Consolidated Financial Statements of

Eguana Technologies Inc.

December 31, 2024 and December 31, 2023

To the Shareholders of Eguana Technologies Inc.:

Opinion

We have audited the consolidated financial statements of Eguana Technologies Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024, and the consolidated statements of net loss and comprehensive loss, changes in equity (deficiency) and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company has not achieved positive operations since its inception and had an accumulated deficit and incurred a net loss for the year ended December 31, 2024. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Existence, completeness and valuation of inventory

Key Audit Matter Description

We draw attention to note 8 within the consolidated financial statements for the year ended December 31, 2024.

As at December 31, 2024, the Company held inventory of $6.9 million at multiple locations. The Company carries out an annual physical inventory count at all material inventory locations, which is essential for ensuring the existence and completeness of the inventory reported in the financial statements. The risk of material misstatement in inventory could be due to errors or inconsistencies in the physical count process, or discrepancies between the physical count and inventory records. Based on these conditions, we have determined that the existence and completeness of inventory is a key audit matter.

Inventory is valued at the lower of cost and net realizable value. The cost of inventory is determined on a weighted-average basis. The Company estimates its inventory provision based on a variety of factors, including quantities of slow-moving inventory and product obsolescence where applicable. Due to the level of management estimation involved in determining the inventory provision, we have determined that inventory valuation is a key audit matter.

Audit Response

We responded to this matter by performing audit procedures over the existence, completeness and valuation of inventory. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding of the Company's internal financial reporting controls relating to inventory and tested the design and implementation of the essential internal financial reporting controls over the existence, completeness, and valuation of inventory.
- Attended inventory counts at all material locations to verify the existence and completeness of inventory.
- Evaluated the impact of any discrepancies noted between the physical count and the recorded inventory balances, including performing additional reconciliations and adjustments.
- Reconciled the movement of inventory in transit subsequent to year end to the quantity of inventory held as at December 31, 2024.
- Evaluated the appropriateness of the Company's obsolete inventory assessment.
- Assessed the adequacy of the Company's disclosure of inventory included in the consolidated financial statements.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Matter

The consolidated financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on May 27, 2024.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leanne Bjalek.

Calgary, Alberta

MNP LLP

July 4, 2025

Chartered Professional Accountants

Consolidated Statements of Financial Position

(in Canadian dollars)

As At	**December 31, 2024**	December 31, 2023
Assets		
Current:		
Cash and cash equivalents	**307,453**	814,003
Accounts and other receivable, net (Note 7)	**6,631**	6,956,667
Inventory (Note 8)	**6,859,517**	8,501,269
Prepaid expenses and deposits (Note 8)	**601,609**	2,770,194
Assets held for disposal (Note 6)	**17,608**	-
Total Current Assets	**7,792,818**	19,042,133
Non-current:		
Property and equipment (Note 9)	**949,553**	1,317,854
Intangible assets (Note 10)	**270,831**	370,496
Right-of-use assets (Note 11)	**468,565**	727,013
Total Assets	**9,481,767**	21,457,496
Liabilities		
Current:		
Accounts payable and accrued liabilities	**7,273,408**	6,868,443
Warranty provision (Note 12)	**781,585**	667,559
Deferred revenue	**720,000**	275,308
Current portion of long-term debt (Note 14)	**6,895,476**	8,209,409
Derivative liability (Note 14)	**3,766,419**	2,883,556
Convertible debentures (Note 15)	**30,242,971**	-
Current portion of lease liability (Note 13)	**141,603**	201,709
Liabilities directly associated with assets held for disposal (Note 6)	**7,858**	-
Total Current Liabilities	**49,829,320**	19,105,984
Non-current:		
Long-term debt (Note 14)	**1,610,265**	-
Convertible debentures (Note 15)	**-**	26,735,765
Lease liability (Note 13)	**525,918**	742,052
Total Liabilities	**51,965,503**	46,583,801
Shareholders' Deficit		
Common shares (Note 16)	**92,162,438**	92,132,438
Warrants (Note 17)	**116,780**	116,780
Convertible debentures (Note 15)	**7,310,746**	7,310,746
Contributed surplus	**15,562,533**	15,263,105
Accumulated comprehensive loss	**(28,807)**	(224,127)
Deficit	**(157,607,426)**	(139,725,247)
Total Shareholders' Deficit	**(42,483,736)**	(25,126,305)
Total Liabilities and Shareholders' Deficit	**9,481,767**	21,457,496

Going concern (Note 2)

Subsequent events (Note 30)

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

On behalf of the Board:

"signed" *"signed"*

George Powlick, Director Michael Carten, Director

Consolidated Statements of Net Loss and Comprehensive Loss

(in Canadian dollars)

For the Year Ended	**December 31, 2024**	December 31, 2023
Sales (Note 27)	**751,869**	9,761,892
Cost of goods sold	**968,755**	10,057,841
Cost of goods sold – impairment and write-down (Note 8)	**1,186**	1,869,567
Gross margin	**(218,072)**	(2,165,516)
Expenses		
General and administrative	**2,191,991**	3,420,442
Selling and marketing	**461,039**	1,495,779
Product development	**1,593,332**	4,580,518
Operations	**954,490**	1,134,444
Amortization (Notes 9, 10, and 11)	**565,965**	665,337
Share-based compensation (Note 18)	**299,428**	849,573
	6,066,245	12,146,093
Operating Loss	**(6,284,317)**	(14,311,609)
Financing costs (Note 22)	**(8,156,201)**	(7,940,570)
Expected credit recovery (loss) (Notes 7 and 20)	**1,405,904**	(9,988,715)
Foreign exchange loss	**(512,452)**	(301,974)
Realization of manufacturing credit	**40,722**	-
Other income (Note 23)	**223,232**	462,464
Other expense (Note 23)	**(2,098,249)**	(338,376)
Net loss before tax	**(15,381,361)**	(32,418,780)
Current tax expense (Note 25)	**-**	-
Deferred tax recovery (Note 25)	**-**	-
Net loss from Continuing Operations	**(15,381,361)**	(32,418,780)
Net loss from Discontinued Operations after tax (Note 6)	**(2,500,818)**	(3,170,971)
Net loss	**(17,882,179)**	(35,589,751)
Foreign currency translation adjustment	**195,320**	(80,735)
Total comprehensive loss	**(17,686,859)**	(35,670,486)
Loss per common share from continuing operations		
Basic and diluted	**(0.28)**	(0.59)
Weighted average number of common shares		
Basic and diluted (Note 16)	**54,745,233**	55,012,772

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

Consolidated Statements of Changes in Equity (Deficiency)

For the Years Ended December 31, 2024 and 2023 (in Canadian dollars)

	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	**-**	**-**	**-**	**-**	**-**	**-**	**(17,882,179)**	**(17,882,179)**
Common shares issued (Notes 15, 16)	**30,000**	**-**	**-**	**-**	**-**	**-**	**-**	**30,000**
Adjustment to AOCI for discontinued operations	**-**	**-**	**-**	**-**	**-**	**155,595**	**-**	**155,595**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**39,725**	**-**	**39,725**
Share-based compensation (Note 18)	**-**	**-**	**-**	**-**	**299,428**	**-**	**-**	**299,428**
Balance December 31, 2024	**92,162,438**	**-**	**116,780**	**7,310,746**	**15,562,533**	**(28,807)**	**(157,607,426)**	**(42,483,736)**

