Condensed interim consolidated financial statements of

Eguana Technologies Inc.

March 31, 2016

Eguana Technologies Inc.

March 31, 2016

Table of contents

Eguana Technologies Inc.

Condensed interim consolidated statements of financial position

Stated in Canadian dollars
Unaudited

	Note	March 31, 2016	Recast Note 25 September 30, 2015
		$	$
Assets			
Current:			
Cash		**101,548**	2,502,459
Cash held in trust		**-**	903,818
Accounts receivable and advances		**389,182**	204,665
Inventory	3	**814,608**	376,646
Other assets - current portion		**-**	118,100
Prepaid expenses and deposits		**114,162**	200,973
		1,419,499	4,306,661
Non-current:			
Other assets		**-**	191,601
Development costs		**3**	3
Capital assets	4	**333,807**	377,550
		1,753,309	4,875,815
Liabilities			
Current:			
Accounts payable and accrued liabilities		**3,791,450**	3,364,843
Provisions		**248,994**	248,870
Bank debt	5	**-**	1,460,855
Deferred revenue		**95,190**	110,321
Energy Northwest obligation - current portion	6	**145,600**	177,243
Government grant obligation - current portion	7	**30,296**	64,363
Debentures - current portion	8	**872,494**	773,588
Other liabilities - current portion	9	**52,530**	61,311
		5,236,553	6,261,394
Non-current:			
Deferred lease inducement		**31,200**	39,000
Debentures	8	**840,530**	1,147,398
Other liabilities	9	**619,552**	642,958
		6,727,835	8,090,750
Shareholders' equity (deficiency)			
Common shares	10	**33,344,814**	32,681,242
Preferred shares	11	**1**	1
Warrants	13	**937,386**	1,795,774
Contributed surplus	14	**8,790,650**	7,840,675
Foreign currency translation reserve		**(123,451)**	(128,834)
Deficit		**(47,923,926)**	(45,403,793)
		(4,974,526)	(3,214,935)
		1,753,309	4,875,815

Going concern (Note 2(b)), Commitments (Note 21) and Subsequent events (Note 24)

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

Eguana Technologies Inc.

Condensed interim consolidated statements of loss and comprehensive loss
For the three month and six month periods ended March 31,

Stated in Canadian dollars
Unaudited

		Three months ended		Six months ended	
	Note	**2016**	2015	**2016**	2015
		$	$	**$**	$
Sales		**176,272**	1,545,575	**404,648**	3,087,080
Cost of goods sold		**160,154**	1,917,554	**461,443**	3,495,150
Gross margin		**16,118**	(371,979)	**(56,795)**	(408,070)
Expenses					
General and administrative	17, 19	**363,030**	389,225	**825,793**	908,059
Operations	17	**104,602**	149,705	**228,805**	352,949
Product research and development	17	**230,127**	232,277	**366,134**	371,704
Selling and marketing		**208,090**	91,100	**437,484**	252,308
		905,848	862,306	**1,858,215**	1,885,019
Loss before undernoted items		**(889,730)**	(1,234,285)	**(1,915,010)**	(2,293,089)
Financing costs	18	**(431,998)**	(174,341)	**(586,942)**	(612,041)
Loss on debentures	8	**-**	78,132	**(18,433)**	78,132
Other income		**246**	2,208	**251**	2,570
Net loss		**(1,321,482)**	(1,328,286)	**(2,520,134)**	(2,824,428)
Foreign currency adjustment to equity		**(10,918)**	22,268	**(5,383)**	28,099
Total comprehensive loss		**(1,332,400)**	(1,306,018)	**(2,525,517)**	(2,796,329)
Loss per common share					
Basic and diluted		**(0.01)**	(0.02)	**(0.02)**	(0.04)
Weighted average number of common shares					
Basic and diluted	10	**151,749,540**	64,879,693	**151,749,540**	64,879,693

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

For the three month and six month periods ended March 31,

Stated in Canadian dollars
Unaudited

	Share Capital	Preferred Shares	Contributed Surplus	Warrants	Deficit	Foreign currency translation reserve	Total
	$	$	$	$	$	$	$
Balance, October 1, 2015	**32,681,242**	**1**	**7,840,675**	**1,795,774**	**(45,403,793)**	**(128,834)**	**(3,214,935)**
							-
Loss for the period	-	-	-	-	**(2,520,134)**	-	**(2,520,134)**
Other comprehensive gain(loss)	-	-	-	-	-	**5,383**	**5,383**
Issue of share capital	**663,572**	-	-	**12,223**	-	-	**675,795**
Warrants issued	-	-	**-**	**43,852**	-	-	**43,852**
Warrants expired	-	-	**914,463**	**(914,463)**	-	-	**-**
Share based payments	-	-	**35,512**	-	-	-	**35,512**
Balance, March 31, 2016	**33,344,814**	**1**	**8,790,650**	**937,386**	**(47,923,927)**	**(123,451)**	**(4,974,527)**
Balance, October 1, 2014	**11,003,187**	**10,190,861**	**7,717,069**	**1,177,008**	**(36,614,985)**	**(96,099)**	**(6,622,959)**
							-
Loss for the period	-	-	-	-	**(2,824,428)**	-	**(2,824,428)**
Other comprehensive gain(loss)	-	-	-	-	-	**(28,099)**	**(28,099)**
Issue of share capital	**4,107,181**	-	-	-	-	-	**4,107,181**
Conversion of preferred shares	**14,647,134**	**(10,190,860)**	-	-	-	-	**4,456,274**
Warrants issued	-	-	**-**	**396,416**	-	-	**396,416**
Warrants expired	-	-	**65,331**	**(65,331)**	-	-	**-**
Share based payments	-	-	**16,517**	-	-	-	**16,517**
Balance, March 31, 2015	**29,757,502**	**1**	**7,798,917**	**1,508,093**	**(39,439,413)**	**(124,198)**	**(499,098)**

The accompany notes are an integral part of these unaudited condensed interim consolidated financial statements

Eguana Technologies Inc.

