Consolidated financial statements of

Eguana Technologies Inc.

September 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Eguana Technologies Inc.

Opinion

We have audited the consolidated financial statements of Eguana Technologies Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at September 30, 2021
- the consolidated statement of net loss and comprehensive loss for the year then ended
- the consolidated statement of changes in equity (deficiency) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 3 in the financial statements, which indicates the company has not achieved profitable operations since its inception and its ability to continue as a going concern is dependent on completing equity or debt financings and generating profitable operations in the future.

As stated in Note 3 in the financial statements, these events or conditions, along with other matters as set forth in Note 3 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

The financial statements for the year ended September 30, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 21, 2021.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' 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 in the auditors' report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Jassie Kang.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
January 6, 2022

Eguana Technologies Inc.

Consolidated statements of financial position as at September 30,

Stated in Canadian dollars

	Note	2021	2020
Assets			
Current:			
Cash		**4,603,922**	527,702
Accounts receivable	23	**2,511,942**	684,307
Inventory	6	**5,894,125**	1,544,105
Prepaid expenses and deposits		**930,463**	253,363
		13,940,452	3,009,477
Non-current:			
Development costs		**-**	3
Property and equipment	7	**498,486**	435,209
Intangible assets	8	**158,023**	-
Right-of-use assets	9	**317,229**	347,315
		14,914,190	3,792,004
Liabilities			
Current:			
Accounts payable and accrued liabilities	24	**3,094,030**	4,051,734
Warranty provision	10	**460,153**	507,929
Deferred revenue		**95,446**	610,913
Current portion of long-term debt	12	**283,239**	1,314,756
Derivative liability	12	**1,270,950**	1,152,000
Preferred shares	14	**5,196,678**	-
Current portion of lease liability	16	**183,682**	154,199
Current portion of other liabilities	15	**649,884**	450,376
		11,234,062	8,241,907
Non-current:			
Long-term debt	12	**-**	298,066
Debentures	13	**-**	7,288,750
Preferred shares	14	**-**	4,322,486
Lease liability	16	**188,825**	255,359
Other liabilities	15	**-**	842,270
		11,422,887	21,248,838
Shareholders' equity (deficiency)			
Common shares	17	**75,293,880**	45,634,694
Preferred shares	18	**567,155**	567,155
Warrants	20	**2,896,568**	2,488,365
Contributed surplus	21	**12,285,282**	10,989,832
Foreign currency translation reserve		**(244,358)**	(229,700)
Deficit		**(87,307,224)**	(76,907,180)
		3,491,303	(17,456,834)
		14,914,190	3,792,004

Going concern (Note 3)

Subsequent events (Note 32)

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

On behalf of the Board:

{Signed}
George Powlick, Director

{Signed}
Robert Penner, Director

Eguana Technologies Inc.

Consolidated statements of net loss and comprehensive loss

For the years ended September 30,

Stated in Canadian dollars

	Note	**2021**	2020
Sales and engineering services	30	**7,174,589**	7,951,678
Cost of goods sold		**6,705,131**	7,051,335
Gross margin		**469,458**	900,343
Expenses			
General and administrative	24	**3,477,835**	2,195,702
Selling and marketing	24	**2,054,753**	1,975,680
Product research and development	24	**1,954,402**	887,817
Operations		**1,224,912**	986,210
		8,711,902	6,045,409
Operating Loss		**(8,242,444)**	(5,145,066)
Financing costs	25	**(2,235,611)**	(2,787,260)
Loss on debt extinguishment	12	**-**	(491,692)
Unrealized foreign exchange gain (loss)		**65,960**	(87,644)
Gain on legal settlement	15	**-**	270,686
Other income		**12,051**	2,324
Net loss		**(10,400,044)**	(8,238,652)
Foreign currency translation adjustment		**(14,658)**	(76,812)
Total comprehensive loss		**(10,414,702)**	(8,315,464)
Loss per common share			
Basic and diluted		**(0.03)**	(0.04)
Weighted average number of common shares			
Basic and diluted	17	**299,257,088**	227,645,024

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

Eguana Technologies Inc.

Consolidated statements of change in equity (deficiency)

For the years ended September 30,

Stated in Canadian dollars

	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	-	-	-	-	-	(10,400,044)	(10,400,044)
Foreign Currency Translation	-	-	-	-	(14,658)	-	(14,658)
Issue of share capital (net) (note 17)	1,245,513	-	-	-	-	-	1,245,513
Issue of common shares for debt, net (note 13)	340,841	-	-	-	-	-	340,841
Issuance of special warrants (note	17,011,015	-	1,056,028	-	-	-	18,067,043
Issue of partnership units, net (note 19)	909,967	-	-	-	-	-	909,967
Warrants issued	-	-	128,808	-	-	-	128,808
Warrants exercised	1,934,716	-	(776,633)	-	-	-	1,158,083
Stock options exercised	598,063	-	-	(235,813)	-	-	362,250
Convertible debenture exercised	7,619,071	-	-	-	-	-	7,619,071
Share-based payments	-	-	-	1,531,263	-	-	1,531,263
Balance September 30, 2021	**75,293,880**	**567,155**	**2,896,568**	**12,285,282**	**(244,358)**	**(87,307,224)**	**3,491,303**
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	-	-	-	-	-	(8,238,652)	(8,238,652)
Other comprehensive loss	-	-	-	-	(76,812)	-	(76,812)
Issue of share capital	116,011	-	-	-	-	-	116,011
Warrants issued	-	-	1,390,310	-	-	-	1,390,310
Warrants exercised	1,565	-	(744)	-	-	-	821
Warrants expired	-	-	(88,634)	88,634	-	-	-
Convertible debenture exercised	150,635	-	-	-	-	-	150,635
Share-based payments	-	-	-	221,833	-	-	221,833
Balance September 30, 2020	**45,634,694**	**567,155**	**2,488,365**	**10,989,832**	**(229,700)**	**(76,907,180)**	**(17,456,834)**

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

Eguana Technologies Inc.