	Common shares	Preferred shares	Warrants	Convertible debentures	Contributed surplus	AOCI*	Deficit	**Total**
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	-	-	-	-	-	-	(35,589,751)	(35,589,751)
Foreign currency translation adjustment	-	-	-	-	-	(80,735)	-	(80,735)
Cancelled preferred share	-	(1)	-	-	-	-	-	(1)
Share issuance costs (Note 16)	(24,019)	-	-	-	-	-	-	(24,019)
Common shares issued (Notes 15, 16 and 17)	2,310,000	-	-	-	-	-	-	2,310,000
Warrants exercised, (Note 16 and 17)	4,312,467	-	(979,134)	-	-	-	-	3,333,333
Common shares issued (Note 16 and 17)	335,220	-	116,780	-	-	-	-	452,000
Warrants expired (Note 17)	-	-	(686,215)	-	686,215	-	-	-
Share-based compensation (Note 18)	-	-	-	-	849,573	-	-	849,573
Balance December 31, 2023	92,132,438	-	116,780	7,310,746	15,263,105	(224,127)	(139,725,247)	(25,126,305)

Accumulated comprehensive loss

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

Consolidated Statements of Cash Flows

(in Canadian dollars)

For the Year Ended	**December 31, 2024**	December 31, 2023
Operating activities		
Net loss from continuing operations	**(15,381,361)**	(32,418,780)
Expected credit (recovery) loss (Notes 7 and 20)	**(1,405,904)**	9,988,715
Financing costs (Note 22)	**8,156,201**	7,940,570
Share-based compensation (Note 18)	**299,428**	849,573
Warranty provision (Note 12)	**114,026**	88,700
Amortization of assets (Notes 9, 10, and 11)	**565,965**	665,337
Inventory write down (Note 8)	**97,823**	83,121
Inventory impairment (Note 8)	**-**	2,052,274
Bad debt expense	**9,856**	65,271
Other expense (Note 23)	**2,088,629**	70,339
Unrealized foreign exchange loss (gain)	**512,452**	301,974
Net change in non-cash working capital (Note 26)	**6,496,372**	(1,450,860)
Cash flow from (used in) operating activities from continuing operations	**1,553,037**	(11,763,766)
Cash flow from (used in) operating activities from discontinued operations (Note 6)	**(55,052)**	(80,693)
Financing activities		
Proceeds from issuance of common shares (Notes 16 and 17)	**-**	452,000
Conversion of warrants to common shares (Notes 16 and 17)	**-**	3,333,333
Common share issuance costs (Note 16)	**-**	(24,019)
Proceeds from short-term loan (Note 22)	**220,516**	**-**
Repayment of short-term loan (Note 22)	**(233,884)**	**-**
Repayment of long-term debt (Note 14)	**(1,688,449)**	(5,314,087)
Repayment of leases (Note 13)	**(195,437)**	(215,155)
Cash flow used in financing activities from continuing operations	**(1,897,254)**	(1,767,928)
Cash flow used in financing activities from discontinued operations (Note 6)	**(142,905)**	(174,928)
Investing activities		
Capital asset additions (Notes 9, 10, and 11)	**-**	(585,662)
Cash flow used in investing activities from continuing operations	**-**	(585,662)
Cash flow used in investing activities from discontinued operations (Note 6)	**-**	(12,745)
Effects of exchange rate changes on cash held in foreign currencies	**53,232**	2,448
Net change in cash	**(488,942)**	(14,221,480)
Cash and cash equivalents, beginning of year	**814,003**	15,035,483
Cash and cash equivalents, end of year	**325,061**	814,003

	December 31, 2024	**December 31, 2023**
Continuing Operations	307,453	598,438
Discontinued Operations (Note 6)	17,608	215,565
Total	**325,061**	**814,003**

The accompanying notes are an integral part of these 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.

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. 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 seek additional financing in the capital markets through debt and/or equity.

At December 31, 2024, the Company had not achieved profitable operations since its inception and had an accumulated deficit of $157,607,426 incurred a net loss of $17,882,179 for the twelve months ended December 31, 2024 and had cash flow from operating activities from continuing operations of $1,553,037.

The Company had a working capital deficit of $42,036,502 as at December 31, 2024.

There is material uncertainty as to whether sufficient cash will be available to make future loan payments (which would represent events of default) and to address other contractual obligations of the Company. Management will be 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 will need both the continued support of its existing lenders, and to raise significant additional financing either through, future sales and 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. 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.

3. Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements were prepared in accordance with IFRS® Accounting Standards, as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

These consolidated financial statements were prepared by the Company's management and were approved for issuance by the Board of Directors of the Company on July 4, 2025.

(b) Basis of Measurement

The consolidated financial statements are presented on a historical cost basis except for certain financial instruments which are measured at fair value and are presented in Canadian dollars.

(c) Use of Estimates and Judgements

The preparation of these consolidated financial statements in accordance with IFRS Accounting Standards requires management to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities and litigation. These estimates and judgements are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimation of anticipated futures events involves uncertainty and, consequently, the estimates used in the preparation of the consolidated financial statements may change as future events unfold, more experience is acquired, or the Company's operating environment changes. The Company reviews its estimates, judgements, and assumptions on an ongoing basis. Adjustments that result from a change in estimate are recorded in the period in which they become known. Estimates are more difficult to determine, and the range of potential outcomes can be wider, in periods of higher volatility and uncertainty. Management has, to the extent reasonable, incorporate known facts and circumstances into the estimates made, however, actual results could differ from those estimates and those differences could be material. There have been no changes made to the methodology to determine critical accounting estimates.

Significant estimates and estimates are used in the preparation of the consolidated financial statements include the following:

i. Expected Credit Loss ("ECL") for Accounts Receivable

The Company's trade and other receivables are typically short-term in nature. For trade receivables, the Company applies a simplified approach in calculating any ECL. The Company recognizes a loss allowance based on an amount equal to the lifetime ECL based on a probability-weighted matrix, at each reporting date. The Company applies significant judgment 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. The Company also considered forward-looking factors such as the customers' expected liquidity and future business plans. In addition, general and industry forecasted economic conditions are included in the assessment of ECL.

Actual judgements and estimates will change over time and management reviews these frequently and will adjust ECL, based on the changing information. Actual credit losses may differ significantly from ECL.

ii. Valuation Adjustments for Inventory

Judgement is required in determining whether net realizable value should be evaluated on a product-by-product basis or if products cannot be evaluated separately from other products in inventory and should be grouped with similar products.

Valuation adjustments for inventory are comprised of the impairments or recoveries recorded against inventories. The Company records valuation adjustments for inventory by comparing the inventory cost to its net realizable value. This process requires the use of estimates and significant assumptions related to selling prices. Such assumptions are reviewed quarterly and may have a significant impact on the valuation adjustments for inventory. Net realizable value is assessed on a product-by-product basis except when the product cannot be practically evaluated separately from other products.

iii. Long-term Debt, Convertible Debentures

The Company issues long-term debt, convertible debentures and preferred shares which may be comprised of embedded derivatives, debt, and equity components. In determining the fair value of the Company's long-term debt, convertible debentures, and preferred shares on the date of issuance, and at the date of the consolidated statement of financial position, management uses internally developed models. This method requires the input of a number of assumptions including estimated market rate of interest. These assumptions are determined using management's best estimates and involve inherent uncertainties.

iv. Share-based payments

Share-based payments are comprised of compensation expense related to the granting of stock options to directors, officers, employees, and consultants which are equity-settled share-based payments and warrants. All amounts awarded are at the discretion of the Board of Directors.

