Condensed Interim Consolidated Financial Statements of

Eguana Technologies Inc.

September 30, 2024

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of Eguana Technologies Inc. (the "Company") is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor. These unaudited condensed interim consolidated financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated statements of financial position, net loss, changes in equity (deficit) and comprehensive income and cash flows.

Condensed Interim Consolidated Statements of Financial Position

(in Canadian dollars)

	September 30, 2024 (Unaudited)	December 31, 2023
Assets		
Current:		
Cash and cash equivalents	**115,058**	627,559
Accounts and other receivable, net (Note 4)	**366,953**	6,956,667
Inventory (Note 5)	**8,309,548**	8,501,269
Prepaid expenses and deposits (Note 5)	**2,744,129**	2,759,043
Assets held for disposal (Note 3)	**74,442**	289,117
Total Current Assets	**11,610,130**	19,133,655
Non-current:		
Property and equipment	**1,035,374**	1,309,511
Intangible assets	**295,747**	370,496
Right-of-use assets (Note 8)	**560,203**	643,834
Total Assets	**13,501,454**	21,457,496
Liabilities		
Current:		
Accounts payable and accrued liabilities	**6,968,615**	6,783,436
Warranty provision (Note 17)	**877,892**	667,559
Deferred revenue	**50,323**	274,272
Current portion of long-term debt (Note 6)	**8,322,730**	8,209,409
Derivative liability (Note 6)	**3,374,750**	2,883,556
Convertible debentures (Note 7)	**29,292,957**	-
Current portion of lease liability (Note 8)	**160,193**	154,792
Liabilities directly associated with assets held for disposal (Note 3)	**284,374**	180,750
Total Current Liabilities	**49,331,834**	19,153,774
Non-current:		
Convertible debentures (Note 7)	**-**	26,735,765
Lease liability (Note 8)	**613,048**	694,262
Total Liabilities	**49,944,882**	46,583,801
Shareholders' Deficit		
Common shares (Note 9)	**92,132,438**	92,132,438
Warrants (Note 10)	**116,780**	116,780
Convertible debentures (Note 7)	**7,310,746**	7,310,746
Contributed surplus	**15,523,666**	15,263,105
Accumulated comprehensive loss	**(232,329)**	(224,127)
Deficit	**(151,294,729)**	(139,725,247)
Total Shareholders' Deficit	**(36,443,428)**	(25,126,305)
Total Liabilities and Shareholders' Deficit	**13,501,454**	21,457,496

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

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

(in Canadian dollars)
(Unaudited)

	Three Months Ended		Nine months Ended	
	September 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Sales (Note 16)	**294,860**	2,551,092	**1,910,453**	10,473,963
Cost of goods sold	**420,870**	2,447,574	**1,898,073**	10,217,527
Cost of goods sold – impairment and write-down	**82,802**	325,763	**82,802**	325,763
Gross margin	**(208,812)**	(222,245)	**(70,422)**	(69,327)
Expenses				
General and administrative	**637,175**	623,826	**2,047,056**	2,455,347
Selling and marketing	**140,580**	516,466	**575,339**	1,621,426
Product development	**425,479**	1,133,326	**1,109,960**	3,967,897
Operations	**224,137**	412,258	**964,768**	1,096,501
Amortization	**183,633**	187,342	**540,002**	559,039
Share-based compensation (Note 11)	**80,401**	235,552	**260,561**	689,970
	1,691,405	3,108,770	**5,497,686**	10,390,180
Operating Loss	**(1,900,217)**	(3,331,015)	**(5,568,108)**	(10,459,507)
Financing costs (Note 13)	**(2,020,645)**	(2,064,717)	**(6,138,786)**	(6,017,209)
Expected credit recovery (loss) (Note 4)	**1,110,238**	(1,206,286)	**1,173,851**	(1,788,005)
Foreign exchange gain (loss)	**93,659**	119,378	**(36,966)**	(242,225)
Other income (Note 14)	**45,779**	17,488	**271,220**	138,717
Other recovery (expense) (Note 14)	**-**	840,933	**(128,451)**	(1,212,251)
Net Loss Before Tax	**(2,671,186)**	(5,624,219)	**(10,427,240)**	(19,580,480)
Current tax expense	**-**	-	**-**	-
Net Loss from Continuing Operations	**(2,671,186)**	(5,624,219)	**(10,427,240)**	(19,580,480)
Net Loss from Discontinued Operations After Tax (Note 3)	**(312,950)**	(177,770)	**(1,142,242)**	(555,927)
Net Loss	**(2,984,136)**	(5,801,989)	**(11,569,482)**	(20,136,407)
Foreign currency translation adjustment	**(38,340)**	(27,488)	**(8,202)**	(135,241)
Total Comprehensive Loss	**(3,022,476)**	(5,829,477)	**(11,577,684)**	(20,271,648)
Loss per common share from continuing operations				
Basic and diluted	**(0.01)**	(0.01)	**(0.02)**	(0.05)
Weighted average number of common shares				
Basic and diluted (Note 9)	**548,107,332**	418,418,645	**548,107,332**	418,418,645