Consolidated statements of cash flows
For the years ended September 30,

Stated in Canadian dollars

	Note	**2021**	2020
Operating activities			
Net loss		**(10,400,044)**	(8,238,652)
Share-based payments	21	**1,531,263**	221,833
Financing costs	25	**2,235,611**	2,787,260
Loss on debt extinguishment	12	**-**	491,692
Amortization of capital assets and leased assets	7,9	**322,962**	350,783
Inventory write down (up)	6	**-**	(150,000)
Warranty provision	10	**(47,776)**	159,015
Unrealized foreign exchange (gain) loss		**(65,960)**	87,644
Gain on legal settlement	15	**-**	(270,686)
Bad debt expense		**19,896**	-
		(6,404,048)	(4,561,111)
Net change in non-cash working capital	29	**(8,434,105)**	1,774,493
Cash flow used in operating activities		**(14,838,153)**	(2,786,618)
Financing activities			
Proceeds from issuance of bridge loan, net	11	**-**	276,255
Proceeds from issuance of convertible debenture, net	13	**-**	4,895,669
Proceeds from issuance of common shares, net	17	**1,303,402**	-
Proceeds from issuance of Limited Partnership units, net	19	**956,724**	-
Proceeds from issuance of special warrants, net	17	**18,067,043**	-
Proceeds on exercise of warrants	20	**1,182,245**	1,100
Proceeds on exercise of stock options	21	**362,250**	-
Repayment of bridge loan	11	**-**	(323,741)
Repayment of long-term debt	12	**(1,399,587)**	(1,371,871)
Repayment of leases	16	**(248,419)**	(240,205)
Repayment of other liabilities	15	**(866,615)**	(197,373)
Cash flow from financing activities		**19,357,043**	3,039,834
Investing activities			
Capital asset additions	7	**(193,055)**	(195,473)
Intangible asset additions	8	**(158,023)**	-
Lease asset additions, net		**-**	(10,211)
Cash flow used in investing activities		**(351,078)**	(205,684)
Effects of exchange rate changes on cash held in foreign currencies		**(91,592)**	-
Net change in cash		**4,076,220**	47,532
Cash, beginning of period		**527,702**	480,170
Cash, end of period		**4,603,922**	527,702

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 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 – 4th 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 consolidated financial statements (“the financial statements”) were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on January 6, 2022.

(b) Basis of consolidation

The consolidated financial statements of Eguana Technologies Inc. include the accounts of the Company and its wholly owned subsidiaries: Sustainable Energy Systems Inc., Eguana GmbH, Eguana Pty Ltd., SET Overseas Ltd. Sustainable Energy Europa S.L., and EGT Markets Limited Partnership.

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.

(c) Critical accounting estimates

The preparation of these consolidated financial statements 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. On an ongoing basis, management bases its estimates on historical experience and other assumptions that it believes are reasonable in the circumstances. Actual results may differ from the estimates. There have been no changes made to the methodology to determine critical accounting estimates.

The following reflect the most significant estimates and assumptions used in the preparation of the Company’s consolidated financial statements.

i. Valuation adjustments for inventory

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 assumptions related to future market demand, costs and prices. Such assumptions are reviewed quarterly and may have a significant impact on the valuation adjustments for inventory. Net realizable value is assessed on an product by product basis except when they cannot be practically evaluated separately from other products.

ii. Measurement of expected credit loss ("ECL") for accounts receivable

The Company's trade and other receivables are typically short-term in nature. The Company recognizes an amount equal to the lifetime ECL based on a probability-weighted matrix. The Company measures l the ECL provision based on customer-specific factors, historical default rates and forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecasted economic conditions.

iii. Share-based payment transactions

Share-based payments comprise compensation expense related to the granting of stock options and warrants. 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") 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.

iv. Long-term debt, debentures and preferred shares

The Company issues long-term debt, 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, 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. They are reviewed quarterly and may have a significant impact on the estimates of fair value of the embedded derivatives, certain warrants and debt components.

v. Warranty provision

A provision for warranties is recognized when underlying products are sold. The Company determines the provision based on historical experience of failure rate and cost per failure over the life of the warranty. The initial estimate of warranty-related costs is revised annually.

vi. Income taxes

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 and make certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company believes it has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the provision for income taxes.

(d) Critical accounting judgements

In applying the Company's accounting policies, management has made certain judgements that may have a significant effect on the amounts recognized in the consolidated financial statements. Such judgements include:

i. Commitments and Contingencies

By their nature, contingencies will only be resolved when one or more future events transpire. The assessment of contingencies inherently involves estimating the outcome of future events.

