

# Condensed Interim Consolidated Financial Statements of

## Eguana Technologies Inc.

June 30, 2024

(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, 2024 (Unaudited)	December 31, 2023
<b>Assets</b>		
Current:		
Cash and cash equivalents	238,350	627,559
Accounts and other receivable, net (Note 4)	382,531	6,956,667
Inventory (Note 5)	8,958,507	8,501,269
Prepaid expenses and deposits (Note 5)	2,823,996	2,759,043
Assets held for disposal (Note 3)	92,568	289,117
<b>Total Current Assets</b>	<b>12,495,952</b>	<b>18,844,538</b>
Non-current:		
Property and equipment	1,134,677	1,309,511
Intangible assets	320,663	370,496
Right-of-use assets (Note 9)	1,167,580	643,834
<b>Total Assets</b>	<b>15,118,872</b>	<b>21,457,496</b>
<b>Liabilities</b>		
Current:		
Accounts payable and accrued liabilities	6,064,669	6,783,436
Warranty provision (Note 18)	807,781	667,559
Deferred revenue	108,631	274,272
Short-term loan (Note 6)	-	-
Current portion of long-term debt (Note 7)	8,160,439	8,209,409
Derivative liability (Note 7)	3,268,062	2,883,556
Current portion of lease liability (Note 9)	179,586	154,792
Liabilities directly associated with assets held for disposal (Note 3)	433,660	180,750
<b>Total Current Liabilities</b>	<b>19,022,828</b>	<b>19,153,774</b>
Non-current:		
Convertible debentures (Note 8)	28,390,462	26,735,765
Lease liability (Note 9)	1,206,935	694,262
<b>Total Liabilities</b>	<b>48,620,225</b>	<b>46,583,801</b>
<b>Shareholders' Deficit</b>		
Common shares (Note 10)	92,132,438	92,132,438
Warrants (Note 11)	116,780	116,780
Convertible debentures (Note 8)	7,310,746	7,310,746
Contributed surplus	15,443,265	15,263,105
Accumulated comprehensive loss	(193,989)	(224,127)
Deficit	(148,310,593)	(139,725,247)
<b>Total Shareholders' Deficit</b>	<b>(33,501,353)</b>	<b>(25,126,305)</b>
<b>Total Liabilities and Shareholders' Deficit</b>	<b>15,118,872</b>	<b>21,457,496</b>

