Condensed Interim Consolidated Financial Statements of

Eguana Technologies Inc.

March 31, 2025

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

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

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

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

Condensed Interim Consolidated Statements of Financial Position

(in Canadian dollars)

	March 31, 2025 (Unaudited)	December 31, 2024
Assets		
Current:		
Cash and cash equivalents	**241,438**	814,003
Accounts and other receivable, net (Note 3)	**5,992,266**	6,956,667
Inventory (Note 4)	**9,284,594**	8,501,269
Prepaid expenses and deposits (Note 4)	**2,816,568**	2,770,194
Total Current Assets	**18,334,866**	19,042,133
Non-current:		
Property and equipment	**1,233,466**	1,317,854
Intangible assets	**345,580**	370,496
Right-of-use assets	**731,479**	727,013
Total Assets	**20,645,391**	21,457,496
Liabilities		
Current:		
Accounts payable and accrued liabilities	**8,002,362**	6,868,443
Warranty provision	**737,670**	667,559
Deferred revenue	**95,287**	275,308
Short-term loan (Note 5)	**227,200**	-
Current portion of long-term debt (Note 6)	**8,669,235**	8,209,409
Derivative liability (Note 6)	**3,091,578**	2,883,556
Current portion of lease liability	**194,648**	201,709
Total Current Liabilities	**21,017,980**	19,105,984
Non-current:		
Convertible debentures (Note 7)	**27,542,117**	26,735,765
Lease liability	**750,433**	742,052
Total Liabilities	**49,310,530**	46,583,801
Shareholders' Deficit		
Common shares (Note 8)	**92,132,438**	92,132,438
Preferred shares	**-**	-
Warrants (Note 9)	**116,780**	116,780
Convertible debentures (Note 7)	**7,310,746**	7,310,746
Contributed surplus (Note 10)	**15,356,173**	15,263,105
Accumulated comprehensive loss	**(105,658)**	(224,127)
Deficit	**(143,475,618)**	(139,725,247)
Total Shareholders' Deficit	**(28,665,139)**	(25,126,305)
Total Liabilities and Shareholders' Deficit	**20,645,391**	21,457,496

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

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

For the three-month periods ended
(in Canadian dollars)
(Unaudited)

	March 31, 2025	March 31, 2024
Sales (Note 15)	**955,198**	5,855,247
Cost of goods sold	**884,450**	5,703,077
Gross margin	**70,748**	152,170
Expenses		
General and administrative	**696,532**	716,557
Selling and marketing	**412,234**	589,419
Product development	**229,762**	1,319,414
Operations	**459,081**	313,534
Amortization	**180,815**	196,238
Share-based compensation (Note 10)	**93,068**	228,580
	2,071,492	3,363,742
Operating Loss	**(2,000,744)**	(3,211,572)
Financing costs (Note 12)	**(2,044,185)**	(2,005,821)
Expected credit loss (Note 3)	**-**	(78,203)
Foreign exchange gain (loss)	**149,125**	(101,992)
Other income (Note 13)	**210,185**	83,349
Other expense (Note 13)	**(64,752)**	-
Net Loss Before Tax	**(3,750,371)**	(5,314,239)
Current tax expense	**-**	-
Net Loss	**(3,750,371)**	(5,314,239)
Foreign currency translation adjustment	**118,469**	(80,907)
Total Comprehensive Loss	**(3,631,902)**	(5,395,146)
Loss per common share		
Basic and diluted	**(0.01)**	(0.01)
Weighted average number of common shares		
Basic and diluted (Note 8)	**548,107,332**	406,651,526

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

Condensed Interim Consolidated Statements of Changes in Equity (Deficit)

(in Canadian dollars)
(Unaudited)