The Company has disclosed its disputes and was required to exercise judgement in assessing the recorded amounts.

ii. Determination of functional currency

In determining the Company's functional currency, it periodically reviews its primary and secondary indicators as stipulated under IAS 21 "The Effects of Changes in Foreign Exchange Rates" to assess 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. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of Sustainable Energy Systems Inc. and EGT Markets Limited Partnership has been determined to be the United States dollar, and the functional currency of Eguana GmbH and SET Overseas Ltd. Sustainable Energy Europa S.L. has been determined to be the Euro. The functional currency of Eguana Pty Ltd. has been determined to be the Australian Dollar.

iii. Inventory

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

3. 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 September 30, 2021, the Company had not achieved profitable operations since its inception and had accumulated a deficit of $87,307,224 (September 30, 2020 - $76,907,180), incurred a net loss for the year ended September 30, 2021 of $10,400,044 (September 30, 2020 - $8,238,652) and cash flow used in operating activities was $14,838,153 (September 30, 2020 - $2,786,618). Whether and when the Company can attain profitability from operations is uncertain. At September 30, 2021 the Company has a positive working capital balance of $2,706,390 (September 30, 2020 – deficiency $5,232,430). Included within working capital balance is the preferred shares of $5,196,678 which mature in February 2022. 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 17) 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. Subsequent to September 30, 2021, the preferred shares holders elected to exercise their right to convert the amount in whole to common shares, dividends were partially paid in cash and were partially converted to common shares (note 32).

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

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 financial statements are increasingly difficult and subject to a higher degree of estimation uncertainty during this volatile period.

4. Significant accounting policies

The significant accounting policies are set out below. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

(a) 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.

A financial asset is subsequently measured at amortized cost if it meets both of the following conditions: (i) The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet condition (ii) above that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets is subsequently measured at fair value through other comprehensive income ("FVOCI"). All other financial assets are subsequently measured at their fair values, with changes in fair value recognized in profit or loss ("FVTPL").

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, derivative liability, long-term debt, 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, debentures, preferred shares and other liabilities are recognized at amortized cost.. Accounts payable and accrued liabilities, other liabilities, long-term debt, 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.

For trade receivables, the Company applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

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.

(b) Foreign currencies

i. Foreign currency transactions

The consolidated financial statements are prepared in Canadian dollars. 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 are transferred to the consolidated statement of comprehensive loss as part of the profit or loss on sale.

(c) 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.

(d) Property and equipment

Property and equipment are stated in the consolidated statements of financial position at cost less accumulated amortization, impairment losses and government grants. Amortization is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method. Amortization is charged once an asset is determined to be available for use. 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 and leasehold improvements	5 years straight-line
Computer equipment	3 years straight-line
Computer software	1 year straight-line
Lab equipment	3 to 5 years straight-line
Dies and molds	1 year straight-line

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

(e) 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 are amortized on a straight-line basis over their expected period of benefit as follows:

Licensing agreement	5 years straight-line

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.

(f) Research costs

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

(g) Impairment of property and equipment

At each reporting date, the Company reviews the carrying amounts of its property and equipment to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. The recoverable amount is the higher of the fair value less costs to sell the asset or the asset's value in use. The value in use is determined by estimating the future cash flows projected to be generated by these assets. These cash flows are discounted at a rate reflecting the estimated time value of money and risk associated with the asset or CGU. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Government subsidies

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received, and all the attached conditions will be complied with. Subsidies are recognized by offsetting the related expense in the statement of loss and comprehensive loss on a systematic basis over the periods in which the expenses are recognized for the related costs for which the subsidies are intended to compensate, which in the case of subsidies related to assets requires setting it up as deferred income or deducting it from the carrying amount of the asset.

The Company participated in government programs which are non-repayable government subsidies (Note 27). Assistance related to non-repayable government programs is recorded when there is reasonable assurance that the contribution will be received and all conditions will be complied with. Assistance is presented as a reduction of the related expense or research costs. For repayable government programs, the obligation is treated as a financial liability.

(i) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A provision for warranties is recognized when the underlying products are sold. The provision is based on historical experience. The Company reviews the assumptions used in the determination of the warranty provision on an annual basis.

(j) Share-based payments

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

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 tranche is recognized on a graded vesting basis over the period during which the options vest. 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 the 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.

(k) Revenue recognition

The Company generates revenue through product sales and engineering 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 to which the Company expects to be entitled in exchange for those goods or services.

Product revenue

The Company satisfies its performance obligations and recognizes revenue during the reporting period based on delivery of its products, based on the prices stated on purchase orders, net of discounts. Revenue transactions do not contain significant financing components or variable considerations. Payment terms with customers are generally 30 days from invoice date; however, industry practice can reduce or extend these terms.

Engineering revenue

The Company satisfies its performance obligations and recognizes engineering revenue over time, depicting the pattern of service delivery based on the consulting contract milestones. The related costs are recognized in profit or loss when they are incurred.

(l) Income taxes

Income taxes are recognized in the consolidated statement of loss and comprehensive loss, except where they relate to items recognized in other comprehensive loss or directly in equity, in which case the related taxes are recognized in other comprehensive loss or equity. Taxes are recorded using the tax rate that has been enacted or substantively enacted by the consolidated statement of financial position date.

Deferred tax assets and liabilities are recognized based on unused tax losses and tax credits and the difference between the tax and accounting values of assets and liabilities and are calculated using enacted or substantively enacted tax rates for the periods in which the unused tax losses and tax credits and differences are expected to reverse. The effect of tax rate changes is recognized in earnings or equity, as the case may be, in the period of substantive enactment.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The Company is subject to assessments by various taxation authorities that may interpret tax legislation differently. The final amount of taxes to be paid depends on a number of factors including the outcomes of audits, appeals, or negotiated settlements. The Company accounts for such differences based on its best estimate of the probable outcome of these matters.

