Condensed Interim Consolidated Financial Statements of

Eguana Technologies Inc.

June 30, 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)

	June 30, 2025 (Unaudited)	December 31, 2024
Assets		
Current:		
Cash and cash equivalents	**277,167**	307,453
Accounts and other receivable, net (Note 4)	**95,159**	6,631
Inventory (Note 5)	**6,439,665**	6,859,517
Prepaid expenses and deposits	**802,575**	601,609
Assets held for disposal (Note 3)	**-**	17,608
Total Current Assets	**7,614,566**	7,792,818
Non-current:		
Property and equipment	**784,570**	949,553
Intangible assets	**220,999**	270,831
Right-of-use assets	**407,448**	468,565
Total Assets	**9,027,583**	9,481,767
Liabilities		
Current:		
Accounts payable and accrued liabilities	**7,334,913**	7,273,408
Warranty provision	**904,963**	781,585
Deferred revenue	**162,000**	720,000
Short-term loan (Note 8)	**99,234**	-
Current portion of long-term debt (Note 6)	**8,766,268**	6,895,476
Derivative liability (Note 6)	**3,912,305**	3,766,419
Convertible debentures (Note 7)	**32,634,698**	30,242,971
Current portion of lease liability	**151,142**	141,603
Liabilities directly associated with assets held for disposal (Note 3)	**630**	7,858
Total Current Liabilities	**53,966,153**	49,829,320
Non-current:		
Long-term debt (Note 6)	**-**	1,610,265
Lease liability	**449,424**	525,918
Total Liabilities	**54,415,577**	51,965,503
Shareholders' Deficit		
Common shares (Note 9)	**92,162,438**	92,162,438
Warrants (Note 10)	**140,358**	116,780
Convertible debentures (Note 7)	**7,310,746**	7,310,746
Contributed surplus	**15,611,888**	15,562,533
Accumulated comprehensive loss	**(28,230)**	(28,807)
Deficit	**(160,585,194)**	(157,607,426)
Total Shareholders' Deficit	**(45,387,994)**	(42,483,736)
Total Liabilities and Shareholders' Deficit	**9,027,583**	9,481,767

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

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

(in Canadian dollars)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Sales (Note 16)	**880,499**	167,300	**1,928,679**	380,743
Cost of goods sold	**455,565**	230,081	**1,042,571**	545,600
Gross margin	**424,934**	(62,781)	**886,108**	(164,857)
Expenses				
General and administrative	**379,213**	577,403	**591,009**	1,203,633
Selling and marketing	**111,971**	104,362	**229,544**	225,118
Product development	**388,875**	454,719	**772,531**	684,481
Operations	**86,320**	158,647	**231,572**	371,865
Amortization	**134,740**	145,263	**275,932**	286,878
Share-based compensation (Note 11)	**22,200**	87,092	**49,355**	180,160
	1,123,319	1,527,486	**2,149,943**	2,952,135
Operating Loss	**(698,385)**	(1,590,267)	**(1,263,835)**	(3,116,992)
Financing costs (Note 13)	**(1,936,939)**	(2,060,414)	**(4,114,177)**	(4,098,453)
Expected credit recovery (loss) (Note 4)	**-**	63,613	**128,986**	63,613
Foreign exchange gain (loss)	**476,528**	(279,973)	**145,650**	(130,729)
Other income (Note 14)	**2,115**	7	**2,146,439**	203,633
Other recovery (expense) (Note 14)	**-**	-	**-**	(9,620)
Net Loss Before Tax	**(2,156,681)**	(3,867,034)	**(2,956,937)**	(7,088,548)
Current tax expense	**-**	-	**-**	-
Net Loss from Continuing Operations	**(2,156,681)**	(3,867,034)	**(2,956,937)**	(7,088,548)
Net Loss from Discontinued Operations After Tax (Note 3)	**(2,816)**	(967,941)	**(20,831)**	(1,496,798)
Net Loss	**(2,159,497)**	(4,834,975)	**(2,977,768)**	(8,585,346)
Foreign currency translation adjustment	**3,561**	(88,330)	**577**	30,138
Total Comprehensive Loss	**(2,155,936)**	(4,923,305)	**(2,977,191)**	(8,555,208)
Loss per common share from continuing operations				
Basic and diluted	**(0.04)**	(0.07)	**(0.05)**	(0.13)
Weighted average number of common shares				
Basic and diluted (Note 9)	**58,627,533**	54,810,733	**58,627,533**	54,810,733