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, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Sales (Note 17)	660,395	2,067,624	1,615,593	7,922,871
Cost of goods sold	592,753	2,066,876	1,477,203	7,769,953
<b>Gross margin</b>	<b>67,642</b>	<b>748</b>	<b>138,390</b>	<b>152,918</b>
<b>Expenses</b>				
General and administrative	714,828	1,127,454	1,409,881	1,831,521
Selling and marketing	186,108	663,225	434,759	1,104,960
Product development	454,719	1,515,157	684,481	2,834,571
Operations	290,119	377,032	740,631	684,243
Amortization	186,817	186,824	356,369	371,697
Share-based compensation (Note 12)	87,092	225,838	180,160	454,418
	<b>1,919,683</b>	<b>4,095,530</b>	<b>3,806,281</b>	<b>7,281,410</b>
<b>Operating Loss</b>	<b>(1,852,041)</b>	<b>(4,094,782)</b>	<b>(3,667,891)</b>	<b>(7,128,492)</b>
Financing costs (Note 14)	(2,077,125)	(1,950,693)	(4,118,141)	(3,952,492)
Expected credit recovery (loss) (Note 4)	63,613	(503,516)	63,613	(581,719)
Foreign exchange gain (loss)	(279,750)	(259,611)	(130,625)	(361,603)
Other income (Note 15)	15,256	37,880	225,441	121,229
Other expense (Note 15)	(63,699)	(2,053,184)	(128,451)	(2,053,184)
<b>Net Loss Before Tax</b>	<b>(4,193,746)</b>	<b>(8,823,906)</b>	<b>(7,756,054)</b>	<b>(13,956,261)</b>
Current tax expense	-	-	-	-
<b>Net Loss from Continuing Operations</b>	<b>(4,193,746)</b>	<b>(8,823,906)</b>	<b>(7,756,054)</b>	<b>(13,956,261)</b>
<b>Net Loss from Discontinued Operations, After Tax (Note 3)</b>	<b>(641,229)</b>	<b>(196,273)</b>	<b>(829,292)</b>	<b>(378,157)</b>
<b>Net Loss</b>	<b>(4,834,975)</b>	<b>(9,020,179)</b>	<b>(8,585,346)</b>	<b>(14,334,418)</b>
Foreign currency translation adjustment	(88,330)	(26,846)	30,138	(107,753)
<b>Total Comprehensive Loss</b>	<b>(4,923,305)</b>	<b>(9,047,025)</b>	<b>(8,555,208)</b>	<b>(14,442,171)</b>
<b>Loss per common share from continuing operations</b>				
Basic and diluted	(0.01)	(0.02)	(0.01)	(0.03)
<b>Weighted average number of common shares</b>				
Basic and diluted (Note 10)	548,107,332	406,651,526	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, 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)	<b>(8,585,346)</b>
Foreign currency translation adjustment	-	-	-	-	-	30,138	-	<b>30,138</b>
Share-based compensation (Note 12)	-	-	-	-	180,160	-	-	<b>180,160</b>
<b>Balance June 30, 2024</b>	<b>92,132,438</b>	<b>-</b>	<b>116,780</b>	<b>7,310,746</b>	<b>15,443,265</b>	<b>(193,989)</b>	<b>(148,310,593)</b>	<b>(33,501,353)</b>
Balance January 1, 2023	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	-	-	-	-	-	-	(14,334,418)	(14,334,418)
Foreign currency translation adjustment	-	-	-	-	-	(107,753)	-	(107,753)
Common shares issued (Note 10)	1,145,507	-	-	-	-	-	-	1,145,507
Warrants exercised, (Note 10 and 11)	4,305,739	-	(979,134)	-	-	-	-	3,326,605
Warrants expired (Note 11)	-	-	(633,617)	-	633,617	-	-	-
Share-based compensation (Note 12)	-	-	-	-	454,418	-	-	454,418
<b>Balance June 30, 2023</b>	<b>82,886,556</b>	<b>1</b>	<b>52,598</b>	<b>7,310,746</b>	<b>14,815,352</b>	<b>(251,145)</b>	<b>(118,469,914)</b>	<b>(5,892,346)</b>

\*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, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Operating activities</b>				
Net loss	(4,834,977)	(9,020,179)	(8,585,346)	(14,334,418)
Expected credit (recovery) loss (Note 4)	(63,613)	503,516	(63,613)	581,719
Financing costs (Note 14)	2,077,125	1,950,694	4,118,141	3,952,493
Share-based compensation (Note 12)	87,092	225,838	180,160	454,418
Warranty provision	70,111	102,893	140,222	200,992
Amortization of assets	186,818	186,824	356,370	371,697
Write down of inventory	-	10,429	-	12,562
Bad debt expense	7,008	-	7,008	-
Other expense	8,106	2,053,184	8,106	2,053,184
Unrealized foreign exchange loss (gain)	279,750	259,611	130,625	361,603
	(2,182,578)	(3,727,190)	(3,708,327)	(6,345,750)
Net change in non-cash working capital (Note 16)	3,577,480	(22,276)	4,594,283	(3,562,903)
Cash flow (used in) from operating activities	1,394,902	(3,749,466)	885,956	(9,908,653)
<b>Financing activities</b>				
Proceeds on exercise of warrants (Note 11)	-	-	-	3,326,605
Proceeds from short-term loan (Note 6)	-	-	220,516	-
Repayment of short-term loan (Note 6)	(233,884)	-	(233,884)	-
Repayment of long-term debt (Note 7)	(947,710)	(1,552,814)	(1,119,816)	(2,723,928)
Repayment of leases	(90,794)	(83,300)	(173,820)	(185,309)
Net change in non-cash working capital (Note 16)	-	575,918	-	-
Cash flow (used in) from financing activities	(1,272,388)	(1,060,196)	(1,307,004)	417,368
<b>Investing activities</b>				
Capital asset additions	-	(200,444)	(4,565)	(376,378)
Proceeds from sale of capital assets	10,439	-	10,439	-
Intangible asset addition	-	-	-	(340,300)
Net change in non-cash working capital (Note 16)	-	(335,742)	-	(43,611)
Cash flow (used in) from investing activities	10,439	(536,186)	5,874	(760,289)
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	(92,025)	(59,249)	25,965	(90,177)
Net change in cash and cash equivalents	40,928	(5,405,097)	(389,209)	(10,341,751)
Cash and cash equivalents, beginning of period	197,422	10,038,535	627,559	14,975,189
<b>Cash and cash equivalents, end of period</b>	<b>238,350</b>	<b>4,633,438</b>	<b>238,350</b>	<b>4,633,438</b>

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

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

## 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, 2023, and fifteen-month period ended December 31, 2022, 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, 2024.