(m) 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.

(n) 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 depreciated 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. Since the Company does not have any debt, its incremental borrowing rate must be 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.

Cash payments for the principal portion of the lease liability are presented within the financing activities and the interest portion of the lease liability is presented within the operating activities of the statement of cash flows. Short-term lease payments not included in the measurement of the lease liability are presented within the operating activities of the statement of cash flows.

The Company applies the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

5. New accounting standards issued but not yet effective

New accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. The Company is currently evaluating the impact of adopting these standards.

(a) IAS 1, Presentation of Financial Statements ("IAS 1")

An amendment to IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period. The Company is assessing the impact of this standard.

Stated in Canadian dollars

6. Inventory

	2021	2020(1)
Finished goods	**485,616**	279,695
Components	**5,408,509**	1,264,410
	5,894,125	1,544,105

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

As at September 30, 2021, $5,868,589 (2020 - $1,370,244) of inventory was carried at cost and $25,536 (2020 - $173,861) was carried at net realizable value. No inventory was written-down for the year ended September 30, 2021 (2020 - $150,000 reversal of previous impairment) which was recorded within cost of goods sold.

7. Property and equipment

	Computer equipment and software	Lab equipment	Furniture, equipment and leasehold improvements	Dies and molds	Total
Cost					
Balance October 1, 2020	552,345	1,272,481	436,387	100,911	2,362,124
Additions	4,020	189,035	-	-	193,055
Balance September 30, 2021	**556,365**	**1,461,516**	**436,387**	**100,911**	**2,555,179**
Accumulated amortization and impairment					
Balance October 1, 2020	511,083	982,959	331,962	100,911	1,926,915
Amortization	11,366	81,776	36,636	-	129,778
Balance September 30, 2021	**522,449**	**1,064,735**	**368,598**	**100,911**	**2,056,693**
Carrying Value September 30, 2021	**33,916**	**396,781**	**67,789**	**-**	**498,486**

Stated in Canadian dollars

	Computer equipment and software	Lab equipment	Furniture, equipment and leasehold improvements	Dies and molds	Total
Cost					
Balance October 1, 2019	539,300	1,127,170	399,270	100,911	2,166,651
Additions	13,045	145,311	37,117	-	195,473
Disposals	-	-	-	-	-
Balance September 30, 2020	**552,345**	**1,272,481**	**436,387**	**100,911**	**2,362,124**
Accumulated amortization and impairment					
Balance October 1, 2019	497,188	897,248	286,464	80,652	1,761,552
Amortization	13,895	85,711	45,498	20,259	165,363
Disposals	-	-	-	-	-
Balance September 30, 2020	**511,083**	**982,959**	**331,962**	**100,911**	**1,926,915**
Carrying Value September 30, 2020	**41,262**	**289,522**	**104,425**	**-**	**435,209**

Amortization of the property and equipment is included in the consolidated statement of loss and comprehensive loss under the line item “general and administrative”.

8. Intangible assets

	Total
Balance October 1, 2019	-
Additions	-
Balance September 30, 2020	-
Additions	158,023
Balance September 30, 2021	**158,023**

In September 2021, the company entered into a licensing agreement of an energy management system, this agreement was capitalized with a value of $158,023.

Stated in Canadian dollars

9. Right-of-use assets

	Buildings	Vehicles	Total
Cost			
Balance October 1, 2020	504,518	28,217	532,735
Additions	152,359	17,784	170,143
Gain (loss) on foreign exchange	(7,061)	16	(7,045)
Balance September 30, 2021	**649,816**	**46,017**	**695,833**
Accumulated amortization and impairment			
Balance October 1, 2020	172,387	13,033	185,420
Amortization	174,225	18,959	193,184
Balance September 30, 2021	**346,612**	**31,992**	**378,604**
Carrying Value September 30, 2021	**303,204**	**14,025**	**317,229**

	Buildings	Vehicles	Total
Cost			
Balance October 1, 2019	461,902	48,684	510,586
Additions	25,575	-	25,575
Disposals	-	(15,364)	(15,364)
Gain (loss) on foreign exchange	17,041	(5,103)	11,938
Balance September 30, 2020	**504,518**	**28,217**	**532,735**
Accumulated amortization and impairment			
Balance October 1, 2019	-	-	-
Amortization	172,387	13,033	185,420
Balance September 30, 2020	**172,387**	**13,033**	**185,420**
Carrying Value September 30, 2020	**332,131**	**15,184**	**347,315**

Stated in Canadian dollars

10. Warranty provision

	Total
Balance October 1, 2019	348,914
Increase in provision	159,015
Balance September 30, 2020	507,929
Increase in provision	132,344
Change in estimate	(180,120)
Balance September 30, 2021	**460,153**

The provision for warranty claims represents the Company's best estimate of the future outflow that will be required for the Company's obligations for warranties. The estimate has been made on the basis of historical warranty trends and may vary as a result of new material, altered manufacturing processes or other events affecting product quality.

11. 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.

