Consolidated financial statements of

Eguana Technologies Inc.

September 30, 2020 and 2019

Eguana Technologies Inc.

September 30, 2020

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Independent Auditor's Report

To the Shareholders of Eguana Technologies Inc.

Opinion

We have audited the consolidated financial statements of Eguana Technologies Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2020 and September 30, 2019, and the consolidated statements of loss and comprehensive loss, consolidated statement of change in equity (deficiency), and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group has not achieved profitable operations since its inception, has an accumulated deficit of $76,907,180 as at September 30, 2020 and incurred a net loss for the year ended September 30, 2020 of $8,238,652. These conditions, along with other matters detailed in Note 3 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
January 21, 2021

Eguana Technologies Inc.

Consolidated statements of financial position as at September 30,

Stated in Canadian dollars

	Note	2020	2019
Assets			
Current:			
Cash		**527,702**	480,170
Accounts receivable	20	**684,307**	809,943
Inventory	6	**1,544,105**	2,365,991
Prepaid expenses and deposits		**253,363**	491,022
		3,009,477	4,147,126
Non-current:			
Development costs		**3**	3
Property and equipment	7	**435,209**	405,099
Right-of-use assets	27	**347,315**	-
		3,792,004	4,552,228
Liabilities			
Current:			
Accounts payable and accrued liabilities	21	**4,051,734**	3,970,740
Warranty provision	8	**507,929**	348,914
Deferred revenue		**610,913**	796,587
Current portion of long-term debt	10	**1,314,756**	1,099,361
Derivative liability	10	**1,152,000**	874,627
Current portion of lease liability	27	**154,199**	-
Current portion of other liabilities	13	**450,376**	105,450
		8,241,907	7,195,679
Non-current:			
Long-term debt	10	**298,066**	1,396,254
Debentures	11	**7,288,750**	3,018,560
Preferred shares	12	**4,322,486**	3,621,769
Lease liability	27	**255,359**	-
Other liabilities	13	**842,270**	340,946
		21,248,838	15,573,208
Shareholders' equity (deficiency)			
Common shares	14	**45,634,694**	45,366,483
Preferred shares	15	**567,155**	567,155
Warrants	17	**2,488,365**	1,187,433
Contributed surplus	18	**10,989,832**	10,679,365
Foreign currency translation reserve		**(229,700)**	(152,888)
Deficit		**(76,907,180)**	(68,668,528)
		(17,456,834)	(11,020,980)
		3,792,004	4,552,228

Going concern (Note 3) and Subsequent events (Note 30)

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 loss and comprehensive loss
For the years ended September 30,

Stated in Canadian dollars

	Note	**2020**	2019
Sales and engineering services	28	**7,951,678**	3,427,949
Cost of goods sold		**7,051,335**	3,353,432
Gross margin		**900,343**	74,517
Expenses			
General and administrative	21	**2,195,702**	2,633,414
Selling and marketing	21	**1,975,680**	2,975,168
Product research and development	21	**887,817**	1,149,588
Operations		**986,210**	779,642
		6,045,409	7,537,812
Loss before undernoted items		**(5,145,066)**	(7,463,295)
Financing costs	22	**(2,787,260)**	(1,617,011)
Loss on debt extinguishment	10	**(491,692)**	-
Unrealized foreign exchange loss		**(87,644)**	(64,726)
Gain on legal settlement	13	**270,686**	-
Other income		**2,324**	4,392
Net loss		**(8,238,652)**	(9,140,640)
Foreign currency adjustment to equity		**(76,812)**	(26,839)
Total comprehensive loss		**(8,315,464)**	(9,167,479)
Loss per common share			
Basic and diluted		**(0.04)**	(0.04)
Weighted average number of common shares			
Basic and diluted	13	**227,645,024**	223,092,494

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, 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 debentures 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)**
Balance October 1, 2018	44,522,984	1	484,663	10,217,458	(126,049)	(59,527,888)	(4,428,831)
Loss for the period	-	-	-	-	-	(9,140,640)	(9,140,640)
Other comprehensive loss	-	-	-	-	(26,839)	-	(26,839)
Issue of share capital	698,645	-	-	-	-	-	698,645
Warrants issued	-	-	895,184	-	-	-	895,184
Warrants exercised	144,854	-	(65,951)	-	-	-	78,903
Warrants expired	-	-	(126,463)	126,463	-	-	-
Equity component of preferred shares	-	567,154	-	-	-	-	567,154
Share-based payments	-	-	-	335,444	-	-	335,444
Balance September 30, 2019	**45,366,483**	**567,155**	**1,187,433**	**10,679,365**	**(152,888)**	**(68,668,528)**	**(11,020,980)**

