Condensed interim consolidated financial statements of

Eguana Technologies Inc.

For the Three and Six Months Ended June 30, 2023

(Unaudited)

Eguana Technologies Inc.

Condensed interim consolidated statements of financial position

Stated in Canadian dollars
Unaudited

	Note	**June 30, 2023**	December 31, 2022
Assets			
Current:			
Cash		**4,847,830**	15,035,483
Accounts receivable		**18,018,472**	13,516,936
Inventory	3	**9,803,337**	7,039,779
Prepaid expenses and deposits		**3,087,089**	9,202,248
Total Current Assets		**35,756,728**	44,794,446
Non-current:			
Property and equipment		**1,613,397**	1,445,765
Intangible assets		**420,328**	118,517
Right-of-use assets		**934,848**	1,043,901
Total Assets		**38,725,301**	47,402,629
Liabilities			
Current:			
Accounts payable and accrued liabilities		**5,314,681**	4,228,700
Warranty provision		**599,398**	578,859
Deferred revenue		**56,109**	28,284
Current portion of long-term debt	4	**4,323,013**	3,571,470
Derivative liability	4	**2,633,127**	2,460,739
Current portion of lease liability		**228,052**	257,944
Total Current Liabilities		**13,154,380**	11,125,996
Non-current:			
Long-term debt	4	**5,425,828**	7,887,545
Convertible unsecured debentures	5	**25,225,337**	23,883,187
Lease liability		**812,102**	882,606
Total Liabilities		**44,617,647**	43,779,334
Shareholders' Equity (Deficit)			
Common shares	6	**90,650,016**	85,198,770
Preferred shares		**1**	1
Warrants	7	**52,598**	1,665,349
Convertible unsecured debenture	5	**7,310,746**	7,310,746
Contributed surplus	8	**14,815,352**	13,727,317
Foreign currency translation reserve		**(251,145)**	(143,392)
Deficit		**(118,469,914)**	(104,135,496)
Total Shareholders' Equity (Deficit)		**(5,892,346)**	3,623,295
Total Liabilities and Shareholders' Equity (Deficit)		**38,725,301**	47,402,629

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

Approved by the Board of Directors: *"Michael Carten"* Director *"Robert Penner"* Director

Eguana Technologies Inc.

Condensed interim consolidated statements of net loss and comprehensive loss

Stated in Canadian dollars
Unaudited

For the three and six-month periods ended June 30

		Three months ended		Six months ended	
	Note	**2023**	2022	**2023**	2022
Sales	12	**2,067,624**	**2,317,334**	**7,922,871**	2,602,464
Cost of goods sold		**2,066,876**	**2,316,322**	**7,769,953**	2,529,804
Gross margin		**748**	**1,012**	**152,918**	72,660
Expenses					
General and administrative		**1,138,344**	511,131	**1,854,901**	1,254,528
Selling and business development		**812,067**	609,509	**1,401,487**	1,127,461
Product development		**1,515,157**	705,178	**2,834,571**	1,119,903
Operations		**398,528**	299,395	**712,061**	583,762
Amortization		**198,191**	133,149	**394,429**	272,239
Share-based compensation	8	**225,838**	426,414	**454,418**	917,731
Total expenses		**4,288,125**	2,684,776	**7,651,867**	5,275,624
Operating Loss		**(4,287,377)**	(2,683,764)	**(7,498,949)**	(5,202,964)
Financing costs	10	**(1,954,371)**	(546,935)	**(3,960,192)**	(590,245)
Expected credit gain (loss)		**(503,516)**	-	**(581,719)**	-
Unrealized foreign exchange gain (loss)		**(259,611)**	10,980	**(361,603)**	836
Other income		**37,880**	-	**121,229**	226,251
Other expense	3	**(2,053,184)**	56,533	**(2,053,184)**	-
Net loss before tax		**(9,020,179)**	**(3,163,186)**	**(14,334,418)**	(5,566,122)
Current tax expense		**-**	-	**-**	-
Net loss		**(9,020,179)**	**(3,163,186)**	**(14,334,418)**	(5,566,122)
Foreign currency translation adjustment		**(26,846)**	62,099	**(107,753)**	27,712
Total comprehensive loss		**(9,047,025)**	**(3,101,087)**	**(14,442,171)**	(5,538,410)
Loss per common share					
Basic and diluted		**(0.02)**	(0.01)	**(0.04)**	(0.01)
Weighted average number of common shares					
Basic and diluted		**406,651,526**	374,949,043	**406,651,526**	374,949,043

