

Condensed interim consolidated financial statements of

## **Eguana Technologies Inc.**

June 30, 2021

(Unaudited)

# Eguana Technologies Inc.

## Condensed interim consolidated statements of financial position

Stated in Canadian dollars

Unaudited

|  | Note | June 30<br>2021   | September 30<br>2020 |
|--|------|-------------------|----------------------|
| <b>Assets</b>                            |      |                   |                      |
| Current:                                 |      |                   |                      |
| Cash                                     |      | 7,703,173         | 527,702              |
| Accounts receivable                      |      | 1,539,200         | 684,307              |
| Inventory                                | 3    | 5,736,038         | 1,544,105            |
| Prepaid expenses and deposits            |      | 1,721,953         | 253,363              |
|  |      | <b>16,700,364</b> | 3,009,477            |
| Non-current:                             |      |                   |                      |
| Development costs                        |      | 3                 | 3                    |
| Property and equipment                   |      | 411,312           | 435,209              |
| Right-of-use assets                      |      | 365,602           | 347,315              |
|  |      | <b>17,477,281</b> | 3,792,004            |
| <b>Liabilities</b>                       |      |                   |                      |
| Current:                                 |      |                   |                      |
| Accounts payable and accrued liabilities |      | 3,465,439         | 4,051,734            |
| Warranty provision                       |      | 540,867           | 507,929              |
| Deferred revenue                         |      | 179,083           | 610,913              |
| Current portion of long-term debt        | 5    | 474,028           | 1,314,756            |
| Derivative liability                     | 5    | 1,193,977         | 1,152,000            |
| Current portion of lease liability       | 8    | 182,105           | 154,199              |
| Current portion of other liabilities     | 8    | 672,533           | 450,376              |
|  |      | <b>6,708,032</b>  | 8,241,907            |
| Non-current:                             |      |                   |                      |
| Long-term debt                           | 5    | -                 | 298,066              |
| Debentures                               | 6    | -                 | 7,288,750            |
| Preferred shares                         | 7    | 4,893,827         | 4,322,486            |
| Lease liability                          | 8    | 238,556           | 255,359              |
| Other liabilities                        | 8    | 103,527           | 842,270              |
|  |      | <b>11,943,942</b> | 21,248,838           |
| <b>Shareholders' equity (deficiency)</b> |      |                   |                      |
| Common shares                            | 9    | 74,841,585        | 45,634,694           |
| Preferred shares                         | 10   | 567,155           | 567,155              |
| Warrants                                 | 12   | 3,048,944         | 2,488,365            |
| Contributed surplus                      | 13   | 12,231,119        | 10,989,832           |
| Foreign currency translation reserve     |      | (328,601)         | (229,700)            |
| Deficit                                  |      | (84,826,863)      | (76,907,180)         |
|  |      | <b>5,533,339</b>  | (17,456,834)         |
|  |      | <b>17,477,281</b> | 3,792,004            |

Going concern (Note 2(c)) and Subsequent events (Note 19)

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

# Eguana Technologies Inc.

## Condensed interim consolidated statements of net loss and comprehensive loss

For the three and nine-month periods ended June 30,

Stated in Canadian dollars

Unaudited

|   | Note | Three months ended |             | Nine months ended  |                             |
|---|------|--------------------|-------------|--------------------|-----------------------------|
|   |      | 2021               | 2020        | 2021               | 2020                        |
|   |      |                    |             |                    | <i>Restated (note 2(b))</i> |
| Sales and engineering services                  | 17   | <b>1,381,504</b>   | 2,179,891   | <b>4,052,873</b>   | 6,620,830                   |
| Cost of goods sold                              |      | <b>1,304,229</b>   | 1,908,224   | <b>3,771,831</b>   | 5,728,098                   |
| Gross margin                                    |      | <b>77,275</b>      | 271,667     | <b>281,042</b>     | 892,732                     |
| Expenses  |      |                    |             |                    |                             |
| General and administrative                      |      | <b>1,079,995</b>   | 463,847     | <b>2,987,896</b>   | 1,443,392                   |
| Selling and marketing                           |      | <b>475,689</b>     | 503,024     | <b>1,403,873</b>   | 1,568,427                   |
| Product research and development                |      | <b>451,366</b>     | 223,668     | <b>1,301,626</b>   | 631,743                     |
| Operations                                      |      | <b>380,183</b>     | 206,079     | <b>817,034</b>     | 641,674                     |
|   |      | <b>2,387,233</b>   | 1,396,618   | <b>6,510,429</b>   | 4,285,236                   |
| <b>Operating Loss</b>                           |      | <b>(2,309,958)</b> | (1,124,951) | <b>(6,229,387)</b> | (3,392,504)                 |
| Financing costs                                 | 15   | <b>(330,668)</b>   | (768,998)   | <b>(1,785,968)</b> | (2,090,897)                 |
| Loss on debt extinguishment                     | 5    | -                  | -           | -                  | (491,692)                   |
| Unrealized foreign exchange (loss) gain         |      | <b>(95,950)</b>    | 130,404     | <b>88,542</b>      | (287,815)                   |
| Other income                                    |      | <b>7,130</b>       | 2,310       | <b>7,130</b>       | 2,313                       |
| <b>Net loss</b>                                 |      | <b>(2,729,446)</b> | (1,761,235) | <b>(7,919,683)</b> | (6,260,595)                 |
| Foreign currency translation adjustment         |      | <b>(5,455)</b>     | (46,232)    | <b>(98,901)</b>    | (39,863)                    |
| <b>Total comprehensive loss</b>                 |      | <b>(2,734,901)</b> | (1,807,467) | <b>(8,018,584)</b> | (6,300,458)                 |
| <b>Loss per common share</b>                    |      |                    |             |                    |                             |
| Basic and diluted                               |      | <b>(0.01)</b>      | (0.01)      | <b>(0.03)</b>      | (0.03)                      |
| <b>Weighted average number of common shares</b> |      |                    |             |                    |                             |
| Basic and diluted                               | 9    | <b>336,436,998</b> | 227,822,540 | <b>276,356,858</b> | 223,000,408                 |

