is accounted for as equity settled, whereby the Company may grant options to purchase common shares to directors, officers, employees, and consultants. The shareholders approved the Stock Option Plan on September 16, 2021. The Stock Option Plan allows for a maximum term on options of ten years. Vesting periods for options are determined by the board, however, typically options are vest over three years, and a third of the options vest at each anniversary of the grant date. The Company, at the discretion of the board of directors, may issue up to a maximum of 36,708,000 options. The minimum price at which the options may be granted is the closing price of the common shares on the TSX-V on the date immediately prior to the date of issue. The total share-based compensation for the three months ended March 31, 2023, was \$228,580 (March 31, 2022 – \$491,317).

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	Number of options to employees	Weighted average price to employees	Number of options to non-employees	Weighted average price to non-employees
Balance October 1, 2021	7,447,052	0.24	8,965,264	0.29
Granted	8,985,000	0.33	2,010,000	0.36
Exercised	(205,000)	(0.21)	-	-
Forfeited	(1,330,779)	(0.27)	(200,000)	(0.30)
Balance December 31, 2022	14,896,273	0.31	10,775,264	0.31
Forfeited	(860,000)	(0.35)	-	-
Balance March 31, 2023	14,036,273	0.31	10,775,264	0.31

Stock options outstanding as at March 31, 2023:

	Outstanding options			Exercisable options	
	Number	Weighted average price (\$)	Weighted average years to expiry	Number	Weighted average price (\$)
\$0.01 - \$0.30	11,650,000	0.22	4.21	9,891,686	0.21
\$0.31 - \$0.40	10,411,537	0.38	5.47	6,769,873	0.37
\$0.41 - \$0.50	2,750,000	0.40	1.27	2,550,001	0.44
Balance March 31, 2023	24,811,537	0.30	4.41	19,211,560	0.29

In December 2020, the Company entered into an agreement with a capital markets advisory firm under which the firm will provide services, over a term of up to 24 months, for compensation consisting of incentive stock options to acquire up to an aggregate of 8,000,000 common shares. The incentive stock options are issuable as follows:

- 4,500,000 incentive stock options at a strike price of \$0.24 per share, with an expiry of December 4, 2023, upon execution of the agreement (issued in December 2020).
- 1,500,000 incentive stock options at a market-based strike price to be determined if, as and when 8,012 unsecured convertible debentures issued in 2019 and 2020 convert into common shares. Should these options be issued, they will have a 36-month term (issued in April 2021).
- 1,000,000 incentive stock options at a market-based strike price, on the 12-month anniversary date of the advisory firm agreement in December 2021. Should these options be issued, they will have a 36-month term (issued in February 2022)

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- 1,000,000 incentive stock options at a market-based strike price, on the 18-month anniversary date of the advisory firm agreement in June 2022. Should these options be issued, they will have a 36-month term (issued in June 2022).

In October 2021, the Company granted stock options to acquire up to an aggregate of 4,560,000 common shares. Of the options granted, 3,425,000 were granted to directors and executives of the Company at a strike price of \$0.40 per share, with the remainder to employees at a strike price of \$0.275 per share.

In December 2022, the Company granted stock options to acquire up to an aggregate of 4,195,000 common shares. Of the options granted, 2,700,000 were granted to directors and executives of the Company at a strike price of \$0.40 per share, with the remainder to employees at a strike price of \$0.265 per share.