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	**2020**	2019
Operating activities			
Net loss		**(8,238,652)**	(9,140,640)
Share-based payments	18	**221,833**	335,444
Financing costs	22	**2,787,260**	1,617,011
Loss on debt extinguishment	10	**491,692**	-
Amortization of property and equipment	7	**165,363**	173,113
Amortization of lease assets	27	**185,420**	-
Warranty provision	8	**159,015**	102,313
Unrealized foreign exchange loss (gain)		**87,644**	25,135
Write down (up) of inventory		**(150,000)**	(65,000)
Gain on legal settlement	13	**(270,686)**	-
Bad debt expense		**-**	397
		(4,451,111)	(6,952,227)
Net change in non-cash working capital	26	**1,774,493**	(455,894)
Cash flow used in operating activities		**(2,786,618)**	(7,408,121)
Financing activities			
Proceeds from issuance of long-term debt	10	**-**	975,040
Proceeds from issuance of bridge loan	9	**280,000**	-
Cost of issuing bridge loan	9	**(3,745)**	-
Proceeds from issuance of debentures	11	**5,000,000**	4,227,000
Cost of issuing debentures	11	**(104,331)**	(387,652)
Proceeds from issuance of LP units	16	**-**	715,000
Cost of issuing limited partnership units	16	**-**	(16,355)
Proceeds from issuance of preferred shares	12	**-**	3,000,000
Cost of issuing preferred shares	12	**-**	(113,223)
Proceeds on exercise of warrants		**1,100**	78,903
Repayment of bridge-loan	9	**(323,741)**	-
Repayment of long-term debt	10	**(1,371,871)**	(1,490,910)
Repayment of leases	27	**(240,205)**	-
Repayment of other liabilities	13	**(197,373)**	(195,911)
Cash flow from financing activities		**3,039,834**	6,791,892
Investing activities			
Property and equipment additions	7	**(195,473)**	(189,601)
Lease asset additions, net	27	**(10,211)**	-
Cash flow used in investing activities		**(205,684)**	(189,601)
Net change in cash		**47,532**	(805,830)
Cash, beginning of period		**480,170**	1,286,000
Cash, end of period		**527,702**	480,170

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 21, 2021.

(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 item by item basis except when they cannot be practically evaluated separately from other items.

ii. Accounts receivable valuation

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 loss allowances based customer-specific factors historical default rates and forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast 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 exercise which are outside of the control of the Company. Such assumptions are reviewed quarterly and 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.

iii. Inventory

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

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, 2020, the Company had not achieved profitable operations since its inception and had accumulated a deficit of $76,907,180 (September 30, 2019 - $68,668,528) and incurred a net loss for the year ended September 30, 2020 of $8,238,652 (2019 - $9,140,640). Whether and when the Company can attain profitability from operations is uncertain. At September 30, 2020 the Company has a working capital deficiency of $5,232,430 (2019 – $3,048,553). The lack of profitable operations and current liabilities being in excess of current assets 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. The ability to continue as a going concern may be adversely impacted by the loss of customers and falling sales per customer. To address its financing requirements, the Company may seek financing through the issuance of common shares, first preferred shares, units of EGT Markets Limited Partnership and debentures. The outcome of these matters cannot be predicted at this time.

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, potentially leading to an economic downturn. 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.

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

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. Net gains and losses arising from changes in fair value are recognized in net loss and upon de-recognition or impairment. 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, consistent with the “other financial liabilities” classification. Equity instruments are recorded at the proceeds received with direct issue costs deducted.

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.

The Company has an embedded derivative with respect to the Company’s long-term debt (Note 10) as a result of long-term debt issued in the prior year. The embedded derivative in the long-term debt is recognized at fair value with changes in fair value recorded in the consolidated statement of loss and comprehensive loss every period.

On initial recognition, the financial instruments were classified into debt (embedded derivatives) based upon fair value with the equity components being the residual amounts.

Subsequent to the initial recognition, the liability component is measured at amortized cost using the effective interest rate method. The equity component is not re-measured subsequent to initial recognition.

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.

(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.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses, net of tax, arising from those items are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive loss and presented in the 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, residual values 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) Research costs

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

(f) Impairment of property and equipment

At each consolidated statement of financial position date, the Company reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. 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). Where it is not possible to estimate the recoverable amount of an individual asset, 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 using estimates. The value in use is determined by estimating the future cash flows projected to be generated by these assets on a pre-tax basis. 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

(g) 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 as income 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 24). 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.

(h) Provisions and contingencies

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 initial estimate of warranty-related costs is revised annually.

ii. Contingencies

When a contingency is substantiated by confirming events, can be reliably measured and will likely result in an economic outflow, a liability is recognized in the consolidated financial statements as the best estimate available to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by a future event, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow

of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

(i) 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 as an increase 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.

(j) Revenue recognition

The Company uses IFRS 15 to determine revenue recognition for the entity. The Company performs the following five steps: (i) identifies the contract(s) with a customer, (ii) identifies the performance obligations in the contract, (iii) determines the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognizes revenue when (or as) the entity satisfies a performance obligation. The Company applies the five-step model to arrangements that meet the definition of a contract under IFRS 15, including when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it provides to the customer.

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.

(k) 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.

(l) 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.