Condensed interim consolidated statements of cash flows
For the three month and six month periods ended March 31,
Stated in Canadian dollars
Unaudited

	Note	Three months ended		Six months ended	
		2016	2015	**2016**	2015
		$	$	$	$
Operating activities					
Net loss		**(1,321,482)**	(1,328,286)	**(2,520,134)**	(2,824,428)
Amortization of capital assets		**24,412**	14,095	**47,870**	29,830
Amortization of deferred lease inducement		**(3,900)**	(3,900)	**(7,800)**	(7,800)
Inventory (write up) write down		**(30,271)**	-	**34,050**	-
Share-based payments		**-**	6,400	**35,512**	16,517
Warranty provision		**2,348**	22,000	**6,383**	22,000
Finance costs		**432,001**	174,341	**586,945**	612,041
(Gain) loss on debentures and embedded derivatives		**-**	(78,132)	**18,433**	(78,132)
Investor relation expense		**25,657**	-	**43,849**	108,360
Unrealized foreign exchange loss (gain)		**(8,270)**	4,638	**(3,444)**	3,572
		(879,505)	(1,188,844)	**(1,758,336)**	(2,118,040)
Net change in non-cash working capital	20	**167,487**	(362,377)	**(162,730)**	(275,538)
Cash flow used in operating activities		**(712,018)**	(1,551,221)	**(1,921,066)**	(2,393,578)
Financing activities					
Bank debt		**-**	55,252	**(1,460,855)**	(899,852)
Proceeds from common shares		**-**	-	**-**	4,817,371
Proceeds from limited partnership units		**-**	-	**747,000**	314,000
Cost of issuing common shares and limited partnership units		**(22,354)**	(316,427)	**(71,205)**	(736,134)
Repayment of government contribution		**(19,500)**	(19,500)	**(39,000)**	(37,000)
Repayment of debentures		**(198,333)**	(62,833)	**(392,833)**	(407,833)
Repayment of other liabilities		**(62,322)**	-	**(118,962)**	-
Cash financing costs paid		**(20,224)**	(70,660)	**(43,684)**	(131,450)
Cash flow from financing activities		**(322,733)**	(414,168)	**(1,379,539)**	2,919,102
Investing activities					
Capital asset additions		**-**	(18,249)	**(4,124)**	(164,330)
Cash flow used in investing activities		**-**	(18,249)	**(4,124)**	(164,330)
Foreign exchange on cash held in foreign operations		**-**	(5,581)	**-**	(4,560)
Net change in cash		**(1,034,751)**	(1,989,219)	**(3,304,729)**	356,634
Cash, beginning of period		**1,136,299**	2,401,813	**3,406,277**	55,960
Cash, end of period		**101,548**	412,594	**101,548**	412,594

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

1. Description of the business

Eguana Technologies Inc. ("Eguana", or the "Company"), incorporated under the Business Corporations Act of Alberta, develops and manufactures advanced power inverters for the emerging alternative and renewable energy industry - solar photovoltaic ("PV") systems, small wind turbines, fuel cells and all forms of energy storage. The Company is a publicly traded company headquartered at Unit 3, 6143 – 4th Street SE, Calgary, Alberta, Canada and its shares trade on the Toronto Stock Exchange Venture Exchange "TSX-V" under the symbol "EGT".

On October 29, 2013, the shareholders of the Company approved a change of name of the Company to Eguana Technologies Inc. from Sustainable Energy Technologies Ltd.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements ("the financial statements") were prepared by management in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards (" IFRS"), as issued by the International Accounting Standards Board (" IASB").

The 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 year ended September 30, 2015, which were prepared in accordance with IFRS. These unaudited condensed interim financial statements follow the same accounting policies as outlined in Notes 2 and 4 of the audited consolidated financial statements for the year ended September 30, 2015.

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 of the September 30, 2015 audit consolidated financial statements.

These financial statements were approved and authorized for issuance by the Board of Directors of Company on May 30, 2016.

(b) Going concern

The condensed interim consolidated 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.

At March 31, 2016, the Company had not achieved profitable operations since its inception and had an accumulated a deficit of $47,923,926 (2015 - $39,439,413) and recognized a cash flow deficiency from operations for the six month period ended March 31, 2016 of $1,921,066 (2015 - $2,393,578). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. The lack of profitable operations and cash flow deficiency may cast significant doubt on the Company's ability to continue as a going concern.

The Company currently has a working capital deficit of $3,817,053 (2015 - $1,954,733).

Stated in Canadian dollars

2. Basis of preparation (continued)

(b) Going concern (continued)

The ability to continue as a going concern is dependent on completing equity or debt financings and generating profitable operations in the future in order to meet liabilities as they come due and enable the Company to continue operations. The ability to continue as a going concern may be adversely impacted by the loss of customers and falling sales per customer. To address its financing requirements, the Company may seek financing through the issuance of common shares, first preferred shares, units of EGT Limited Partnership and debentures. The outcome of these matters cannot be predicted at this time.

These consolidated financial statements do not include any adjustments, which could be significant to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to obtain equity or debt financings or generate profitable operations in the future. Failure to continue as a going concern would require the restatement of assets, liabilities and shareholders' deficiency on a liquidation basis, which could differ materially from the going concern basis.

(c) Recently adopted accounting standards

Recent accounting pronouncement that have been issued but are not yet effective are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2015

In addition, accounting standard changes that the Company will be required to adopt in future years include IFRS 15 which replaces IAS 18 Revenue and related interpretations. The core principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard is intended to enhance disclosures about revenue, provide more comprehensive guidance for transactions that were not previously addressed and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on January 1, 2018, with early adoption permitted. The Corporation continues to evaluate the impact of these standards on its consolidated financial statements.

3. Inventory

	March 31, 2016	September 30, 2015
	$	$
Finished goods	**189,571**	180,417
Components	**625,037**	196,230
	814,608	376,647

As at March 31, 2016, $767,381 (September 2015 - $281,581) of inventory was carried at cost and $47,227 (September 2015 - $95,065) was carried at net realizable value. As a result of operations conducted in the quarter the Company wrote up $10,159 of inventory that was previously written down to its net realizable value. Year to date the company has written up $34,050 of inventory that was previously written down to its net realizable value. Additionally, the Company wrote off $111,326 (September 2015 - $1,251,263) of inventory year to date due to the termination of the contract with a major customer of the Company's.