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

Condensed Interim Consolidated Statements of Changes in Equity (Deficit)
(in Canadian dollars)
(Unaudited)

	Common shares	Preferred shares	Warrants	Convertible debentures	Contributed surplus	AOCI*	Deficit	Total
Balance January 1, 2024	92,132,438	-	116,780	7,310,746	15,263,105	(224,127)	(139,725,247)	(25,126,305)
Net loss for the period	-	-	-	-	-	-	(11,569,482)	**(11,569,482)**
Foreign currency translation adjustment	-	-	-	-	-	(8,202)	-	**(8,202)**
Share-based compensation (Note 11)	-	-	-	-	260,561	-	-	**260,561**
Balance September 30, 2024	**92,132,438**	**-**	**116,780**	**7,310,746**	**15,523,666**	**(232,329)**	**(151,294,729)**	**(36,443,428)**
Balance January 1, 2023	85,198,770	1	1,665,349	7,310,746	13,727,317	(143,392)	(104,135,496)	3,623,295
Net loss for the period	-	-	-	-	-	-	(20,136,407)	(20,136,407)
Foreign currency translation	-	-	-	-	-	(135,241)	-	(135,241)
Repayment of accrued interest with common shares	2,292,709	-	-	-	-	-	-	2,292,709
Warrants exercised, (Note 9 and 10)	4,305,739	-	(979,134)	-	-	-	-	3,326,605
Warrants expired (Note 10)	-	-	(633,617)	-	633,617	-	-	-
Share-based compensation (Note 11)	-	-	-	-	689,970	-	-	689,970
Balance September 30, 2023	**91,797,218**	**1**	**52,598**	**7,310,746**	**15,050,904**	**(278,633)**	**(124,271,903)**	**(10,339,069)**

Accumulated comprehensive loss

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

Condensed Interim Consolidated Statements of Cash Flows

(in Canadian dollars)
(Unaudited)

	Three Months Ended		Nine months Ended	
	September 30, 2024	September 30, 2023	**September 30, 2024**	**September 30, 2023**
Operating activities				
Net loss	**(2,984,136)**	(5,801,989)	**(11,569,482)**	(20,136,407)
Expected credit (recovery) loss (Note 4)	**(1,110,238)**	1,206,286	**(1,173,851)**	1,788,005
Financing costs (Note 13)	**2,020,645**	2,064,716	**6,138,786**	6,017,209
Share-based compensation (Note 11)	**80,401**	235,552	**260,561**	689,970
Warranty provision	**70,111**	149,152	**210,333**	350,144
Amortization of assets	**183,632**	187,342	**540,002**	559,039
Write down of inventory	**-**	13,526	**-**	26,088
Impairment of inventory	**-**	325,763	**-**	325,763
Bad debt expense	**27,978**	-	**34,986**	-
Other expense	**-**	-	**8,106**	2,053,184
Other income	**(16,437)**	-	**(16,437)**	-
Unrealized foreign exchange loss (gain)	**(93,659)**	(119,378)	**36,966**	242,225
	(1,821,703)	(1,739,030)	**(5,530,030)**	(8,084,780)
Net change in non-cash working capital (Note 15)	**1,811,698**	920,649	**6,405,981**	(2,642,254)
Cash flow (used in) from operating activities	**(10,005)**	(818,381)	**875,951**	(10,727,034)
Financing activities				
Proceeds on exercise of warrants (Note 10)	**-**	-	**-**	3,326,605
Proceeds from short-term loan (Note 15)	**-**	-	**220,516**	-
Repayment of short-term loan (Note 15)	**-**	-	**(233,884)**	-
Repayment of long-term debt (Note 6)	**-**	(1,539,141)	**(1,119,816)**	(4,263,072)
Repayment of leases	**(85,075)**	(70,593)	**(258,895)**	(255,902)
Net change in non-cash working capital (Note 15)	**-**	582,247	**-**	582,247
Cash flow (used in) from financing activities	**(85,075)**	(1,027,490)	**(1,392,079)**	(610,122)
Investing activities				
Capital asset additions	**-**	(184,869)	**(4,565)**	(561,247)
Proceeds from sale of capital assets	**4,031**	-	**14,470**	-
Intangible asset addition	**-**	-	**-**	(340,300)
Net change in non-cash working capital (Note 15)	**-**	(52,437)	**-**	(96,048)
Cash flow (used in) from investing activities	**4,031**	(237,306)	**9,905**	(997,595)
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	**(32,243)**	779	**(6,278)**	(89,398)
Net change in cash and cash equivalents	**(123,292)**	(2,082,398)	**(512,501)**	(12,424,149)
Cash and cash equivalents, beginning of period	**238,350**	4,633,438	**627,559**	14,975,189
Cash and cash equivalents, end of period	**115,058**	2,551,040	**115,058**	2,551,040