### 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, 2024, the Company had not achieved profitable operations since its inception and had an accumulated deficit of \$148.3 million (December 31, 2023 - \$139.7 million). For the period ended June 30, 2024, the Company incurred a net loss from continuing operations before tax for the three and six months ended June 30, 2024 of \$4.2 million and \$7.8 million, respectively (three and six months ended June 30, 2023 – \$8.8 million and \$14.0 million, respectively) and had total cash flow used in operating activities for the three and six months ended June 30, 2024 of \$1.4 million and \$0.9 million respectively (three and six

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

months ended June 30, 2023 – cash flow used in operating activities of \$3.8 million and \$9.9 million, respectively).

Further, at June 30, 2024, the Company had a working capital deficit of \$6.5 million. At the end of 2023 and throughout 2024, the Company has continued to delay or defer or negotiate interest only, for the monthly long-term debt loan amortization payments. In July 2024, the Company missed a previously negotiated interest only payment for July 1st and an anticipated August 1st regular amortization payment, moving the loan into formal default. On August 27, 2024, the Company and the senior lender entered into an updated forbearance agreement, which included deferral of payments up to and including September 1, 2024. Negotiations with the lender are ongoing and the Lender has not taken any action.

Management is 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 is behind in its regular payments to lenders, vendors, various contractual payments and rent payments. The Company will need the continued support of its existing vendors and lenders, and to create cash inflows either through new sales, 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. If the liquidity situation continues, it may have continued operational impacts, such as impaired reputation, low employee morale and productivity plus employee turnover, negative implications with suppliers, vendors, landlords, lenders and shareholders, and exposure to downgrading credit and legal claims. 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 and other receivables, net of expected credit loss ("ECL"), totaling \$0.4 million as at June 30, 2024, and applies significant judgement to estimate the 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 (see Note 4).

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

The Company has inventory, net of impairments, totaling \$9.0 million as at June 30, 2024. 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 the three months ended June 30, 2024, the Company made the decision to liquidate the German 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

During June 2024, the Company made the decisions 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 condensed interim 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 June 30, 2024, the Company has not completed the liquidation of the assets and the subsidiary and therefore no proceeds have been received. Further, the Company estimated the costs to wind up the subsidiary, including final personnel costs, and accrued \$271,430 into accrued liabilities at June 30, 2024.



# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

## a) Results of discontinued operations

The following table summarizes the net loss from discontinued operations, after tax for the three and six months ended June 30, 2024.

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Sales	-	-	-	-
Cost of goods sold	-	-	-	-
<b>Gross margin</b>	-	-	-	-
<b>Expenses</b>				
General and administrative	36,736	10,890	38,216	23,379
Selling and marketing	396,033	148,846	559,616	296,529
Operations	9,343	21,494	17,912	27,817
Amortization	11,893	11,365	23,155	22,732
	454,005	192,595	638,899	370,457
<b>Operating Loss</b>	(454,005)	(192,595)	(638,899)	(370,457)
Financing costs	(3,039)	(3,678)	(6,208)	(7,700)
Impairment	(184,185)	-	(184,185)	-
<b>Net Loss Before Tax</b>	(641,229)	(196,273)	(829,292)	(378,157)
Current tax expense	-	-	-	-
<b>Net Loss from discontinued operations</b>	(641,229)	(196,273)	(829,292)	(378,157)

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

## b) Assets held for disposal

The major classes of assets held for disposal and liabilities directly associated with assets held for disposal, at June 30, 2024, were as follows.