	Common shares	Preferred shares	Warrants	Convertible debentures	Contributed surplus	AOCI*	Deficit	Total
Balance January 1, 2025	92,132,438	-	116,780	7,310,746	15,263,105	(224,127)	(139,725,247)	(25,126,305)
Net loss for the period	-	-	-	-	-	-	(3,750,371)	**(3,750,371)**
Foreign currency translation adjustment	-	-	-	-	-	118,469	-	**118,469**
Share-based compensation (Note 10)	-	-	-	-	93,068	-	-	**93,068**
Balance March 31, 2025	**92,132,438**	**-**	**116,780**	**7,310,746**	**15,356,173**	**(105,658)**	**(143,475,618)**	**(28,665,139)**
Balance January 1, 2024	85,198,770	1	1,665,349	7,310,746	13,727,317	(143,392)	(104,135,496)	3,623,295
Net loss for the period	-	-	-	-	-	-	(5,314,239)	(5,314,239)
Foreign currency translation adjustment	-	-	-	-	-	(80,907)	-	(80,907)
Common shares issued (Note 8)	1,145,507	-	-	-	-	-	-	1,145,507
Warrants exercised, (Note 8 and 9)	4,305,739	-	(979,134)	-	-	-	-	3,326,605
Warrants expired (Note 9)	-	-	(633,617)	-	633,617	-	-	-
Share-based compensation (Note 10)	-	-	-	-	228,580	-	-	228,580
Balance March 31, 2024	**82,886,556**	**1**	**52,598**	**7,310,746**	**14,589,514**	**(224,299)**	**(109,449,735)**	**2,928,841**

Accumulated comprehensive loss

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

Condensed Interim Consolidated Statements of Cash Flows

For the three-month periods ended
(in Canadian dollars)
(Unaudited)

	March 31, 2025	March 31, 2024
Operating activities		
Net loss	**(3,750,371)**	(5,314,239)
Expected credit loss (Note 3)	**-**	78,203
Financing costs (Note 12)	**2,044,185**	2,005,821
Share-based compensation (Note 10)	**93,068**	228,580
Warranty provision	**70,111**	98,099
Amortization of assets	**180,815**	196,238
Unrealized foreign exchange loss (gain)	**(149,125)**	101,992
	(1,511,317)	(2,605,306)
Net change in non-cash working capital (Note 14)	**873,507**	(3,468,892)
Cash flow used in operating activities	**(637,810)**	(6,074,198)
Financing activities		
Proceeds on exercise of warrants (Note 9)	**-**	3,326,605
Proceeds from short-term loan (Note 5)	**220,516**	-
Repayment of long-term debt (Note 6)	**(172,106)**	(1,171,114)
Repayment of leases	**(99,210)**	(108,862)
Net change in non-cash working capital (Note 14)	**-**	(575,918)
Cash flow used (from) financing activities	**(50,800)**	1,470,711
Investing activities		
Capital asset additions	**(4,565)**	(516,234)
Net change in non-cash working capital (Note 14)	**-**	292,131
Cash flow used in investing activities	**(4,565)**	(224,103)
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	**120,610**	(30,928)
Net change in cash and cash equivalents	**(572,565)**	(4,858,518)
Cash and cash equivalents, beginning of period	**814,003**	15,035,483
Cash and cash equivalents, end of period	**241,438**	10,176,965

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

1. Description of the Business

Eguana Technologies Inc. (“the Company”), incorporated under the Alberta Business Corporations Act, designs, markets, manufactures and sells fully integrated energy storage solutions, based on its proprietary advanced power electronics platform, for global residential and commercial markets. The Company also markets and sells a suite of micro inverter products, which are integrated with its energy storage platform, providing consumers with full solar + storage system architecture for residential and commercial applications. Eguana has two decades of experience delivering grid edge power electronics for fuel cell, photovoltaic and battery applications.

The Company is a publicly traded company headquartered at 3636 7th Street SE, Calgary, Alberta, Canada and its shares trade on the TSX Venture Exchange (the “TSX-V”) under the symbol “EGT” and on the Over-the-Counter Bulletin Board (OCT-BB) under the symbol “EGTYF”.