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 consolidated financial statements and therefore should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2023, and fifteen-month period ended December 31, 2022, which were prepared in accordance with IFRS Accounting Standards, "the Annual Financial Statements".

These financial statements follow the same accounting policies as outlined in Note 3 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) below, and also Note 3(d) of the Annual Financial Statements.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company, on November 28, 2024.

b) Going Concern

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's intention is to continue to fund operations by adding revenue and positive cash flow, managing outgoing cash flows, and seeking additional financing in the capital markets through debt and/or equity.

At September 30, 2024, the Company had not achieved profitable operations since its inception and had an accumulated deficit of $151.3 million (December 31, 2023 - $139.7 million). For the period ended September 30, 2024, the Company incurred a net loss from continuing operations before tax for the three and nine months ended September 30, 2024 of $2.7 million and $10.4 million, respectively (three and nine months ended September 30, 2023 – $5.6 million and $19.6 million, respectively) and had limited cash flow from operating activities.

Further, at September 30, 2024, the Company had a working capital deficit of $37.7 million. At the end of 2023 and throughout 2024, the Company has continued to delay or defer or negotiate interest only, for the monthly long-term debt loan amortization payments. In July 2024, the Company missed a previously negotiated interest only payment for July 1st and an anticipated August 1st regular amortization payment, moving the loan into formal default. On August 27, 2024, the Company and the senior lender entered into an updated forbearance agreement, which included deferral of payments up to and including September 1, 2024. Subsequent to the updated forbearance agreement, the Company missed an expected payment in October 2024. Negotiations with the lender were ongoing and the Lender did not take any action. In November, 2024, the Company and the Lender agreed to an amendment, which included an extension of the maturity date, and revised monthly amortization payment amounts, as disclosed in Note 18.

Management is reliant on the continued support of lenders, suppliers, and other providers to the Company, as the Company is forecasting requiring additional cash to continue to fund operations and settle its obligations. The Company is behind in its regular payments to lenders, vendors, various contractual payments and rent payments. The Company will need the continued support of its existing vendors and lenders, and to create cash inflows either through new sales, further inventory returns, collection of accounts receivable, equity issuances, additional debt financings, and/or sales of business lines, in order to be able to meet both its existing and future obligations. There is no guarantee that the Company will be successful in this regard. If the liquidity situation continues, it may have continued operational impacts, such as impaired reputation, low employee morale and productivity plus employee turnover, negative implications with suppliers, vendors, landlords, lenders and shareholders, and exposure to downgrading credit and legal claims. These facts create material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. Failure to continue as a going concern would require adjustments to assets and liabilities, the reported revenues and expenses, and balance sheet classifications used, which could differ materially from the going concern basis.

c) 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.

d) Critical Accounting Estimates

The Company has accounts and other receivables, net of expected credit loss ("ECL"), totaling $0.4 million as at September 30, 2024, and applies significant judgement to estimate the 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 (see Note 4).

(in Canadian dollars)

The Company has inventory, net of impairments, totaling $8.3 million as at September 30, 2024. These assets are also subject to significant judgement to estimate impairment provisions. The Company considers historical sales values, net realizable value for comparable inventory items, and future use of the inventory for sale and/or in production of finished goods.

During June 2024, the Company made the decision to liquidate the German subsidiary, see Note 3. Judgement was applied to determine any asset impairments and the accrual of any liabilities associated with the closure.

3. Assets Held for Disposal and Discontinued Operations

During June 2024, the Company made the decisions to liquidate the German subsidiary and took the necessary operational and legal steps to affect the closure. As a geographic segment of the business, the carrying value of the assets and liabilities related to this business were classified as held for disposal, which results in a reclassification of the assets to assets held for disposal and liabilities to liabilities directly associated with assets held for disposal, on the condensed interim consolidated statement of financial position.