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	Warrants	Convertible debentures	Contributed surplus	AOCI*	Deficit	Total
Balance January 1, 2025	92,162,438	116,780	7,310,746	15,562,533	(28,807)	(157,607,426)	(42,483,736)
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(2,977,768)**	**(2,977,768)**
Issuance of warrants (Note 10)	**-**	**23,578**	**-**	**-**	**-**	**-**	**23,578**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**577**	**-**	**577**
Share-based compensation (Note 11)	**-**	**-**	**-**	**49,355**	**-**	**-**	**49,355**
Balance June 30, 2025	**92,162,438**	**140,358**	**7,310,746**	**15,611,888**	**(28,230)**	**(160,585,194)**	**(45,387,994)**
Balance January 1, 2024	92,132,438	116,780	7,310,746	15,263,105	(224,127)	(139,725,247)	(25,126,305)
Net loss for the period	-	-	-	-	-	(8,585,346)	(8,585,346)
Foreign currency translation	-	-	-	-	30,138	-	30,138
Share-based compensation (Note 11)	-	-	-	180,160	-	-	180,160
Balance June 30, 2024	**92,132,438**	**116,780**	**7,310,746**	**15,443,265**	**(193,989)**	**(148,310,593)**	**(33,501,353)**

Accumulated comprehensive loss

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

Condensed Interim Consolidated Statements of Cash Flows

(in Canadian dollars)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	**June 30, 2024**
Operating activities				
Net loss from continuing operations	**(2,156,681)**	(3,867,034)	**(2,956,937)**	(7,088,548)
Expected credit (recovery) loss (Note 4)	**-**	(63,613)	**(128,986)**	(63,613)
Financing costs (Note 13)	**1,936,939**	2,060,414	**4,114,177**	4,098,453
Share-based compensation (Note 11)	**22,200**	87,092	**49,355**	180,160
Warranty provision	**61,689**	70,111	**123,378**	140,222
Amortization of assets	**134,740**	145,263	**275,932**	286,878
Unrealized foreign exchange loss (gain)	**(476,528)**	279,973	**(145,650)**	130,729
	(477,641)	(1,287,794)	**1,331,269**	(2,315,719)
Net change in non-cash working capital (Note 15)	**49,942**	2,396,453	**(1,726,453)**	2,887,226
Cash flow (used in) from operating activities from continuing operations	**(427,699)**	1,108,659	**(395,184)**	571,507
Cash flow (used in) from operating activities from discontinued operations (Note 3)	**7,564**	139,583	**(10,451)**	35,395
Financing activities				
Proceeds from short-term loan (Note 8)	**-**	-	**90,379**	220,516
Repayment of short-term debt (Note 8)	**-**	(233,884)	**-**	(233,884)
Proceeds of convertible debentures (Note 7)	**386,594**	-	**386,594**	-
Repayment of long-term debt (Note 6)	**-**	(947,710)	**-**	(1,119,816)
Repayment of leases	**(51,100)**	(48,412)	**(102,201)**	(96,822)
Cash flow (used in) from financing activities from continuing operations	**335,494**	(1,230,006)	**374,772**	(1,230,006)
Cash flow (used in) from financing activities from discontinued operations (Note 3)	**-**	(57,049)	**-**	(106,241)
Investing activities				
Net change in non-cash working capital	**-**	-	**-**	-
Cash flow (used in) from investing activities from continuing operations	**-**	-	**-**	-
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	**3,561**	61,724	**577**	179,691
Net change in cash and cash equivalents	**(81,080)**	22,911	**(30,286)**	(549,654)
Cash and cash equivalents, beginning of period	**358,247**	241,438	**307,453**	814,003
Cash and cash equivalents, end of period	**277,167**	264,349	**277,167**	264,349

	June 30, 2025	**June 30, 2024**
Continuing Operations	277,167	190,420
Discontinued Operations (Note 3)	-	73,929
Total	**277,167**	**264,349**

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 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 2(d) below, and also 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 August 29, 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 seeking additional financing in the capital markets through debt and/or equity.