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

# Eguana Technologies Inc.

## Condensed interim consolidated statements of change in equity (deficiency)

For the nine-month periods ended June 30,

Stated in Canadian dollars

| Unaudited                               | Common shares     | Preferred shares | Warrants         | Contributed surplus | Foreign currency translation reserve | Deficit             | Total                       |
|---|-------------------|------------------|------------------|---------------------|--------------------------------------|---------------------|-----------------------------|
| Balance October 1, 2020                 | 45,634,694        | 567,155          | 2,488,365        | 10,989,832          | (229,700)                            | (76,907,180)        | (17,456,834)                |
| Net loss for the period                 | -                 | -                | -                | -                   | -                                    | (7,919,683)         | (7,919,683)                 |
| Foreign Currency Translation            | -                 | -                | -                | -                   | (98,901)                             | -                   | (98,901)                    |
| Issue of share capital (net) (note 9)   | 1,549,000         | -                | -                | -                   | -                                    | -                   | 1,549,000                   |
| Issuance of partnership units (note 11) | 909,967           | -                | -                | -                   | -                                    | -                   | 909,967                     |
| Issuance of special warrants (note 12)  | 17,011,015        | -                | 1,056,028        | -                   | -                                    | -                   | 18,067,043                  |
| Warrants issued                         | -                 | -                | 128,808          | -                   | -                                    | -                   | 128,808                     |
| Warrants exercised                      | 1,519,775         | -                | (624,257)        | -                   | -                                    | -                   | 895,518                     |
| Stock options exercised                 | 598,063           | -                | -                | (235,813)           | -                                    | -                   | 362,250                     |
| Convertible debenture exercised         | 7,619,071         | -                | -                | -                   | -                                    | -                   | 7,619,071                   |
| Share-based payments                    | -                 | -                | -                | 1,477,100           | -                                    | -                   | 1,477,100                   |
| <b>Balance June 30, 2021</b>            | <b>74,841,585</b> | <b>567,155</b>   | <b>3,048,944</b> | <b>12,231,119</b>   | <b>(328,601)</b>                     | <b>(84,826,863)</b> | <b>5,533,339</b>            |
|   |                   |                  |                  |                     |                                      |                     | <i>Restated (note 2(b))</i> |
| Balance October 1, 2019                 | 45,366,483        | 567,155          | 1,187,433        | 10,679,365          | (152,888)                            | (68,668,528)        | (11,020,980)                |
| Loss for the period                     | -                 | -                | -                | -                   | -                                    | (6,260,595)         | (6,260,595)                 |
| Other comprehensive loss                | -                 | -                | -                | -                   | (39,863)                             | -                   | (39,863)                    |
| Issue of share capital                  | 58,349            | -                | -                | -                   | -                                    | -                   | 58,349                      |
| Warrants issued                         | -                 | -                | 1,135,183        | -                   | -                                    | -                   | 1,135,183                   |
| Warrants expired                        | -                 | -                | (88,634)         | 88,634              | -                                    | -                   | -                           |
| Convertible debenture exercised         | 35,941            | -                | -                | -                   | -                                    | -                   | 35,941                      |
| Share-based payments                    | -                 | -                | -                | 75,477              | -                                    | -                   | 75,477                      |
| <b>Balance June 30, 2020</b>            | <b>45,460,773</b> | <b>567,155</b>   | <b>2,233,982</b> | <b>10,843,476</b>   | <b>(192,751)</b>                     | <b>(74,929,123)</b> | <b>(16,016,488)</b>         |

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

# Eguana Technologies Inc.

## Condensed interim consolidated statements of cash flows

For the nine-month periods ended June 30,

Stated in Canadian dollars

Unaudited

|  |      | Three months ended |             | Nine months ended   |             |
|--|------|--------------------|-------------|---------------------|-------------|
|  | Note | 2021               | 2020        | 2021                | 2020        |
| <b>Operating activities</b>                      |      |                    |             |                     |             |
| <i>Restated (note 2(b))</i>                      |      |                    |             |                     |             |
| Net loss   |      | <b>(2,729,446)</b> | (1,761,235) | <b>(7,919,683)</b>  | (6,260,595) |
| Share-based payments                             | 13   | <b>660,558</b>     | 22,420      | <b>1,477,100</b>    | 75,477      |
| Financing costs                                  | 14   | <b>330,668</b>     | 768,998     | <b>1,785,968</b>    | 2,090,897   |
| Loss on debt extinguishment                      | 5    | -                  | -           | -                   | 491,692     |
| Amortization of capital assets and leased assets |      | <b>74,621</b>      | 89,515      | <b>243,740</b>      | 265,645     |
| Write down (up) of inventory                     | 3    | <b>792</b>         | -           | <b>(31,853)</b>     | -           |
| Warranty provision                               |      | <b>19,929</b>      | 44,439      | <b>32,938</b>       | 134,592     |
| Unrealized foreign exchange loss (gain)          |      | <b>95,950</b>      | (130,404)   | <b>(88,542)</b>     | 287,815     |
|  |      | <b>(1,546,928)</b> | (966,267)   | <b>(4,500,332)</b>  | (2,914,477) |
| Net change in non-cash working capital           | 16   | <b>(5,075,160)</b> | (689,948)   | <b>(7,787,488)</b>  | (381,393)   |
| Cash flow used in operating activities           |      | <b>(6,622,088)</b> | (1,656,215) | <b>(12,287,820)</b> | (3,295,870) |
| <b>Financing activities</b>                      |      |                    |             |                     |             |
| Cost from modification of long-term debt         | 5    | -                  | -           | -                   | (41,691)    |
| Proceeds from issuance of bridge loan, net       | 4    | -                  | -           | -                   | 276,255     |
| Proceeds from issuance of convertible debenture  | 6    | -                  | -           | -                   | 5,000,000   |
| Cost of issuing convertible debenture            | 6    | -                  | -           | -                   | (104,331)   |
| Proceeds from issuance of common shares, net     | 9    | <b>(165,968)</b>   | -           | <b>1,303,402</b>    | -           |
| Proceeds from issuance of LP units, net          | 11   | -                  | -           | <b>956,724</b>      | -           |
| Proceeds from issuance of special warrants, net  | 12   | -                  | -           | <b>18,067,043</b>   | -           |
| Proceeds on exercise of warrants                 | 12   | <b>23,334</b>      | -           | <b>919,680</b>      | -           |
| Proceeds on exercise of stock options            | 13   | -                  | -           | <b>362,250</b>      | -           |
| Repayment of bridge loan                         | 4    | -                  | (323,741)   | -                   | (323,741)   |
| Repayment of long-term debt                      | 5    | <b>(286,200)</b>   | (484,417)   | <b>(1,182,041)</b>  | (909,011)   |
| Repayment of leases                              | 8    | <b>(59,234)</b>    | (61,613)    | <b>(189,199)</b>    | (177,083)   |
| Repayment of other liabilities                   | 8    | <b>(158,036)</b>   | (36,317)    | <b>(702,094)</b>    | (134,543)   |
| Cash flow from financing activities              |      | <b>(646,104)</b>   | (906,088)   | <b>19,535,765</b>   | 3,585,855   |
| <b>Investing activities</b>                      |      |                    |             |                     |             |
| Capital asset additions                          |      | <b>(57,098)</b>    | (68,011)    | <b>(72,474)</b>     | (189,509)   |
| Lease asset additions, net                       |      | -                  | (10,086)    | -                   | (10,086)    |
| Cash flow used in investing activities           |      | <b>(57,098)</b>    | (78,097)    | <b>(72,474)</b>     | (199,595)   |
| Net change in cash                               |      | <b>(7,325,290)</b> | (2,640,400) | <b>7,175,471</b>    | 90,390      |
| Cash, beginning of period                        |      | <b>15,028,463</b>  | 3,210,960   | <b>527,702</b>      | 480,170     |
| <b>Cash, end of period</b>                       |      | <b>7,703,173</b>   | 570,560     | <b>7,703,173</b>    | 570,560     |