2. Basis of Preparation

a) Statement of Compliance

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

These financial statements do not comprise all the information required for annual audited consolidated financial statements and therefore should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2024 and 2023, which were prepared in accordance with IFRS Accounting Standards, “the Annual Financial Statements”.

These financial statements follow the same accounting policies as outlined in Note 3 and 4 of the Annual Financial Statements.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in Note 3(d) of the Annual Financial Statements.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company, on June 20, 2025.

b) Going Concern

These financial statements were prepared on a going concern basis. The going concern basis of accounting assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments, in the normal course of business. The Company’s intention is to continue to fund operations by adding revenue and positive cash flow, managing outgoing cash flows, and seek additional financing in the capital markets through debt and/or equity.

At March 31, 2024, the Company had not achieved profitable operations since its inception and had an accumulated deficit of $143.5 million (December 31, 2023 - $139.7 million), incurred a net loss before tax of $3.8 million for the three months ended March 31, 2024 (March 31, 2023 – $5.3 million) and had cash flow used in operating activities of $0.6 million (March 31, 2023 – $6.1 million).

The Company had a working capital deficit of $2.7 million as at March 31, 2024. The Company missed its scheduled payment of US $383,378 that was due on its loan agreement with Western Technology Investment (“Lender”) on December 1, 2023 (Note 6), which is an event of default under the terms of the loan agreement. In January, the Company made a payment of $61,924 representing the interest of the missing payment on January 5, 2024, and a payment of $321,454 was made on April 2, 2024 representing the principal payment. The Company has continued to miss its’ monthly loan payments in the first quarter of 2024. On May 7, 2024, the Company and the lender entered into a forbearance agreement, which includes deferral of payments up to and including June 1, 2024, but that is predicated on subjective conditions that if not complied with render the forbearance to be terminated.

Management will be reliant on the continued support of lenders, suppliers, and other providers to the Company, as the Company is forecasting requiring additional cash to continue to fund operations and settle its obligations. The Company will need both the continued support of its existing lenders, and to raise significant additional financing either through further inventory returns, collection of accounts receivable, equity issuances, additional debt financings, and/or sales of business lines in order to be able to meet both its existing and future obligations. There is no guarantee that the Company will be successful in this regard. These facts create material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.

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

c) Comparative Presentation Figures

The presentation of operating expenses has changed, and comparative periods have been reclassified to conform to the presentation adopted in the current period.

d) Critical Accounting Estimates

The Company has accounts receivable totaling $6.0 million as at March 31, 2024, and applies significant judgement to estimate the expected credit loss (“ECL”). The Company considers customer-specific factors, expected timing of cash receipts, and discount rates to account for time value of money when required. The Company also considered historical default rates, forecasted economic conditions in the assessment, amongst other factors. Actual judgements and estimates will change over time and management reviews these frequently and will adjust ECL, based on this changing information. Actual credit losses may differ significantly from ECL.

(in Canadian dollars)

3. Accounts and Other Receivables, Net

The following schedules outline the details of accounts receivables:

	March 31, 2025	December 31, 2024
Trade	**10,043,772**	19,980,759
Inventory return receivable	**5,339,193**	-
Taxation authorities	**28,014**	47,834
	15,410,979	20,028,593
Less: expected credit loss	**9,418,713**	13,071,926
	5,992,266	6,956,667

Trade Receivables:	**March 31, 2025**	December 31, 2024
Current	**405,839**	665,798
Past Due		
31 – 60 days	**53,282**	51,661
61 – 90 days	**42,265**	92,763
Over 90 days	**9,542,386**	19,170,537
	10,043,772	19,980,759

The Company has one customer that represents 80% (December 31, 2024 – 95%) of total accounts receivable, which as at March 31, 2025, has $7,783,906 (December 31, 2024 – $17,417,828) of total accounts receivable over 90 days past due and the customer continues to be delayed in making payments.

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

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

During the three months ended March 31, 2025, the Company recorded a reduction in ECL to reflect value received from inventory obtained as an offset to net accounts receivable with the key customer. As a result, the Company has a provision for this customer at March 31, 2024, in the amount of $7,778,525.