(m) Leases

The Company adopted IFRS 16, Leases ("IFRS 16") with an effective date of October 1, 2019 using the modified retrospective basis with no restatement of comparative periods. IFRS 16 replaces IAS 17, Leases, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). Under IFRS 16, a lessee records all leases on the consolidated statement of financial position, except for those leases that meet a limited exception criterion. Upon adoption of IFRS 16, a right-of-use asset ("ROU Asset") is recognized at the date of the initial application at an amount equal to the lease liability, using the Company's incremental borrowing rate. On the date of adoption, the Company recognized a ROU Asset of $551,796 with respect to a land lease on buildings and leases on vehicles, with a corresponding increase to the lease liability for the same amount. The ROU asset was offset with a previously recorded lease inducement of $41,210. The ROU Assets were included as a non-current asset on the Company's statement of financial position with a corresponding lease liability of $551,796

The Company has elected not to apply this standard to short-term leases and leases for which the underlying asset is of low value. The Company recognizes these lease payments as an expense on a straight-line basis over the lease term.

(n) Uncertainty Over Income Tax Treatments

The Company adopted IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23") with an effective date of October 1, 2019 using the modified retrospective basis with no restatement of comparative periods. IFRIC 23 provides clarification on the application of various recognition and measurement requirements under IAS 12, Income Taxes when there is uncertainty over income tax treatments. This interpretation

addresses whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by taxation authorities; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. The adoption of IFRIC 23 did not have a material impact on the Company's consolidated financial statements.

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.

6. Inventory

	2020	2019
Finished goods	**574,136**	1,579,193
Components	**969,969**	786,798
	1,544,105	2,365,991

As at September 30, 2020, $1,370,244 (2019 - $2,331,246) of inventory was carried at cost and $173,861 (2019 - $34,745) was carried at net realizable value. $150,000 of inventory was written-up in 2020, there was $65,000 of inventory written-up in 2019.

7. Property and equipment

	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**

	Computer equipment and software	Lab equipment	Furniture, equipment and leasehold improvements	Dies and molds	Total
Cost					
Balance October 1, 2018	496,459	1,075,630	362,247	42,714	1,977,050
Additions	42,841	51,540	37,023	58,197	189,601
Disposals	-	-	-	-	-
Balance September 30, 2019	**539,300**	**1,127,170**	**399,270**	**100,911**	**2,166,651**
Accumulated amortization and impairment					
Balance October 1, 2018	484,174	817,248	244,303	42,714	1,588,439
Amortization	13,014	80,000	42,161	37,938	173,113
Disposals	-	-	-	-	-
Balance September 30, 2019	**497,188**	**897,248**	**286,464**	**80,652**	**1,761,552**
Carrying Value September 30, 2019	**42,112**	**229,922**	**112,806**	**20,259**	**405,099**

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. Warranty provision

	Total
Balance October 1, 2018	246,601
Increase in provision	102,313
Balance September 30, 2019	348,914
Increase in provision	159,015
Balance September 30, 2020	**507,929**

The provision for warranty claims represents the present value of 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.

The Company reviews the assumptions used in the determination of the warranty provision on an annual basis.

9. 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.

10. Long-term debt and derivative liability

	Derivative liability	Long-term debt		
	Senior Loan	Senior Loan	DHCT	Total
Balance October 1, 2018	607,313	2,373,316	808,711	3,789,340
Proceeds from issuance of long-term debt	-	975,040	-	975,040
Fair value allocation to warrant exchange	95,000	(95,000)	-	-
Accretion and accrued interest	-	661,487	75,472	736,959
Repayment	-	(1,490,910)	-	(1,490,910)
Debt conversion to preferred shares (note 12)	-	-	(884,183)	(884,183)
Loss on derivative liability	172,314	-	-	172,314
Loss on foreign exchange	-	71,682	-	71,682
Balance September 30, 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**
Less: current portion	**(1,152,000)**	**(1,314,756)**	**-**	**(2,466,756)**
	-	**298,066**	**-**	**298,066**

(a) Long-term debt – Senior Loan

In December 2017, the Company issued $1,500,000 of debt in USD bearing an interest rate of 12.5% per annum which will be repaid in equal instalments starting in June 2018 for 30 months (the "Senior Loan").

In August 2018, the Company drew an additional $750,000 USD from the Senior Lender, bearing interest at 12.5% per annum, which will be repaid in equal instalments starting in March 2019 for 30 months.

In October 2018, the Company drew the remaining $750,000 USD from the Senior Lender, bearing interest at 12.5% per annum, which will be repaid in equal instalments starting in May 2019 for 30 months.

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.

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, 2020, 2,951,733 warrants were exercisable (2019 – 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 using a discount rate of 16% and the value was determined to be $1,152,000 at September 30, 2020.

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.

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.

(b) Long-term debt – DHCT

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%.