The Company values stock option expense and warrants using a fair value method of accounting. The fair value of stock options and warrants is estimated at the grant or issue date using the Black-Scholes option pricing model (the "model") based on terms and conditions upon which the options were granted, or the fair value of services received in the case of warrants. The model requires the input of a number of assumptions, including expected dividend yield, expected stock price volatility, life of the options, forfeiture rate, and risk-free interest rates. These assumptions are determined using management's best estimates and involve inherent uncertainties relating to market conditions, forfeitures and exercises which are outside of the control of the Company. Such assumptions are reviewed quarterly and may have a significant impact on the estimates of fair value produced by the model. Where the fair value of goods or services received cannot be reliably measured it is measured based on the fair value of the equity instrument granted.

v. Warranty Provision

The Company determines the warranty provision based on historical experience of failure rate, cost per failure over the life of the warranty, and other general product and industry knowledge. The Company reviews the assumptions used in the determination of the warranty provision on an annual basis.

vi. Income Taxes

Income tax expense comprises current and deferred tax. Taxes are recorded using the tax rate that has been enacted or substantively enacted by the consolidated statement of financial position date.

The Company carries on business in several countries and as a result is subject to income taxes in a number of jurisdictions. The determination of income tax is inherently complex, and the Company is required to interpret continually changing regulations, tax rates, known or anticipated audits or assessments from taxation authorities, and make certain estimates and assumptions about future events.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which deductible temporary differences can be utilized. Deferred tax assets are reviewed at each annual reporting date and are reduced to the extent that it is no longer probable the related tax benefit will be realized.

In applying the Company's accounting policies, management may also have to make certain judgements that may have a significant effect on the amounts recognized in the consolidated financial statements. Significant judgements occur in the following areas:

i. Determination of Functional Currency

In determining the Company's functional currency, the Company assesses each subsidiary's primary economic environment in which the entity operates. The Company analyzes the currency that mainly influences revenues, labor, material, and other costs of providing goods or services which is often the currency in which such costs are denominated and settled. The Company also analyzes secondary indicators such as the currency in which funds from financing activities such as equity issuances are generated and the funding dependency of the parent company whose predominant transactional currency is the Canadian dollar for both parent and subsidiaries. Determining the Company's predominant economic environment requires significant judgement.

4. Summary of Material Accounting Policies

An accounting policy is considered material to the Company if it provides information to facilitate the understanding of other material information reported and disclosed in the Company's consolidated financial statements. Accounting policy information may be material because of the nature of the related transactions, other events, or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events, or conditions is itself material. The Company's material accounting policies are set out below.

(a) Basis of Consolidation

The consolidated financial statements of Eguana Technologies Inc. include the accounts of the Company and its wholly owned subsidiaries: Eguana Inc., Eguana GmbH, Eguana Pty Ltd., and Eguana Americas Inc.

Subsidiaries that are directly controlled by the parent company or indirectly controlled by other consolidated subsidiaries are fully consolidated. All intercompany balances, transactions and income are eliminated in preparing these consolidated financial statements. Certain comparative figures have been reclassified to conform to the current year's presentation.

(b) Financial Instruments

All financial assets are initially measured at fair value. Financial assets are subsequently measured at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Company's business model for managing the financial assets, and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, except if the Company changes its business model for managing financial assets.

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, warranty provision, derivative liability, long-term debt, convertible debentures, preferred shares, and other liabilities. Embedded derivatives in the long-term debt are measured at fair value, consistent with the "fair value through profit or loss" classification. Cash, accounts receivable, long-term debt, convertible debentures, preferred shares, and other liabilities are recognized at amortized cost. Accounts payable and accrued liabilities, other liabilities, long-term debt, convertible debentures, and the preferred shares are measured at amortized cost using the effective interest method. Equity instruments are recorded at the proceeds received with direct issue costs deducted.

The effective interest method is a method of calculating the amortized cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all fees paid that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset/liability, or, where appropriate, a shorter period. Transaction costs are comprised primarily of legal, accounting, underwriters' fees, and other costs directly attributable to the issuance of the financial instruments.

Embedded derivatives are separated from the host contract and accounted for separately when all three of the following conditions are met: 1) the economic characteristics and risks of the host contract and the embedded derivative are not closely related; 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and 3) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Changes in the fair value of the embedded derivative are recognized immediately in the statement of loss and comprehensive loss.

(c) Foreign Currencies

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions of the Company's individual entities are recorded in the currency of the primary economic environment in which it operates (its functional currency). The functional currency of Eguana Inc. has been determined to be the Canadian dollar, and the functional currency of Eguana America's has been determined to be the United States dollar. The functional currency of Eguana GmbH has been determined to be the Euro and the functional currency of Eguana Pty Ltd. has been determined to be the Australian Dollar.

i. Foreign Currency Transactions

Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency prevailing rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the prevailing exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ii. Foreign Operations Translation

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. Foreign currency differences are recognized and presented in other comprehensive income (loss) and in the foreign currency translation reserve in equity.

On disposal of a foreign operation, any cumulative exchange differences held in equity and arising after the date of transition to IFRS Accounting Standards are transferred to the consolidated statement of comprehensive loss as part of the profit or loss on sale.

(d) Inventory

Inventories are stated at the lower of cost or net realizable value. Inventory is valued on a weighted average cost basis. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The reversal of previous net realizable value write-downs is recorded when there is a subsequent increase in the value of inventory.

(e) Discontinued Operations

A discontinued operation is a component of the Company that has been disposed of or is classified as held-for-sale and represents a separate major line of business or geographic area of operations, is part of a single co- ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Results of operations associated with discontinued operations, including any gain or loss from disposal, are recognized in the consolidated statements of net loss and comprehensive loss, under discontinued operations.

(f) Property and Equipment

Property and equipment are stated in the consolidated statements of financial position at cost less accumulated amortization and impairment losses (if any). The estimated useful lives and amortization method are reviewed at each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Amortization is charged over the estimated useful life of the asset at the following rates:

Furniture and equipment	5 years straight-line
Leasehold improvements	Life of the lease asset
Computer equipment	3 years straight-line
Computer software	1 year straight-line
Lab equipment	3 to 5 years straight-line

The gain or loss arising on the disposal of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

(g) Intangible Assets

Intangible assets consist of costs associated with a licensing agreement and are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Intangible assets, include software licensing agreements, and are amortized on a straight-line basis over their expected period of benefit, currently five years. Amortization methods and useful lives are reviewed at each reporting period, with the effect of any change in estimates accounted for on a prospective basis.

(h) Warranty Provision

A provision for warranties is recognized when underlying products are sold, with an offsetting charge to warranty expense, in the costs of sales. Any changes with respect to these assumptions are revised prospectively at the end of each reporting period.

(i) Share-based Payments

Share-based payments are comprised of stock option awards granted to directors, officers, employees, and consultants, which are equity-settled.

These equity-settled share-based payments are measured at the fair value of the equity instruments and are recognized as an employee expense with the offsetting credit to contributed surplus. Where equity instruments are granted to non-employees they are recorded at the fair value of the goods or services received. Where the fair value of goods or services received cannot be reliably measured it is measured based on the fair value of the equity instrument granted.