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

4. Inventory

	March 31, 2024	December 31, 2023
Finished goods	**2,058,216**	1,178,501
Components	**7,226,378**	2,880,973
Inventory work in process	**-**	145,184
Inventory return components	**-**	4,296,611
	9,284,594	8,501,269

As at March 31, 2025, $9,268,162 (December 31, 2024 - $8,339,650) of inventory was carried at cost and $16,432 (December 31, 2024 - $16,435) was carried at net realizable value.

In December 2023, the Company entered into a Termination Cooperation Agreement with a major supply partner, whereby inventory components would be returned to the supplier. In February 2024, the Company entered into a supplementary agreement to the Cooperation Termination Agreement. Under these agreements, Eguana returned component inventory, at full landed costs totaling US $3,940,364. Subsequent to March 31, 2024, the Company received cash proceeds of US $2,888,676 plus an offset of US $1,051,688 to an outstanding amount payable due to the supplier.

Related to deposits on inventory, approximately, $1.4 million, is included in prepaid expenses and deposits (December 31, 2023 – $1.4 million).

5. Short-term Loan

On March 8, 2024, the Company closed unsecured short-term bridge loan financings, in the principal amount of $220,516, with certain accredited investors, including the Company's Chief Executive Officer and members of the Board of Directors. A portion of the Bridge Financing was received in US dollars and a portion in Canadian dollars and will be repayable in the respective currencies. The principal amount of the Bridge Financing, together with interest accrued thereon, will become due and payable on April 30, 2024. Interest is accrued on the principal amount at a rate of 5% per month. At March 31, 2024, interest of $6,684 was accrued on this short-term loan. The proceeds of this short-term loan were used for general working capital. Subsequent to quarter end, the loan amounts were repaid, with interest accrued to the repayment date only, on April 25, 2024.

(in Canadian dollars)

6. Long-term Debt and Derivative Liability

	Derivative Liability	Long-term Debt	Total
Balance January 1, 2024	2,460,739	11,459,015	13,919,754
Accretion and accrued interest	-	2,266,791	2,266,791
Repayment	-	(5,314,087)	(5,314,087)
Fair value loss on derivative liability	422,817	-	422,817
Gain on foreign exchange	-	(202,310)	(202,310)
Balance December 31, 2024	2,883,556	8,209,409	11,092,965
Accretion and accrued interest	-	420,852	420,852
Repayment	-	(161,860)	(161,860)
Fair value loss on derivative liability	208,022	-	208,022
Loss on foreign exchange	-	200,834	200,834
Balance March 31, 2025	**3,091,578**	**8,669,235**	**11,760,813**
Less: current portion	**(3,091,578)**	**(8,669,235)**	**(11,760,813)**
Long-term portion	**-**	**-**	**-**

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

In connection with the Senior Loan, the Company issued common share purchase warrants entitling the Lender to purchase up to an aggregate of 4,934,309 common shares of the Company, at a price of $0.355 per common share, for a period of five years from each loan advance, all immediately vested. The first 3,700,732 warrants were issued on April 7, 2022, and the second 1,233,577 warrants were issued on August 31, 2022. The vested unexercised warrants will be exchangeable, at the option of the holder, after the earlier of a liquidity event and September 30, 2025, for an amount equal to the sum of: (i) USD $1.5 million; and (ii) the product obtained by multiplying US $1.5 million by the percentage of the principal amount of the Senior Loan advanced by the Lender relative to US $10.0 million.

The warrants are recorded as a warrant derivative liability at fair value through profit or loss and re-measured at each reporting date. A warrant derivative liability was measured at the time of each loan advance, with the residual value assigned to the long-term debt. The loan advances are being accreted to its face value over the term of the loan, using an effective interest rate of 30% for the first loan advance and 17% for the second loan advance. The warrant derivative liability, for the loan advances, was estimated using the higher of the present value of the warrant exchange payment using a discount rate of 20%, and the fair value of the warrants.