As a result, at June 30, 2024, capital assets with a carrying value of $7,619 and inventory with a carrying value of $163,070 were impaired to $nil, relating to German components and finished goods that may not have a future use. The Company views the carrying value of these assets to represent the fair value which it could reasonably receive. As of September 30, 2024, the Company has not completed the liquidation of the assets and therefore no proceeds have been received. Also at June 30, 2024, the Company estimated the costs to wind up the subsidiary, including final personnel costs, and accrued $271,430 into accrued liabilities at June 30, 2024. For the three months ended September 30, 2024, additional impairment in the amount of $285,153 was taken on inventory.

a) Assets held for disposal

The major classes of assets held for disposal and liabilities directly associated with assets held for disposal, at September 30, 2024, were as follows.

	September 30, 2024
Cash and cash equivalents	**17,917**
Prepaid expenses and deposits	**5,133**
Lease assets	**51,382**
Total assets	**74,442**
Accounts payable and accrued liabilities	**221,137**
Lease liabilities	**63,237**
Total liabilities	**284,374**

(in Canadian dollars)

b) Results of discontinued operations

The following table summarizes the net loss from discontinued operations, after tax for the three and nine months ended September 30, 2024.

	Three Months Ended		Nine months Ended	
	September 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Sales	**-**	-	**-**	-
Cost of goods sold	**-**	-	**-**	-
Gross margin	**-**	-	**-**	-
Expenses				
General and administrative	**4,549**	10,497	**42,765**	33,876
Selling and marketing	**8,426**	147,687	**568,042**	444,216
Operations	**359**	5,673	**18,271**	33,490
Amortization	**11,824**	10,631	**34,979**	33,363
	25,158	174,488	**664,057**	544,945
Operating Loss	**(25,158)**	(174,488)	**(664,057)**	(544,945)
Financing costs	**(2,639)**	(3,282)	**(8,847)**	(10,982)
Impairment	**(285,153)**	-	**(469,338)**	-
Net Loss Before Tax	**(312,950)**	(177,770)	**(1,142,242)**	(555,927)
Current tax expense	**-**	-	**-**	-
Net Loss from discontinued operations	**(312,950)**	(177,770)	**(1,142,242)**	(555,927)

c) Cash flows used in discontinued operations

	Three Months Ended		Nine months Ended	
	September 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Cash flows used in operating activities	**(197,306)**	(136,102)	**(691,033)**	(524,827)
Cash flows used in investing activities	**-**	-	**-**	-
Cash flows used in financing activities	**(14,923)**	(13,907)	**(44,166)**	(27,769)
Net cash outflows	**(704,312)**	(150,009)	**(1,020,045)**	(566,503)

(in Canadian dollars)

4. Accounts and Other Receivables, Net

The following schedules outline the details of accounts receivables:

	September 30, 2024	December 31, 2023
Trade	**8,219,831**	19,980,759
Taxation authorities	**57,586**	47,834
	8,277,417	20,028,593
Less: expected credit loss	**(7,910,464)**	(13,071,926)
	366,953	6,956,667

Trade Receivables:	**September 30, 2024**	December 31, 2023
Current	**107,388**	665,798
Past Due		
31 – 60 days	**-**	51,661
61 – 90 days	**1,146**	92,763
Over 90 days	**8,111,297**	19,170,537
	8,219,831	19,980,759

The Company has one customer that represents 77% (December 31, 2023 – 95%) of total accounts receivable, which as at September 30, 2024, has $6,313,449 (December 31, 2023 – $17,417,828) of total accounts receivable over 90 days past due and the customer continues to be delayed in making payments.

On January 1, 2024, the Company entered into an agreement, (“the Collaboration Agreement”) with the customer and an existing third-party vendor, to provide various offsets to the outstanding balance of accounts receivable due to the Company. This customer, with a significant outstanding accounts receivable balance, agreed to transfer inventory (“the Inventory Transfer”) to the Company and provide the Company with a manufacturing credit (“the Manufacturing Credit”) for future services to be performed by the third-party vendor. Pursuant to the Agreement, the Company agreed to absorb a costing reduction adjustment (“Cost Adjustment”) that was provided by way of a credit to the outstanding accounts receivable balance of the customer.

Not specifically outlined in the Collaboration Agreement, in February 2024, Eguana issued a purchase order for USD $800,000, to obtain finished goods inventory from this key customer, with the intent of using those units for Canadian deployment into virtual power plant opportunities. This purchase order was netted against the customer’s accounts receivable balance.

(in Canadian dollars)

Additionally, during the three months ended June 2024, a price concession was provided to this customer that resulted in a credit to accounts receivable, with an offset to expected credit loss of USD $415,000. Based on new market information for inventory previously sold to the customer, and in good faith, the Company agreed to a one-time credit, reflecting market pricing through a new sales channel that is now available but only at a lower special selling price. This does not impact the Company's existing inventory.