As consideration for the advance of the loan from DHCT, which had a second priority lien on all the assets of Eguana and its material subsidiaries, the Company had issued common shares purchase warrants, entitling DHCT to purchase an aggregate of up to 1,238,095 common shares at a price of $0.21 per common share for a period of three (3) years from the date of the loan. The Black-Scholes option pricing model was used to calculate the fair value of the warrants using a nil dividend yield, a 2.13% interest rate and a volatility of 100.75%. The fair market value at issuance was $163,601, with $12,585 of financing fees allocated, resulting in an adjusted book value of $151,016.

A portion of the proceeds were allocated to contributed surplus, representing a capital contribution on the residual of the fair value of the warrants and the loan.

Financing fees of $100,000 were paid with respect the DHCT long-term debt, allocated between the debt, warranty, and capital contribution. The long-term loan was accreted to its face value over the term of the loan using an effective interest rate of 26%.

In February, 2019, the Company entered into a loan settlement and conversion agreement whereby 134,860 Series A Preferred Shares were issued to DHCT, to replace the existing $1,300,000 secured loan facility, including $48,606 of accrued interest (notes 12 and 15).

11. Debentures

	Debt component of convertible debenture	Warrant component of convertible debenture	Total
Balance October 1, 2018	-	-	-
Convertible debenture	3,364,000	863,000	4,227,000
Fair value of broker warrants	-	142,600	142,600
Transaction costs	(419,836)	(110,416)	(530,252)
Interest	(102,146)	-	(102,146)
Accretion	176,542	-	176,542
Balance September 30, 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 (Note 14)	(150,635)	-	(150,635)
Balance September 30, 2020	**7,288,750**	**1,874,318**	**9,163,068**

On June 21, 2019, the Company issued 3,012 unsecured convertible debentures (“Debentures”) by way of a private placement, at a price of $1,000 per debenture, for total gross proceeds of $3,012,000. Each Debenture is convertible into 6,666.67 common shares and issued with 3,333.33 warrants (note 17). The Debentures bear interest at 10% per annum, paid semi-annually, and mature on June 21, 2022. Beginning on the date that is four months plus one day following the closing date, the Company can require the holders

of Debentures to convert Debentures into Units on not less than 30 days' notice in the event that the daily volume weighted average trading price of the Common Shares on the TSXV is greater than $0.30 for any 20 consecutive trading days. 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 18% and a three-year term. The difference between the debt component and the face value of the debentures is classified as warrants.

In connection with the issuance of the June 21, 2019 debentures, the Company granted 1,405,610 broker warrants and also incurred transaction costs of $344,743. Each broker warrant entitles the holder to acquire one unit of the Company ("Unit") at a price of $0.15 per Unit. Each Unit consist 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. The Black-Scholes option pricing model was used to calculate the fair value of the broker warrants using a nil dividend yield, a 1.40% interest rate and a volatility of 80.3%. The fair market value at issuance was $142,600. Transaction costs, including broker warrants, were allocated on a pro rate basis to the carrying values.

On August 8, 2019, the Company closed the second tranche of the upsized debenture private placement. The Company issued 1,215 non-brokered unsecured convertible debentures at a price of $1,000 per debenture, for total gross proceeds of $1,215,000. Each Debenture is convertible into 6,666.67 common shares and issued with 3,333.33 warrants (note 17). The Company's largest shareholder, DHCT II Luxembourg SARL, subscribed for 1,200 of the total debentures issued. The second tranche of the debentures mature on August 8, 2022, with all other terms remaining identical to the first tranche. 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 18% and a three-year term. The difference between the debt component and the face value of the debentures is classified as warrants. In connection with issuing the second tranche of the debentures, the Company incurred transaction costs of $42,909 that were allocated on a pro rate basis to the carrying values.

On February 18, 2020 the Company entered into a shares for debt agreement with 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 14). 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 rate 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 interest due through the issuance

461,538 common shares at a price of $0.13 per share (note 14). The Company incurred transaction costs of $2,338.

12. Series A preferred shares

	Debt component of preferred shares	Equity component of preferred shares (note 15)	Total
Balance October 1, 2018	-	-	-
Preferred Shares	3,300,000	584,183	3,884,183
Transaction costs	(96,194)	(17,029)	(113,223)
Accretion	417,963	-	417,963
Balance September 30, 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**

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 (note 10) 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 15). Transaction costs of $113,223 were allocated on a pro rata basis to the carrying values.

13. Other liabilities

	Settlement Agreement	Contingent liability settlement	Legal settlement	Total
Balance October 1, 2018	392,118	134,017	-	526,135
Accretion	79,843	33,390	-	113,233
Repayments	(157,380)	(38,531)	-	(195,911)
Loss on foreign exchange	-	2,939	-	2,939
Balance September 30, 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**
Less: current portion	**(121,151)**	**(12,659)**	**(316,566)**	**(450,376)**
	96,510	**111,675**	**634,085**	**842,270**

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.