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

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

June 30, 2021

Stated in Canadian dollars

Unaudited

### 1. Description of the business

Eguana Technologies Inc. ("the Company"), incorporated under the *Alberta Business Corporations Act*, designs and manufactures high performance residential and commercial energy storage systems. Eguana has two decades of experience delivering grid edge power electronics for fuel cell, photovoltaic and battery applications. The Company is a publicly traded company headquartered at Unit 3, 6143 – 4<sup>th</sup> Street SE, Calgary, Alberta, Canada and its shares trade on the TSX Venture Exchange (the "TSX-V") under the symbol "EGT".

### 2. Basis of preparation

#### (a) Statement of compliance

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

These financial statements do not comprise all the information required for annual audited consolidated financial statements and therefore should be read in conjunction with the annual audited consolidated financial statements for the years ended September 30, 2020 and 2019, which were prepared in accordance with IFRS.

These financial statements follow the same accounting policies as outlined in Notes 2 and 4 of the audited consolidated financial statements for the year ended September 30, 2020.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in Note 2 of the September 30, 2020 audited consolidated financial statements.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 26, 2021.

#### (b) Restatement

As previously disclosed in the September 30, 2020 Management Discussion and Analysis, due to an update to the accounting treatment associated with the senior debt amendment in Q2 2020 from a debt modification to a debt extinguishment, the Company recorded a non-cash increase of the net loss for the six-month period ended March 31, 2020 of \$491,692, of which only \$29,314 was previously recorded within financing expenses. The amount previously recorded of \$29,314 has been reclassified to be included within loss on debt extinguishment as noted below.

The impact of the errors on the June 30, 2020 financial statements is summarized below:

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

June 30, 2021

Stated in Canadian dollars

Unaudited

*Extract from the condensed interim consolidated statement of loss and comprehensive loss*

|                             | Nine-month period<br>ended June 30,<br>2020 before<br>restatement | Restatement | Nine-month period<br>ended June 30,<br>2020 as restated |
|-----------------------------|---|-------------|---|
| Financing costs             | (2,120,211)   | 29,314      | (2,090,897)   |
| Loss on debt extinguishment | -   | (491,692)   | (491,692)   |
| Net loss                    | (5,798,217)   | (462,378)   | (6,260,595)   |
| Total comprehensive loss    | (5,838,080)   | (462,378)   | (6,300,458)   |

*Extract from the condensed interim consolidated statement of cash flows*

|                             | Nine-month period<br>ended June 30,<br>2020 before<br>restatement | Restatement | Nine-month period<br>ended June 30,<br>2020 as restated |
|-----------------------------|---|-------------|---|
| Net loss                    | (5,798,217)   | (462,378)   | (6,260,595)   |
| Financing costs             | 2,120,211   | (29,314)    | 2,090,897   |
| Loss on debt extinguishment | -   | 491,692     | 491,692   |

### (c) Going concern

These consolidated financial statements were prepared on a going concern basis. The going concern basis of accounting assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

At June 30, 2021, the Company had not achieved profitable operations since its inception and had accumulated a deficit of \$84,826,863 (September 30, 2020 - \$76,907,180), incurred a net loss for the nine-month period ended June 30, 2021 of \$7,919,683 (June 30, 2020 - \$6,260,595) and cash flow used in operating activities was \$12,287,820 (June 30, 2020 - \$3,295,870). Whether and when the Company can attain profitability from operations is uncertain. At June 30, 2021 the Company has a positive working capital of \$9,992,332 (September 30, 2020 – deficiency \$5,232,430). The lack of profitable operations results in material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The ability to continue as a going concern is dependent on completing equity or debt financings and generating profitable operations in the future in order to meet liabilities as they come due and enable the Company to continue operations. To address its financing requirements, the Company completed a \$20 million private placement in February 2021 (Note 12) and may need to also seek additional financing through the issuance of common shares, first preferred shares, units of EGT Markets Limited Partnership, and debentures to meet its continuing operating requirements. The outcome of these matters cannot be predicted at this time.

These consolidated 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

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

June 30, 2021

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adjustments to assets and liabilities, the reported revenues and expenses, and balance sheet classifications used, which could differ materially from the going concern basis.

### (d) COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. Government authorities have approved the rollout of COVID-19 vaccines and easing of restrictions implemented to prevent the spread of COVID-19, however there is no certainty when economic activity will return to pre COVID-19 levels. The situation remains dynamic and it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

Estimates and judgments made by management in the preparation of the interim financial statements are increasingly difficult and subject to a higher degree of estimation uncertainty during this volatile period.