During the three months ended September 30, 2024, the Company has recorded reductions in ECL to reflect value received from inventory obtained as an offset to net accounts receivable with the key customer, a price concession and payments received. As a result, the Company has a provision for this customer at September 30, 2024, in the amount of $6,233,055.

Significant judgement is applied to estimate the ECL, based on customer-specific factors, including past payment history, known customer business factors, plus judgements for the expected timing of future consideration, and discount rates, to account for the time value of money, when required. In addition, general and industry forecasted economic conditions are included in the assessment of ECL.

5. Inventory

	September 30, 2024	December 31, 2023
Finished goods	**1,754,747**	1,178,501
Components	**6,554,801**	2,880,973
Inventory work in process	**-**	145,184
Inventory return components	**-**	4,296,611
	8,309,548	8,501,269

As at September 30, 2024, $8,293,116 (December 31, 2023 - $8,339,650) of inventory was carried at cost and $16,432 (December 31, 2023 - $16,435) was carried at net realizable value.

In December 2023, the Company entered into a Termination Cooperation Agreement with a major supply partner, whereby inventory components would be returned to the supplier. In February 2024, the Company entered into a supplementary agreement to the Cooperation Termination Agreement. Under these agreements, Eguana returned component inventory, at full landed costs totaling US $3,940,364. During the three months ended September 30, 2024, the Company received cash proceeds of US $2,888,676, plus an offset of US $1,051,688 to an outstanding amount payable due to the supplier.

During the nine months ended September 30, 2024, the Company recognized impairment of $448,223 on inventory related to the liquidation of a subsidiary in Germany (see Note 3).

At September 30, 2024, the Company has deposits on inventory, of approximately, $1.5 million, which is included in prepaid expenses and deposits (December 31, 2023 – $1.4 million).

(in Canadian dollars)

6. Long-term Debt and Derivative Liability

	Derivative Liability	Long-term Debt	Total
Balance January 1, 2023	2,460,739	11,459,015	13,919,754
Accretion and accrued interest	-	2,266,791	2,266,791
Repayment	-	(5,314,087)	(5,314,087)
Fair value loss on derivative liability	422,817	-	422,817
Gain on foreign exchange	-	(202,310)	(202,310)
Balance December 31, 2023	2,883,556	8,209,409	11,092,965
Accretion and accrued interest	-	1,066,748	1,066,619
Repayment	-	(1,110,593)	(1,110,593)
Fair value loss on derivative liability	491,194	-	491,194
Loss on foreign exchange	-	157,165	157,295
Balance September 30, 2024	**3,374,750**	**8,322,730**	**11,697,480**
Less: current portion	**(3,374,750)**	**(8,322,730)**	**(11,697,480)**
Long-term portion	**-**	**-**	**-**

On April 1, 2022, the Company entered into a loan agreement (the "Senior Loan") for general working capital and then drew the full US $10.0 million with a secured lender (the "Lender").

In connection with the 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 3,700,732 warrants were issued on April 7, 2022, and the second 1,233,577 warrants were issued on August 31, 2022. 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 US $1.5 million.

The warrants are recorded as a warrant derivative liability at fair value through profit or loss and re-measured at each reporting date. A warrant derivative liability was measured at the time of each loan advance, with the residual value assigned to the long-term debt. The loan advances are being accreted to its face value over the term of the loan, using an effective interest rate of 30% for the first loan advance and 17% for the second loan advance. The warrant derivative liability, for the loan advances, 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 fair value was determined to be $3,374,750 at September 30, 2024, with a resulting fair value loss for the three months ended September 30, 2024 of $106,688 (three months ended September 30, 2023 - $182,133) and nine months ended September 30, 2024 of $491,194 (nine months ended September 30, 2023 - $354,521).

(in Canadian dollars)

During 2024, the Company negotiated various payment delays and deferrals with the Lender. On May 7, 2024, the Company entered into a forbearance agreement with the lender whereby the Lender agreed to a deferral of payments up to and including June 1, 2024, predicated on subjective conditions that if not complied with render the forbearance to be terminated, for which the Company complied. Subsequent to the forbearance agreement, the Company missed a negotiated interest only payment in July and an anticipated August regular amortization payment, moving the loan into formal default. Based on ongoing discussions regarding a formal amendment, on August 27, 2024, the Lender provided an updated forbearance agreement, whereby the Lender agreed to a deferral of payments up to and including September 1, 2024, predicated on the same subjective conditions that if not complied with render the forbearance to be terminated. Subsequent to this second forbearance agreement, the Company missed an anticipated October regular amortization payment, moving the loan back into formal default. During this time, negotiations with the lender were ongoing and the Lender has not taken any action.