Stated in Canadian dollars

4. Capital assets

	March 31, 2016	September 30, 2015
	$	$
Carrying value		
Computer equipment and software	**11,924**	15,007
Lab equipment	**265,088**	292,174
Furniture, equipment and leasehold improvements	**56,794**	70,369
Dies and molds	**-**	-
	333,807	377,550

Cost	Computer equipment and software	Lab equipment	Furniture and equipment	Dies and molds	Total
	$	$	$	$	$
Opening balance October 1, 2015	472,766	893,592	228,801	42,714	1,637,873
Additions	2,424	1,699	-	-	4,123
Disposals	-	-	-	-	-
Balance March 31, 2016	**475,190**	**895,291**	**228,801**	**42,714**	**1,641,996**

Accumulated amortization and impairment	Computer equipment and software	Lab equipment	Furniture and equipment	Dies and molds	Total
	$	$	$	$	$
Opening balance October 1, 2015	457,759	601,418	158,432	42,714	1,260,323
Amortization	5,507	28,785	13,575	-	47,867
Disposals	-	-	-	-	-
Balance March 31, 2016	**463,266**	**630,203**	**172,007**	**42,714**	**1,308,190**

Stated in Canadian dollars

4. Capital assets (continued)

Cost	Computer equipment and software	Lab equipment	Furniture and equipment	Dies and molds	Total
	$	$	$	$	$
Opening balance October 1, 2014	454,809	749,230	217,037	42,714	1,463,790
Additions	17,957	144,362	11,764	-	174,083
Disposals	-	-	-	-	-
Balance September 30, 2015	472,766	893,592	228,801	42,714	1,637,873

Accumulated amortization and impairment	Computer equipment and software	Lab equipment	Furniture and equipment	Dies and molds	Total
	$	$	$	$	$
Opening balance October 1, 2014	451,560	562,850	129,198	39,445	1,183,053
Amortization	6,199	38,568	29,234	3,269	77,270
Disposals	-	-	-	-	-
Balance September 30, 2015	457,759	601,418	158,432	42,714	1,260,323

Amortization of the capital assets is included in the condensed interim consolidated statement of loss and comprehensive loss under the line item “general and administrative”.

As at March 31, 2016 $nil (September 30, 2015 - $28,767) of lab equipment additions had not been paid for and the amount owing has been included in accounts payable and accrued liabilities.

5. Bank debt

During the six month period ended March 31, 2016, the Company repaid the outstanding line of credit with proceeds from the shares issued in September 2015 (Note 10) and canceled the operating line of credit.

As a result of the canceling of the line of credit, Doughty Hanson’s warrants were subject to accelerated expiration and the deferred financing cost were fully amortized.

6. Energy Northwest obligation

	March 31, 2016	September 30, 2015
	$	$
Obligation to Energy Northwest - current ($112,285 US; September 2015 - $129,285 US)	**145,600**	177,243

Stated in Canadian dollars

6. Energy Northwest obligation (continued)

Energy Northwest (formerly "Washington Public Power Supply System") made contributions of services to Sustainable Energy Laboratories ("SEL") towards the development of SEL's step wave power conversion technology valued at US$182,178. Under its agreement with SEL, Energy Northwest is entitled to annual compensation for such contribution in an amount equal to 10% of SEL's gross monthly sales in any year; provided, however, that the compensation payable in any year is not to be less than US$7,000 and not more than 20% of Energy Northwest's total contribution plus interest calculated at an annual (APR) rate of 20% of the outstanding balance unpaid at the end of the year. Compensation payments were to be completed by January 1, 2016. The obligation is unsecured.

7. Government grant obligation

The Company entered into an agreement with the National Research Council ("NRC") to fund 60% of the salaries the Company incurs to commercialize the universal electronic platform to a maximum of $245,241. The Company has received the maximum amount of the funding. A royalty of 1.9% of gross revenue after October 1, 2008 is payable until the National Research Council has recovered one and a half times the amount advanced to the Company or for a period of eleven years after the beginning of the repayment schedule. The remaining payable or potentially payable under the agreement is $249,940 (September 30, 2015 - $64,363).

During fiscal 2015, the Company was informed by the Government agency that the required repayment of the grant was the amount of the unpaid grant and not one and one half time the amount of the grant. Consequently, to reflect this change in cash flow the estimated amount repayable has been reduced by $87,796**.**

The carrying amount of the financial liability related to the government grant obligation is the following:

	March 31, 2016	September 30, 2015
	$	$
Government grant (NRC) - current	**30,296**	64,363

The repayments are due monthly and are subject to interest for late payments. The liability is unsecured.

Stated in Canadian dollars

8. Debentures and other financial liabilities

	Debt component of debenture	Embedded derivative	Warrant component of debenture	Total
	$	$	$	$
Balance at October 1, 2014	2,385,124	196,000	110,330	2,691,454
Accretion	423,821	-	-	423,821
Loss (gain) on change in cash flow	(410,109)	94,655	-	(315,454)
Repayments	(608,743)	(159,761)	-	(768,504)
Balance at September 30, 2015	1,790,093	130,894	110,330	2,031,317
Accretion	210,123	-	-	210,123
Loss on change in cash flow	18,433	-	-	18,433
Repayments	(427,222)	(9,296)	-	(436,518)
Balance at March 31, 2016	**1,591,427**	**121,598**	**110,330**	**1,823,355**
Less: current portion	**(750,896)**	**(121,598)**	**-**	**(872,494)**
	840,531	**-**	**110,330**	**950,861**

On June 29, 2012, the Company issued $800,000 in 5-year subordinated debentures ("Debentures") at an original issue discount of 12.5%, to net the Company $699,875. The Debentures bear interest at a rate of 3% per annum, plus an amount equal to 0.8% of the unaudited condensed interim unaudited condensed interim consolidated revenues realized by the Company, both of which are payable on a quarterly basis during the term of the Debenture. The Debenture is callable by the Company at par at any time after the third anniversary of issue. Purchasers of the Debentures have also been issued 280,000 restricted common shares of the Company, which shares will be released on a quarterly basis over a 2 year period following issuance. The restricted common shares were valued at the residual amount of $140,000. The Debentures are secured by a general security agreement. The principal amount of $800,000 is repayable in 12 equal quarterly payments commencing September 30, 2014. The Company incurred transaction costs related to the issue of the debentures of $39,902. The effective interest rate on the Debentures is estimated to be 25.83%. On December 21, 2014, the Company repaid the remaining amount owing on a $46,000 debenture to a key person of the Company (Note 17).