14. Common shares

Authorized, unlimited number

Issued

	Number of shares	Amount ($)
Balance October 1, 2018	222,711,235	44,522,984
Issuance of common shares	3,575,000	715,000
Partnership unit costs (Note 16)	-	(16,355)
Exercise of warrants (note 17)	657,518	144,854
Balance September 30, 2019	226,943,753	45,366,483
Issuance of common shares (note 11)	1,006,992	120,000
Issuance costs	-	(3,989)
Exercise of debentures (note 11)	1,333,332	150,635
Exercise of warrants (note 17)	7,333	1,565
Balance September 30, 2020	**229,291,410**	**45,634,694**

In February 2019, Eguana exercised its right to convert 715 EGT Markets Limited Partnership units to common shares of Eguana and issued 3,575,000 shares. The cost to issue and convert the Limited Partnership units totaled $16,355 (Note 16).

Weighted average number of common shares

The weighted average number of shares as at September 30, 2020 and September 30, 2019 were determined by excluding preferred shares, stock options and warrants as the Company was in a loss position.

15. Preferred shares

Authorized

The Company 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, 2019 and 2020 is as follows:

- Series 8 $1.00
- Series A $0.24

Issued

	Number of shares	Amount ($)
Series 8		
Balance October 1, 2018, September 30, 2019 and 2020	**1**	**1**
Series A (note 12)		
Balance October 1, 2018	-	-
Equity component of preferred shares issued	434,860	584,183
Transaction costs	-	(17,029)
Conversion to common shares	-	-
Balance September 30, 2019	**434,860**	**567,154**
Conversion to common shares	-	-
Balance September 30, 2020	**434,860**	**567,154**
Total preferred shares September 30, 2020	**434,861**	**567,155**
Total preferred shares September 30, 2019	**434,861**	**567,155**

16. EGT Markets Limited Partnership

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

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

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

In December 2018, EGTLP issued 715 EGT Markets Limited Partnership units at a price of $1,000 per unit resulting in gross proceeds of $715,000. Legal and other costs of $16,355 related to the issue of the partnership units were incurred. There were no commissions paid on the issuance.

In February 2019, Eguana exercised its right to convert the LP Units into common shares of Eguana and issued 3,575,000 shares, at an exchange ratio of $0.20 per share (note 14).

17. Warrants

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

	Issued with common shares and debt (#)	Broker warrants (#)	Total purchase warrants (#)	Allocated fair market value
Balance October 1, 2018	19,791,774	1,996,489	21,788,263	484,663
Warrants issued	14,089,988	1,405,610	15,495,598	895,184
Warrants exercised	-	(657,518)	(657,518)	(65,951)
Warrants expired	(7,500,000)	(1,067,138)	(8,567,138)	(126,463)
Balance September 30, 2019	26,381,762	1,677,443	28,059,205	1,187,433
Warrants issued	4,161,333	3,333	4,164,666	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**	**1,401,610**	**23,842,759**	**1,509,231**

As part of the issuance of long-term debt to DHCT in August 2018, the Company issued 1,238,095 common share purchase warrants which convert into an equal number of shares with an exercise price of $0.21 per common share for a period of three (3) years from the date of the loan (note 10(b)).

As part of the issuance of the two tranches of convertible debentures (note 11) in June 2019, the Company issued 14,089,988 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 debenture. As partial consideration for services associated with the first tranche of the debenture, 1,405,610 broker warrants were issued with an exercise price of $0.15 and consist of one common share and one-half warrant each. No broker warrants were issued on the second tranche of debentures. Each whole warrant will convert

into an equal number of shares with an exercise price of $0.20 per share for a period three years from the date of the debenture.

As consideration for the Senior Loan debt amendment (note 10), 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 11) 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.

Outstanding and exercisable warrants at September 30, 2020 were as follows:

Range of exercise prices	Warrants	Weighted average exercise prices ($)	Weighted average years to expiry
$0.01 - $0.20	22,604,664	0.17	2.26
$0.21 - $0.40	1,238,095	0.21	0.89
Balance September 30, 2020	**23,842,759**	**0.17**	**2.22**

In the event the ITOCHU Debenture is converted into Units, the following warrants will be issued:

Exercise price	Warrants	Weighted average exercise prices ($)	Weighted average years to expiry
$0.20	16,666,666	0.20	2.45

18. Contributed surplus

The Company established the Stock Option Plan, which is accounted for in contributed surplus, 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 12,421,303 options. The shareholders approved the Stock Option Plan on July 22, 2016. 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.

Subsequent to year end the shareholders approved a new Stock Option Plan, dated October 8, 2020, wherein the plan was increased to a maximum of 22,861,000 options.

	Number of options to employees	Weighted average price to employees	Number of options to non-employees	Weighted average price to non-employees
Balance October 1, 2018	5,864,319	0.29	2,755,264	0.27
Granted	1,990,000	0.20	250,000	0.20
Forfeited	(1,317,267)	(0.26)	(740,000)	(0.26)
Balance September 30, 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**

The following summarizes information about stock options outstanding as at September 30, 2020:

	Outstanding options			Exercisable options	
	Options	Weighted average price ($)	Weighted average years to expiry	Options	Weighted average price ($)
$0.01 - $0.30	7,615,000	0.18	6.54	5,225,013	0.19
$0.31 - $0.40	3,522,316	0.36	3.36	3,522,316	0.36
$0.41 - $0.50	35,000	0.44	3.44	35,000	0.44
Balance September 30, 2020	**11,172,316**	**0.24**	**5.53**	**8,782,329**	**0.26**

The total share-based compensation calculated for the year ended September 30, 2020, was $221,833 (2019 – $335,444).