The fair value was determined to be $3,091,578 at March 31, 2024, with a resulting fair value loss of $208,022 (March 31, 2023 - $111,059) being recorded for the three-month period ended March 31, 2024.

(in Canadian dollars)

The Senior Loan monthly payments due on December 1, 2023, for USD $383,378 were unpaid as at December 31, 2023. The Company paid the interest of USD $61,924 on January 5, 2024, and then principal amounts of USD $321,454 on April 2, 2024, for this missed payment. Additionally, the monthly payment of $USD 383,378 was not made, however Company paid the interest of USD $59,191 on January 10, 2024, and then principal amounts of USD $324,187 on April 2, 2024, for this missed payment. The Company had alerted the Lender and they agreed to a payment delay. As a result of the missed payment at December 1, 2023, the Company was in violation of the terms of the Senior Loan. The Lender has not taken any action. Further, at March 31, 2024, the full amount of the loan has been classified as a current liability on the Company's statement of financial position. The fair value of the Senior Loan at March 31 2024, for the unpaid balance and all future interest amounts, is US $7,155,453.

On May 7, 2024, the Company entered into a forbearance agreement with the lender whereby the Lender has agreed to a deferral of payments up to and including June 1, 2024, but that is predicated on subjective conditions that if not complied with render the forbearance to be terminated.

7. Convertible Debentures

	Debt Component	Equity Component	Total
Balance January 1, 2024	23,883,187	7,310,746	31,193,933
Interest	(2,310,000)	-	(2,310,000)
Accretion	5,162,578	-	5,162,578
Balance December 31, 2024	26,735,765	7,310,746	34,046,511
Interest	(575,918)	-	(575,918)
Accretion	1,382,270	-	1,382,270
Balance March 31, 2025	**27,542,117**	**7,310,746**	**34,852,863**

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

There are conversion rights on the Debentures are contingent on share price and the lender may be entitled to convert into common shares, or the Company may require the lender to convert. Based on this conversion feature, the balance was split between debt and equity. The debt component was measured at the issue date at the present value of the cash interest and principal payments, using a discount rate of 20% and a three-year term. The difference between the debt component and the face value of the Debenture was classified as equity and financing fees were allocated between the liability and equity portions of the Debenture. The debt component was measured at the issue date at the present value of the cash interest and principal payments, using a discount rate of 20% and a three-year term. The difference between the debt component and the face value of the Debenture is classified as equity. During the period ended March 31, 2024, accretion on the Debenture of $1,382,270 (March 31, 2023 - $1,220,049) was recorded.

On January 31, 2024, the Company signed a memorandum of understanding with the holder of the Debentures amending the payment deadline for the interest payment that was due on March 1, 2024, to August 31, 2024. Notwithstanding the extension, the Company will make commercially reasonable best efforts to issue the interest payment as early as possible.

(in Canadian dollars)

8. Common Shares

Authorized, Unlimited Number

Issued

	Number of Shares	Amount ($)
Balance January 1, 2024	403,166,645	85,198,770
Issuance of common shares (Note 7)	17,822,711	2,310,000
Share issuance costs	-	(24,019)
Issuance of common shares – private placement	11,300,000	335,220
Exercise of warrants (Note 9)	16,666,666	4,312,467
Balance December 31, 2024 and March 31, 2025	**448,956,022**	**92,132,438**

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

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

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

Weighted Average Number of Common Shares

The weighted average number of shares as at March 31, 2025, and December 31, 2024, was determined by excluding preferred shares, stock options and warrants, as the Company was in a loss position and the impact would have been anti-dilutive to earnings per share.