On August 7, 2013, and September 17, 2013, the Company issued $1,820,000 in 5-year subordinated debentures ("Debentures") at an original issue discount of 12.5% to net the Company $1,592,500. The Debentures bear interest at a rate of 3% per annum, plus an amount in total equal to 1.82% of the unaudited condensed interim consolidated quarterly revenues realized by the Company, both of which are payable on a quarterly basis during the term of the debenture. The Debentures are callable by the Company at par at any time after the second anniversary of issue. Purchasers of the Debentures had the option of receiving common shares or warrants. The Company issued 424,000 commons shares valued at $156,880 and 608,000 warrants exercisable at $0.50 for a period of four years from the date of issue valued at $110,330. The Debentures are secured by a general security agreement. The principal amount of $1,820,000 is repayable in 12 equal quarterly payments commencing September 30, 2015. The Company incurred transaction costs related to the issue of the Debentures of $35,713. The transaction costs included the issue of 8,750 broker warrants exercisable at $0.50 for a period of one year from the date of issue.

Stated in Canadian dollars

8. Debentures (continued)

The effective interest rate on the Debentures is estimated to be 24.14%. On December 21, 2014 the Company repaid $240,000 of Debentures to directors and key personnel (Note 17).

On June 30, 2014, the Company issued $360,000 in 5-year subordinated debentures (“Debentures”), issued at an original issue discount of 12.5% to net the Company $315,000. The Debentures bear interest at a rate of 3% per annum, plus an amount in total equal to 0.36% of the unaudited condensed interim consolidated quarterly revenues realized by the Company, both of which are payable on a quarterly basis during the term of the debenture. The Debentures are callable by the Company at par at any time after the second anniversary of issue. The purchaser of the Debentures received 144,000 common shares valued at $0.56 per share. The Debentures are secured by a general security agreement. The principal amount of $360,000 is repayable in 12 equal quarterly payments commencing September 30, 2016. The Company incurred transaction costs related to the issue of the Debentures of $17,749. The effective interest rate on the debentures is estimated to be 33.92%.

9. Other liabilities

	Settlement agreement	Contingent liability settlement	Total
	$	$	$
Balance at October 1, 2015	563,572	140,697	704,269
Accretion	55,630	34,590	90,220
Repayments	(92,959)	(26,003)	(118,962)
Loss (gain) on foreign exchange	-	(3,445)	(3,445)
Balance at March 31, 2016	**526,243**	**145,840**	**672,083**
Less: current portion	**(45,902)**	**(6,628)**	**(52,530)**
	480,341	**139,212**	**619,553**

In August 2015, the Company entered into a Settlement Agreement with its former CEO, who is also a director of the Company (Note 17), under which the Company agreed to pay deferred compensation earned by the CEO since 2010 in equal monthly payments of $13,115 without interest over a period of 82 months beginning October 1, 2015. The Company’s liability was valued at $563,571 using Level 2 valuation techniques with a discount rate of 25%.

Payment of the unpaid balance becomes immediately payable in certain circumstances including the Company realizing an average of $1,000,000 in earnings before interest, taxes, depreciation and amortization for any two consecutive fiscal quarters or in the event of a change of control. The Company’s obligation is secured by a security interest in the Company's assets, which security is subordinate to existing liens as of September 1, 2015, and which will be subordinate, under certain circumstances, to security granted to secure certain future indebtedness incurred to fund corporate activities, provided that all such secured indebtedness (including existing indebtedness as of September 1, 2015) shall not exceed $12 million, plus an amount up to $1.5 million for an operating line.

Any outstanding stock options granted to the Executive pursuant to the Corporation’s Stock Option Plan were amended to allow the Executive to exercise all outstanding options to acquire common shares of the

Stated in Canadian dollars

9. Other liabilities (continued)

Company in accordance with their terms until the end of the maximum permissible date under the Stock Option Plan and option agreements.

During the period, the Company settled a contingent liability totaling approximately US$ 696,294 with a third party who performed consulting services in fiscal 1998 to a subsidiary of the Company, agreeing to pay US$ 31,658 ($42,422) per year (payable semi-annually) for a period of 10 years. The obligation is unsecured and was fair valued at US$111,879 ($145,840) using Level 2 valuation techniques with a discount rate of 27%. Conditions existed at the balance sheet date that required the liability to be recognized in the 2015-yearend financial statements.

10. Common shares

Authorized, unlimited number

	Number of shares	Amount
		$
Balance, October 1, 2014	38,231,519	11,003,187
Conversion of preferred shares	28,764,481	14,647,134
Issuance of common shares	83,057,903	8,334,872
Share issuance costs	-	(1,561,446)
Common shares issued in exchange for partnership units (Note 12)	951,420	314,000
Partnership unit costs	-	(56,505)
Balance, September 30, 2015	**151,005,323**	**32,681,242**
Common shares issued (Note 12)	6,790,977	747,000
Partnership unit costs (Note 12)	-	(83,428)
Balance, March 31, 2016	**157,796,300**	**33,344,814**

In October 2014, the Company issued 777,906 common shares on the conversion of 38,600 Series 7 preferred shares which included accreted dividends of $211,760 that were also converted into common shares at the time the preferred shares were converted. In December 2014, the Company issued 27,986,575 common shares on the conversion of all remaining outstanding series of preferred shares, except Series 8, on the date of conversion. This conversion was the result of the majority holder of the individual series electing to cause the conversion. The conversion included accreted dividends of $4,456,275 that were also converted into common shares. The cost of converting the preferred shares to common shares totaled $21,241.

In December 2014, the Company issued 16,057,903 common shares at a price of $0.30 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of 5 years from the closing date at a price of $0.39 per common share. The commissions paid were $314,116. As partial compensation, 775,220 agent warrants were issued at a price of $0.30 for a period of two years with a fair market value of $192,177 and 271,833 agent warrants were issued at a price of $0.39 for a period of five years with a fair market value of $88,634. Other costs of $351,517 related to the issue of the units were also incurred bringing the total costs on issuance to $946,444. Key personal and directors of the Company purchased 1,100,000 common shares.