In October 2018, the Company granted incentive stock options to acquire up to an aggregate of 300,000 common shares at a strike price of $0.19 per share, with an expiry of October 11, 2028 to two employees. 100,000 of the 300,000 options vest immediately and the remaining two third vesting annually over the next two years.

In December 2018, the Company granted incentive stock options to acquire up to an aggregate of 1,590,000 common shares at a strike price of $0.20 per share, with an expiry of December 14, 2028. Of the options granted, 880,000 have been granted to directors and officers of the Company and the remainder to employees. The incentive stock options represent the 2018 annual grant. 530,000 of the 1,590,000 options vest immediately and the remaining two third vesting annually over the next two years.

In January 2019, the Company entered into an agreement with a capital market company for a commitment of $14,000 a month for six months and granted the capital market company incentive stock options to acquire up to an aggregate of 250,000 common shares at a strike price of $0.19 per share, with an expiry of November 26, 2023. The Company terminated the agreement in August of 2019.

In March 2019, the Company granted incentive stock options to acquire up to an aggregate of 100,000 common shares at a strike price of $0.205 to the Chief Financial Officer, with an expiry of March 4, 2029. 33,333 of the 100,000 options vest immediately and the remaining two third vesting annually over the next two years.

In June 2020, the Company granted incentive stock options to acquire 500,000 common shares at a strike price of $0.09 per share, with an expiry of June 12, 2023. 166,667 of the 500,000 options vest immediately and the remaining two third vesting annually over the next two years.

In July 2020, the Company granted incentive stock options to acquire up to an aggregate of 2,305,000 common shares at a strike price of $0.15 per share, with an expiry of July 15, 2030. Of the options granted, 1,175,000 have been granted to directors and officers of the Company and the remainder to employees. The incentive stock options represent the 2020 annual grant. 768,338 of the 2,305,000 options vest immediately and the remaining two third vesting annually over the next two years.

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

	September 30 2020	September 30 2019
Risk free interest rate	**0.27% – 0.36%**	**1.76 – 2.28%**
Expected volatility (1)	**107% – 114%**	**99 – 104%**
Dividend yield	**-**	**-**
Expected life (years)	**3 – 10**	**5 – 10**
Weighted average fair value	**0.12**	**0.18**

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

19. 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

20. Financial instruments and financial risk management

Credit risk

The credit risk on cash is considered to be limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

The Company has credit risk exposure on accounts receivable with two counterparties at September 30, 2020. Approximately 52% of the total accounts receivable is due from those two customers (2019 – 79% - two counterparties).

The following table illustrates the Company's receivables:

	September 30 2020	September 30 2019
Trade	**595,076**	737,787
Taxation authorities	**89,231**	72,156
	684,307	809,943
Less: expected credit losses	**-**	-
	684,307	809,943

The Company assesses quarterly if there should be any impairment of the financial assets of the Company. During the year ended September 30, 2020, there was $nil of bad debts expensed (2019 – $397).

The maximum exposure to credit risk is represented by the carrying amount on the consolidated statement of financial position. As at September 30, 2020 there are $150,706 of financial assets that the Company considers past due (2019 - $196,153).

The following is a schedule of trade receivables:

	September 30 2020	September 30 2019
Neither impaired or past due	**303,734**	541,633
Past due in the following periods		
31 – 60 days	**140,636**	1,033
61 – 90 days	**-**	-
Over 90 days	**150,706**	195,121
	595,076	737,787

Liquidity risk

The Company's operating cash requirements, including amounts projected to complete the Company's existing capital expenditure program, are continuously monitored and adjusted as input variables change. These variables include, but are not limited to, future bank lines and government assistance. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or

obtain debt financing. There is no assurance that adequate funds from equity or debt markets will be available to the Company in a timely manner. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

The following are the contractual undiscounted maturities of financial liabilities at September 30, 2020:

	< 1 Year	1 – 3 Years	Thereafter	Total
Accounts payable and accrued liabilities	4,051,734	-	-	4,051,734
Long-term debt	1,468,381	309,139	-	1,777,520
Debentures	1,039,292	10,058,348	-	11,097,640
Preferred shares	-	5,394,170	-	5,394,170
Lease liability	200,238	246,184	51,291	497,713
Other liabilities	716,789	897,274	47,726	1,661,789
	7,476,434	**16,905,115**	**99,017**	**24,480,566**

Foreign currency risk

The Company's exposure to currency risk on financial instruments based on carrying amount in Canadian currency was as follows for as at September 30, 2020:

	Euros	US Dollars	Total
Cash	88,729	347,060	435,789
Accounts receivable	507,795	684,643	1,192,438
Prepaid expenses and deposits	17,952	325,664	343,616
Accounts payable and accrued liabilities	(455,880)	(1,453,499)	(1,909,379)
Warranty provision	(175,423)	-	(175,423)
Deferred revenue	1,862	(548,454)	(546,592)
Long-term debt	-	(1,537,408)	(1,537,408)
Lease liability	(75,380)	-	(75,380)
Other liabilities	(950,651)	(124,334)	(1,074,985)
	(1,040,996)	**(2,306,328)**	**(3,347,324)**

Assuming all other variables remain constant, a $0.05 change in the Canadian/US exchange rate would increase the Company's net loss by approximately $86,294, for the year ended September 30, 2020 (2019 - $115,411). 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 $33,223for the year ended September 30, 2020 (2019 - $45,768). An opposite change in the Canadian/US exchange rate and the Canadian/Euro exchange rate will result in an opposite impact on net loss. The Company had no forward exchange rate contracts in place as at or during the year ended September 30, 2020 and 2019.

The derivative liability allows the exercisable warrants to be exchanged at the option of the holder for $1,000,000 USD after the earlier of a liquidity event or September 30, 2021.

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 carrying value and fair value of financial instruments at September 30, 2020, is disclosed below by financial instrument category:

	Carrying value	Fair value
Accounts receivable	**684,307**	**684,307**
Accounts payable and accrued liabilities	**4,051,734**	**4,051,734**
Derivative liability	**1,086,439**	**1,086,439**

The Company categorizes its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The Company valued cash using Level 1 input, the other liabilities, debentures, preferred shares, lease liability and long-term loan were measured at fair value on initial recognition using Level 2 inputs (notes 10-13,27) and the derivative liability was measured at fair value using level 2 inputs (notes 10).

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

21. Related party transactions

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

Salaries and benefits	**2020**	2019
General and administrative	**478,014**	506,996
Selling and marketing	**289,779**	315,290
Product research and development	**66,946**	69,620
	834,739	891,906

Included in accounts payable and accrued liabilities is $777,194 (2019 - $448,135) due to directors and key management personnel.

Share based expenses to officers and a director was $106,933 (note 18) during 2019 (2018 - $187,992).

In June and August 2019, key management personnel and the significant shareholder of the Company purchased 1,321 Convertible Debenture Units at $1,000 a Unit (note 11).

22. Financing costs

	2020	2019
Accretion of debentures	**1,199,841**	176,542
Accretion of other liabilities	**137,470**	113,233
Accretion of long-term debt	**360,381**	736,959
Accretion of bridge loan	**47,486**	-
Accretion of preferred shares	**700,717**	417,963
Change in fair value on derivative liability	**277,373**	172,314
Accretion on lease liability (note 7)	**63,992**	-
	2,787,260	1,617,011

23. Personnel expenses

	2020	2019
Wages	**2,056,749**	2,583,685
Benefits	**301,111**	288,894
	2,357,860	2,872,579

24. 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 $138,754 for the period March 15, 2020 to September 30, 2020, which has been accounted for as a reduction in wages (Note 23) included in personnel expenses.

25. Income taxes

Unrecognized deferred tax assets:

	2020	2019
Development costs and capital assets	**42,075**	51,236
Non-capital loss carry-forwards	**12,075,053**	11,091,830
Other	**1,363,112**	859,615
Share issue costs	**140,868**	198,595
	13,621,108	12,201,276
Assets not recognized	**(13,621,108)**	(12,201,276)
	-	-

Reconciliation of effective tax rate:

	2020	2019
Loss for the year	**(8,238,652)**	(9,140,640)
Rate	**24.89%**	26.65%
Expected income tax recovery	**(2,050,600)**	(2,436,084)
Differences resulting from:		
Non-deductible expense	**752,633**	436,150
Adjustment to opening balance	**-**	200,428
Change in tax rates	**257,561**	1,117,459
Foreign exchange	**-**	(6,290)
Losses expired	**273,274**	78,138
Share-based payments	**55,214**	89,400
Share issue cost	**(25,068)**	(149,930)
Change in unrecognized deferred tax assets	**736,986**	670,729
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, 2020, the Company has approximately $43.5 million (2019 - $42.3 million) in Canadian non-capital loss carry forwards available. The unused losses will expire between 2027 and 2039.

At September 30, 2020, the Company has approximately $0.6 million (2019 - $1.7 million) in United States non-capital loss carry forwards available. The unused losses will expire between 2021 and 2037. At September 30, 2020, the Company has approximately $2.2 million (2019 - $3.3 million) in Europe non-capital loss carry forward available. The unused losses will expire between 2023 and 2038.