The fair values of stock options granted have been estimated on their respective grant dates, using the Black-Scholes valuation model, with the following assumptions:

	March 31 ⁽²⁾ 2023	December 2022
Risk free interest rate	-	1.57% -
Expected volatility ⁽¹⁾	-	115% -
Dividend yield	-	-
Expected life (years)	-	3 – 10
Weighted average fair value	-	0.22 – 0.43

- (1) Expected volatility is estimated by considering historic average share price volatility over the same number of years as the option granted
- (2) No options grants for the three months ended March 31, 2023

9. Financial instruments fair value

The Company categorizes its financial instruments carried at fair value into one of three different levels, depending on the observability of the inputs employed in the measurement. The Company valued cash and deposits using Level 1 inputs, the accounts receivable, accounts payable and accrued liabilities, other liabilities, convertible debentures, preferred shares, lease liability and long-term loan were measured at fair value on initial recognition using Level 2 inputs and the derivative liability is measured at fair value using Level 2 inputs on initial recognition and subsequent measurement. The carrying value of the Company's financial instruments approximates fair value.

- Level-1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level-2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level-3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

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10. Financing costs

	Three months ended	
	March 31, 2023	March 31, 2022
Accretion of convertible debentures (note 5)	1,220,049	-
Accretion of other liabilities	-	22,131
Accretion of long-term debt (note 4)	643,569	1,763
Change in fair value on derivative liability (note 4)	111,059	(19,240)
Lease interest	31,144	38,656
	2,005,821	43,310

11. Supplemental information

The changes in non-cash working capital are as follows:

	Three months ended	
	March 31, 2023	March 31, 2022
Provided by (used in)		
Operating activities		
Accounts receivable	(5,511,988)	43,983
Inventory	(3,359,517)	(14,094)
Prepaid expenses and deposits	4,936,500	40,123
Accounts payable and accrued liabilities	492,805	49,115
Deferred revenue	(26,692)	38,339
	(3,468,892)	162,466
Financing activities		
Accounts payable and accrued liabilities	(575,918)	-
Investing activities		
Accounts payable and accrued liabilities	292,131	-
	(3,754,813)	162,466

Eguana Technologies Inc.

Notes to the condensed interim consolidated financial statements

March 31, 2023

Stated in Canadian dollars

Unaudited

12. Segmented information

The Company is organized as one operating segment, identified as the sale of advanced power electronics. The Company provides services, including support, training and engineering services, to promote the use of its products, however, these services are not evaluated as a separate business segment.

Major customers

The Company had one customer where sales were greater than 10% of total sales in the three-month period ended March 31, 2023 (March 31, 2022 – one). The customer had attributed sales of approximately \$5.6 million for the three-month period ended March 31, 2023 (March 31, 2022 - \$0.2 million).

Revenue composition

The Company generated \$5,855,247 of revenue (March 31, 2022 – 285,130) from advanced power electronic sales with a cost of \$5,703,077 (March 31, 2022 - \$213,482) for the three-month period ended March 31, 2023. There was no engineering revenue for the three months ended March 31, 2023 and 2022.

Geographic Sales Revenue

	Three months ended	
	March 31, 2023	March 31, 2022
Australia	180,680	18,869
Europe	60,434	2,869
United States	5,614,133	263,392
	5,855,247	285,130

13. Legal dispute

The Company is in a dispute with a prior customer, as a result of the cancellation of a supply contract. The Company is seeking full collection of the accounts receivable from the customer, in addition to other amounts from the customer because of the cancellation. The collection of the outstanding receivable is uncertain, and the entire receivable has been provided for. The customer has made a counter-claim against the Company for warranty claims, which the Company has denied. The Company has recorded a warranty provision to cover potential warranty claims arising from all sales, including sales to the customer. There has been no change in the Euro denominated amounts for the legal dispute, from the prior year end.

14. Acquisition of SOLARLAB Pty

In February 2023, Eguana Pty Ltd entered into an agreement with SOLARLAB Pty Ltd to acquire the SOLARLAB solar installation business and assets, subject to certain conditions being satisfied. The business and assets are to be acquired for total consideration, including potential earn out amounts, of AUD 250,000 (subject to completion adjustments), plus the assumption of a portion of SOLARLAB business' debts. The expected closing is June 2023.

15. Subsequent Event

Subsequent to the quarter end, 250,000 stock options were issued in May 2022, at a strike price of \$0.17, to an executive who joined the Company.