10. Common shares (continued)

In February 2015, Eguana exercised its right to convert the partnership units to common shares of Eguana and issued 951,420 shares. The cost to issue and the partnership units totaled $56,505 (Note 12).

On September 29, 2015, the Company issued 67,000,000 common shares at a price of $0.0525 per share for gross proceeds of $3,517,500. Commissions paid were $115,268. As partial compensation, 4,690,000 agent warrants were issued at a price of $0.0525 for a period of three year with a fair market value of $313,616. Other costs of $138,214 related to the issue of the units were also incurred bringing the total costs on issuance to $567,098. Key personnel and directors of the Company purchased 2,826,190 common shares.

At September 30, 2015, the Company had cash held in trust of $903,818 related to the common shares issued. In October 2015, the cash was released to the Company.

In February 2016, Eguana exercised its right to convert the partnership units to common shares of Eguana and issued 6,790,977 shares. The cost to convert the partnership units and issue the shares totaled $83,428 (Note 12).

In April 2016, subsequent to quarter-end, the Company issued 9,982,402 common shares at a price of $0.12 per share for gross proceeds of $1,197,888. Commissions paid were $76,306. As partial compensation, 698,768 agent warrants were issued at a price of $0.12 for a period of three year with a fair market value of $70,089. Other costs of $37,432 related to the issue of the units were also incurred bringing the total costs on issuance to $183,827. Key personnel and directors of the Company purchased 3,125,000 common shares.

Weighted average number of common shares

The weighted average number of shares for March 31, 2016 and 2015 were determined by excluding preferred shares, stock options and warrants as the Company was in a loss position.

Stated in Canadian dollars

11. Preferred shares

Authorized

Unlimited number of voting preferred shares issuable in a series, redeemable at the option of the Company at the redemption price, if within the 90 day period preceding the date of notice of redemption, the weighted average trading price has exceeded $6.00 per share for at least 30 consecutive trading days and the average trading volume for such 30 consecutive trading days is at least $200,000, subject to the prior right of holders to exercise their right to convert the preferred shares into common shares.

Holders of preferred shares are entitled to receive as and when declared by the Board of Directors annual dividends of 8% of the applicable Series Redemption Price payable semi-annually. In the event the annual 8% dividend is not declared and paid, such dividend shall be accretive to the Redemption Price.

Holders of the preferred shares may convert, at any time, into that number of fully paid and non-assessable common shares equal to the applicable Series Redemption Price divided by the conversion price. The conversion for the preferred shares includes a fixed conversion price on the initial subscription plus the conversion of accreted dividends to common shares. The accreted dividend conversion price is based on the closing price of the common shares on the day prior to the conversion.

The fixed conversion price for each of the issued series outstanding is as follows:

Series 7	$1.50	Series 8	$1.00	Series 9	$1.55	Series 10	$1.40	Series 11	$1.15
Series 12	$0.80	Series 13	$0.40	Series 14	$0.105	Series 15	$0.12		

12. EGT Markets Limited Partnership

EGT Markets Limited Partnership (“EGTLP”) is an Alberta Limited Partnership, which carries on the business of commercializing manufacturing and marketing inverters under license from Eguana and certain of Eguana’s subsidiaries. The General Partner of EGTLP is Sustainable Energy Systems Inc. (“SES”) which exercises control over EGTLP’s operations. The Limited Partners of EGTLP are Eguana, and from time to time, private investors who have provided capital to EGTLP by purchasing limited partnership units (“LP Units”) at a price of $1,000 per LP Unit.

As Limited Partners of the Partnership on December 31 of each year, the investors are entitled to deduct their share of non-capital losses of the Partnership for the year to a maximum of $1,000 per LP Unit. As a result, 99.99% of non-capital losses are not available to Eguana to offset future taxable income realized by the Company.

The financial results of EGTLP have been consolidated with the financial results of Eguana since inception as SES has full control over the operations of EGTLP and Eguana has at all times the right to acquire all the LP Units not held by it directly.

In December 2014, EGTLP issued 314 Limited Partnership units at a price of $1,000 per unit resulting in gross proceeds of $314,000. The commissions paid on the issuance were $21,980. As partial compensation, 66,598 finders’ warrants were issued with a fair market value of $7,245 (Note 13). The warrants have an exercise price of $0.33 and expire one year from issuance. Other costs of $27,280 related to the issue of the partnership units were also incurred bringing the total costs on issuance to $56,505. On February 20, 2015, Eguana exercised its right to convert the units to common shares of Eguana and issued 951,420 shares (Note 10).

Stated in Canadian dollars

12. EGT Markets Limited Partnership (continued)

In December 2015, EGTLP issued 747 Limited Partnership units at a price of $1,000 per unit resulting in gross proceeds of $747,000. The commissions paid on the issuance were $23,850. As partial compensation, 216,820 finders' warrants were issued with a fair market value of $12,223 (Note 13). The warrants have an exercise price of $0.11 and expire on December 31, 2016. Other costs of $47,355 related to the issue of the partnership units were also incurred bringing the total costs on issuance to $83,428.

In February 2016, Eguana exercised its right to convert the units to common shares of Eguana and issued 6,790,977 shares (Note 10).

13. Warrants

Changes in the Company's purchase warrants are as follows:

	Issued with common or preferred shares	Broker warrants	Total purchase warrants	Allocated fair market value
				$
Balance October 1, 2014	7,815,949	381,127	8,197,076	1,177,008
Warrants expired	-	(241,967)	(241,967)	(65,332)
Warrants issued	8,101,946	6,203,651	14,305,597	684,098
Balance September 30, 2015	15,917,895	6,342,811	22,260,706	1,795,774
Warrants exercised	-	(15,000)	(15,000)	(1,088)
Warrants expired	(5,957,949)	(205,758)	(6,163,707)	(914,462)
Warrants issued	139,583	216,820	356,403	57,162
Balance March 31, 2016	**10,099,529**	**6,338,873**	**16,438,402**	**937,386**

Outstanding warrants at March 31, 2016 were as follows:

Range of exercise prices	Warrants	Weighted average price	Weighted average years to expiry
		$	
$0.01–$0.30	5,806,623	0.09	2.16
$0.31–$0.40	8,773,779	0.39	3.64
$0.41–$0.50	1,858,000	0.50	1.62
Balance March 31, 2016	**16,438,402**	**0.29**	**2.73**

8,101,946 warrants were issued in December 2014, in conjunction with the issue of common share units (Note 10). The warrants are exercisable for a period of five years at $0.39. The fair value of the warrants is $Nil based on the residual method where proceeds are first allocated to commons shares according to the quoted price of common shares at the time of issuance and any residual is allocated to warrants.