### 3. Inventory

|                | June 30<br>2021  | September 30<br>2020 <sup>(1)</sup> |
|----------------|------------------|-------------------------------------|
| Finished goods | 504,193          | 279,695                             |
| Components     | 5,231,845        | 1,264,410                           |
|                | <b>5,736,038</b> | 1,544,105                           |

(1) certain comparative amounts related to batteries have been reclassified to conform with the current year's presentation

As at June 30, 2021, \$5,637,133 (September 30, 2020 - \$1,370,244) of inventory was carried at cost and \$98,905 (September 30, 2020 - \$173,861) was carried at net realizable value. \$31,853 of inventory was written-up for the period ended June 30, 2021 (2020 - \$nil).

### 4. Bridge loan

On November 29, 2019, the Company entered into a short-term bridge financing transaction ("Bridge Loan") in the amount of \$280,000, with certain accredited investors, including the Company's Chief Executive Officer. The principal amount of the Bridge Loan bore an interest rate of 12.0% per annum for the initial three-month period, and 24.0% per annum each month thereafter and held a maturity date of May 29, 2020. The Company had the right to prepay at any time a partial or the entire balance of the Bridge Loan outstanding together with accrued interest, without notice, penalty, or bonus. An administrative fee of 10% on the initial principal amount is due and payable on the earlier of payment or maturity date. On April 7, 2020, the Company repaid the full amount outstanding on the Bridge Loan.



# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

June 30, 2021

Stated in Canadian dollars

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### 5. Long-term debt and derivative liability

|   | Derivative liability | Long-term debt   | Total              |
|---|----------------------|------------------|--------------------|
| Balance October 1, 2019                   | 874,627              | 2,495,615        | 3,370,242          |
| Loss on extinguishment of debt            | -                    | 491,692          | 491,692            |
| Fair value allocation to warrant exchange | -                    | (410,898)        | (410,898)          |
| Accretion and accrued interest            | -                    | 360,381          | 360,381            |
| Repayment                                 | -                    | (1,371,871)      | (1,371,871)        |
| Fair value loss on derivative liability   | 277,373              | -                | 277,373            |
| Loss on foreign exchange                  | -                    | 47,903           | 47,903             |
| Balance September 30, 2020                | 1,152,000            | 1,612,822        | 2,764,822          |
| Accretion and accrued interest            | -                    | 129,906          | 129,906            |
| Repayment                                 | -                    | (1,182,041)      | (1,182,041)        |
| Fair value loss on derivative liability   | 41,977               | -                | 41,977             |
| Gain on foreign exchange                  | -                    | (86,659)         | (86,659)           |
| <b>Balance June 30, 2021</b>              | <b>1,193,977</b>     | <b>474,028</b>   | <b>1,668,005</b>   |
| <b>Less: current portion</b>              | <b>(1,193,977)</b>   | <b>(474,028)</b> | <b>(1,668,005)</b> |
|   | -                    | -                | -                  |

The derivative liability is carried at fair value through profit and loss and re-measured at each reporting date. The fair value was the present value of the warrant exchange payment using a discount rate of 16% and the value was determined to be \$1,193,977 at June 30, 2021.

On December 31, 2019, the Company entered an amendment, that was finalized in January 2020, with the Senior Lender to the original loan agreement, wherein the monthly payments were reduced and comprised of interest only for four months commencing November 1, 2019 through February 1, 2020. The Senior Loan will continue to bear interest at a rate of 12.5% per annum and will now be repaid February 1, 2022. In consideration, 4,161,333 common share purchase warrants were issued on January 22, 2020, at a price of \$0.06 per warrant for a period of five years, with an expiry date of January 22, 2025. The fair value of the amended loan was determined by applying an effective interest rate of 18.1% to discount the contractual cash over the remaining life of the loan. The book value of the loan prior to amendment was then deducted from the new fair value, resulting in a loss on extinguishment of debt of \$80,794 in January 2020.

The fair value of the warrant component was determined by using the Black-Scholes option pricing model using a nil dividend yield, a 1.46% interest rate and a volatility of 77.10%. The fair market value at issuance was \$410,898, also recognized as loss on extinguishment.

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

June 30, 2021

Stated in Canadian dollars

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### 6. Debentures

|                              | Debt component of<br>convertible<br>debenture | Warrant component<br>of convertible<br>debenture (note 12) | Total            |
|------------------------------|---|--|------------------|
| Balance October 1, 2019      | 3,018,560                                     | 895,184  | 3,913,744        |
| Convertible debenture        | 4,000,000                                     | 1,000,000  | 5,000,000        |
| Transaction costs            | (83,465)                                      | (20,866)   | (104,331)        |
| Interest                     | (695,551)                                     | -  | (695,551)        |
| Accretion                    | 1,199,841                                     | -  | 1,199,841        |
| Conversion to common shares  | (150,635)                                     | -  | (150,635)        |
| Balance September 30, 2020   | 7,288,750                                     | 1,874,318  | 9,163,068        |
| Interest                     | (433,288)                                     | -  | (433,288)        |
| Accretion                    | 763,609                                       | -  | 763,609          |
| Conversion to common shares  | (7,619,071)                                   | -  | (7,619,071)      |
| <b>Balance June 30, 2021</b> | <b>-</b>                                      | <b>1,874,318</b>   | <b>1,874,318</b> |

On February 18, 2020 the Company entered into a shares for debt agreement with its largest shareholder, DHCT II Luxembourg SARL ("DHCT"), wherein the Company amended the interest payment schedule of the convertible debenture certificate dated August 8, 2019, held by DHCT. The agreement settled \$60,000 of interest due through the issuance 545,454 common shares at a price of \$0.11 per share (note 13). The Company incurred transaction costs of \$1,651.

On March 13, 2020 the Company closed a strategic investment with ITOCHU Corporation ("ITOCHU") and issued 5,000 unsecured convertible debentures at a price of \$1,000 per debenture ("ITOCHU Debentures"), for total gross proceeds of \$5,000,000. Each ITOCHU debenture is convertible into Units of the Company, at a price of \$0.15 per unit. Each Unit consists of one Common Share and one-half of one Warrant. Each whole Warrant shall enable the holder thereof to acquire an additional Common Share at a price of \$0.20 per share for a period of three years following the closing date of the issuance of the ITOCHU Debentures. The ITOCHU Debentures bear interest at 10% per annum, paid semi-annually in cash or additional common shares, and mature on March 13, 2023. 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 amount recorded for the debt component and the face value of the debentures is recorded in the statement of changes in equity (deficiency) as warrants. In connection with issuing the ITOCHU debentures, the Company incurred transaction costs of \$104,331 that were allocated on a pro-rata basis to the carrying values.