Stated in Canadian dollars

12. 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	-	147,474	147,474
Repayment	-	(1,399,587)	(1,399,587)
Fair value loss on derivative liability	118,950	-	118,950
Gain on foreign exchange	-	(77,470)	(77,470)
Balance September 30, 2021	**1,270,950**	**283,239**	**1,554,189**
Less: current portion	**(1,270,950)**	**(283,239)**	**(1,554,189)**
	-	**-**	**-**

In December 2017, the Company entered into a loan agreement for general working capital purposes for up to USD$3,000,0000(the "Senior Loan"). The Corporation drew USD$1,500,000 in December 2017, USD$750,000 in August, 2018, and USD$750,000 in October, 2018. Each draw bears interest at a rate of 12.5% per annum, with both principal and interest paid in equal installments over a period of 30 months commencing on the 6-month anniversary of the relevant draw.

The loan has first priority over all assets of the Company. The Company may prepay the loan by paying all scheduled but unpaid payments. If prepayment occurs after 12 months, the Company will receive a 15% discount off future interest owed. If prepayment occurs after 15 months, the Company will receive a 25% discount off future interest owed. If prepayment occurs after 21 months, the Company will receive a 35% discount off future interest owed.

On December 31, 2019, the Company entered an amendment 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 a risk-adjusted 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 the second quarter of 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 part of the loss of extinguishment in the second quarter of 2021.

Stated in Canadian dollars

As part of the original Senior Loan, the Company issued 2,951,733 warrants which convert into an equal number of shares with an exercise price of $0.17 CAD and an expiry date of December 20, 2022. As at September 30, 2021, 2,951,733 warrants were exercisable (2020 – 2,951,733). The vested unexercised warrants are exchangeable at the option of the holder for $1,000,000 USD after the earlier of a liquidity event or September 30, 2021. These warrants are recorded as a warrant derivative liability at fair value through profit or loss.

The Company has measured the fair value of the warrant derivative liability associated with the original Senior Loan with the residual assigned to the loan. The warrant derivative liability was estimated using the higher of the present value of the warrant exchange payment and the option pricing model. Financing fees of $53,136 were allocated between the long-term loan and the derivative liability. The long-term loan is a financial liability and will be accreted to its face value over the term of the loans using an effective interest rate of 27%, 18% and 18%, respectively.

The derivative liability is carried at fair value through profit and loss and re-measured at each reporting date. The higher fair value was the present value of the warrant exchange payment which was determined to be $1,270,950 at September 30, 2021.

13. Debentures

	Debt component of convertible debenture	Warrant component of convertible debenture (note 18)	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	(433,612)	-	(433,612)
Accretion	763,933	-	763,933
Conversion to common shares	(7,619,071)	-	(7,619,071)
Balance September 30, 2021	**-**	**1,874,318**	**1,874,318**

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 17). 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 17. 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, 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 17). 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 17). 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 17). 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 19). 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.

Stated in Canadian dollars

14. Series A Preferred shares

	Debt component of preferred shares	Equity component of preferred shares (note 18)	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	874,192	-	874,192
Balance September 30, 2021	**5,196,678**	**567,154**	**5,763,832**

In August, 2018, the Company entered into a loan agreement for general working capital for $1,300,000 with its largest shareholder, DHCT II Luxembourg SARL (“DHCT”), with the loan being due for repayment one month after the final loan payment to the Senior Lender is made, including the interest payment at a fixed annual rate of 8%.

On February 7, 2019, the Company issued newly created Series A Preferred Shares for gross proceeds of $3,000,000 with its largest shareholder, DHCT, at a price of $10 per Series A Share. The Company and DHCT also entered into a loan settlement and conversion agreement whereby 134,860 additional Series A shares were issued to replace the existing $1,300,000 secured loan facility and accrued interest of $48,606. The 434,860 Series A Preferred Shares are convertible at a price of $0.24 per common share. The Company may force conversion of the Series A Preferred Shares once its TSX-V listed share price is equal to or greater than $0.60 for at least 60 consecutive days. The shares have an 8% annual dividend, accruing automatically, and will be automatically redeemed three years after closing.

Holders of the Series A Preferred Shares may convert, at any time, the Series A Preferred Shares into that number of fully paid and non-assessable common shares equal to the then applicable Series A Redemption Price divided by the conversion price of $0.24 per share. Series A Preferred Shares are automatically converted into common shares if (i) approved by a majority of the Series A Preferred Shares holders or (ii) the Company undertakes an underwritten public offering pursuant to a prospectus or similar document for aggregate proceeds of $20 million. Each holder of Series A First Preferred Shares will be entitled to one vote equal to the number of Common Shares into which his or her Series A First Preferred Shares are convertible at any special or general meeting of the shareholder of the Company.

The debt component was measured at the issue date at the present value of the cash payment of dividends and principal under the terms of the preferred shares using a discount rate of 20% and a three-year term. The difference between the debt component and the face value of the preferred shares is classified as equity (note 18). Transaction costs of $113,223 were allocated on a pro rata basis to the carrying values.

Stated in Canadian dollars

15. Other liabilities

	Settlement Agreement	Contingent liability settlement	Legal 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	**36,229**	**14,367**	**149,839**	**200,436**
Repayments	**(157,380)**	**(209,327)**	**(499,908)**	**(866,615)**
Loss on prepayment of contingent liability	**-**	**75,706**	**-**	**75,706**
Gain on foreign exchange	**-**	**(5,082)**	**(47,207)**	**(52,289)**
Balance September 30, 2021	**96,510**	**-**	**553,375**	**649,884**
Less: current portion	**(96,510)**	**-**	**(553,375)**	**(649,884)**
	-	**-**	**-**	**-**

In August 2015, the Company entered into a settlement agreement with its former Chief Executive Officer ("CEO"), who is a director of the Company, under which the Company agreed to pay deferred compensation earned by the CEO since 2010 in equal monthly payments of $13,115, without interest, over a period of 82 months beginning on October 1, 2015. The Company's liability was valued at inception at $563,572 using Level 2 valuation techniques with a discount rate of 25%.