The fair value is measured at the grant date using the Black-Scholes option pricing model based on terms and conditions upon which the options were granted. Each stock option award tranche is recognized on a graded vesting basis, over the period during which the options vest and then compensation expense is recognized over the vesting periods, with a corresponding increase to contributed surplus.

At each consolidated statement of financial position date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Upon exercise of the stock option, the Company issues new shares. The associated fair value amount is reclassified from the contributed surplus to share capital. The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the options are exercised.

(j) Revenue Recognition

The Company generates revenue through product sales and installation services. Revenue is recognized in a manner that depicts the transfer of promised goods or services to the customer, in an amount that reflects the consideration, in exchange for those promised goods or delivered services. The Company satisfies its performance obligations and recognizes revenue during the reporting period based on delivery of its products or services, based on the prices, net of any discounts, as stated on purchase orders, quotes, or contracts. For installation services, the Company recognizes revenue over time based on costs incurred to date using the input method. Costs incurred, in advance of specific performance obligations, are categorized as work in progress and sales invoices billed to customers, in advance of specific performance obligations, are recorded as deferred revenue. Management applies judgement to the determination of performance obligations and to the estimated completion of those various steps. Revenue transactions do not contain significant financing components or variable considerations. Payment terms with customers are generally 30 to 60 days from the invoice date; however, industry practice and partner relationships can reduce or extend these terms.

(k) Loss Per Share

The Company computes basic loss per share using net loss attributable to the Company's shareholders divided by the weighted-average number of common shares outstanding. The Company does not compute diluted loss per share as this calculation would be anti-dilutive.

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are amortized to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected patterns of consumption of the future economic benefits. In addition, the right-of-use assets may be periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company's incremental borrowing rate is estimated using such factors as the amount of the funds that would be borrowed if the Company bought the underlying right-of-use asset, the length of the borrowing term, the nature and quality of the underlying right-of-use asset and the economic environment of the jurisdiction in which the asset is located. Subsequently, the lease liability is measured at amortized cost using the effective interest method. It is remeasured whenever there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

5. New Accounting Standards Issued but Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company has adopted the following policy effective January 1, 2024.

Amendments to IAS 1 Presentation of Financial Statements

IAS 1 was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024. There was no significant impact to the Company

Future Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2025. Many are not applicable or do not have a significant impact to the Company and have been excluded.

6. Assets Held for Disposal and Discontinued Operations

German Subsidiary
During June 2024, the Company made the decision 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 consolidated statement of financial position.

As a result, 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 December 31, 2024, the Company has not completed the liquidation of the assets and therefore no proceeds have been received. During the year, additional impairment in the amount of $403,969 was taken on inventory.

During October 2024, the Company formally appointed an external liquidator and filed the formal paperwork.

Australian Subsidiary
During November 2024, the Company made the decision to liquidate the Australian 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 consolidated statement of financial position.

As a result, capital assets with a carrying value of $13,412 and inventory with a carrying value of $318,061 were impaired to $nil, relating to Australian 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 December 31, 2024, the Company has not completed the liquidation of the assets and therefore no proceeds have been received.

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

During November 2024, the Company formally appointed an external liquidator and filed the formal paperwork. All assets and liabilities were transferred to the external liquidator, and impaired in the discontinued operations financial statements.

a) Assets held for disposal

The major classes of assets held for disposal and liabilities directly associated with assets held for disposal, at December 31, 2024, were as follows:

	December 31, 2024
Cash and cash equivalents	**17,608**
Total assets	**17,608**
Accounts payable and accrued liabilities	**7,858**
Total liabilities	**7,858**

b) Results of discontinued operations

The following table summarizes the net loss from discontinued operations, after tax for the twelve months ended December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Sales	**1,445,146**	1,696,697
Cost of goods sold	**1,408,776**	1,651,737
Gross margin	**36,370**	44,960
Expenses		
General and administrative	**290,425**	559,867
Selling and marketing	**873,391**	1,320,456
Product and research	**-**	7,328
Operations	**516,386**	493,109
Amortization	**154,567**	137,465
	1,834,769	2,518,225
Operating Loss	**(1,798,399)**	(2,473,265)
Financing costs	**(47,927)**	(30,107)
Impairment	**(428,751)**	-
Other income	**42,339**	21,953
Other expense	**(112,485)**	(658,325)
Adjustment for Accumulated Other Comprehensive Income	**(155,595)**	-
Net Loss Before Tax	**(2,500,818)**	(3,139,744)
Current tax expense	**-**	(31,227)
Net Loss from discontinued operations	**(2,500,818)**	(3,170,971)

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

Loss on discontinued operations per common share		
Basic and diluted	**(0.05)**	(0.06)
Weighted average number of common shares		
Basic and diluted (Note 16)	**54,745,233**	55,012,772

c) Cash flows used in discontinued operations

Year Ended	**December 31, 2024**	December 31, 2023
Cash flows used in operating activities	**(55,502)**	(80,693)
Cash flows used in financing activities	**(142,905)**	(174,928)
Cash flows used in investing activities	**-**	(12,745)
Net cash outflows	**(198,407)**	(268,366)

7. Accounts Receivable

The following table details the Company's total receivables:

	December 31, 2024	December 31, 2023
Trade (Note 20)	**8,079,539**	19,980,759
Taxation authorities	**-**	47,834
	8,079,539	20,028,593
Less: expected credit losses	**8,072,908**	13,071,926
	6,631	6,956,667

The Company has one customer that represents 79% (December 31, 2023 – 95%) of total accounts receivable which at December 31, 2024, has $6,387,114 (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.

The following is a table of adjustments in US dollars that reduced the customer's accounts receivable balance:

Inventory Transfer– carrying value of $4.4 million discounted	3,875,000
Manufacturing Credit – future services	1,200,000
Cost Adjustment – absorption cost adjustment	1,456,000
Total in US Dollars	6,531,000

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 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 year, 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 December 31, 2024, in the amount of $6,214,317.

In October 2024, the Company concluded an investigation into a warehouse location (the "Huntington Warehouse") 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 resolved this matter by offering credit to the customer, which is recorded as a reduction of accounts receivable from the customer, with an offset of costs recorded as other expense the financial statements (Note 23).

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.

With respect to credit exposure, the Company recognizes ECL, as a net against trade receivables. The Company recognized an amount equal to the lifetime ECL, based on a probability-weighted matrix, of various possible expected outcomes. The Company used a number of assumptions, judgements, and a variety of possible future payment streams, which were evaluated and weighted for likelihood, to arrive at the ECL. The Company applied significant judgment to estimate the ECL provision based on customer-specific factors, including past payment history, known customer business factors, and customer's access to capital, plus judgements for the expected timing of future consideration, and discount rates, to account for the time value of money when required. Further general and industry forecasted economic conditions are included in the assessment of ECL. The change in ECL each period is recorded in the consolidated statement of loss and comprehensive loss.

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

The following table provides the continuity of the allowance for credit losses:

Balance January 1, 2022	2,887,063
Additions to ECL	9,988,715
Amounts written-off as uncollectible	253,798
Effects of foreign exchange	(57,650)
Balance December 31, 2023	13,071,926
Additions of ECL	9,856
Recovery of ECL	(1,405,904)
Reduction of ECL from Collaboration Agreement	(3,615,078)
Reduction of ECL from price concession	(568,011)
Effects of foreign exchange	580,119
Balance December 31, 2024	**8,072,908**

The Company also assesses quarterly if there should be any impairment of the financial assets of the Company and during the year ended December 31, 2024, there was $9,856 of bad debts expensed (December 31, 2023 – $86,533).