On August 10, 2020 the Company entered into a shares for debt agreement with DHCT, following prior practices with its largest shareholder. The agreement settled \$60,000 of accrued interest due through the issuance 461,538 common shares at a price of \$0.13 per share (note 9). The Company incurred transaction costs of \$2,338.

On February 19, 2021 the Company elected to exercise its right to convert the remaining principal amounts of its June 21, 2019 and August 8, 2019 debentures into common shares of the company on March 22,

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2021 as the volume weighted average trading price of the Company's common shares exceeded \$0.30 for a period of 20 consecutive trading days. Holders of \$1.7M in debentures voluntarily elected to convert immediately on February 19, 2021, resulting in the issuance of 11,593,337 common shares. These holders also entered into debt settlement agreements with the Company, where in \$57,613 worth of accrued interest was settled by issuing a total of 115,218 common shares at a price of \$0.50 per share (note 9). The Company incurred transaction costs of \$2,000. 16,767 common shares were issued to related parties consisting of directors and executives of the Company.

On March 22, 2021, the remaining \$1.9M of debentures associated with the June 21, 2019 and August 8, 2019 issuance were converted into 12,886,671 common shares. The holders had a prior option to convert remaining interest due into common shares or take payment in cash. On April 4, 2021 holders of \$2,180 of interest elected to enter into debt settlement agreements, through the issuance of 4,588 common shares at a price of \$0.475 per share (note 9). The Company incurred transaction costs of \$511.

On March 15, 2021 the Company entered into a shares for debt agreement with ITOCHU. The agreement settled \$247,945 of accrued interest due through the issuance 590,345 common shares at a price of \$0.42 per share (note 9). The Company incurred transaction costs of \$1,740.

On April 19, 2021, ITOCHU elected to convert its balance of debentures, resulting in 33,333,333 common shares of the Company and 16,666,666 warrants (note 12). Each warrant entitles ITOCHU to acquire an additional common share at a price of \$0.20 per share until March 13, 2023.

The balance of debentures remaining for the Company post ITOCHU conversion is \$nil.

In connection with the conversion, the Company entered into a shares for debt agreement with ITOCHU. The agreement settled the remaining \$41,096 of accrued interest due through the issuance 90,320 common shares at a price of \$0.455 per share. These shares were issued and approved by the TSX-V on August 11, 2021.

### 7. Series A Preferred shares

|                              | Debt component of preferred shares | Equity component of preferred shares (note 10) | Total            |
|------------------------------|------------------------------------|--|------------------|
| Balance October 1, 2019      | 3,621,769                          | 567,154  | 4,188,923        |
| Accretion                    | 700,717                            | -  | 700,717          |
| Balance September 30, 2020   | 4,322,486                          | 567,154  | 4,889,640        |
| Accretion                    | 571,341                            | -  | 571,341          |
| <b>Balance June 30, 2021</b> | <b>4,893,827</b>                   | <b>567,154</b>                                 | <b>5,460,981</b> |

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### 8. Other liabilities

|   | Settlement<br>Agreement | Contingent<br>liability<br>settlement | Legal<br>settlement | Total            |
|---|-------------------------|---------------------------------------|---------------------|------------------|
| Balance October 1, 2019                       | 314,581                 | 131,815                               | -                   | 446,396          |
| Legal settlement liability                    | -                       | -                                     | 905,182             | 905,182          |
| Accretion                                     | 60,460                  | 31,827                                | 45,183              | 137,470          |
| Repayments                                    | (157,380)               | (39,993)                              | -                   | (197,373)        |
| Loss on foreign exchange                      | -                       | 685                                   | 286                 | 971              |
| Balance September 30, 2020                    | 217,661                 | 124,334                               | 950,651             | 1,292,646        |
| Accretion                                     | 29,177                  | 14,368                                | 119,223             | 162,768          |
| Repayments                                    | (115,008)               | (209,327)                             | (377,759)           | (702,094)        |
| Loss on prepayment of<br>contingent liability | -                       | 75,706                                | -                   | 75,706           |
| Gain on foreign exchange                      | -                       | (5,081)                               | (47,885)            | (52,966)         |
| <b>Balance June 30, 2021</b>                  | <b>131,830</b>          | <b>-</b>                              | <b>644,230</b>      | <b>776,060</b>   |
| <b>Less: current portion</b>                  | <b>(131,830)</b>        | <b>-</b>                              | <b>(540,703)</b>    | <b>(672,533)</b> |
|   | -                       | -                                     | <b>103,527</b>      | <b>103,527</b>   |

In March 2021, the Company paid in full, the settlement of a contingent liability with a third party who provided consulting services. The obligation was fair valued at inception at US\$111,879 using Level 2 valuation techniques with a discount rate of 27%. The repayment resulted in a non-cash loss of \$75,706.

#### *Lease liability*

|                              | Total            |
|------------------------------|------------------|
| Balance October 1, 2019      | 551,796          |
| Accretion                    | 63,992           |
| Repayments                   | (240,205)        |
| Loss on foreign exchange     | 33,975           |
| Balance September 30, 2020   | 409,558          |
| Addition of lease liability  | 170,179          |
| Interest                     | 40,661           |
| Repayments                   | (189,199)        |
| Loss on foreign exchange     | (10,538)         |
| <b>Balance June 30, 2021</b> | <b>420,661</b>   |
| <b>Less: current portion</b> | <b>(182,105)</b> |
|                              | <b>238,556</b>   |

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### 9. Common shares

*Authorized, unlimited number*

*Issued*

|  | Number of<br>shares | Amount<br>(\$)    |
|--|---------------------|-------------------|
| Balance October 1, 2019  | 226,943,753         | 45,366,483        |
| Issuance of common shares  | 1,006,992           | 120,000           |
| Issuance costs   | -                   | (3,989)           |
| Exercise of debentures (note 6)  | 1,333,332           | 150,635           |
| Exercise of warrants (note 12)   | 7,333               | 1,565             |
| Balance September 30, 2020   | 229,291,410         | 45,634,694        |
| Issuance of common shares  | 10,000,000          | 1,500,000         |
| Share issuance costs   | -                   | (254,487)         |
| Issuance of common shares for debt, net (note 6)                                       | 710,751             | 303,487           |
| Issuance of common shares on closing of special warrant<br>private placement (note 12) | 50,000,000          | 20,000,000        |
| Special warrant private placement costs  | -                   | (2,988,985)       |
| Issuance of partnership units (note 11)  | 7,665,900           | 1,150,000         |
| Partnership unit costs (note 11)   | -                   | (240,033)         |
| Exercise of debentures (note 6)  | 60,180,006          | 7,619,071         |
| Exercise of warrants (note 12)   | 7,605,597           | 1,519,775         |
| Exercise of stock options (note 13)  | 1,625,000           | 598,063           |
| <b>Balance June 30, 2021</b>   | <b>367,078,664</b>  | <b>74,841,585</b> |