(in Canadian dollars)

9. Warrants

Changes in the Company's warrants are as follows:

	Issued with common shares and debt (#)	Broker warrants (#)	Total purchase warrants (#)	Allocated fair market value ($)
Balance January 1, 2024	21,600,975	2,100,000	23,700,975	1,665,349
Warrants issued	11,300,000	-	11,300,000	116,780
Warrants exercised	(16,666,666)	-	(16,666,666)	(979,134)
Warrants expired	-	(2,100,000)	(2,100,000)	(686,215)
Balance December 31, 2024 and March 31, 2025	**16,234,309**	**-**	**16,234,309**	**116,780**

Outstanding and exercisable warrants as at March 31, 2025 were as follows:

Range of exercise prices	Warrants	Weighted average exercise prices ($)	Weighted average years to expiry
$0.01 - $0.20	11,300,000	0.06	1.68
$0.31 - $0.40	4,934,309	0.36	3.00
Balance March 31, 2025	**16,234,309**	**0.15**	**2.08**

In December 2023, the Company issued 11,300,000 Units, in connection with a private placement (Note 8), at a price of $0.04 per Unit for gross proceeds of $452,000. Each Unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share at a price of $0.06 per common share, for a period of 24 months following the closing date of the offering. The fair values of the warrants issued was estimated to be $116,780 on the issue date using the Black-Scholes valuation model, using an annual risk-free interest rate of 4.1 percent, two years to maturity, annualized volatility of 94.65 percent, stock price of $0.03 and exercise price of $0.06.

10. Share-based Payments

The Company established the Stock Option Plan, which is accounted for as equity settled, whereby the Company may grant options to purchase common shares to directors, officers, employees, and consultants. The shareholders approved the Stock Option Plan on September 16, 2021. The Stock Option Plan allows for a maximum term on options of ten years. Vesting periods for options are determined by the board, however, typically options are vested over three years, and a third of the options vest at each anniversary of the grant date. The Company, at the discretion of the board of directors, may issue up to a maximum of 36,708,000 options. The minimum price at which the options may be granted is the closing price of the common shares on the TSX-V on the date immediately prior to the date of issue. The total share-based compensation for the three months ended March 31, 2025, was $93,068 (March 31, 2024 – $228,580).

(in Canadian dollars)

	Number of options to employees	Weighted average price to employees	Number of options to non-employees	Weighted average price to non-employees
Balance January 1, 2024	14,896,273	0.31	10,775,264	0.31
Granted	250,000	0.17	-	-
Forfeited	(1,801,647)	(0.19)	(5,182,500)	(0.23)
Balance December 31, 2024	13,344,626	0.30	5,592,764	0.38
Forfeited	(270,389)	(0.26)	(1,750,000)	(0.33)
Balance March 31, 2025	**13,074,237**	**0.30**	**3,842,764**	**0.40**

Stock options outstanding as at March 31, 2025:

	Outstanding Options			Exercisable Options	
	Number	Weighted average price ($)	Weighted average years to expiry	Number	Weighted average price ($)
$0.01 - $0.30	6,190,000	0.21	5.47	5,027,908	0.20
$0.31 - $0.40	7,977,001	0.38	4.80	5,826,326	0.37
$0.41 - $0.50	2,750,000	0.44	0.67	2,616,669	0.44
Balance March 31, 2025	**16,917,001**	**0.33**	**4.38**	**13,470,903**	**0.32**

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

	March 31, 2025[(2)]	December 31, 2024
Risk free interest rate	-	-
Expected volatility [(1)]	-	-
Expected life (years)	-	-
Weighted average fair value	-	-

(1) Expected volatility is estimated by considering historic average share price volatility over the same number of years as the option granted
(2) No options grants for the three-month period ended March 31, 2023

(in Canadian dollars)

11. Financial Instruments Fair Value

The Company categorizes its financial instruments carried at fair value into one of three different levels, depending on the observability of the inputs employed in the measurement. The Company valued cash and deposits using Level 1 inputs, the accounts receivable, accounts payable and accrued liabilities, other liabilities, convertible debentures, preferred shares, lease liability and long-term loan were measured at fair value on initial recognition using Level 2 inputs and the derivative liability is measured at fair value using Level 2 inputs on initial recognition and subsequent measurement. The carrying value of the Company's financial instruments approximates fair value.