8. Inventory

	December 31, 2024	December 31, 2023
Finished goods	**274,327**	1,178,501
Components	**6,585,190**	2,880,973
Inventory work in process	**-**	145,184
Inventory return components	**-**	4,296,611
	6,859,517	8,501,269

As at December 31, 2024, $6,843,082 (December 31, 2023 - $8,339,650) of inventory was carried at cost and $16,435 (December 31, 2023 - $16,435) was carried at net realizable value. The remaining amount of $nil (December 31, 2023 - $145,184) consists of work in process at cost.

In June 2023, the Company experienced a theft of three truckloads of inventory components when being transferred between Company warehouse locations. These inventory components had a carrying cost of $2,053,184 and were written off in the Company records in the second quarter of 2023, resulting in an impairment charge reported in Other Expense for the three months ended June 30, 2023. In the third quarter of 2023, the Company received insurance proceeds of $840,933, which was recorded in Other Expense, to offset the original loss recorded. Two of the three truckloads of inventory components were subsequently recovered and kept in quarantine. The items, originally assessed as quarantine, were accepted as part the Inventory Return and hence, prior to shipment, were written back up to full value in December 2023, resulting in an increase to Inventory of $1,420,763, which was recorded in Other Expense, to offset the original loss recorded.

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 $4,296,611. The Company received cash proceeds of US $3,358,276, plus an offset of US $1,051,688 to an outstanding amount payable due to the supplier.

On February 2, 2024, the Company entered into a supplementary agreement to the Cooperation Termination Agreement, disclosed in Note 8, with a major supply partner for an Inventory Return. Based on the supplementary agreement, the Company returned an additional quantity of inventory components for total proceeds of US $582,088. On April 22, 2024, the Company received the proceeds for this Inventory Return.

During the twelve months ended December 31, 2024, the Company recognized inventory impairments of $1,186 (2023 - $2,052,274) of which $1,186 (2023 - $326,564) related to an impairment for components not used in production and considered to have no future economic benefit and $nil (2023 - $1,725,710), resulting from the review of slow-moving inventory components. In addition, in 2024 the Company recognized inventory write-downs in operations expenses of $96,637 (2023 - $83,121) after quarterly and year-end counts.

At December 31, 2024, the Company had deposits on inventory of approximately, $nil (2023 – $1.4 million), which is included in prepaid expenses and deposits. This balance was written off to other expenses during the year as management deemed the amount to be unrecoverable (Note 23).

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

9. Property and Equipment

	Computer equipment and software	Lab equipment	Furniture and equipment	Leasehold improvements	Total
Cost					
Balance January 1, 2024	124,674	1,546,914	270,454	471,667	2,413,709
Reclassified to assets held for disposal (Note 6)	(1,577)	(10,686)	(86,464)	(10,703)	(109,430)
Balance December 31, 2024	**123,097**	**1,536,229**	**183,990**	**460,964**	**2,304,280**
Accumulated amortization and impairment					
Balance January 1, 2024	111,675	816,554	93,718	73,909	1,095,856
Amortization	6,126	226,559	45,529	65,852	344,066
Reclassified to assets held for disposal (Note 6)	(1,454)	(9,125)	(70,175)	(4,441)	(85,195)
Balance December 31, 2024	**116,347**	**1,033,988**	**69,072**	**135,320**	**1,354,727**
Carrying Value December 31, 2024	**6,750**	**502,241**	**114,918**	**325,644**	**949,553**

	Computer equipment and software	Lab equipment	Furniture and equipment	Leasehold improvements	Total
Cost					
Balance January 1, 2023	563,024	2,166,798	413,107	594,175	3,737,104
Additions	26,908	240,426	30,386	67,968	365,688
Disposals	-	(133,528)	-	-	(133,528)
Write-offs	(450,360)	(682,428)	(164,975)	(197,265)	(1,495,028)
Impairments	-	(44,064)	-	-	(44,064)
Effects of foreign exchange	(14,898)	(290)	(8,064)	6,789	(16,463)
Balance December 31, 2023	**124,674**	**1,546,914**	**270,454**	**471,667**	**2,413,709**
Accumulated amortization and impairment					
Balance January 1, 2023	528,222	1,358,175	197,903	207,039	2,291,339
Amortization	48,635	248,283	61,703	64,179	422,800
Disposals	-	(99,985)	-	-	(99,985)
Write-offs	(450,360)	(682,428)	(164,975)	(197,265)	(1,495,028)
Impairments	-	(7,268)	-	-	(7,268)
Effects of foreign exchange	(14,822)	(224)	(913)	(44)	(16,003)
Balance December 31, 2023	**111,675**	**816,553**	**93,718**	**73,909**	**1,095,855**
Carrying Value December 31, 2023	**12,999**	**730,361**	**176,736**	**397,758**	**1,317,854**

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

10. Intangible Assets

Cost	
Balance January 1, 2024	498,323
Additions	-
Balance December 31, 2024	**498,323**
Accumulated amortization and impairment	
Balance January 1, 2024	127,827
Amortization	99,665
Balance December 31, 2024	**227,492**
Carrying Value December 31, 2024	**270,831**

Cost	
Balance January 1, 2023	158,023
Additions	340,300
Balance December 31, 2023	**498,323**
Accumulated amortization and impairment	
Balance January 1, 2023	39,506
Amortization	88,321
Balance December 31, 2023	**127,827**
Carrying Value December 31, 2023	**370,496**

11. Right-of-Use Assets

	Buildings	Vehicles	**Total**
Cost			
Balance January 1, 2024	1,632,706	165,981	1,798,687
Disposal	(282,517)	-	(282,517)
Reclassified to assets held for disposal (Note 6)	(446,323)	(165,981)	(612,304)
Balance December 31, 2024	**903,866**	**-**	**903,866**
Accumulated amortization and impairment			
Balance January 1, 2024	982,263	89,411	1,071,674
Amortization	122,234	-	122,234
Disposal	(282,517)	-	(282,517)
Reclassified to assets held for disposal (Note 6)	(386,679)	(89,411)	(476,090)
Balance December 31, 2024	**435,301**	**-**	**435,301**
Carrying Value December 31, 2024	**468,565**	**-**	**468,565**

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

	Buildings	Vehicles	**Total**
Cost			
Balance January 1, 2023	1,719,458	102,265	1,821,723
Additions	15,920	63,761	79,681
Adjustment	(107,580)	-	(107,580)
Effects of foreign exchange	4,908	(45)	4,863
Balance December 31, 2023	**1,632,706**	165,981	**1,798,687**
Accumulated amortization and impairment			
Balance January 1, 2023	718,496	59,326	777,822
Amortization	261,449	30,233	291,682
Effects of foreign exchange	2,318	(148)	2,170
Balance December 31, 2023	**982,263**	89,411	**1,071,674**
Carrying Value December 31, 2023	**650,443**	76,570	**727,013**

12. Warranty Provision

Balance January 1, 2023	578,859
Increase in provision	134,961
Expired warranty provision	(46,261)
Balance December 31, 2023	667,559
Increase in provision	24,342
Expired warranty provision	(94,225)
Change in estimate	183,909
Balance December 31, 2024	**781,585**

The provision for warranty claims represents the Company's best estimate of the future outflows that will be required for the Company's obligations to ensure the products sold, work as outlined, for a specified period of time. The estimate was calculated based on historical warranty trends and may vary as a result of new materials or components used in the Company's products, varying manufacturing or installation processes or other events or circumstances affecting the products reliability and durability. In some cases, the Company will attempt to reclaim costs associated with warranties from third parties, such as critical component suppliers, and any reimbursement is recorded only when received.