13. Warrants (continued)

775,220 agent warrants were issued in December 2014, in conjunction with the issue of common shares (Note 10). The warrants are exercisable for a period of two years at $0.30. The Black-Scholes option model was used to calculate the fair value of the warrants using a nil dividend yield, a 1.02% interest rate and a volatility of 153.46%.The fair market value at issuance was $192,177.

271,833 agent warrants were issued in December 2014, in conjunction with the issue of common shares (Note 10). The warrants are exercisable for a period of five years at $0.39. The Black-Scholes option model was used to calculate the fair value of the warrants using a nil dividend yield, a 1.4% interest rate and a volatility of 262.34%. The fair market value at issuance was $88.634.

400,000 agent warrants were issued in December 2014, for future corporate advisory. The warrants are exercisable for a period of three years at $0.33. The Black-Scholes option model was used to calculate the fair value of the warrants using a nil dividend yield, a 1.06% interest rate and a volatility of 149.32%. The fair market value at issuance was $108,360.

66,598 finders' warrants were issued in December 2014, in conjunction with the issue of partnership units (Note 12). The warrants are exercisable for a period of one year at $0.33. The Black-Scholes option model was used to calculate the fair value of the warrants using a nil dividend yield, a 1.02% interest rate and a volatility of 84.18%. The fair market value at issuance was $7,245.

4,690,000 agent warrants were issued in September 2015, in conjunction with the issue of common shares (Note 11). The warrants are exercisable for a period of three years at $0.0525. The Black-Scholes option model was used to calculate the fair value of the warrants using a nil dividend yield, a 0.53% interest rate and a volatility of 152.91%. The fair market value at issuance was $313,616.

216,820 finders' warrants were issued in December 2015, in conjunction with the issue of partnership units (Note 12). The warrants are exercisable for a period of one year at $0.11. The Black-Scholes option model was used to calculate the fair value of the warrants using a nil dividend yield, a 0.52% interest rate and a volatility of 138.44%. The fair market value at issuance was $12,223.

139,583 warrants were issued January 2016, in conjunction with the deferral of principal repayments associated with the debentures. The warrants are exercisable for a period of one year at $0.12. The Black-Scholes option model was used to calculate the fair value of the warrants using a nil dividend yield, a 0.54% interest rate and a volatility of 141.68%. The fair market value at issuance was $8,753.

698,768 agent warrants were issued in April 2016, in conjunction with the issue of common shares that occurred subsequent to quarter-end (Note 11). The warrants are exercisable for a period of three years at $0.12. The Black-Scholes option model was used to calculate the fair value of the warrants using a nil dividend yield, a 0.51% interest rate and a volatility of 135.76%. The fair market value at issuance was $70,089.

14. Contributed surplus

The Company has established an option plan (the "Plan"), which is accounted for in contributed surplus, whereby the Company may grant options to purchase common shares to directors, officers, employees, and consultants. Options generally vest over a 3-year period with 1/6 vesting every 6 months. The Company's plan allows for a maximum term on any options of ten years. The Company, at the discretion of the Board of Directors, may issue options to a maximum of 7,646,303. The shareholders approved the plan on October 29, 2014. The minimum price at which the options may be granted is the closing price on the TSX-V on the date of issue.

Stated in Canadian dollars

14. Contributed surplus (continued)

The following summarizes information about stock options outstanding as at March 31, 2016:

	Number of options to employees	Weighted average price to employees	Number of options to non-employees	Weighted average price to non-employees
		$		$
Balance, September 30, 2014	2,139,389	0.35	946,730	0.39
Granted	1,701,192	0.35	1,012,764	0.36
Cancelled	-	-	(180,000)	(0.35)
Forfeited	(104,242)	(0.31)	(515,000)	(0.41)
Balance, September 30, 2015	3,736,339	0.35	1,264,494	0.37
Granted	375,000	0.10	-	-
Forfeited	(147,020)	(0.35)	(100,000)	(0.38)
Balance, March 31, 2016	**3,964,319**	**0.33**	**1,164,494**	**0.37**

	Outstanding options			Exercisable options	
Range of exercise prices	Options	Weighted average price	Weighted average years to expiry	Options	Weighted average price
		$			$
$0.01–$0.30	1,661,730	0.25	3.94	1,661,730	0.25
$0.31–$0.40	3,247,083	0.37	8.40	200,000	0.36
$0.41–$0.50	220,000	0.48	2.95	160,000	0.50
Balance, March 31, 2016	**5,128,813**	**0.34**	**6.72**	**2,021,730**	**0.28**

The total share-based compensation calculated for the three-month and six month periods ended March 31, 2016, was $35,512 and nil respectively (2015 –$6,400 and $16,517).

In October 2014, the Company issued 300,000 new incentive stock options to a consultant exercisable at a price of $0.38 with an expiry date of October 2024. The fair value of the options was determined to be $103,080.

On March 31, 2015, the Company issued 2,366,069 new incentive stock options to employees and consultants, exercisable at a price of $0.35 with an expiry date of March 31, 2025. The fair value of the options was determined to be $632,923. 180,000 of these options were cancelled on April 1, 2015.

The employee stock options issued in June 2013, October 2014 and March 2015 are only exercisable following two consecutive quarters of positive earnings before interest, taxes, depreciation and amortization, or if the Company is acquired within the next 24 months. Management has estimated that as at March 31, 2016, 3,107,083 options are not exercisable as the performance indicator has not been achieved and there is uncertainty as to when it will be achieved, resulting in no stock based compensation being recognized.