At June 30, 2025, the Company had not achieved profitable operations since its inception and had an accumulated deficit of $160.6 million. The Company incurred a net loss from continuing operations before tax for the three and six months ended June 30, 2025, of $2.2 million and $3.0 million, respectively and had limited cash flow from operating activities.

The Company had a working capital deficit of $46.4 million as at June 30, 2025.

There is material uncertainty as to whether sufficient cash will be available to make future loan payments (which would represent events of default) and to address other contractual obligations of the Company. Management will be reliant on the continued support of lenders, suppliers, and other providers to the Company, as the Company is forecasting requiring additional cash to continue to fund operations and settle its obligations. The Company will need both the continued support of its existing lenders, and to raise significant additional financing either through, future sales and collection of accounts receivable, equity issuances, additional debt financings, and/or sales of business lines in order to be able to meet both its existing and future obligations. There is no guarantee that the Company will be successful in this regard. These facts create material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

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

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 inventory, net of impairments, totaling $6.4 million as at June 30, 2025. These assets are also subject to significant judgement to estimate impairment provisions. The Company considers historical sales values, net realizable value for comparable inventory items, and future use of the inventory for sale and/or in production of finished goods.

During June 2024, the Company made the decision to liquidate the German subsidiary and during November 2024, the Company made the decision to liquidate the Australian subsidiary, see Note 3. Judgement was applied to determine any asset impairments and the accrual of any liabilities associated with the closure.

3. Assets Held for Disposal and Discontinued Operations

German Subsidiary

During June 2024, the Company made the decision to liquidate the German subsidiary and took the necessary operational and legal steps to affect the closure. As a geographic segment of the business, the carrying value of the assets and liabilities related to this business were classified as held for disposal, which results in a reclassification of the assets to assets held for disposal and liabilities to liabilities directly associated with assets held for disposal, on the consolidated statement of financial position.

As a result, capital assets with a carrying value of $7,619 and inventory with a carrying value of $163,070 were impaired to $nil, relating to German components and finished goods that may not have a future use. The Company views the carrying value of these assets to represent the fair value which it could reasonably receive. As of December 31, 2024, the Company has not completed the liquidation of the assets and therefore no proceeds have been received. During the year, additional impairment in the amount of $403,969 was taken on inventory.

(in Canadian dollars)

Australian Subsidiary

During November 2024, the Company made the decision to liquidate the Australian subsidiary and took the necessary operational and legal steps to affect the closure. As a geographic segment of the business, the carrying value of the assets and liabilities related to this business were classified as held for disposal, which results in a reclassification of the assets to assets held for disposal and liabilities to liabilities directly associated with assets held for disposal, on the consolidated statement of financial position.

As a result, capital assets with a carrying value of $13,412 and inventory with a carrying value of $318,061 were impaired to $nil, relating to Australian components and finished goods that may not have a future use. The Company views the carrying value of these assets to represent the fair value which it could reasonably receive. As of December 31, 2024, the Company has not completed the liquidation of the assets and therefore no proceeds have been received.

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

a) Assets held for disposal

The major classes of assets held for disposal and liabilities directly associated with assets held for disposal, at June 30, 2025, were as follows.

	June 30, 2025
Other receivables	-
Total assets	-
Accounts payable and accrued liabilities	**630**
Total liabilities	**630**

(in Canadian dollars)

b) Results of discontinued operations

The following table summarizes the net loss from discontinued operations, after tax for the three months ended June 30, 2025:

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Sales	**-**	**493,095**	-	1,234,850
Cost of goods sold	**-**	**362,672**	-	**931,603**
Gross margin		130,423	**-**	303,247
Expenses				
General and administrative	**2,753**	174,160	**8,438**	244,462
Selling and marketing	**63**	477,779	**9,824**	769,257
Operations	**-**	140,815	**2,569**	386,678
Amortization	**-**	53,447	**-**	92,647
	2,816	**846,201**	**20,831**	1,493,044
Operating Loss	**(2,816)**	**(846,201)**	**(20,831)**	(1,493,044)
Financing costs	**-**	(19,751)	**-**	(25,897)
Impairment	**-**	(184,185)	**-**	(184,185)
Unrealized foreign exchange (loss) gain	**-**	223	**-**	104
Other income	**-**	15,249	**-**	21,808
Other expense	**-**	(63,699)	**-**	(118,831)
Net Loss Before Tax	**(2,816)**	(967,941)	**(20,831)**	(1,496,798)
Current tax expense	**-**	-	**-**	-
Net Loss from discontinued operations	**(2,816)**	(967,941)	**(20,831)**	(1,496,798)