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

13. Lease Liabilities

Balance January 1, 2023	1,140,550
Additions	79,681
Interest (Note 22)	118,491
Repayments	(389,675)
Effects of foreign exchange	(5,286)
Balance December 31, 2023	**943,761**
Interest (Note 22)	**76,315**
Repayments	**(195,437)**
Reclassified to liabilities directly associated with assets held for disposal (Note 6)	**(157,118)**
Balance December 31, 2024	**667,521**
Less: current portion	**(141,603)**
	525,918

The Company recognizes lease liabilities from its building lease.

14. 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 (Note 22)	-	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 (Note 22)	-	1,360,006	1,360,006
Repayment	-	(1,679,225)	(1,679,225)
Fair value loss on derivative liability	882,863	-	882,863
Adjustment for amendment of long-term debt	-	24,407	24,407
Fees on amendment of long-term debt	-	(57,528)	(57,528)
Gain on foreign exchange	-	648,672	648,672
Balance December 31, 2024	**3,766,419**	**8,505,741**	**12,272,160**
Less: current portion	**(3,766,419)**	**(6,895,476)**	**(10,661,895)**
	-	**1,610,265**	**1,610,265**

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 $3,766,419 at December 31, 2024 (2023 - $2,883,556) with a resulting fair value loss of $882,863 recorded for the year ended December 31, 2024 (2023 - $422,817).

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 but the Lender did not taken any action.

On November 28, 2024, the Company amended the terms of a loan, with a remaining principal balance of US $6,583,393 plus accrued interest on unmade payments, originally due between April 1, 2025 and August 1, 2025 between two tranches. The original Senior Loan required monthly principal and interest payments of US $383,378 and bore interest at 12% per annum. All previously deferred payments and accrued interest were included in the new loan balance and are amortized over the longer term of the loan.

Under the amended agreement, the loan was modified and replaced with a new loan, extending the maturity date to May 15, 2026 (“Revised Senior Loan”). The Revised Senior Loan bears interest at the same annual rate of 12% and requires monthly blended payments of US $399,349 commencing December 15, 2024. The resulting effective interest rate on the new loan amortization was 10.5%. As a result of the amendment, and in accordance with IFRS 9, the original loan was modified, and the present value of the Revised Senior Loan, based on the effective interest rate, was estimated at $8,802,576. This resulted in a loss on modification of long-term debt of $24,407.

In connection with the debt modification, the Company issued 3,000,000 common shares to the lender at a fair value of $0.01 per share, resulting in $30,000 of equity consideration. In addition, the Company incurred legal and professional fees totaling $27,528 directly attributable to the debt amendment. These fees were allocated against the value of the loan.

As at December 31, 2024, the Company was in compliance with non-financial related loan covenants.

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

15. Convertible Debenture

	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	(2,316,329)	-	(2,316,329)
Accretion	5,823,535	-	5,823,535
Balance December 31, 2024	**30,242,971**	**7,310,746**	**37,553,717**

On August 31, 2022 (the “Closing Date”), the Company closed a strategic investment with ITOCHU Corporation ("ITOCHU") 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 with the issuance of shares, and matures on August 31, 2025.

There are conversion rights on the Debenture that are contingent on share price and ITOCHU may be entitled to convert into common shares, or the Company may require ITOCHU to convert. Based on this conversion feature, the balance was split between debt and equity. The debt component was measured at the issue date at the present value of the cash interest and principal payments, using a discount rate of 20% and a three-year term. The difference between the debt component and the face value of the Debenture was classified as equity and financing fees were allocated between the liability and equity portions of the Debenture.

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 is classified as equity. Financing fees of $453,420 were allocated between the liability and equity portion of the Debenture.

During the year ended December 31, 2024, accretion on the Debenture of $5,823,535 (2023 - $5,162,578) was recorded.

During the year ended December 31, 2023, ITOCHU converted interest earned on the unsecured convertible debenture totaling $2,310,000 into common shares (see Note 16).

During the year ended December 31, 2024, ITOCHU and the Company signed two memorandums of understanding amending the payment deadline for the interest payment that was due on March 1, 2024, to August 31, 2024 and subsequently 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. These unpaid interest amounts are recorded in accounts payable and accrued liabilities. The memorandums 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.

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

16. Common shares

Authorized, Unlimited Number

Issued

	Number of shares	Amount ($)
Balance December 31, 2022	40,316,664	85,198,770
Issuance of common shares	1,782,271	2,310,000
Share issuance costs	-	(24,019)
Issuance of common shares – private placement	1,130,000	335,220
Exercise of warrants	1,666,667	4,312,467
Balance December 31, 2023	44,895,602	92,132,438
Issuance of common shares	300,000	30,000
Balance December 31, 2024	**45,195,602**	**92,162,438**

On March 16, 2023, ITOCHU received 1,666,667 common shares of Eguana through the exercise of share purchase warrants issued in connection with an offering which closed on March 16, 2020, valued at $3,333,333 (see Note 17). 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.

During 2023, ITOCHU exchanged interest owing under the Debenture, of $1,145,507 into 424,262 common shares of Eguana, in full satisfaction of the interest payment due on March 1, 2023, and $1,164,493 into 1,358,009 common shares of Eguana, 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 1,130,000 Units at a price of $0.40 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 $0.60 per common share for a period of 24 months following the closing date of the offering. Insiders of the Company were issued 75,000 common shares in this private placement.

In November 2024, the Company issued 300,000 common shares in exchange for amended terms, with extended maturity of the Senior Loan (see Note 14).

On April 4, 2025, the Board approved a share consolidation, that has previously received shareholder approval at Eguana's prior annual general and special meeting. The consolidation occurred on the basis of one post-Consolidation Common Share for every ten pre-Consolidation Common Shares. The total issued and outstanding shares after the consolidation was 45,195,602, with total issued and outstanding warrants of 1,623,431, and options issued of 1,326,200. Further the convertible debentures have been reduced by the same consolidation to 6,600,000. This share consolidation has been reflected throughout these financial statements including EPS calculations.

Weighted Average Number of Common Shares

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

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

17. Warrants

Changes in the Company's warrants are as follows:

	Issued with common shares and debt (#)	Broker warrants (#)	Total purchase warrants (#)	Allocated fair market value ($)
Balance January 1, 2023	**2,160,098**	**210,000**	**2,370,098**	**1,665,349**
Warrants exercised	(1,666,667)	-	(1,666,667)	(979,134)
Warrants issued	1,130,000	-	1,130,000	116,780
Warrants expired	-	(210,000)	(210,000)	(686,215)
Balance December 31, 2023 and 2024	**1,623,431**	**-**	**1,623,431**	**116,780**

In March 2023, ITOCHU, purchased 1,666,667 common shares of Eguana through the exercise of share purchase warrants issued in connection with an offering from March 16, 2020, for an aggregate consideration of $3,333,333. The fair value of the warrants was reclassified to share capital.