26. Supplemental information

The changes in non-cash working capital for the years ended September 30, 2020 and 2019 is as follows:

	2020	2019
Operating activities		
Increase (decrease) in assets		
Accounts receivable and advances	**49,759**	(692,622)
Inventory	**971,886**	(1,076,496)
Prepaid expenses and deposits	**201,671**	26,060
	1,223,316	(1,743,058)
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	**804,756**	607,731
Deferred revenue	**(253,579)**	679,433
	1,774,493	(455,894)

27. Explanation of Transition to IFRS 16

The impact on the Company's statement of financial position at October 1, 2019 as a result of applying IFRS 16 was as an increase in the right-of-use asset in the amount of $551,796, with a corresponding increase to the lease liability in the same amount. In addition to these amounts the Company also reclassified $41,210 in a lease inducement liability against the right-of-use asset.

For leases previously classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's weighted-average incremental borrowing rate at October 1, 2019 of 14.1%.

These policies apply to contracts entered into or modified on or after October 1, 2019.

A contract contains a lease if it conveys the right to control the use of a specified asset for a time period in exchange for consideration. To identify a lease, the Company determines whether it has the right to direct the use of the specified underlying asset and also obtains substantially all the economic benefits from its use. The Corporation does not apply the provisions of IFRS 16 to intangible assets.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgement

is based on factors such as contract rates compared to market rates, significance of other assets (such as leasehold improvements), termination and relocation costs, location characteristics, and any sublease term.

The Company has elected not to recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. Fixed lease payments on such leases are recognized in Operating expenses on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the remaining lease payments. It is discounted using the interest rate implicit in the lease. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of certain modifications, changes in payments based on an index or rate, or due to changes in lease term.

The lease asset is recognized at the present value of the liability at the commencement date of the lease, plus initial direct costs. Also included in the lease asset are payments made before the commencement date, incentives received from the lessor, and estimated restoration costs if applicable. The lease asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term. The lease asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has leases for buildings and vehicles. Lease terms range from 1.5 to 4.5 years. The Company may include purchase, extension or termination options in its leases to accommodate potential changes in the business. After inception of the lease, the Company reassesses expectations about the exercise of renewal or termination options only when a significant event or change in circumstances occurs that is within the Corporation's control.

Comparative period

Operating leases:

When substantially all of the risks and rewards incidental to ownership are not transferred to the Company, the total rentals payable under the lease are charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability.

Information about the leases for which the Company is a lessee is presented below:

Right-of-use assets

	Buildings	Vehicles	Total
Carrying amount October 1, 2019	461,902	48,684	510,586
Additions	25,575	-	25,575
Disposal	-	(15,364)	(15,364)
Amortization	(172,387)	(13,033)	(185,420)
Gain (loss) on foreign exchange	17,041	(5,103)	11,938
Balance September 30, 2020	**332,131**	**15,184**	**347,315**

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**
Less: current portion	**(154,199)**
	255,359

The following table reconciles the Company's operating lease commitments as at September 30, 2019 as previously disclosed in the audited financial statements of the Company, to the lease liability recognized on initial application of IFRS 16 on October 1, 2019.

	Total
Operating lease commitments as at September 30, 2019	681,580
Effect of discounting using the incremental borrowing rate	(129,784)
Lease liability at October 1, 2019	**551,796**

28. Segmented information

Major customers

The Company had three customers where sales were greater than 10% of total sales in the year ended September 30, 2020 (2019 - three). The customers had attributed sales of approximately $7,172,336 (90% of revenue) for the year ended September 30, 2020 (2019 - $1,725,669 and 50%).

Revenue composition

The Company generated $6,903,263 of revenue from energy storage system sales with a cost of $6,853,583 for the year ended September 30, 2020 (2019 - $3,427,949 and $3,353,432, respectively). For the year ended September 30, 2020, the Company generated $1,048,415 of revenue from engineering services with a cost of $214,995 (2019 - $nil and $nil, respectively).

Geographic Sales Revenue

	2020	2019
Asia	**1,039,914**	-
Australia	**159,006**	440,417
Canada	**49,389**	38,983
Europe	**1,386,632**	311,497
United States	**5,316,737**	2,637,052
	7,951,678	3,427,949

29. Legal disputes

The Company is in a dispute with a prior customer as a result of the cancellation of a supply contract. The Company is seeking full collection of the accounts receivable from the customer, in addition to other amounts from the customer because of the cancellation. The collection of the outstanding receivable is uncertain due to litigation risks and the entire receivable has been provided for. The customer, in return, has made warranty claims against the Company which the Company has denied. The Company has recorded a warranty provision to cover potential warranty claims arising from all sales, including sales to the customer. In the prior year, the customer made a counter claim against the Company.

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

30. Subsequent events

On October 8, 2020, the shareholders duly approved and authorized an amendment to the Company's existing Stock Option Plan to increase the number of options to purchase common shares issuable under the Option Plan to 22,861,000.

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.

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 paid the agents a cash commission of $112,500 and issued 750,000 broker warrants.

In December 2020, the Company entered into an agreement with a capital market company for compensation of incentive stock options to acquire up to an aggregate of 4,500,000 common shares at a strike price of $0.24 per share, with an expiry of December 4, 2023.

In January 2021, the Company's Board of Directors approved the grant of 1,500,000 incentive stock options to acquire common shares at a strike price of $0.35 per share, with an expiry of January 15, 2024.