c) Cash flows used in discontinued operations

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Cash flows used in operating activities	**7,564**	139,583	**(10,451)**	35,395
Cash flows used in financing activities	**-**	-	**-**	-
Cash flows used in investing activities	**-**	(57,049)	**-**	(106,241)
Net cash outflows	**7,564**	82,534	**(10,451)**	(70,846)

(in Canadian dollars)

4. Accounts and Other Receivables, Net

The following schedules outline the details of accounts receivables:

	June 30, 2025	December 31, 2024
Trade	**1,885,580**	8,079,539
	1,885,580	8,079,539
Less: expected credit loss	**1,790,421**	8,072,908
	95,159	6,631

Trade Receivables:	**June 30, 2025**	December 31, 2024
Current	**79,881**	164,280
Past Due		
31 – 60 days	**-**	-
61 – 90 days	**16,083**	-
Over 90 days	**1,789,616**	7,915,289
	1,885,580	8,079,539

The Company has one customer that represents 91% (December 31, 2024 – 79%) of total accounts receivable, which as at June 30, 2025, has $1,716,860 (December 31, 2024 – $6,387,114) 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 was netted against the customer's accounts receivable balance.

(in Canadian dollars)

Additionally, during the three months ended June 2024, a price concession was provided to this customer that resulted in a credit to accounts receivable, with an offset to expected credit loss of USD $415,000. Based on new market information for inventory previously sold to the customer, and in good faith, the Company agreed to a one-time credit, reflecting market pricing through a new sales channel that is now available but only at a lower special selling price. This does not impact the Company's existing inventory.

In March 2025, the Company reached a settlement ("Collaboration Termination Agreement") with its US based third-party manufacturer and third-party distributor. Pursuant to the terms of the Collaboration Termination Agreement, in consideration for Eguana's release of Duracell Power Center's obligations, Duracell Power Center paid Eguana a termination fee of US$250,000 in cash. Duracell Power Center will transfer ownership of US$1.1M in additional finished goods, consisting of both 5KW and 10KW Evolve systems, to Eguana. Eguana has agreed to provide replacement parts to Duracell Power Center as needed during the remaining warranty period for any products Duracell Power Center has sold. Duracell Power Center will remain responsible for field support costs of any warranty replacement. Duracell Power Center also agreed to increase the amount of manufacturing credit available to Eguana under the agreement by US$250,000 to US$1.45M. The credit must be fully utilized by Eguana within the next 36 months. Duracell Power Center has provided a reciprocal release of Eguana's obligations under the agreement. Amounts in accounts payable to a related party of Duracell were also forgiven as part this agreement (Note 13).

As a result, the Company has a provision for this customer at June 30, 2025, in the amount of $nil.

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.

5. Inventory

	June 30, 2025	December 31, 2024
Finished goods	**683,587**	274,327
Components	**5,756,078**	6,585,190
	6,439,665	6,859,517

As at June 30, 2025, $6,423,223 (December 31, 2024 - $6,843,082) of inventory was carried at cost and $16,432 (December 31, 2024 - $16,432) was carried at net realizable value.

(in Canadian dollars)

6. Long-term Debt and Derivative Liability

	Derivative Liability	Long-term Debt	Total
Balance January 1, 2024	2,883,556	8,209,409	11,092,965
Accretion and accrued interest (Note 13)	-	1,360,006	1,360,006
Repayment	-	(1,679,225)	(1,679,225)
Fair value loss on derivative liability	882,863	-	882,863
Adjustment for amendment of long-term	-	24,407	24,407
Fees on amendment of long-term debt	-	(57,528)	(57,528)
Gain on foreign exchange	-	648,672	648,672
Balance December 31, 2024	3,766,419	8,505,741	12,272,160
Accretion and accrued interest (Note 13)	-	744,920	744,920
Repayment	-	-	-
Fair value loss on derivative liability	145,886	-	145,886
Loss on foreign exchange	-	(484,393)	(484,393)
Balance June 30, 2025	**3,912,305**	**8,766,268**	**12,678,573**
Less: current portion	**(3,912,305)**	**(8,766,268)**	**(12,678,573)**
Long-term portion	**-**	**-**	**-**