In December 2023, the Company closed a tranche (Note 16) of a non-brokered private placement offering of units of the Company (the "Units"). The Company issued 1,130,000 Units at a price of $0.40 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 $0.60 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 $0.30 and exercise price of $0.60.

Outstanding and exercisable warrants at December 31, 2024, were as follows:

Range of exercise prices	Warrants	Weighted average exercise prices ($)	Weighted average years to expiry
$0.01 - $2.00	1,130,000	0.60	0.93
$3.01 - $4.00	493,431	3.55	2.25
Balance December 31, 2024	**1,623,431**	**1.50**	**1.33**

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

18. 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 4,489,560 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.

	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	1,489,627	3.10	1,077,526	3.10
Granted	25,000	1.70	-	-
Forfeited	(180,165)	(1.90)	(518,250)	(2.31)
Balance December 31, 2023	1,334,462	3.00	559,276	3.80
Forfeited	(242,538)	(3.24)	(325,000)	(3.87)
Balance December 31, 2024	**1,091,924**	**2.99**	**234,276**	**3.62**

The following summarizes information about stock options outstanding as at December 31, 2024:

	Outstanding options			Exercisable options	
	Options	Weighted average price ($)	Weighted average years to expiry	Options	Weighted average price ($)
$0.01 - $3.00	538,500	2.04	5.29	488,170	2.01
$3.01 - $4.00	677,700	3.77	4.81	610,207	3.75
$4.01 - $5.00	110,000	4.12	0.76	106,667	3.84
Balance December 31, 2024	**1,326,200**	**3.10**	**4.67**	**1,205,044**	**3.05**

The total share-based compensation calculated for the year ended December 31, 2024, was $299,428 (2023 – $849,573).

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

In May 2023, the Company granted incentive stock options to acquire up to 25,000 common shares at a strike price of $1.70 per share to a new key member of the executive team.

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:

	December 31, 2024	December 31, 2023
Risk free interest rate	-	1.57% - 3.14%
Expected volatility	-	115% - 126%
Expected life (years)	-	3 – 10
Weighted average fair value	-	2.00 – 4.20

19. Capital Management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits to their stakeholders. Management actively manages its capital requirements, with oversight from the Board of Directors. The Company manages the capital structure and makes adjustments relative to its annual financial plan, changes in industry conditions and timing of various cash inflow and outflows. The Company's objectives are met by managing short-term liquidity and by obtaining equity or debt funding to meet planned cash flow needs, with the goal of advancing the strategy and achieving positive cash flows from operations. Refer to Note 2 Going Concern for additional information of the Company's liquidity. The Board of Directors does not establish quantitative return on capital criteria for management.

The Company defines capital as the aggregate of its long-term debt, convertible debentures, preferred shares, and total shareholders' equity less cash.

20. Financial Instruments and Financial Risk Management

Credit Risk

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.

As disclosed in Note 7, the Company has credit risk exposure on accounts receivable with one customer that represents larger than ten percent of total accounts receivable individually at December 31, 2024. Approximately 79% (2023 – 95%) of the total accounts receivable is due from this customer. At December 31, 2024, this one customer has $6,387,114 (2023 – $17,417,828) of total accounts receivable that are over 90 days past due and has continued to be delayed in making payments. As a result, the Company has recorded an ECL provision at December 31, 2024, for $6,214,317 (2023 – $11,308,997).

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

With respect to credit exposure, the Company recognizes ECL as a net against trade receivables. The Company recognized an amount equal to the lifetime ECL based on a probability-weighted matrix. The Company applies significant judgment to estimate the ECL provision based on customer-specific factors, including past payment history, known customer business factors, and customer's access to capital, plus judgements for the expected timing of future consideration, and discount rates, to account for the time value of money when required. Further general and industry forecasted economic conditions are included in the assessment of ECL. The change, period over period, in ECL is recorded in the consolidated statement of loss and comprehensive loss.

The maximum exposure to credit risk is represented by the carrying amount on the consolidated statement of financial position. As at December 31, 2024, there is $8,072,908 of financial assets that the Company considers past due (2023 – $19,314,962). The following is a schedule of trade receivables:

	December 31, 2024	December 31, 2023
Current and neither impaired nor past due	**6,631**	665,797
Past due in the following periods:		
31 – 60 days	-	51,661
61 – 90 days	-	92,763
Over 90 days	**8,072,908**	19,170,538
	8,079,539	**19,980,759**

Liquidity Risk

The Company's operating cash requirements, including amounts anticipated to meet near and medium liquidity requirements, are continuously monitored, and adjusted as input variables and industry conditions change. These key variables include, but are not limited to, timing of receivable collections or other cash inflows, anticipated expenditures, debt payments and cash outflows, and access to equity and debt markets. As these variables change, liquidity risks may necessitate the need for the Company to negotiate with its long-term debt lenders, carefully manage short-term liquidity and pursue other forms of financing. There is no assurance that adequate funds from operations, equity or debt will be available to the Company when needed and in the amounts required, to effectively manage liquidity. Refer to Note 2 for additional detail.

The following are the contractual undiscounted maturities of financial liabilities at December 31, 2024:

	< 1 Year	**1 – 3 Years**	**3 – 5 Years**	**Total[(2)]**
Accounts payable and accrued liabilities	7,273,408	-	-	7,273,408
Long-term debt	6,895,476	3,447,738	-	10,343,214
Convertible debentures [(1)]	37,626,329	-	-	37,626,329
Liabilities directly associated with assets held for disposal	7,858	-	-	7,858
Lease liabilities	204,402	611,413	-	815,815
	52,007,473	**4,059,151**	**-**	**56,066,624**

(1) Convertible debentures repayments include interest accrued and due.
(2) No contractual obligations currently exist beyond 5 years.

Foreign Currency Risk

The Company's has exposure to currency risk on financial instruments based on carrying amount in Canadian currency, for items denominated in currencies other than Canadian. The Company has various financials assets and liabilities in US Dollars.

Assuming all other variables remain constant, a $0.05 change in the Canadian/US exchange rate would decrease the Company's net loss by approximately $532,904 for the year ended December 31, 2024 (2023 – decrease $241,748). Assuming all other variables remain constant, a $0.05 change in the Canadian/Euro exchange rate would decrease the Company's net loss by approximately $2,468 for the year ended December 31, 2024 (2023 – decrease $77). Assuming all other variables remain constant, a $0.05 change in the Canadian/Australian dollar exchange rate would decrease the Company's net loss by approximately $1,294 for the year ended December 31, 2024 (2023 – decrease $283). An opposite change in the Canadian/US exchange rate, the Canadian/Euro exchange rate, and the Canadian/Australian dollar 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 periods ended December 31, 2024, and December 31, 2023.

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's convertible debenture issuances and other liabilities are on fixed rate borrowing terms, thereby mitigating this risk. 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 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, accounts receivable and other receivable, accounts payable and accrued liabilities, other liabilities, convertible debentures, preferred shares, lease liabilities, and long-term loan were measured at fair value on initial recognition using Level 2 inputs (Notes 13-15) and the derivative liability is measured at fair value using Level 2 inputs on initial recognition and subsequent measurement (Note 14). The carrying value of the Company's financial instruments approximates its 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.