Stated in Canadian dollars

14. Contributed surplus (continued)

In June 2015, the Company granted 200,000 options to an employee, exercisable at a price of $0.35, 100,000 of which were exercisable immediately and 100,000 exercisable in three months. The fair value of the options was determined to be $41,280.

On October 5, 2015, the Company issued 225,000 new incentive stock options to an employee exercisable at a price of $0.08 with an expiry date of October 5, 2025. The stock options are exercisable immediately. The fair value of the options was determined to be $17,756.

On November 2, 2015, the Company issued 150,000 new incentive stock options to an employee exercisable at a price of $0.12 with an expiry date of November 2, 2025. The stock options are exercisable immediately. The fair value of the options was determined to be $17,756.

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

		March 31, 2016		September 30, 2015
Risk free interest rate		**0.51%**		0.57%
Expected volatility (1)		**156.12%**		152.91%
Dividend Yield		**-**		-
Expected life (years)		**10**		3
Weighted average fair value	$	**0.10**	$	0.27

(1) Expected volatility is estimated by considering historic average share price volatility over 3 years

15. Capital management

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by obtaining adequate equity funding to provide for the possibility that cash flows from operations will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth.

The Company defines capital as the aggregate of total shareholders' equity (deficiency) and bank debt less cash as follows:

	March 31, 2016	September 30, 2015
	$	$
Total shareholders' equity (deficiency)	**(4,974,526)**	(3,214,935)
Cash	**(101,548)**	(2,502,459)
Cash held in trust	**-**	(903,818)
Bank debt	**-**	1,460,855
Total capital	**(5,076,074)**	(5,160,357)

Stated in Canadian dollars

15. Capital management (continued)

There have been no changes to the Company's objectives in managing capital or in the management of capital since March 31, 2016. The Company presently has negative total capital and is currently working toward reversing this. (Note 2b).

16. Financial instruments and financial risk management

Credit risk

The Company has significant credit risk exposure to a single counterparty at March 31, 2016. Approximately 53% (September 30, 2015 – 86%) of the total accounts receivable is due from one customer. The credit risk on cash is considered to be limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

The following table illustrates the Company's receivables and advances:

	March 31, 2015	September 30, 2015
	$	$
Trade	**264,515**	193,025
Taxation authorities	**201,779**	116,215
	466,294	309,240
Less: allowance for doubtful accounts	**(77,112)**	(104,575)
	389,182	204,665

The Company assesses quarterly if there should be any impairment of the financial assets of the Company. During three month and six month periods ended March 31, 2016, there was 7,000 EUR (2015 – $nil) of bad debts recovered.

The following is a schedule of trade receivables:

	March 31, 2016	September 30, 2015
	$	$
Neither impaired or past due	**17,938**	70,986
Past due in the following periods		
31 - 60 days	**1,527**	-
61 - 90 days	**29,231**	34,823
over 90 days	**215,819**	87,216
	264,515	193,025

16. Financial instruments and financial risk management (continued)

Liquidity risk

The Company's operating cash requirements, including amounts projected to complete the Company's existing capital expenditure program, are continuously monitored and adjusted as input variables change. These variables include, but are not limited to, future bank lines and government assistance. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain project debt financing. There is no assurance that adequate funds from equity or debt markets will be available to the Company in a timely manner. The company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

The following are the contractual maturities of financial liabilities at March 31, 2016:

Financial liabilities	< 1 Year	1-3 Years	Thereafter	Total
Accounts payable and accrued liabilities	3,791,450	-	-	3,791,450
Energy Northwest obligation	145,600	-	-	145,600
Government grant obligation	30,296	-	-	30,296
Debentures	872,494	840,531	-	1,713,025
Other liabilities	52,530	131,948	487,604	672,082
Total	4,892,370	972,479	487,604	6,352,453

Foreign currency risk

The Company's exposure to currency risk on financial instruments based on carrying amount in Canadian currency was as follows for the six month periods ended March 31, 2016:

	Euros	US Dollars	Total
	$	$	$
Cash	10,454	138,981	149,435
Accounts receivable and advances	32,805	160,514	193,319
Deposits	29,658	2,479	32,137
Accounts payable and accrued liabilities	(1,471,826)	(947,426)	(2,419,252)
Provisions	(216,671)	(5,307)	(221,978)
Energy Northwest obligation	-	(145,600)	(145,600)
Deferred revenue	(1,750)	(42,595)	(44,345)
Other liabilities	-	(155,165)	(155,165)
	(1,617,330)	**(994,118)**	**(2,611,448)**

Assuming all other variables remain constant, a $0.05 change in the Canadian/US exchange rate would increase the Company's net loss by approximately $38,334 (2015 - $28,239) for the six month period ended March 31, 2016. Assuming all other variables remain constant, a $0.05 change in the Canadian/Euro exchange rate would increase the Company's net loss by approximately $54,922 (2015 – $53,439) for the six month period ended March 31, 2016. An opposite change in the Canadian/ US exchange rate and the Canadian/Euro exchange rate will result in an opposite impact on net loss. The Company had no forward exchange rate contracts in place as at or during the period ended March 31, 2016.

Stated in Canadian dollars

16. Financial instruments and financial risk management (continued)

Interest rate risk

Interest rate risk refers to the risk that cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company currently does not use interest rate hedges, fixed interest rate contracts or variable rate debt to manage the Company's exposure to interest rate fluctuations.

Fair value

The carrying value and fair value of financial instruments at March 31, 2016, is disclosed below by financial instrument category:

Financial instrument	**Carrying value**	**Fair value**
	$	**$**
Accounts receivable and advances	389,182	389,182
Accounts payable and accrued liabilities	3,791,450	3,791,450

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 using Level 1 input, the other liabilities were measured at fair value using Level 2 inputs (Note 9) and the embedded derivatives on the Company's debentures (Note 8), and Energy Northwest obligation (Note 6) were measured at a fair value using Level 3 inputs.