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

Eguana Technologies Inc.

Condensed interim consolidated statements of change in equity (deficit)

Stated in Canadian dollars
Unaudited

For the three and six-month periods ended June 30

	Note	Common shares	Preferred shares	Warrants	Contributed surplus	Convertible unsecured 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		-	-	-	-	-	-	(14,334,418)	(14,334,418)
Foreign currency translation		-	-	-	-	-	(107,753)	-	(107,753)
Repayment of accrued interest with common shares	5	1,145,507	-	-	-	-	-	-	1,145,507
Warrants exercised	7	4,305,739	-	(979,134)	-	-	-	-	3,326,605
Warrants expired	7	-	-	(633,617)	633,617	-	-	-	-
Share-based payments	8	-	-	-	454,418	-	-	-	454,418
Balance June 30, 2023		**90,650,016**	**1**	**52,598**	**14,815,352**	**7,310,746**	**(251,145)**	**(118,469,914)**	**(5,892,346)**
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		-	-	-	-	-	-	(5,566,122)	(5,566,122)
Foreign currency translation		-	-	-	-	-	27,712	-	27,712
Warrants exercised		2,015,380	-	(494,602)	-	-	-	-	1,520,778
Warrants issued		-	-	46,123	-	-	-	-	46,123
Warrants expired		-	-	(19,170)	19,170	-	-	-	-
Stock options exercised		75,556	-	-	(32,505)	-	-	-	43,051
Share-based payments		-	-	-	917,731	-	-	-	917,731
Balance June 30, 2022		**84,895,383**	**1**	**1,769,995**	**13,414,062**	**-**	**(225,060)**	**(95,534,820)**	**4,319,561**

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 and six-month periods ended June 30

		Three months ended		Six months ended	
	Note	**2023**	2022	**2023**	2022
Operating activities					
Net loss		**(9,020,179)**	(3,163,186)	**(14,334,418)**	(5,566,122)
Financing costs	10	**1,954,371**	546,935	**3,960,192**	590,245
Share-based payments	8	**225,838**	426,414	**454,418**	917,731
Amortization and depreciation		**198,191**	133,149	**394,429**	272,239
Write (up) down of inventory	3	**10,429**	-	**12,562**	82,913
Warranty provision		**102,893**	123,400	**200,992**	122,528
Bad debt expense		**-**	-	**-**	965
Expected credit loss		**503,516**	-	**581,719**	-
Other expense	3	**2,053,184**	-	**2,053,184**	-
Unrealized foreign exchange (gain) loss		**259,611**	(10,980)	**361,603**	(836)
		(3,712,146)	(1,944,268)	**(6,315,319)**	(3,580,337)
Net change in non-cash working capital	11	**45,545**	(4,369,430)	**(3,425,480)**	(4,206,964)
Cash flow (used in) from operating activities		**(3,666,601)**	(6,313,698)	**(9,740,799)**	**(7,787,301)**
Financing activities					
Proceeds from issuance of long-term debt, net	4	**-**	6,135,888	**-**	6,135,888
Proceeds on exercise of warrants	7	**-**	1,508,460	**3,326,605**	1,566,902
Proceeds on exercise of stock options	8	**-**	35,550	**-**	43,050
Repayment of long-term debt	4	**(1,552,814)**	(177,487)	**(2,723,928)**	(250,985)
Repayment of leases		**(90,203)**	(107,700)	**(199,065)**	(215,798)
Non-cash working capital	11	**575,918**	(270,363)	**-**	(426,138)
Cash flow (used in) from financing activities		**(1,067,099)**	7,124,348	**403,612**	6,852,919
Investing activities					
Property and equipment additions		**(200,444)**	(93,614)	**(376,378)**	(241,340)
Intangible asset addition		**-**	-	**(340,300)**	-
Non-cash working capital	11	**(335,742)**	-	**(43,611)**	-
Cash flow used in investing activities		**(536,186)**	(93,614)	**(760,289)**	(241,340)
Effects of exchange rate changes on cash held in foreign currencies		**(59,249)**	33,554	**(90,177)**	**11,873**
Net change in cash		**(5,329,135)**	750,590	**(10,187,653)**	(1,163,849)
Cash, beginning of period		**10,176,965**	902,669	**15,035,483**	2,817,108
Cash, end of period		**4,847,830**	1,653,259	**4,847,830**	1,653,259