In November, 2020, the Company closed a private placement of 10,000,000 common shares at an issue price of \$0.15 per common share, for gross proceeds of \$1,500,000. In connection with the offering, the Company incurred transaction costs of \$196,598, including agent commissions. The Agents also received 750,000 broker warrants (note 12), which are exercisable at a price of \$0.15 per warrant for a period of two years, with an expiry date of November 17, 2022. The fair value of the warrants was determined by using the Black-Scholes option pricing model using a nil dividend yield, a 0.27% interest rate and a volatility of 104.23%. The fair market value at issuance was \$57,889, also recognized as part share issuance costs.

On May 11, 2021, the Company filed a short form prospectus in connection with the closing of the \$20 million private placement of Special warrants (note 12). Pursuant to the terms, each special warrant was automatically exercised, for no additional consideration, into a common share.

#### *Weighted average number of common shares*

The weighted average number of shares as at June 30, 2021 and September 30, 2020 were determined by excluding preferred shares, stock options and warrants as the Company was in a loss position.

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### 10. Preferred shares

#### *Authorized*

The Corporation is authorized to issue an unlimited number of convertible \$10, 8% redeemable First Preferred shares, issuable in series.

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

The fixed conversion price for each of the issued series outstanding as at June 30, 2021 is as follows:

- Series 8 \$1.00
- Series A \$0.24

#### *Issued*

|   | Number of<br>shares | Amount<br>(\$) |
|---|---------------------|----------------|
| <b>Series 8</b>   |                     |                |
| Balance October 1, 2019, September 30, 2020 and June 30, 2021 | 1                   | 1              |
| <b>Series A</b>   |                     |                |
| Balance October 1, 2019, September 30, 2020 and June 30, 2021 | 434,860             | 567,154        |
| <b>Total preferred shares June 30, 2021</b>                   | <b>434,861</b>      | <b>567,155</b> |
| <b>Total preferred shares September 30, 2020</b>              | <b>434,861</b>      | <b>567,155</b> |

### 11. EGT Markets Limited Partnership

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

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

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

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In November 2020, EGTLP issued 1,150 EGT Markets Limited Partnership units at a price of \$1,000 per unit resulting in gross proceeds of \$1,150,000. In connection with the issuance, the Company paid the agent a cash commission of \$86,250 and issued 574,942 broker warrants (note 13) exercisable at a price of \$0.15 per warrant for a period of two years, with an expiry date of November 2, 2022. Legal and other costs of \$107,026 related to the issue of the partnership units were incurred. The fair value of the warrants was determined by using the Black-Scholes option pricing model using a nil dividend yield, a 0.26% interest rate and a volatility of 104.72%. The fair market value of the warrants at issuance was \$46,757 and has been recognized as share issuance costs. If the Company exercises its right to acquire all LP units, 7,665,900 common shares will be issued.

On February 19, 2021, the Company announced that it has exercised its right to acquire all 1,150 limited partnership units in EGTLP issued on November 2, 2020 in exchange for 7,665,900 common shares in the capital of Eguana. The LP Common Shares issued in exchange for the Units were subject to resale restrictions which expired on March 3, 2021.

### 12. Warrants

Changes in the Company's warrants are as follows:

|                              | Issued with<br>common<br>shares and<br>debt<br>(#) | Broker<br>warrants<br>(#) | Total<br>purchase<br>warrants<br>(#) | Allocated fair<br>market value<br>(\$) |
|------------------------------|--|---------------------------|--------------------------------------|--|
| Balance October 1, 2019      | 26,381,762   | 1,677,443                 | 28,059,205                           | 1,187,433                              |
| Warrants issued              | 4,161,333  | 3,666                     | 4,164,999                            | 411,176                                |
| Warrants exercised           | -  | (7,333)                   | (7,333)                              | (744)                                  |
| Warrants expired             | (8,101,946)  | (271,833)                 | (8,373,779)                          | (88,634)                               |
| Balance September 30, 2020   | 22,441,149   | 1,401,943                 | 23,843,092                           | 1,509,231                              |
| Special warrants issued      | 50,000,000   | 3,500,000                 | 53,500,000                           | 18,067,043                             |
| Warrants issued              | 16,666,666   | 1,513,475                 | 18,180,141                           | 1,107,942                              |
| Special warrants converted   | (50,000,000)                                       | -                         | (50,000,000)                         | (17,011,015)                           |
| Warrants exercised           | (7,054,663)  | (550,934)                 | (7,605,597)                          | (624,257)                              |
| <b>Balance June 30, 2021</b> | <b>32,053,152</b>                                  | <b>5,864,484</b>          | <b>37,917,636</b>                    | <b>3,048,944</b>                       |

As consideration for the Senior Loan debt amendment (note 5), the Company issued 4,161,333 warrants to its Senior Lender. The warrants convert into an equal number of shares with an exercise price of \$0.06 per common share for a period of five years from the date of the debenture.

The ITOCHU Debentures (note 6) are convertible into Units of the Company, at a price of \$0.15 per unit. Each Unit consists of one Common Share and one-half of one Warrant. Each whole Warrant shall enable the holder thereof to acquire an additional Common Share at a price of \$0.20 per share for a period of three years following the closing date of the issuance of the ITOCHU Debentures. In the event the ITOCHU Debentures are converted into Units, 16,666,666 common share purchase warrants which convert into an

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equal number of shares with an exercise price of \$0.20 per common share for a period of three years from the date of the ITOCHU Debenture will be issued. The Company measured the fair value of the ITOCHU Debenture conversion option at \$979,134, net of \$17,029 in transaction costs.