At September 30, 2024, the full amount of the loan has been classified as a current liability on the Company's statement of financial position. The fair value of the Senior Loan as at September 30, 2024, for the unpaid balance and all future interest amounts, is US $6,457,881.

Subsequent to quarter end, the Company and the Lender reached a formal amendment, which is outlined in Note 18.

7. Convertible Debentures

	Debt Component	Equity Component	Total
Balance January 1, 2023	23,883,187	7,310,746	31,193,933
Interest	(2,310,000)	-	(2,310,000)
Accretion	5,162,578	-	5,162,578
Balance December 31, 2023	26,735,765	7,310,746	34,046,511
Interest	(1,723,082)	-	(1,723,082)
Accretion	4,291,274	-	4,291,274
Balance September 30, 2024	**29,292,957**	**7,310,746**	**36,603,703**

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

There are conversion rights on the Debentures contingent on share price and the lender may be entitled to convert into common shares, or the Company may require the lender 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. Accretion was recorded on the Debenture during the three months ended September 30, 2024 of $1,484,741 (three months ended September 30, 2023 - $1,318,088) and nine months ended September 30, 2024 of $4,291,274 (nine months ended September 30, 2023 - $3,805,746).

(in Canadian dollars)

On January 31, 2024, the Company signed a memorandum of understanding with the holder of the Debentures amending the payment deadline for the interest payment that was due on March 1, 2024, to August 31, 2024. On August 13, 2024, the Company signed an updated memorandum of understanding with the holder of the Debentures amending the payment dates for the interest payments that were due on March 1, 2024, and September 1, 2024, both deferred to March 31, 2025. The memorandum of understanding included language outlining that notwithstanding the extensions, the Company will make commercially reasonable best efforts to issue the interest payments as early as possible.

8. Lease Liabilities

The Company recognizes lease liabilities from its leases of real estate and vehicles. During the three months ended June 30, 2024, the Company entered into a lease extension at one of the property locations, resulting in the addition of $655,000 to outstanding lease liabilities, with a corresponding increase to right-of-use assets. During the three months ended September 30, 2024, a property location lease was early terminated, resulting in disposals to right-of-use assets and lease liabilities, with a net gain of $37,544.

9. Common Shares

Authorized, Unlimited Number

Issued

	Number of Shares	Amount ($)
Balance January 1, 2023	403,166,645	85,198,770
Issuance of common shares (Note 7)	17,822,711	2,310,000
Share issuance costs	-	(24,019)
Issuance of common shares – private placement	11,300,000	335,220
Exercise of warrants (Note 10)	16,666,666	4,312,467
Balance December 31, 2023 and September 30, 2024	**448,956,022**	**92,132,438**

On March 16, 2023, a strategic investor in the Company received 16,666,666 common shares, through the exercise of share purchase warrants, issued in connection with an offering from March 2020, for an aggregate value of $3,333,333. On the closing of the offering the fair value of this Debenture conversion option was measured at $979,134. No proceeds were received in this conversion.

In March 2023, the convertible debentures lender exchanged $1,145,507 of interest into 4,242,617 common shares, in full satisfaction of the interest payment due on March 1, 2023. In September 2023, the convertible debentures lender exchanged $1,164,493 of interest owing into 13,580,094 common shares, in full satisfaction of the interest payment due on September 1, 2023.

In December 2023, the Company closed a tranche of a non-brokered private placement offering of units of the Company (the Units"). The Company issued 11,300,000 Units at a price of $0.04 per Unit for gross proceeds of $452,000. Each Unit was comprised of one common share and one common share purchase warrant.

(in Canadian dollars)

Weighted Average Number of Common Shares

The weighted average number of shares as at September 30, 2024, and December 31, 2023, 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.

10. Warrants

Changes in the Company's warrants are as follows:

	Number issued with common shares and debt	Number of broker warrants	Total Number of warrants	Allocated fair market value ($)
Balance January 1, 2023	21,600,975	2,100,000	23,700,975	1,665,349
Warrants issued	11,300,000	-	11,300,000	116,780
Warrants exercised	(16,666,666)	-	(16,666,666)	(979,134)
Warrants expired	-	(2,100,000)	(2,100,000)	(686,215)
Balance December 31, 2023 and September 30, 2024	**16,234,309**	**-**	**16,234,309**	**116,780**

Outstanding and exercisable warrants as at September 30, 2024 were as follows:

Range of exercise prices	Warrants	Weighted average exercise prices ($)	Weighted average years to expiry
$0.01 - $0.20	11,300,000	0.06	1.18
$0.31 - $0.40	4,934,309	0.36	2.50
Balance September 30, 2024	**16,234,309**	**0.15**	**1.58**

In December 2023, the Company issued 11,300,000 Units, in connection with a private placement (Note 9), at a price of $0.04 per Unit for gross proceeds of $452,000. Each Unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share at a price of $0.06 per common share, for a period of 24 months following the closing date of the offering. The fair values of the warrants issued was estimated to be $116,780 on the issue date using the Black-Scholes valuation model, using an annual risk-free interest rate of 4.1 percent, two years to maturity, annualized volatility of 94.65 percent, stock price of $0.03 and exercise price of $0.06.