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

Any outstanding stock options granted to the former CEO pursuant to the Company's incentive stock option plan (the "Stock Option Plan") were amended to allow the former CEO to exercise all outstanding options to acquire common shares of the Company in accordance with their terms until the end of the maximum permissible date under the Stock Option Plan and option agreements.

During the year ended September 30, 2016, the Company settled a contingent liability totaling approximately US$696,294 with a third party who provided consulting services in fiscal 1998 to a subsidiary of the Company. Pursuant to the settlement, the Company agreed to pay US$31,658 per year (payable semi-annually) for a period of 10 years. The obligation is unsecured and was fair valued at inception at US$111,879 using Level 2 valuation techniques with a discount rate of 27%.

During the year ended September 30, 2020, the Company entered into a settlement agreement for a legal dispute with a former contract manufacturer who submitted a claim against the Company for 1,534,000 Euros ($2,295,028 CAD) in an Alberta court. The Company disputed 799,000 Euros ($1,195,389 CAD) of and had recorded the undisputed amount in accounts payable. Pursuant to the settlement, the Company has agreed to pay: (i) 650,000 Euros, to be paid over a period of 24 months commencing on October 1, 2020; and (ii) 100,000 Euros, to be paid upon the occurrence of certain events, but in any case, no later than June 30, 2022. The obligation was fair valued at 577,771 Euros ($905,182 CAD) using Level 2 valuation techniques with a discount rate of 20%, and resulted in a gain from legal settlement of $270,686 CAD in September 2020.

Stated in Canadian dollars

In March 2021, the Company paid in full, the settlement of the contingent liability with the 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.

16. 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	170,143
Interest	54,920
Repayments	(248,419)
Loss on foreign exchange	(13,695)
Balance September 30, 2021	**372,507**
Less: current portion	**(183,682)**
	188,825

Stated in Canadian dollars

17. Common shares

Authorized, unlimited number

Issued

	Number of shares	Amount ($)
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 13)	1,333,332	150,635
Exercise of warrants (note 20)	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 13)	801,071	340,841
Issuance of common shares on closing of special warrant private placement (note 20)	50,000,000	20,000,000
Special warrant private placement costs	-	(2,988,985)
Issuance of partnership units (note 19)	7,665,900	1,150,000
Partnership unit costs (note 19)	-	(240,033)
Exercise of debentures (note 13)	60,180,006	7,619,071
Exercise of warrants (note 20)	8,856,525	1,934,716
Exercise of stock options (note 21)	1,625,000	598,063
Balance September 30, 2021	**368,419,912**	**75,293,880**

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 14), 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 20). 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 September 30, 2021 and September 30, 2020 were determined by excluding preferred shares, stock options and warrants as the Company was in a loss position.

Stated in Canadian dollars

18. 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 September 30, 2021 is as follows:

- Series 8 $1.00
- Series A $0.24

Issued

	Number of shares	Amount ($)
Series 8		
Balance October 1, 2019, September 30, 2020 and September 30, 2021	**1**	**1**
Series A		
Balance October 1, 2019, September 30, 2020 and September 30, 2021	**434,860**	**567,154**
Total preferred shares September 30, 2021	**434,861**	**567,155**
Total preferred shares September 30, 2020	**434,861**	**567,155**

19. 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, has access to the variable returns through its ownership of the Limited Partnership units and Eguana has at all times the right to acquire all the Limited Partnership Units not held by it directly.

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 20) exercisable at a price of $0.15

Stated in Canadian dollars

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 Common Shares issued in exchange for the LP Units were subject to resale restrictions which expired on March 3, 2021.

20. 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 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	(8,292,758)	(563,767)	(8,856,525)	(776,633)
Balance September 30, 2021	**30,815,057**	**5,851,651**	**36,666,708**	**2,896,568**

As consideration for the Senior Loan debt amendment (note 12), 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 13) 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 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.

Stated in Canadian dollars

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 17), 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 19), 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 $1,932,957. 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.

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

Range of exercise prices	Warrants	Weighted average exercise prices ($)	Weighted average years to expiry
$0.01 - $0.20	33,166,708	0.19	1.24
$0.21 - $0.30	-	-	-
$0.31 - $0.40	3,500,000	0.40	1.41
Balance September 30, 2021	**36,666,708**	**0.21**	**1.25**

Stated in Canadian dollars

21. 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 36,708,000 options. The shareholders approved the Stock Option Plan on September 16, 2021. 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	0.31
Exercised	(375,000)	(0.16)	(1,250,000)	(0.24)
Forfeited	(635,000)	(0.24)	-	-
Balance September 30, 2021	**7,447,052**	**0.24**	**8,965,264**	**0.29**

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

	Outstanding options			Exercisable options	
	Options	Weighted average price ($)	Weighted average years to expiry	Options	Weighted average price ($)
$0.01 - $0.30	10,555,000	0.20	4.52	9,841,678	0.21
$0.31 - $0.40	4,522,316	0.36	2.68	3,822,316	0.36
$0.41 - $0.50	1,535,000	0.45	2.56	1,535,000	0.45
Balance September 30, 2021	**16,412,316**	**0.27**	**3.85**	**15,198,994**	**0.27**

The total share-based compensation calculated for the year ended September 30, 2021, was $1,531,263 (2020 – $221,833).