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

In connection with the Senior Loan, the Company issued common share purchase warrants entitling the Lender to purchase up to an aggregate of 4,934,309 common shares of the Company, at a price of $0.355 per common share, for a period of five years from each loan advance, all immediately vested. The first 3,700,732 warrants were issued on April 7, 2022, and the second 1,233,577 warrants were issued on August 31, 2022. The vested unexercised warrants will be exchangeable, at the option of the holder, after the earlier of a liquidity event and September 30, 2025, for US $1.5 million.

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

The fair value was determined to be $3,912,305 at June 30, 2025, with a resulting fair value loss for the three months ended June 30, 2025 of $23,742 (three months ended June 30, 2024 - $176,464) and six months ended June 30, 2025 of $145,886 (six months ended June 30, 2024 - $384,506).

(in Canadian dollars)

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

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

In connection with the debt modification, the Company issued 300,000 common shares to the lender at a fair value of $0.01 per share, resulting in $30,000 of equity consideration. In addition, the Company incurred legal and professional fees totaling $27,528 directly attributable to the debt amendment. These fees were allocated against the value of the loan.

During the six month period ended June 30, 2025, the Company missed anticipated regular amortization payments, moving the loan back into formal default but the Lender has not taken any action.

At June 30, 2025, 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 as at June 30, 2025, for the unpaid balance and all future interest amounts, is USD $6,788,930.

7. Convertible Debentures

	Debt Component	Equity Component	Total
Balance January 1, 2024	**26,735,765**	**7,310,746**	**34,046,511**
Interest	(2,316,329)	-	(2,316,329)
Accretion	5,823,535	-	5,823,535
Balance December 31, 2024	**30,242,971**	**7,310,746**	**37,553,717**
Convertible debenture	462,000	-	462,000
Transaction costs	(98,984)	-	(98,984)
Interest	(1,151,456)	-	(1,151,456)
Accretion	3,180,167	-	3,180,167
Balance June 30, 2025	**32,634,698**	**7,310,746**	**39,945,444**

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 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. Accretion was recorded on the Debenture during the three months ended June 30, 2025 of $1,615,819 (three months ended June 30, 2024 - $1,424,263) and six months ended June 30, 2025 of $3,163,323 (six months ended June 30, 2024 - $2,806,533).

In August 2025, the Company signed a new memorandum of understanding with ITOCHU Corporation amending the payment deadline for the principal due August 31, 2025 and interest payment that is due on September 1, 2025 , and interest payments that were due on March 1, 2024, September 1, 2024, and March 1, 2025. The deadline for these interest payments was extended to November 30, 2025. Notwithstanding the acceptance of the extension, the Company will make commercially reasonable best efforts to issue the interest payment as early as possible.

On May 14, 2025, the Company closed an investment in the amount of $462 thousand in the form of an subordinated secured convertible debenture (the "2025 Debentures"). The 2025 Debentures bear interest at a rate of 10% per annum, paid and the end of the term in either cash or the issuance of shares, and matures on May 14, 2026. The 2025 Debentures, at the option of the holder, can be converted at a conversion price of $0.12 per Common Share, at any time prior to 12 months from the date of issuance of the 2025 Debentures.

Accretion was recorded on the 2025 Debentures during the three months ended June 30, 2025 of $16,844 (three months ended June 30, 2024 - $nil) and six months ended June 30, 2025 of $16,844 (six months ended June 30, 2024 - $nil).

8. Short-term Loan

In January 2025, the Board approved short-term loan financing for working capital purposes, from a small number of related party accredited investors. The Company entered into loan agreements for $90,379 with a maturity of May 1, 2025 and interest accrued thereon at 24% per annum. Principal and accrued interest may be converted at the Company’s option, subject to applicable approvals, into securities of the Company, if and when and on identical terms to a private placement offered by Eguana. The intention was to use the short-term loan financing for immediate liquidity and convert them into equity, as opposed to repaying the principal and interest, and each investor agreed to such. As at June 30, 2025, the loan remains outstanding and interest is continuing to accrue until settled.