21. Related Party Transactions

The Company had the following related party transactions, with directors and key management personnel:

	December 31, 2024	December 31, 2023
Salaries, benefits, and fees:		
General and administrative	**551,781**	579,674
Selling and marketing	**111,605**	138,737
Product development	**215,702**	209,476
Operations	**115,048**	111,830
	994,136	1,039,717

At December 31, 2024, $524,475 of unpaid amounts due to directors and key management personnel are included in accounts payable and accrued liabilities (2023 - $481,446).

Share-based payments to directors and key management personnel was $48,539 (2023 - $598,867) (see Note 18).

On March 8, 2024, the Company closed short-term bridge loan unsecured financing in the principal amount of approximately $220,000, with certain lenders, including the Company's Chief Executive Officer and members of the Board of Directors. The loan was repaid in full on April 25, 2024.

22. Financing Costs

	December 31, 2024	December 31, 2023
Accretion of convertible debentures (Note 15)	**5,823,535**	5,162,578
Accretion of long-term debt (Note 14)	**1,360,006**	2,266,791
Change in fair value on derivative liability (Note 14)	**882,863**	422,817
Lease interest (Note 13)	**76,315**	88,384
Short-term loan interest	**13,368**	-
Other interest	**114**	-
	8,156,201	7,940,570

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. A portion of the Bridge Financing was received in US dollars and a portion in Canadian dollars and will be repayable in the respective currencies. The principal amount of the Bridge Financing, together with interest accrued thereon, will become due and payable on April 30, 2024. Interest is accrued on the principal amount at a rate of 5% per month. The proceeds of this short-term loan were used for general working capital. The loan amounts were repaid, with interest accrued to the repayment date only, on April 25, 2024.

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

23. Other Income (Expense)

Other Income	**December 31, 2024**	December 31, 2023
Net proceeds of inventory loss (Note 8)	**180,745**	208,512
Interest income	**5,705**	122,799
Other	**36,782**	131,153
	223,232	462,464

Other Expense		
Write-down of prepaid expenses (Note 8)	**(1,633,446)**	-
Loss on Huntington Warehouse inventory (Note 7)	**(430,776)**	-
Adjustment for amendment of long-term debt (Note 14)	**(24,407)**	-
Other	**(9,620)**	(30,922)
Employee restructuring costs	**-**	(112,440)
Legal settlement	**-**	(124,675)
Impairment of property and equipment	**-**	(36,796)
Gain (loss) on disposal of property and equipment	**-**	(33,543)
	(2,098,249)	(338,376)

24. Personnel Expenses

	December 31, 2024	December 31, 2023
Wages	**2,233,464**	4,733,425
Benefits	**311,957**	637,850
	2,545,421	5,371,275

25. Income Taxes

Reconciliation of effective tax rate:

	2024	2023
Loss for the year	**(17,882,179)**	(35,589,751)
Rate	**23.00%**	23.00%
Expected income tax recovery	**(4,112,901)**	(8,185,643)
Differences resulting from:		
Non-deductible expense	**(181,928)**	1,284,641
Tax rate differentials	**368,353**	(139,407)
Share-based payments	**68,868**	195,402
Change in unrecognized deferred tax	**3,857,608**	6,845,007
Total income tax expense (recovery)	**-**	-

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

Unrecognized deferred tax assets:

	2024	2023
Development costs and capital assets	**1,352,162**	956,694
Non-capital loss carry-forwards	**104,600,723**	97,211,391
Capital loss carry-forwards	**17,168,865**	9,615,847
Restricted interest	**2,076,450**	-
Other	**4,758,030**	3,322,345
Share issue costs	**622,441**	1,159,828
	130,578,671	112,266,105
Assets not recognized	**(130,578,671)**	(112,266,105)
	-	-

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

At December 31, 2024, the Company has approximately $109.8 million (2023 - $98.1 million) in Canadian non-capital loss carryforwards, which will expire between 2026 and 2044 and approximately $2.2 million (2023 - $2.2 million) in United States non-capital loss carryforwards, which will expire between 2025 and 2040.

The Company has approximately $34.3 million (2023 – $19.2 million) in Canadian capital loss carry-forwards that can be carried forward indefinitely

26. Supplemental Information

The changes in non-cash working capital for the periods ended are as follows:

Increase (decrease) in assets and liabilities	**December 31, 2024**	December 31, 2023
Operating activities		
Accounts receivable	**7,571,680**	(4,172,724)
Inventory	**(196,536)**	(2,601,515)
Prepaid expenses and deposits	**668,083**	6,411,791
Accounts payable and accrued liabilities	**(2,226,885)**	(1,067,039)
Deferred revenue	**720,000**	(21,371)
	6,496,372	(1,450,860)

Year Ended December 31, 2024 and December 31, 2023 (in Canadian dollars)

27. Segmented Information

Major Customers

The Company had one customer where sales were greater than 10% of total sales in the year ended December 31, 2024 (2023 –one). The customer had attributed sales of approximately $509,715 for the year ended December 31, 2024 (2023 - $9,550,011).

	December 31, 2024	December 31, 2023
United States	**552,622**	9,595,797
Canada	**199,247**	68,802
Europe	**-**	97,293
	751,869	9,761,892

Product and Service Revenue

Product sales	**751,869**	9,761,892

28. 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 8) 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.

29. Comparative Figures

Certain comparative amounts have been reclassed to conform to the current year's presentation.

30. Subsequent Events

In January 2025, the Board approved bridge financing for working capital purposes, from a small number of related party accredited investors. The Company entered into loan agreements for approximately $89,000, with a maturity of May 1, 2025 and interest accrued thereon at 24% per annum. Principal and accrued interest may be converted at the Company's option, subject to applicable approvals, into securities of the Company, if and when and on identical terms to a private placement offered by Eguana. The intention was to use the bridge financing for immediate liquidity and convert them into equity, as opposed to repaying the principal and interest, and each investor agreed to such.

In February 2025, the Company granted incentive stock options to acquire up to 345,000 common shares at a strike price of $0.50 per share to employees and directors of the Company.

In February 2025, the Company signed a memorandum of understanding with ITOCHU Corporation amending the payment deadline for the interest payment that is due on March 1, 2025 and interest payments that were due on March 1, 2024, and September 1, 2024. The deadline for these interest payments was extended to August 31, 2025. Notwithstanding the acceptance of the extension, the Company will make commercially reasonable best efforts to issue the interest payment as early as possible.

In March 2025, the Company reached a settlement agreement ("Settlement Agreement") with its US based third-party manufacturer and third-party distributor. Pursuant to the terms of the Settlement Agreement, in consideration for Eguana's release of Duracell Power Center's obligations, Duracell Power Center paid Eguana a termination fee of US$250,000 in cash. Duracell Power Center will transfer ownership of US$1.1M in additional finished goods, consisting of both 5KW and 10KW Evolve systems, to Eguana. Eguana has agreed to provide replacement parts to Duracell Power Center as needed during the remaining warranty period for any products Duracell Power Center has sold. Duracell Power Center will remain responsible for field support costs of any warranty replacement. Duracell Power Center also agreed to increase the amount of manufacturing credit available to Eguana under the Agreements by US$250,000 to US$1.45M. The credit must be fully utilized by Eguana within the next 36 months. Duracell Power Center has provided a reciprocal release of Eguana's obligations under the Agreements.

Subsequent to year end, the United States government announced new tariffs on imported goods. The Canadian government then announced retaliatory tariffs and other measures. This has caused significant economic uncertainty and the effects on the Company are currently uncertain.