	June 30, 2024
Cash and cash equivalents	25,998
Prepaid expenses and deposits	4,991
Lease assets	61,579
<b>Total assets</b>	<b>92,568</b>
Accounts payable and accrued liabilities	360,169
Lease liabilities	73,491
<b>Total liabilities</b>	<b>433,660</b>

## c) Cash flows used in discontinued operations

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cash flows used in operating activities	(184,193)	(202,467)	(323,548)	(388,725)
Cash flows used in investing activities	-	-	-	-
Cash flows used in financing activities	(14,576)	(6,903)	(29,243)	(13,756)
<b>Net cash outflows</b>	<b>(198,769)</b>	<b>(209,370)</b>	<b>(352,791)</b>	<b>(402,481)</b>

## 4. Accounts and Other Receivables, Net

The following schedules outline the details of accounts receivables:

	June 30, 2024	December 31, 2023
Trade	9,372,594	19,980,759
Taxation authorities	77,086	47,834
	<b>9,449,680</b>	20,028,593
Less: expected credit loss	(9,067,149)	(13,071,926)
	<b>382,531</b>	6,956,667

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

Trade Receivables:	June 30, 2024	December 31, 2023
Current	159,752	665,798
Past Due		
31 – 60 days	-	51,661
61 – 90 days	4,703	92,763
Over 90 days	9,208,139	19,170,537
	<b>9,372,594</b>	19,980,759

The Company has one customer that represents 79% (December 31, 2023 – 95%) of total accounts receivable, which as at June 30, 2024, has \$7,423,328 (December 31, 2023 – \$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 was netted against the customer’s accounts receivable balance.

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.

During the three months ended June 30, 2024, the Company has recorded reductions in ECL to reflect value received from inventory obtained as an offset to net accounts receivable with the key customer, a price concession and payments received. As a result, the Company has a provision for this customer at June 30, 2024, in the amount of \$7,423,328.

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.

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

## 5. Inventory

	June 30, 2024	December 31, 2023
Finished goods	2,100,022	1,178,501
Components	6,858,485	2,880,973
Inventory work in process	-	145,184
Inventory return components	-	4,296,611
	8,958,507	8,501,269

As at June 30, 2024, \$8,942,075 (December 31, 2023 - \$8,339,650) of inventory was carried at cost and \$16,432 (December 31, 2023 - \$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. During the three months ended June 30, 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.

During the three months ended June 30, 2024, the Company recognized impairment of \$163,070 on inventory related to the liquidation of a subsidiary in Germany (see Note 3).

Related to deposits on inventory, approximately, \$1.5 million, is included in prepaid expenses and deposits (December 31, 2023 – \$1.4 million) as at June 30, 2024.

## 6. Short-term Loan

On March 8, 2024, the Company closed unsecured short-term bridge 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. 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. The proceeds of this short-term loan were used for general working capital. The loan amounts were repaid, with interest accrued to the repayment date only, on April 25, 2024.

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

## 7. Long-term Debt and Derivative Liability

	Derivative Liability	Long-term Debt	Total
Balance January 1, 2023	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, 2023	2,883,556	8,209,409	11,092,965
Accretion and accrued interest	-	780,207	780,207
Repayment	-	(1,110,593)	(1,110,593)
Fair value loss on derivative liability	384,506	-	384,506
Loss on foreign exchange	-	281,415	281,415
<b>Balance June 30, 2024</b>	<b>3,268,062</b>	<b>8,160,439</b>	<b>11,428,501</b>
<b>Less: current portion</b>	<b>(3,268,062)</b>	<b>(8,160,439)</b>	<b>(11,428,501)</b>
<b>Long-term portion</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 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 \$3,268,062 at June 30, 2024, with a resulting fair value loss for the three months ended June 30, 2024 of \$176,464 (three months ended June 30, 2023 - \$61,329) and six months ended June 30, 2024 of \$384,506 (six months ended June 30, 2023 - \$172,388).

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

During 2024, the Company negotiated various payment delays and deferrals with the Lender. 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, predicated on subjective conditions that if not complied with render the forbearance to be terminated, for which the Company complied. This agreement covered the period ended June 30, 2024. Subsequent to the quarter end, the Company missed a negotiated interest only payment in July and an anticipated August regular amortization payment, moving the loan into formal default. On August 27, 2024, the Lender provided an updated forbearance agreement whereby the Lender has agreed to a deferral of payments up to and including September 1, 2024, predicated on the same subjective conditions that if not complied with render the forbearance to be terminated. Negotiations with the lender are ongoing and the Lender has not taken any action.

At June 30, 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 as at June 30, 2024, for the unpaid balance and all future interest amounts, is US \$6,457,811.