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).

Stated in Canadian dollars

- 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 commons 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.

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:

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

22. Capital management

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

The Company defines capital as the aggregate of its long-term debt, preferred shares and total shareholders' equity (deficiency) less cash

Stated in Canadian dollars

23. 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.

The Company has credit risk exposure on accounts receivable with three counterparties that represent larger than ten percent of total accounts receivable individually at September 30, 2021. Approximately 68% of the total accounts receivable is due from those three customers (2020 – 52% - two counterparties).

The following table illustrates the Company's receivables:

	September 30 2021	September 30 2020
Trade	**2,375,679**	595,076
Taxation authorities	**136,263**	89,231
	2,511,942	684,307
Less: expected credit losses	**-**	-
	2,511,942	684,307

The Company assesses quarterly if there should be any impairment of the financial assets of the Company. During the year ended September 30, 2021, there was $19,896 of bad debts expensed (2020 – $nil).

The maximum exposure to credit risk is represented by the carrying amount on the consolidated statement of financial position. As at September 30, 2021 there are $204,609 of financial assets that the Company considers past due (2020 - $150,706).

The following is a schedule of trade receivables:

	September 30 2021	September 30 2020
Neither impaired or past due	**1,528,496**	303,734
Past due in the following periods		
31 – 60 days	**632,826**	140,636
61 – 90 days	**9,748**	-
Over 90 days	**204,609**	150,706
	2,375,679	595,076

Liquidity risk

The Company's operating cash requirements, including amounts projected to complete the Company's existing working capital expenditure program, are continuously monitored and adjusted as input variables change. These variables include, but are not limited to, future bank lines and government assistance. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain debt financing. There is no assurance that adequate funds from equity or debt markets will be available to the Company in a timely manner (note 3). The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

The following are the contractual undiscounted maturities of financial liabilities at September 30, 2021:

	< 1 Year	1 – 3 Years	Thereafter	Total
Accounts payable and accrued liabilities	3,094,030	-	-	3,094,030
Long-term debt	294,016	-	-	294,016
Preferred shares	5,508,298	-	-	5,508,298
Lease liability	310,246	249,312	-	559,558
Other liabilities	722,880	-	-	722,880
	9,929,470	**249,312**	**-**	**10,178,782**

Foreign currency risk

The Company's exposure to currency risk on financial instruments based on carrying amount in Canadian currency was as follows as at September 30, 2021:

	Australian Dollars	Euros	US Dollars	Total
Cash	85,167	166,976	675,808	927,951
Accounts receivable	73,355	375,485	1,920,724	2,369,564
Deposits	8,821	5,015	664,457	678,293
Accounts payable and accrued liabilities	(49,128)	(560,825)	(1,145,531)	(1,755,484)
Long-term debt	-	-	(283,239)	(283,239)
Derivative liability	-	-	(1,270,950)	(1,270,950)
Lease liability	(209,921)	(47,477)	-	(257,398)
Other liabilities	-	(553,375)	-	(553,375)
	(91,706)	**(614,201)**	**561,269**	**(144,638)**

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 $22,081, for the year ended September 30, 2021 (2020 – increase $108,876). Assuming all other variables remain constant, a $0.05 change in the Canadian/Euro exchange rate would increase the Company's net loss by approximately $20,850 for the year ended September 30, 2021 (2020 – increase $27,684). Assuming all other variables remain constant, a $0.05 change in the Canadian/Australian dollar exchange rate would increase the Company's net loss by approximately $5,003 for the year ended September 30, 2021 (2020 – increase $21,454). 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 year ended September 30, 2021 and 2020.

Stated in Canadian dollars

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 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 deposits using Level 1 input, the accounts receivable, accounts payable and accrued liabilities, other liabilities, debentures, preferred shares, lease liability and long-term loan were measured at fair value on initial recognition using Level 2 inputs (notes 12-16,) and the derivative liability was measured at fair value using level 2 inputs (notes 12).

- 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.

24. Related party transactions

Other than as disclosed elsewhere in these consolidated financial statements, the Company had the following related party transactions, with directors and executive officers:

Salaries and benefits	**2021**	2020
General and administrative	**424,704**	478,014
Selling and marketing	**178,925**	289,779
Product research and development	**68,276**	66,946
Operations	**58,834**	-
	730,739	834,739

Included in accounts payable and accrued liabilities is $676,768 (2020 - $777,194) due to key management personnel.

Share based payments to officers and a director was $71,831 (note 21) (2020 - $nil).