On March 8, 2024, the Company closed unsecured short-term loan financing, in the principal amount of $220,516, with certain accredited investors, including the Company's Chief Executive Officer and members of the Board of Directors. The proceeds of this short-term loan were used for general working capital. A portion of the financing was received in US dollars and a portion in Canadian dollars and repayable in the respective currencies. The principal amount of the financing, together with interest accrued thereon, at a rate of 5% per month, was payable on April 30, 2024, and repaid on April 25, 2024.

9. Common Shares

Authorized, Unlimited Number

Issued

	Number of Shares	Amount ($)
Balance January 1, 2024	44,895,602	92,132,438
Issuance of common shares (Note 6)	300,000	30,000
Balance December 31, 2024 and June 30, 2025	**45,195,602**	**92,162,438**

In November 2024, the Company issued 300,000 common shares in exchange for amended terms, with extended maturity of the Senior Loan (see Note 6).

On April 4, 2025, the Board approved a share consolidation, that has previously received shareholder approval at Eguana's prior annual general and special meeting. The consolidation occurred on the basis of one post-Consolidation Common Share for every ten pre-Consolidation Common Shares. The total currently issued and outstanding shares after the consolidation was 45,195,602, with total issued and outstanding warrants of 1,892,931, and options issued of 1,089,000. Further the convertible debentures have been reduced by the same consolidation to 6,600,000. This share consolidation has been reflected throughout these financial statements including EPS calculations.

Weighted Average Number of Common Shares

The weighted average number of shares as at June 30, 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)

10. Warrants

Changes in the Company's warrants are as follows:

	Number issued with common shares and debt	Number of broker warrants	Total Number of warrants	Allocated fair market value ($)
Balance January 1, 2024, December 31, 2024	1,623,431	-	1,623,431	116,780
Issued	-	269,500	269,500	23,578
Balance June 30, 2025	1,623,431	269,500	1,892,931	140,358

Outstanding and exercisable warrants as at June 30, 2025 were as follows:

Range of exercise prices	Warrants	Weighted average exercise prices ($)	Weighted average years to expiry
$0.01 - $2.00	1,399,500	0.51	0.71
$3.01 - $4.00	493,431	3.55	1.75
Balance June 30, 2025	**1,892,931**	**1.30**	**0.98**

In connection with the 2025 Debentures, the Company granted the agents 269,500 share purchase warrants exercisable into one common share at a price of $0.12 per warrant for a period of 24 months from closing date. The Black-Scholes option pricing model was used to calculate the fair value of the compensation warrants using a nil dividend yield, a 2.59% interest rate and a volatility of 317.40%. The fair market value at issuance was $23,578. The costs of the warrants were included in transaction costs and were netted against the carrying value of the 2025 Convertible Debentures.

11. Share-based Payments

The Company established the Stock Option Plan, which is accounted for as equity settled, whereby the Company may grant options to purchase common shares to directors, officers, employees, and consultants. The shareholders approved various small amendments to the existing Stock Option Plan on September 26, 2024. The Stock Option Plan allows for a maximum term on options of ten years. Vesting periods for options are determined by the board, however, typically options are vested over three years, and a third of the options vest at each anniversary of the grant date. The Company, at the discretion of the board of directors, may issue up to a maximum of 4,489,560 options. The minimum price at which the options may be granted is the closing price of the common shares on the TSX-V on the date immediately prior to the date of issue.

(in Canadian dollars)

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

The total share-based compensation for the three months ended June 30, 2025, was $22,200 (three months ended June 30, 2024 – $87,092) and the six months ended June 30, 2025, was $49,355 (three months ended June 30, 2024 – $180,160).