On April 19, 2021, ITOCHU elected to convert its balance of debentures, resulting in 33,333,333 common shares of the Company and 16,666,666 warrants. Each warrant entitles ITOCHU to acquire an additional common share at a price of \$0.20 per share until March 13, 2023.

As consideration for the November 2020 private placement (note 9), the Company issued 750,000 warrants to its agents. The warrants convert into an equal number of shares with an exercise price of \$0.15 per common share for a period of two years from the date of the warrant.

As consideration for the November 2020 brokered LP unit issuance (note 11), the Company issued 574,942 warrants to its agents. The warrants convert into an equal number of shares with an exercise price of \$0.15 per common share for a period of two years from the date of the warrant.

On February 25, 2021, the Company announced the closing of a private placement of Special Warrants ("Special Warrants") for gross proceeds of \$20 million and issuance of 50 million Special Warrants at a price of \$0.40 per Special Warrant, of which 590,000 warrants were purchased by key management personnel. Each Special Warrant is exercisable into one common share without payment of any additional consideration upon certain conditions being met. The Company will use its commercially reasonable efforts to qualify the distribution of the Common Shares issuable upon exercise of the Special Warrants by way of a short form prospectus within 90 days following the closing of the Offering (the "Qualifying Condition"). The securities issued in connection with the Offering was subject to a 4-month hold period from the date of the closing of the Offering, unless the Qualifying Prospectus is filed and receipted within that time. If the Qualifying Condition was not met, each Special Warrant would be exercisable, for no additional consideration and with no further action on the part of the holder thereof, for 1.1 Common Shares.

On May 11, 2021, the Company filed the short form prospectus in connection with the special warrants. Pursuant to the terms, each special warrant was automatically exercised, for no additional consideration, into a common share.

In connection with the special warrant offering, the Company granted the agents 3,500,000 of non-transferable compensation special warrants exercisable into one common share at a price of \$0.40 per warrant for a period of 24 months from closing date, and incurred transaction costs, including agent commissions, of \$1,766,989. The Black-Scholes option pricing model was used to calculate the fair value of the compensation warrants using a nil dividend yield, a 0.32% interest rate and a volatility of 103.2%. The fair market value at issuance was \$1,056,028. Transaction costs, including broker warrants, were netted against the carrying value of the special warrants.



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Outstanding and exercisable warrants at June 30, 2021 were as follows:

| Range of exercise prices     | Warrants          | Weighted average exercise prices (\$) | Weighted average years to expiry |
|------------------------------|-------------------|---------------------------------------|----------------------------------|
| \$0.01 - \$0.20              | 33,179,541        | 0.19                                  | 1.96                             |
| \$0.21 - \$0.30              | 1,238,095         | 0.21                                  | 0.15                             |
| \$0.31 - \$0.40              | 3,500,000         | 0.40                                  | 1.66                             |
| <b>Balance June 30, 2021</b> | <b>37,917,636</b> | <b>0.21</b>                           | <b>1.88</b>                      |

### 13. 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 Stock Option Plan allows for a maximum term on any options of ten years. The Company, at the discretion of the board of directors, may issue up to a maximum of 22,861,000 options. The shareholders approved the Stock Option Plan on October 8, 2020. 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-employee |
|------------------------------|--------------------------------|-------------------------------------|------------------------------------|--|
| Balance October 1, 2019      | 6,537,052                      | 0.27                                | 2,265,264                          | 0.27                                   |
| Granted                      | 2,305,000                      | 0.15                                | 500,000                            | 0.09                                   |
| Forfeited                    | (385,000)                      | (0.21)                              | (50,000)                           | (0.30)                                 |
| Balance September 30, 2020   | 8,457,052                      | 0.24                                | 2,715,264                          | 0.24                                   |
| Granted                      | -                              | -                                   | 7,500,000                          | 0.27                                   |
| Exercised                    | (375,000)                      | (0.16)                              | (1,250,000)                        | (0.24)                                 |
| Forfeited                    | (205,000)                      | (0.19)                              | -                                  | -                                      |
| <b>Balance June 30, 2021</b> | <b>7,877,052</b>               | <b>0.24</b>                         | <b>8,965,264</b>                   | <b>0.29</b>                            |

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The following summarizes information about stock options outstanding as at June 30, 2021:

|                              | Outstanding options |                             |                                  | Exercisable options |                             |
|------------------------------|---------------------|-----------------------------|----------------------------------|---------------------|-----------------------------|
|                              | Options             | Weighted average price (\$) | Weighted average years to expiry | Options             | Weighted average price (\$) |
| \$0.01 - \$0.30              | 10,785,000          | 0.20                        | 4.82                             | 7,051,672           | 0.21                        |
| \$0.31 - \$0.40              | 4,522,316           | 0.36                        | 2.97                             | 3,522,316           | 0.36                        |
| \$0.41 - \$0.50              | 1,535,000           | 0.44                        | 2.82                             | 1,535,000           | 0.45                        |
| <b>Balance June 30, 2021</b> | <b>16,842,316</b>   | <b>0.27</b>                 | <b>4.14</b>                      | <b>12,108,988</b>   | <b>0.29</b>                 |

The total share-based compensation calculated for the three and nine-months ended June 30, 2021, was \$660,558 and \$1,477,100 (2020 – \$22,420 and \$75,477), respectively.

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

- 4,500,000 incentive stock options at a strike price of \$0.24 per share, with an expiry of December 4, 2023 upon execution of the agreement (issued in December 2020).
- 1,500,000 incentive stock options at a market-based strike price to be determined if, as and when 8,012 unsecured convertible debentures issued in 2019 and 2020 convert into common shares. Should these options be issued, they will have a 36-month term.
- 1,000,000 incentive stock options at a market-based strike price on the 12-month anniversary date of the advisory firm agreement in December 2021. Should these options be issued, they will have a 36-month term.
- 1,000,000 incentive stock options at a market-based strike price on the 18-month anniversary date of the advisory firm agreement in June 2022. Should these options be issued, they will have a 36-month term.

In January 2021, the Company granted incentive stock options to acquire 1,500,000 common shares at a strike price of \$0.35 per share, with an expiry of January 15, 2024.

In April 2021, all remaining convertible debentures were converted and the Company granted incentive stock options to acquire 1,500,000 common shares at a strike price of \$0.455 per share, with an expiry of April 23, 2024, under the agreement with the aforementioned capital markets advisory firm. All options granted vested immediately.