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

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 August 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

These financial statements were prepared on a going concern basis. The going concern basis of accounting assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred losses and has largely funded operations and development through issuance of debt and equity.

The Company's ability to continue as a going concern, fund operations and execute its strategy, until it is able to start generating profit and positive cash flows from operations, is dependent on future profitable operations, cash flow from operations and any necessary financing, to meet its obligations and repay its liabilities arising from normal business operations when they come due.

The Company has cash of $4.8 million and working capital of $22.6 million, as at June 30, 2023. The working capital is dependent on cash collections from a major customer who has been slow to pay, and the Company is working closely with the customer. Based on management's assumptions and estimates for the timing and amount of collections, the Company expects it will have sufficient liquidity to finance operations for more than twelve months. If there is a significant delay in the receipt of this receivable, it could impact the Company's liquidity position and require the Company to seek additional debt and/or equity financing.

Stated in Canadian dollars

(d) Comparative presentation figures

The presentation of operating expenses has changed, and comparative periods have been reclassified to conform to the presentation adopted in the current period.

(e) Critical accounting estimates and use of judgements

The Company has accounts receivable totaling $18.0 million as at June 30, 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 June 30, 2023, the Company has one customer that represents 91% of total accounts receivable which at June 30, 2023, has $14.5 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 June 30, 2023 for $2.0 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

	June 30, 2023	December 31, 2022
Finished goods	**1,795,607**	1,086,476
Components	**8,007,730**	5,953,303
	9,803,337	7,039,779

As at June 30, 2023, $9,784,092 of inventory was carried at cost and $19,245 was carried at net realizable value (December 31, 2022 - $7,003,197 carried at cost and $36,582 at net realizable value). During the six months ended June 30, 2023, $12,562 of inventory was deemed impaired and written down (six months ended June 30, 2022 - $87,646).

In June 2023, the Company experienced a theft of three truckloads of inventory components, when being transferred between Company warehouse locations. The inventory items had a cost of $2.1 million and were written off in the Company records, resulting in a loss reported in Other Expense of the same amount. The theft was reported to the police and insurance and the Company is pursuing recovery under from its insurance. The timing and final amount of the insurance recovery is not certain, and the company has not recorded the insurance proceeds in the financial statements. Subsequent to June 30, 2023, the Company received partial insurance proceeds of $623,913 USD and further proceeds are being pursued with the insurer for the balance of the loss.

During the six-months ended June 30, 2023, Eguana transferred control of $0.5 million of raw component inventory to its manufacturing partner, Omega EMS ("Omega") (2022 – $1.9 million). Eguana and Omega announced a manufacturing partnership on November 2, 2021. Approximately $1.5 million for future inventory purchases is included in prepaids and deposits (December 31, 2022 – $6.8 million).