	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	1,334,462	3.00	559,276	3.80
Forfeited	(242,539)	(3.24)	(325,000)	(3.87)
Balance December 31, 2024	1,091,924	2.99	234,276	3.62
Granted	345,000	0.50	-	-
Forfeited	(382,200)	(3.03)	(200,000)	(3.65)
Balance June 30, 2025	**1,054,724**	**2.12**	**34,276**	**2.75**

Stock options outstanding as at June 30, 2025:

	Outstanding options			Exercisable options	
	Options	Weighted average price ($)	Weighted average years to expiry	Options	Weighted average price ($)
$0.01 - $3.00	771,500	1.35	6.75	401,000	1.99
$3.01 - $4.00	312,500	4.00	6.85	262,500	4.00
$4.01 - $5.00	5,000	4.50	6.55	5,000	4.50
Balance June 30, 2025	**1,089,000**	**2.12**	**6.78**	**668,500**	**2.80**

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

	June 30, 2025	December 31, 2024 (2)
Risk free interest rate	2.97%	-
Expected volatility (1)	176%	-
Expected life (years)	10	-
Weighted average fair value	0.15	-

(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 year ended December 31, 2024.

(in Canadian dollars)

12. 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 cash equivalents 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.

13. Financing Costs

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Accretion of convertible debentures (Note 7)	**1,632,663**	1,424,263	**3,180,167**	2,806,533
Accretion of long-term debt (Note 6)	**305,322**	359,355	**744,920**	780,207
Change in fair value on derivative liability (Note 6)	**(23,742)**	176,484	**145,886**	384,506
Other interest	**-**	74,159	**-**	74,159
Lease interest	**17,288**	19,469	**34,349**	39,680
Short-term loan interest (Note 8)	**5,408**	6,684	**8,855**	13,368
	1,936,939	2,060,414	**4,114,177**	4,098,453

(in Canadian dollars)

14. Other Income (Expense)

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Other Income				
Forgiveness of accounts payable in relation to the collaboration termination agreement (Note 4)	**-**	**-**	**1,784,218**	-
Proceeds received from collaboration termination agreement (Note 4)	**-**	**-**	**359,700**	-
Gain on inventory returns	**-**	**-**	**-**	180,745
Interest income	**-**	7	**406**	5,812
Other	**2,115**	-	**2,115**	69,948
	2,115	7	**2,146,439**	203,633
Other Expense				
Other	**-**	-	**-**	9,620
	-	-	**-**	9,620

(in Canadian dollars)

15. Supplemental Information

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

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Provided by (used in)				
Operating activities for continuing operations				
Accounts receivable	**218,915**	5,344,631	**(511,416)**	6,699,232
Inventory	**144,691**	321,003	**419,852**	(1,457,401)
Prepaid expenses and deposits	**(269,179)**	7,608	**(223,346)**	(19,981)
Accounts payable and accrued liabilities	**211,115**	(3,001,481)	**(853,543)**	(2,059,316)
Deferred revenue	**(255,599)**	(275,308)	**(558,000)**	(275,308)
	49,943	2,396,453	**(1,726,453)**	2,887,226

16. Segmented Information

Major customers

The Company had one customer where sales were greater than 10% of total sales in the three months ended June 30, 2025 (three months ended June 30, 2024 – four) and one customer for the six months ended June 30, 2025 (six months ended June 30, 2024 - four). These customers had attributed sales of approximately $0.9 million for the three months ended June 30, 2025 (three months ended June 30, 2024 - $0.2 million) and approximately $1.9 million for the six months ended June 30, 2025 (six months ended June 30, 2024 - $0.4 million).

(in Canadian dollars)

Revenue composition

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Geographic Sales Revenue				
Canada	**852,000**	129,712	68,679	132,713
United States	**28,499**	37,588	1,860,000	248,030
	880,499	167,300	1,928,679	380,743
Product and Service Revenue				
Product sales	**880,499**	167,300	1,928,679	380,743
Installation services	**-**	-	-	-
	880,499	167,300	1,928,679	380,743

17. Legal Disputes

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

On April 29, 2024, the Company received a legal demand from a supplier for payment on an open purchase order. The Company ordered inventory with a deposit and understood that the supplier would hold the products. The supplier is demanding payment of US $2.3 million and outlining they will dispose of the products. The Company has responded with its own legal letter outlining why there is no dispute or amount owing. The dispute may result in the deposit on the inventory being forfeited and hence was written off to a loss by the Company. The parties are still negotiating.

18. Comparative Figures

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

19. Subsequent Events

Subsequent to the period ended June 30, 2025, the Company entered into additional loan agreements for $49,295 with a maturity of November 21, 2025 and $40,000 with a maturity date of December 7, 2025, both with interest accrued thereon at 24% per annum.

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