17. Related party transactions

Other than as disclosed elsewhere in the unaudited condensed interim consolidated financial statements, the Company had the following related party salaries, benefits and share based compensation:

	Three months ended		**Six months ended**	
	2016	2015	**2016**	2015
	$	$	**$**	$
General and administrative	**54,000**	97,085	108,000	204,372
Product research and development	**11,591**	38,624	23,182	71,648
Selling and Marketing	**27,046**	-	54,091	-
Operations	**12,000**	49,500	24,000	99,000
Total	**104,637**	185,209	209,273	375,020

Financing costs of $2,209 and $7,792 for the three month and six month periods ended March 31, 2016 (2015 - $3,534 and $28,071) related to the debentures held by key personnel and directors are included in the statement of loss. Interest payments amounted to $408 and $899 (2015 - $1,426 and $6,764) for the three month and six month periods ended March 31, 2016.

Included in accounts payable and accrued liabilities is $257,412 (September 30, 2015 - $235,998) due to directors and members of key management personnel.

Stated in Canadian dollars

17. Related party transactions (continued)

In December 2014, a subsidiary of the Company purchased a $46,000 debenture with a remaining balance owing of $42,167 of debenture issued in 2012 and $240,000 of debentures issued in 2013 from key personnel and directors of the Company.

In December 2014, key personnel and directors converted their Series 15 preferred shares to common shares.

In December 2014, key management personnel and directors subscribed for 1,100,000 common share units at $0.30 per unit.

In August 2015, the Company agreed to a termination settlement with its former CEO who remains a director of the Company (Note 9).

In September 2015, key management personnel and directors subscribed for 2,826,190 common share units at $0.0525 per unit.

In April 2016, subsequent to quarter end, key personnel and directors of the Company purchased 3,125,000 common shares at $0.12 per unit.

18. Financing costs

	Three months ended		Six months ended	
	2016	2015	**2016**	2015
	$	$	**$**	$
Interest on Northwest obligation	**2,522**	4,133	**(28,032)**	8,127
Interest on bank debt	**-**	4,667	**-**	20,356
Interest on debenture	**99,873**	146,213	**210,123**	316,164
Change in fair value of embedded derivatives	**-**	9,881	**-**	-
Accretion of government grant obligation	**1,605**	(5,980)	**4,930**	6,072
Change in fair value of common shares to be issued on conversion in respect of accreted dividend	**-**	-	**-**	211,760
Accretion of other liabilities	**52,432**	-	**90,220**	-
Amortization of financing fees	**275,566**	15,427	**309,701**	49,562
Total	**431,998**	174,341	**586,942**	612,041

19. Personnel expenses

	Three months ended		Six months ended	
	2016	2015	**2016**	2015
	$	$	**$**	$
Wages	281,168	265,367	577,081	548,272
Benefits	14,974	28,100	31,795	39,576
Total	**296,142**	**293,467**	**608,876**	**587,848**

Stated in Canadian dollars

20. Supplemental information

The changes in non-cash working capital for the three month and six month periods ended March 31, 2016 and 2015 is as follows:

	Three months ended		Six months ended	
	2016	2015	**2016**	2015
	$	$	**$**	$
Operating activities				
Decrease (increase) in assets				
Accounts receivable and advances	**(10,880)**	(557,923)	**(184,517)**	(695,420)
Prepaid expense and deposits	**25,568**	91,040	**86,811**	(13,032)
Inventory	**(85,559)**	(112,463)	**(472,012)**	(147,203)
	(70,871)	(579,346)	**(569,718)**	(855,655)
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities	**217,056**	216,969	**422,120**	580,117
Deferred revenue	**21,301**	-	**(15,132)**	-
	167,486	(362,377)	**(162,730)**	(275,538)

21. Commitments

(a) At March 31, 2016, Eguana had commitments for premises as follows:

	$
Less than one year	**83,100**
Between one and five years	**60,600**
More than five years	**-**
	143,700

The Company has the right to renew is Calgary premises for a period of five years at the end of the term.

22. Segmented information

Major customers

The Company had five customers where product sales were greater than 10% in the six month period ended March 31, 2016. One customer had attributed sales of approximately $134,356 and $334,557 for the three and six months ended March 31, 2016 (2015 – $1,456,031 and $2,966,757).

23. Legal disputes

The Company is in a dispute with a prior customer because 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 related outstanding receivable is uncertain due to litigation risks and has been provided for. The customer, in return, has made warranty claims against the Company for which the Company has denied. The Company has recorded a warranty provision to cover the expected warranty claims arising from all sales made including sales to the customer. There has been no change from year end. Subsequent to quarter end, the Company notified the customer that it would file a claim in the German court.

23. Legal disputes (continued)

The Company's former contract manufacturer submitted a claim against Eguana for 1,534,000 Euros ($2,320,000 CAD) in an Alberta court. The Company is disputing 799,000 Euros ($1,174,530 CAD) of the amount the contract manufacturer is seeking. The Company has recorded the undisputed amount. Moreover, the Company made a counter claim against the contract manufacturer.

There has been no change in the recorded amounts for legal disputes from year end.

24. Subsequent events

In April 2016, subsequent to quarter-end, the Company issued 9,982,402 common shares at a price of $0.12 per share for gross proceeds of $1,197,888 (Note 10).

Subsequent to quarter end, the Company issued 500,000 options at $0.175 and 500,000 at $0.325 to a consultant. The options expire in 5 years from May 2016 and vested on issuance. In June 2016, the Company issued 695,000 at $0.235 to employees of the corporation. A third of the options will vest immediately, a third after one year and the remaining third after 2 years. The options expire in 10 years from the grant date.

In June 2016, the Company announced the filing of a preliminary prospectus for the issuance of 27,272,728 common shares at $0.22 per Common Share with a possible over allotment 4,090,910 common shares at $0.22. The Company is in the process of finalizing the prospectus.

25. Recast of comparative balance sheet

The Company noted a tabulation error in the comparative statement of financial position as at September 30, 2015 in the previously filed March 31, 2016 Q2 condensed consolidated interim financial statements. The amended and restated financial statements remove the duplication of $110,321 of deferred revenue, which was included in the comparative September 30, 2015 column both as a separate line item and in other liabilities current portion. These changes only affect the comparative September 30, 2015 balance sheet figures within the 2016 Financials, making them consistent with the audited accounts as of September 31, 2015, which were accurately presented. These changes do not affect the current fiscal year figures of the 2016 Financials. The Company has reclassified the $110,321 of deferred revenue at September 30, 2015 from within other liabilities current portion to deferred revenue.