(in Canadian dollars)

11. 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 various small amendments to the existing Stock Option Plan on September 26, 2024. 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 vested 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 44,895,600 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 September 30, 2024, was $80,401 (three months ended September 30, 2023 – $235,552) and nine months ended September 30, 2024, was $260,561 (nine months ended September 30, 2023 - $689,970).

	Number of options to employees	**Weighted average price to employees ($)**	**Number of options to non-employees**	**Weighted average price to non-employees ($)**
Balance January 1, 2023	14,896,273	0.31	10,775,264	0.31
Granted	250,000	0.17	-	-
Forfeited	(1,801,647)	(0.19)	(5,182,500)	(0.23)
Balance December 31, 2023	13,344,626	0.30	5,592,764	0.38
Forfeited	(660,389)	(0.27)	(3,250,000)	(0.39)
Balance September 30, 2024	**12,684,237**	**0.31**	**2,342,764**	**0.36**

Stock options outstanding as at September 30, 2024:

	Outstanding Options			**Exercisable Options**	
	Number	Weighted average price ($)	Weighted average years to expiry	Number	Weighted average price ($)
$0.01 - $0.30	5,850,000	0.20	5.11	4,966,283	0.19
$0.31 - $0.40	7,977,001	0.38	4.30	5,826,326	0.37
$0.41 - $0.50	1,200,000	0.34	0.2	1,100,002	0.37
Balance September 30, 2024	**15,027,001**	**0.31**	**4.30**	**11,892,611**	**0.30**

(in Canadian dollars)

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

	September 30, 2024 (2)	December 31, 2023
Risk free interest rate	-	1.57% - 3.14%
Expected volatility (1)	-	115% - 126%
Expected life (years)	-	3 – 10
Weighted average fair value	-	0.20 – 0.42

(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 and nine months ended September 30, 2024.

12. 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 cash equivalents 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.

(in Canadian dollars)

13. Financing Costs

	Three Months Ended		Nine months Ended	
	September 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Accretion of convertible debentures (Note 7)	**1,484,741**	1,318,088	**4,291,274**	3,805,746
Accretion of long-term debt (Note 6)	**286,541**	539,291	**1,066,748**	1,799,380
Change in fair value on derivative liability (Note 6)	**106,688**	182,133	**491,194**	354,521
Other interest	**107,788**	-	**181,947**	-
Lease interest (Note 8)	**34,887**	25,205	**94,255**	78,562
Short-term loan interest (Note 15**Error!**	**-**	-	**13,368**	-
	2,020,645	2,064,717	**6,138,786**	6,017,209

14. Other Income (Expense)

	Three Months Ended		Nine months Ended	
	September 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Other Income				
Gain on return of inventory	**-**	-	**179,422**	-
Gain on disposal of capital and lease assets	**20,101**	-	**20,101**	-
Other	**25,097**	4,158	**65,990**	16,341
Interest income	**581**	13,330	**5,707**	122,376
	45,779	17,488	**271,220**	138,717
Other Expense				
Transaction costs	**-**	-	**(89,415)**	-
Loss on inventory (recovery) – theft	**-**	840,933	**-**	(1,212,251)
Loss on disposal of capital and lease assets	**-**	-	**(8,106)**	-
Other	**-**	-	**(30,930)**	-
	-	840,933	**(128,451)**	(1,212,251)

In June 2024, the Company determined that formal completion of the business acquisition of Solarlab, by Eguana Pty Ltd, in Australia, was not possible. This determination was made after various delays completing the transaction, and in the context of the overall industry downturn. At December 31, 2023, and for subsequent reporting periods, any costs related to this acquisition were recorded as transaction costs, in other expenses.