## 8. Convertible Debentures

	Debt Component	Equity Component	Total
Balance January 1, 2023	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, 2023	26,735,765	7,310,746	34,046,511
Interest	(1,151,836)	-	(1,151,836)
Accretion	2,806,533	-	2,806,533
<b>Balance June 30, 2024</b>	<b>28,390,462</b>	<b>7,310,746</b>	<b>35,701,208</b>

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, 2024 of \$1,424,263 (three months ended June 30, 2023 - \$1,267,609) and six months ended June 30, 2024 of \$2,806,533 (six months ended June 30, 2023 - \$2,487,657).

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. On August 13, 2024, the Company signed an updated memorandum of understanding with the holder of the Debentures amending the payment dates for the interest payments that were due on March 1, 2024, and September 1, 2024, both deferred to March 31, 2025. The memorandum of

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

understanding included language outlining that notwithstanding the extensions, the Company will make commercially reasonable best efforts to issue the interest payments as early as possible.

## 9. Lease Liabilities

The Company recognizes lease liabilities from its leases of real estate and vehicles. During the three months ended June 30, 2024, the Company entered into a lease extension at one of the property locations, resulting in the addition of \$655,000 to outstanding lease liabilities, with a corresponding increase to Right-of-Use Assets. Subsequent to quarter end, a property location lease was early terminated, which will result in an adjustment to Right-of-Use Assets and Lease Liabilities in August 2024 (see Note 18).

## 10. Common Shares

*Authorized, Unlimited Number*

*Issued*

	Number of Shares	Amount (\$)
Balance January 1, 2023	403,166,645	85,198,770
Issuance of common shares (Note 8)	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 11)	16,666,666	4,312,467
<b>Balance December 31, 2023 and June 30, 2024</b>	<b>448,956,022</b>	<b>92,132,438</b>

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 June 30, 2024, and December 31, 2023, 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.

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

## 11. 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, 2023	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)
<b>Balance December 31, 2023 and June 30, 2024</b>	<b>16,234,309</b>	<b>-</b>	<b>16,234,309</b>	<b>116,780</b>

Outstanding and exercisable warrants as at June 30, 2024 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	1.43
\$0.31 - \$0.40	4,934,309	0.36	2.75
<b>Balance June 30, 2024</b>	<b>16,234,309</b>	<b>0.15</b>	<b>1.83</b>

In December 2023, the Company issued 11,300,000 Units, in connection with a private placement (Note 10), 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.

## 12. 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 June 30, 2024, was \$87,092 (three months ended June 30, 2023 – \$225,838) and six months ended June 30, 2024, was \$180,160 (six months ended June 30, 2023 - \$454,418).



# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

	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, 2023	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, 2023	13,344,626	0.30	5,592,764	0.38
Forfeited	(515,389)	(0.28)	(3,250,000)	(0.39)
<b>Balance June 30, 2024</b>	<b>12,829,237</b>	<b>0.30</b>	<b>2,342,764</b>	<b>0.36</b>

Stock options outstanding as at June 30, 2024:

	Outstanding Options			Exercisable Options	
	Number	Weighted average price (\$)	Weighted average years to expiry	Number	Weighted average price (\$)
\$0.01 - \$0.30	5,995,000	0.20	5.40	5,061,283	0.19
\$0.31 - \$0.40	7,977,001	0.38	4.55	5,826,326	0.37
\$0.41 - \$0.50	1,200,000	0.34	0.53	1,100,002	0.37
<b>Balance June 30, 2024</b>	<b>15,172,001</b>	<b>0.31</b>	<b>4.57</b>	<b>11,987,611</b>	<b>0.30</b>

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, 2024 <sup>(2)</sup>	December 31, 2023
Risk free interest rate	-	1.57% - 3.14%
Expected volatility <sup>(1)</sup>	-	115% - 126%
Expected life (years)	-	3 – 10
Weighted average fair value	-	0.20 – 0.42

(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 months and six months ended June 30, 2024.