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

12. Financing Costs

	Three-Month Period Ended	
	March 31, 2025	March 31, 2024
Accretion of convertible debentures (Note 7)	**1,382,270**	1,220,049
Accretion of long-term debt (Note 6)	**420,852**	643,569
Change in fair value on derivative liability (Note 6)	**208,022**	111,059
Lease interest	**26,357**	31,144
Short-term loan interest (Note 5)	**6,684**	-
	2,044,185	2,005,821

(in Canadian dollars)

13. Other Income (Expense)

Other Income	Three-Month Period Ended	
	March 31, 2025	March 31, 2024
Gain on return of inventory	**179,422**	-
Other	**25,645**	9,277
Interest income	**5,118**	74,072
	210,185	83,349

Other Expense	Three-Month Period Ended	
	March 31, 2025	March 31, 2024
Transaction costs	**55,132**	-
Other	**9,620**	-
	64,752	-

14. Supplemental Information

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

	Three-Month Period Ended	
	March 31, 2025	March 31, 2024
Provided by (used in)		
Operating activities		
Accounts receivable	**1,398,947**	(5,511,988)
Inventory	**(783,325)**	(3,359,517)
Prepaid expenses and deposits	**(22,606)**	4,936,500
Accounts payable and accrued liabilities	**460,512**	492,805
Deferred revenue	**(180,021)**	(26,692)
	873,507	(3,468,892)
Financing activities		
Accounts payable and accrued liabilities	**-**	(575,918)
Investing activities		
Accounts payable and accrued liabilities	**-**	292,131
	873,507	(3,752,679)

(in Canadian dollars)

15. Segmented Information

The Company is organized as one operating segment, identified as the sale of advanced power electronics. The Company provides services, including support, training and engineering services, to promote the use of its products, however, these services are not evaluated as a separate business segment.

Major customers

The Company had two customers where sales were greater than 10% of total sales in the three-month period ended March 31, 2025 (March 31, 2024 – one). These customers had attributed sales of approximately $0.6 million for the three-month period ended March 31, 2025 (March 31, 2024 - $5.6 million).

Revenue composition

The Company generated $955,198 of revenue (March 31, 2024 – $5,855,247) from advanced power electronic sales and installation services with a cost of sales of $884,450 (March 31, 2024 - $5,703,077) for the three-month period ended March 31, 2025.

Geographic Sales Revenue	Three-Month Period Ended	
	March 31, 2025	March 31, 2024
Australia	**741,755**	**180,680**
Canada	**3,000**	**-**
Europe	**-**	**60,434**
United States	**210,443**	**5,614,133**
	955,198	**5,855,247**

Product and Service Revenue		
Product sales	**244,865**	5,729,403
Installation services	**710,333**	125,844
	955,198	5,855,247

16. Legal Disputes

The Company is in a dispute with a prior customer as a result of the cancellation of a supply contract. The Company is seeking full collection of the accounts receivable from the customer, in addition to other amounts from the customer because of the cancellation. The collection of the outstanding receivable is uncertain due to litigation risks and the entire receivable has been provided for. The customer, in return, has made warranty claims against the Company which the Company has denied. The Company has recorded a warranty provision to cover potential warranty claims arising from all sales, including sales to the customer. In 2018, the customer made a counter claim against the Company. There has been no change in these Euro denominated amounts from the prior year end.

On April 29, 2024, the Company received a legal demand from a supplier for payment on an open purchase order. The Company ordered inventory with a deposit (see Note 4) and understood that the supplier would hold the products. The vendor is demanding payment of US $2.3 million and outlining they will dispose of the products. The Company has responded with its own legal letter outlining why there is no dispute or amount owing. The dispute may result in the deposit on the inventory, outlined in Note 4, being forfeited, and hence written off to a loss by the Company. Management has engaged legal counsel to negotiate with the supplier to take back the products and refund all or a portion of the deposit paid.

17. Subsequent Event

TBD