15. Supplemental Information

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

	Three Months Ended		Nine months Ended	
	September 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Provided by (used in)				
Operating activities				
Accounts receivable	**1,057,774**	(326,643)	**7,837,237**	(5,926,137)
Inventory	**648,959**	954,237	**191,721**	(3,875,067)
Prepaid expenses and deposits	**55,508**	116,956	**20,296**	6,206,616
Accounts payable and accrued liabilities	**238,925**	239,844	**(1,737,623)**	1,162,105
Deferred revenue	**(58,308)**	(23,151)	**(223,949)**	5,371
Assets held for disposal	**18,126**	(39,375)	**214,675**	(185,414)
Liabilities directly associated with assets held for disposal	**(149,286)**	(1,219)	**103,624**	(29,728)
	1,811,698	920,649	**6,405,981**	(2,642,254)
Financing activities				
Accounts payable and accrued liabilities	**-**	582,247	**-**	582,247
Investing activities				
Accounts payable and accrued liabilities	**-**	(52,437)	**-**	(96,048)

On March 8, 2024, the Company closed unsecured short-term bridge loan financing, in the principal amount of $220,516, with certain accredited investors, including the Company's Chief Executive Officer and members of the Board of Directors. The proceeds of this short-term loan were used for general working capital. A portion of the financing was received in US dollars and a portion in Canadian dollars and repayable in the respective currencies. The principal amount of the financing, together with interest accrued thereon, at a rate of 5% per month, was payable on April 30, 2024, and repaid on April 25, 2024.

16. Segmented Information

Major customers

The Company had two customers where sales were greater than 10% of total sales in the three months ended September 30, 2024 (three months ended September 30, 2023 – one) and two customers for the nine months ended September 30, 2024 (nine months ended September 30, 2023 - one). These customers had attributed sales of approximately $0.1 million for the three months ended September 30, 2024 (three months ended September 30, 2023 - $2.0 million) and approximately $0.8 million for the nine months ended September 30, 2024 (nine months ended September 30, 2023 - $9.3 million).

(in Canadian dollars)

Revenue composition

	Three Months Ended		Nine months Ended	
	September 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Geographic Sales Revenue				
Australia	**172,925**	511,685	**1,407,775**	1,019,416
Canada	**35**	-	**132,747**	-
Europe	**-**	5,136	**-**	72,720
United States	**121,900**	2,034,271	**369,931**	9,381,927
	294,860	2,551,092	**1,910,453**	10,473,963
Product and Service Revenue				
Product sales	**157,719**	2,129,265	**657,229**	9,664,956
Installation services	**137,141**	421,827	**1,253,224**	809,907
	294,860	2,551,092	**1,910,453**	10,473,963

17. 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, plus other amounts from the customer because of the cancellation. Collection is uncertain due to litigation risks and the entire accounts receivable has been provided for. The customer, in return, has made warranty claims against the Company, which the Company has denied. The Company has recorded a warranty provision to cover potential warranty claims arising from all sales, including sales to this customer. In 2018, the customer made a counter claim against the Company. There has been no change in these Euro denominated amounts from the prior year end.

On April 29, 2024, the Company received a legal demand from a supplier for payment on an open purchase order. The Company ordered inventory with a deposit (see Note 5) and understood that the supplier would hold the products. The supplier is demanding payment of US $2.3 million and outlining they will dispose of the products. The Company has responded with its own legal letter outlining why there is no dispute or amount owing. The dispute may result in the deposit on the inventory being forfeited, and hence written off to a loss by the Company. The parties are still negotiating.

The Company is subject to other legal claims with landlords, suppliers and employees. During the three months ended September 30, 2024, the Company agreed to pay costs associated with the early termination of a property lease totaling approximately $40,000, and to payment of any regular rent amounts in arrears.

18. Subsequent Events

In October 2024, the Company concluded an investigation into a warehouse location where some consignment inventory was stored for a customer. The operating lessor is missing, the Company successfully filed legal paperwork against the lessor and made contact with the landlord, concluding there is no savable inventory. The Company will conclude this matter soon, by offering credit to the customer. The likely result will be a reduction of accounts receivable from the customer, with an other expense recorded in the financial statements.

In November 2024, the Board of Directors of the subsidiary Eguana Pty Ltd., made the decision to fully close the operations and pursue formal liquidation. The various assets and liabilities of the subsidiary will be adjusted and reflected in the financial statements for the year ended December 31, 2024. The costs of liquidation, aside from corporate oversight and potential legal costs, will be borne by the liquidator and satisfied from sale proceeds from Eguana Pty Ltd. At December 31, 2024, any Eguana Pty Ltd. financial assets and liabilities, results of operations and cash flows, will be reflected as discounted operations.

In November 2024, the Company and the Lender of the Senior Loan agreed to a formal amendment for the long-term debt. The amendment was approved by the Board and confirmed by the Lender, subject to TSXv approval. The loan amortization will be extended to May 15, 2026, with a monthly principal and interest amortization payment of $399,349 USD, starting on December 15, 2024. All deferred previously payments and accrued interest were added to the loan balance and are amortized over the longer term of the loan. In exchange for the amendment, the Company will issue 3,000,000 bonus shares from treasury. This amendment will be reflected in the financial statements for the year ended December 31, 2024.