Stated in Canadian dollars

4. Long-term debt and derivative liability

	Derivative liability	Long-term debt	Total
Balance December 31, 2022	2,460,739	11,459,015	**13,919,754**
Accretion and accrued interest	-	1,239,087	1,239,087
Repayment	-	(2,723,928)	(2,723,928)
Fair value loss on derivative liability	172,388	-	172,388
Loss (gain) on foreign exchange	-	(225,333)	(225,333)
Balance June 30, 2023	**2,633,127**	**9,748,841**	**12,381,968**
Less: current portion	**(2,633,127)**	**(4,323,013)**	**(6,956,140)**
Long-term portion	**-**	**5,425,828**	**5,425,828**

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 loan was fully drawn upon in 2022 and associated warrants were issued.

In connection with the New Senior Loan, the Company issued 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 each loan advance, all immediately vested. The first $5 million loan advance was on April 7, 2022, and 3,700,732 warrants were issued and the second $5 million loan advance was on August 31, 2022 and 1,233,577 warrants were issued.

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 advanced by the Lender relative to USD$10.0 million.

The warrants are recorded as a warrant derivative liability at fair value through profit or loss. A warrant derivative liability was measured at the time of each loan advance, with the residual value assigned to the long-term debt.

The warrant derivative liability for the first loan advance 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 first loan advance will be accreted to its face value over the term of the loan using an effective interest rate of 28% and the second loan advance 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 determined to be $2.63 million as at June 30, 2023, with a resulting fair value loss of $61,329 being recorded for the three-month period ended June 30, 2023.

Financing fees of $156,112 were allocated to the long-term debt.

As at June 30, 2023, the Company is in compliance with related loan covenants, which are non-financial in nature.

Stated in Canadian dollars

5. Convertible unsecured debenture

	Debt component of debenture	Equity component of debenture	Total
Balance December 31, 2022	23,883,187	7,310,746	31,193,933
Interest	(1,145,507)	-	(1,145,507)
Accretion	2,487,657	-	2,487,657
Balance June 30, 2023	**25,225,337**	**7,310,746**	**32,536,083**

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 a convertible unsecured 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.

While the Debenture remains outstanding, there are conversion rights contingent on share price and ITOCHU may be entitled to convert into common shares, or the Company may require ITOCHU to convert. Based on this conversion feature, the balance was split between debt and equity. 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 Debenture was classified as equity and financing fees were allocated between the liability and equity portions of the Debenture.

During the three months ended June 30, 2023, interest of $0.58 million (2022 - nil) and accretion of $1.27 million (2022 - nil) was recorded. During the six months ended June 30, 2023, interest of $1.2 million (2022 – nil) and accretion of $2.5 million (2022 – nil) was recorded.

6. Common shares

Authorized, unlimited number

Issued

	Number of shares	Amount ($)
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 (note 7)	16,666,666	4,305,739
Balance June 30, 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 debenture 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 June 30, 2023 and June 30, 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.

Stated in Canadian dollars

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 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 June 30, 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 at June 30, 2023 were as follows:

Range of exercise prices	Warrants Outstanding and Exercisable	Weighted average exercise prices	Weighted average years to expiry
$0.31 - $0.40	4,934,309	$ 0.36	3.43
Balance June 30, 2023	**4,394,309**	**$ 0.36**	**3.43**

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 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 June 30, 2023, was $225,838 (June 30, 2022 – $426,414) and for the six months ended June 30, 2023 was $454,418 (June 30, 2022 - $491,317).

	Number of options to employees	Weighted average price to employees	Number of options to non-employees	Weighted average price to non-employees	Total number of options
Balance December 31, 2022	14,896,273	0.31	10,775,264	0.31	25,671,537
Granted	250,000	0.17	-	-	250,000
Expired and forfeited	(1,736,647)	(0.35)	(682,500)	(0.17)	(2,419,147)
Balance June 30, 2023	**13,409,626**	**0.30**	**10,092,764**	**0.32**	**23,502,390**

Stated in Canadian dollars

Outstanding and exercisable options as at June 30, 2023:

	Outstanding options			Exercisable options	
	Number	Weighted average price ($)	Weighted average years to expiry	Number	Weighted average price ($)
$0.01 - $0.30	11,215,000	0.22	4.20	9,278,352	0.21
$0.31 - $0.40	9,537,390	0.38	5.70	5,895,726	0.36
$0.41 - $0.50	2,750,000	0.40	1.04	2,550,001	0.43
Balance June 30, 2023	**23,502,390**	**0.30**	**4.44**	**17,724,079**	**0.29**

In May 2023, the Company granted stock options to key management personnel to acquire up to an aggregate of 250,000 common shares, at a strike price of $0.17 per share.