Stated in Canadian dollars

25. Financing costs

	2021	2020
Accretion of debentures (note 13)	**763,933**	1,199,841
Accretion of other liabilities (note 15)	**200,436**	137,470
Accretion of long-term debt (note 12)	**147,474**	360,381
Accretion of bridge loan (note 11)	**-**	47,486
Accretion of preferred shares (note 14)	**874,192**	700,717
Change in fair value on derivative liability (note 12)	**118,950**	277,373
Loss on prepayment of contingent liability (note 15)	**75,706**	-
Lease interest (note 16)	**54,920**	63,992
	2,235,611	2,787,260

26. Personnel expenses

	2021	2020
Wages	**2,463,750**	2,056,749
Benefits	**349,341**	301,111
	2,813,091	2,357,860

27. Government grants

On April 1, 2020, Department of Finance Canada announced the Canadian Emergency Wage Subsidy ("CEWS"), which would subsidize 75% of employee wages, retroactive to March 15, 2020, to Canadian employers whose business had been affected by COVID-19 to enable them to re-hire workers previously laid off as a result the pandemic, help prevent further job losses, and to better position companies to resume normal operations following the crisis. Under this program, the Company applied for a wage subsidy of $230,478 for the period of October 1, 2020 to September 30, 2021 (2020 - $138,754 for the period March 15, 2020 to September 30, 2020), which has been accounted for as a reduction in wages (note 26) included in personnel expenses.

On November 2, 2020, Department of Finance Canada announced the Canadian Emergency Rent Subsidy ("CERS"), which would cover part of commercial rent or property expenses, for the period of September 27, 2020, until October 23, 2021, to Canadian employers whose business had been affected by COVID-19. Under this program, the Company applied for a rent subsidy of $22,787 for the period of October 1, 2020 to September 30, 2021 (2020 – nil).

Stated in Canadian dollars

28. Income taxes

Unrecognized deferred tax assets:

	2021	2020
Development costs and capital assets	**30,127**	42,075
Non-capital loss carry-forwards	**14,362,875**	12,075,053
Other	**1,198,169**	1,363,112
Share issue costs	**509,081**	140,868
	16,100,252	13,621,108
Assets not recognized	**(16,100,252)**	(13,621,108)
	-	-

Reconciliation of effective tax rate:

	2021	2020
Loss for the year	**(10,400,044)**	(8,238,652)
Rate	**23.00%**	24.89%
Expected income tax recovery	**(2,392,010)**	(2,050,600)
Differences resulting from:		
Non-deductible expense	**376,769**	752,633
Tax rate differentials	**(33,146)**	257,561
Losses expired	**45,840**	273,274
Share-based payments	**352,190**	55,214
Share issue cost	**-**	(25,068)
Change in unrecognized deferred tax assets	**1,650,357**	736,986
Total income tax recovery	**-**	-

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 September 30, 2021, the Company has approximately $58.2 million (2020 - $43.5 million) in Canadian non-capital loss carry forwards available. The unused losses will expire between 2027 and 2040.

At September 30, 2021, the Company has approximately $0.4 million (2020 - $0.6 million) in United States non-capital loss carry forwards available. The unused losses will expire between 2022 and 2039. At September 30, 2021, the Company has approximately $2.0 million (2020 - $2.2 million) in Europe non-capital loss carry forward available. The unused losses will expire between 2023 and 2039. At September 30, 2021, the Company has approximately $1.3 million (2020 - $0.9 million) in Australian non-capital loss carry forward available that can be carried forward indefinitely.

Stated in Canadian dollars

29. Supplemental information

The changes in non-cash working capital for the years ended September 30, 2021 and 2020 is as follows:

	2021	2020
Operating activities		
Increase (decrease) in assets and liabilities		
Accounts receivable and advances	**(1,863,529)**	49,759
Inventory	**(4,350,020)**	971,886
Prepaid expenses and deposits	**(704,277)**	201,671
Accounts payable and accrued liabilities	**(1,019,871)**	804,756
Deferred revenue	**(496,408)**	(253,579)
	(8,434,105)	1,774,493

30. 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.

Major customers

The Company had one customer where sales were greater than 10% of total sales in the year ended September 30, 201 (2020 – three). The customer had attributed sales of approximately $4,131,929 for the year ended September 30, 2021 (2020 - $7,172,336).

Revenue composition

The Company generated $7,129,037 of revenue from energy storage system sales with a cost of $6,705,131 for the year ended September 30, 2021 (2020 - $6,903,263 and $6,853,583, respectively). For the year ended September 30, 2021, the Company generated $45,552 of revenue from engineering services with a cost of $16,405 (2020 - $1,048,415 and $214,995, respectively).

Geographic Sales Revenue

	2021	2020
Asia	**41,367**	1,039,914
Australia	**193,990**	159,006
Canada	**19,095**	49,389
Europe	**583,914**	1,386,632
United States	**6,336,223**	5,316,737
	7,174,589	7,951,678

31. 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 2018, 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.

32. Subsequent events

On October 8, 2021, the Company’s Board of Directors approved the grant of 4,560,000 option to purchase common shares. Of the options granted, 3,425,000 have been granted to directors and executives of the Company at a strike price of $0.40 per share, and 1,115,000 to employees at a strike price of $0.275 per share. The options vest in three equal tranches with the first tranche to vest October 8, 2022 and the remainder over two years with an expiry of October 7, 2031.

On December 17, 2021, DHCT elected to convert all 434,860 Series A preferred shares (note 14) into 18,119,167 common shares. In respect of the accretive dividend payable on the Series A Shares, the Company paid DHCT $500,000 and issued 1,326,986 common shares at a price of $0.45 for the remaining outstanding dividend amount.

On December 17, 2021, DHCT elected to exercise 4,000,000 common share purchase warrants of the Company at an exercise price of $0.20 per Warrant for gross proceeds to the Company of $800,000.

Following these elections, DHCT owns greater than 20% of all outstanding common shares of the Company.