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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:

|                                    | June 30<br>2021 | September 30<br>2020 |
|------------------------------------|-----------------|----------------------|
| Risk free interest rate            | 0.21% – 0.49%   | 0.27% – 0.36%        |
| Expected volatility <sup>(1)</sup> | 103% – 105%     | 107% – 114%          |
| Dividend yield                     | -               | -                    |
| Expected life (years)              | 3               | 3 – 10               |
| Weighted average fair value        | 0.06 – 0.29     | 0.12                 |

(1) Expected volatility is estimated by considering historic average share price volatility over 5 years

#### 14. Financial instruments fair value

The carrying value and fair value of financial instruments at June 30, 2021, is disclosed below by financial instrument category:

|  | Carrying<br>value | Fair value |
|--|-------------------|------------|
| Accounts receivable                      | 1,539,200         | 1,539,200  |
| Accounts payable and accrued liabilities | 3,465,439         | 3,465,439  |
| Derivative liability                     | 1,193,977         | 1,193,977  |

The Company categorizes its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The Company valued cash using Level 1 input and the derivative liability was measured at fair value using level 2 inputs (notes 5).

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

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### 15. Financing costs

|   | Three months ended |                | Nine months ended |                  |
|---|--------------------|----------------|-------------------|------------------|
|   | 2021               | 2020           | 2021              | 2020             |
| Accretion of debentures (note 6)                      | 26,960             | 386,459        | 763,609           | 801,506          |
| Accretion of other liabilities (note 8)               | 42,209             | 21,650         | 162,768           | 70,583           |
| Accretion of long-term debt (note 5)                  | 26,765             | 138,827        | 129,906           | 426,258          |
| Accretion of bridge loan (note 4)                     | -                  | 10,260         | -                 | 47,486           |
| Accretion of preferred shares (note 7)                | 195,532            | 176,247        | 571,341           | 518,006          |
| Change in fair value on derivative liability (note 5) | 25,170             | 14,235         | 41,977            | 178,041          |
| Loss on prepayment of contingent liability (note 8)   | -                  | -              | 75,706            | -                |
| Lease interest  | 14,032             | 21,320         | 40,661            | 49,017           |
|   | <b>330,668</b>     | <b>768,998</b> | <b>1,785,968</b>  | <b>2,090,897</b> |

### 16. Supplemental information

The changes in non-cash working capital for the three and nine-months ended June 30, 2021 and 2020 is as follows:

|  | Three months ended |                  | Nine months ended  |                  |
|--|--------------------|------------------|--------------------|------------------|
|  | 2021               | 2020             | 2021               | 2020             |
| Operating activities                     |                    |                  |                    |                  |
| Decrease (increase) in assets            |                    |                  |                    |                  |
| Accounts receivable and advances         | (1,109,052)        | 124,207          | (878,573)          | (526,962)        |
| Inventory                                | (3,479,967)        | 153,502          | (4,160,080)        | 1,014,150        |
| Prepaid expenses and deposits            | (139,293)          | 188,682          | (1,530,967)        | (466,379)        |
|  | <b>(4,728,312)</b> | <b>466,391</b>   | <b>(6,569,620)</b> | <b>20,809</b>    |
| (Decrease) increase in liabilities       |                    |                  |                    |                  |
| Accounts payable and accrued liabilities | (416,866)          | (103,088)        | (807,106)          | 202,448          |
| Deferred revenue                         | 70,018             | (1,053,251)      | (410,762)          | (604,650)        |
|  | <b>(5,075,160)</b> | <b>(689,948)</b> | <b>(7,787,488)</b> | <b>(381,393)</b> |

### 17. Segmented information

The Company is organized into one operating segment represented by the development and sale of storage energy system. The Company provides professional services, consisting of support, training, and engineering services, to promote the use of its products; however, these activities are not evaluated as a separate business segment.

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

June 30, 2021

Stated in Canadian dollars

Unaudited

### *Major customers*

The Company had one customer where sales were greater than 10% of total sales in the nine-month period ended June 30, 2021 (2020 – three). The customer had attributed sales of approximately \$171,051 and 2,224,205 for the three and nine-month period ended June 30, 2021 (2020 - \$1,857,279 and \$6,148,051), respectively.

### *Revenue composition*

The Company generated \$1,381,504 and \$4,052,873 of revenue (2020 - \$1,867,835 and \$5,572,415) from energy storage system sales with a cost of \$1,304,229 and \$3,771,831 (2020 - \$1,845,971 and \$5,513,103) for the three and nine-month period ended June 30, 2021, respectively. The Company generated \$45,552 of revenue (2020 - \$312,056 and \$1,048,415) from engineering services with a cost of \$16,405 (2020 - \$62,253 and \$214,995) for the three and nine-month period ended June 30, 2021, respectively.

### *Geographic Sales Revenue*

|               | Three months ended |           | Nine months ended |           |
|---------------|--------------------|-----------|-------------------|-----------|
|               | 2021               | 2020      | 2021              | 2020      |
| Asia          | <b>29,505</b>      | 303,555   | <b>41,367</b>     | 1,039,914 |
| Australia     | <b>57,970</b>      | 46,219    | <b>132,829</b>    | 96,689    |
| Canada        | <b>19,095</b>      | -         | <b>19,095</b>     | 1,811     |
| Europe        | <b>101,423</b>     | 481,793   | <b>210,542</b>    | 1,313,917 |
| United States | <b>1,173,511</b>   | 1,348,324 | <b>3,649,040</b>  | 4,168,499 |
|               | <b>1,381,504</b>   | 2,179,891 | <b>4,052,873</b>  | 6,620,830 |

### **18. Legal disputes**

The Company is in a dispute with a prior customer as a result of the cancellation of a supply contract. The Company is seeking full collection of the accounts receivable from the customer, in addition to other amounts from the customer because of the cancellation. The collection of the outstanding receivable is uncertain due to litigation risks and the entire 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 the customer. In the prior year, the customer made a counter claim against the Company.

There has been no change in the Euro denominated amounts for legal disputes from the prior year ends.

### **19. Subsequent events**

Subsequent to June 30, 2021 and up to the date of these condensed interim consolidated financial statements, 1,250,928 common shares were issued in relation to warrant exercises. Included in these warrant exercises were the 1,238,095 warrants granted to the Company's largest shareholder, DHCT.