The fair values of Eguana stock options granted were estimated on their respective grant dates using the Black-Scholes valuation model and the following assumptions:

	June 30, 2023	June 30, 2022
Risk free interest rate	**3.11%**	1.57% - 2.91%
Expected volatility	**117%**	115% - 126%
Dividend yield	**-**	-
Expected life (years)	**5**	3 - 10
Weighted average fair value	**0.16**	0.22 – 0.43

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.

Stated in Canadian dollars

10. Financing costs

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Accretion of convertible debentures (note 5)	**1,267,609**	-	**2,487,657**	-
Accretion of long-term debt (note 4)	**595,519**	354,284	**1,239,089**	356,047
Change in fair value on derivative liability (note 4)	**61,329**	141,530	**172,388**	122,290
Lease interest	**29,914**	36,033	**61,058**	74,689
Accretion of other liabilities	**-**	15,088	**-**	37,219
	1,954,371	546,935	**3,960,192**	590,245

11. Supplemental information

The changes in non-cash working capital for the three and six-months ended June 30, 2023 and 2022 is as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Provided by (used in)				
Operating Activities				
Accounts receivable	**(103,236)**	(1,564,413)	**(5,615,223)**	(1,515,430)
Inventory	**(1,467,653)**	1,317,182	**(4,829,304)**	1,303,088
Prepaid expenses and deposits	**1,154,213**	(2,655,752)	**6,090,713**	(2,615,629)
Accounts payable and accrued liabilities	**407,910**	(1,423,719)	**900,715**	(1,374,604)
Deferred revenue	**54,311**	(42,728)	**27,619**	(4,389)
	45,545	(4,369,430)	**(3,425,480)**	(4,206,964)
Financing Activities				
Accounts payable and accrued liabilities	**(575,918)**	-	**-**	-
Investing Activities				
Accounts payable and accrued liabilities	**(335,742)**	-	**(43,611)**	-

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 June 30, 2023 (June 30, 2022 – one). The customer had attributed sales of approximately $1.7 million for the three-month period ended June 30, 2023 and $7.3 million for the six-months ended June 30, 2023 (June 30, 2022, $2.2 million and $3.2 million, respectively).

Stated in Canadian dollars

Revenue composition

The Company generated revenue from advanced power electronics of approximately $2.1 million for the three-month period ended June 30, 2023, and $7.9 million for the six-months ended June 30, 2023 (June 30, 2022, $2.3 million and $2.6 million, respectively). The cost of sales associated with this revenue was approximately $2.1 million for the three-month period ended June 30, 2023, and $7.8 million for the six-months ended June 30, 2023 (June 30, 2022, $2.3 million and $2.5 million, respectively).

Geographic Sales Revenue

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Australia	**327,052**	6,209	**507,732**	25,078
Europe and Canada	**7,150**	-	**67,584**	2,869
United States	**1,733,422**	2,311,125	**7,347,555**	2,574,517
	2,067,624	2,317,334	**7,922,871**	2,602,464

13. Legal disputes

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 counterclaim 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, assets and any associated goodwill or intangibles, subject to certain closing conditions being satisfied. The business is to be acquired for total cash consideration of AUD 250,000, plus smaller contingent earn out amounts, and the assumption of the majority of SOLARLAB business' liabilities of AUD 750,000 (subject to completion adjustments), The expected completion of closing is expected in Q3 2023.