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

## 13. 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.

## 14. Financing Costs

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Accretion of convertible debentures (Note 8)	<b>1,424,263</b>	1,267,609	<b>2,806,533</b>	2,487,657
Accretion of long-term debt (Note 7)	<b>359,355</b>	595,519	<b>780,207</b>	1,239,089
Change in fair value on derivative liability (Note 7)	<b>176,484</b>	61,329	<b>384,506</b>	172,388
Other interest	<b>74,159</b>	-	<b>74,159</b>	-
Lease interest	<b>36,180</b>	26,236	<b>59,368</b>	53,358
Short-term loan interest (Note 6)	<b>6,684</b>	-	<b>13,368</b>	-
	<b>2,077,125</b>	1,950,693	<b>4,118,141</b>	3,952,492

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

## 15. Other Income (Expense)

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b><i>Other Income</i></b>				
Gain on return of inventory	-	-	179,422	-
Other	15,248	2,906	40,893	12,183
Interest income	8	34,974	5,126	109,046
	<b>15,256</b>	<b>37,880</b>	<b>225,441</b>	<b>121,229</b>
<b><i>Other Expense</i></b>				
Transaction costs	34,283	-	89,415	-
Loss on inventory – theft	-	2,053,184	-	2,053,184
Loss on disposal of capital and lease assets	8,106	-	8,106	-
Other	21,310	-	30,930	-
	<b>63,699</b>	<b>2,053,184</b>	<b>128,451</b>	<b>2,053,184</b>

During the three months ended June 30, 2024, the Company determined that formal completion of the business acquisition of Solarlab, by Eguana Pty Ltd, in Australia was not possible. This determination was made after various delays completing the transaction, and in the context of the overall industry downturn. At December 31, 2023, and June 30, 2024, any costs related to this acquisition were recorded as transaction costs, in other expenses. This determination will have an overall impact on the Company's Australian business. The Company is assessing the impacts and next steps.

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

## 16. Supplemental Information

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Provided by (used in)				
Operating activities				
Accounts receivable	5,380,516	(88,417)	6,779,463	(5,599,494)
Inventory	163,017	(1,741,755)	(620,308)	(4,829,304)
Prepaid expenses and deposits	(12,658)	1,152,258	(35,212)	6,089,660
Accounts payable and accrued liabilities	(2,447,108)	680,008	(1,976,548)	922,261
Deferred revenue	13,924	54,822	(165,641)	28,522
Assets held for disposal	43,501	196,649	196,549	(146,039)
Liabilities directly associated with assets	273,220	(275,841)	252,910	(28,509)
	3,414,412	(22,276)	4,431,213	(3,562,903)
Financing activities				
Accounts payable and accrued liabilities	-	575,918	-	-
Investing activities				
Accounts payable and accrued liabilities	-	(335,742)	-	(43,611)

## 17. 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 months ended June 30, 2024 (three months ended June 30, 2023 – one) and two customers for the six months ended June 30, 2024 (six months ended June 30, 2023 - one). These customers had attributed sales of approximately \$0.2 million for the three months ended June 30, 2024 (three months ended June 30, 2023 - \$5.6 million) and approximately \$0.8 million for the six months ended June 30, 2024 (six months ended June 30, 2023 - \$5.6 million).

# Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023  
(in Canadian dollars)  
(Unaudited)

## Revenue composition

The Company generated revenue from product sales and installation services for the three months ended June 30, 2024 of \$660,395 (three months ended June 30, 2023 – \$2,067,624) and for the six months ended June 30, 2024 of \$1,615,593 (six months ended June 30, 2023 – \$7,922,871) with a cost of sales for the three months ended June 30, 2024 of \$592,753 (three months ended June 30, 2023 - \$2,066,876) and for the six months ended June 30, 2024 of \$1,477,203 (six months ended June 30, 2023 - \$7,769,953).

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Geographic Sales Revenue</b>				
Australia	493,095	327,052	1,234,850	507,732
Canada	129,712	-	132,712	-
Europe	-	7,150	-	67,584
United States	37,588	1,733,422	248,031	7,347,555
	<b>660,395</b>	<b>2,067,624</b>	<b>1,615,593</b>	<b>7,922,871</b>
<b>Product and Service Revenue</b>				
Product sales	254,645	1,805,387	499,510	7,534,790
Installation services	405,750	262,237	1,116,083	388,081
	<b>660,395</b>	<b>2,067,624</b>	<b>1,615,593</b>	<b>7,922,871</b>

## 18. Legal Disputes

The Company is in a dispute with a prior customer, as a result of the cancellation of a supply contract. The Company is seeking full collection of the accounts receivable, 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 (see Note 5) 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, outlined in Note 5, being forfeited, and hence written off to a loss by the Company. The parties are still negotiating.

The Company is subject to other legal claims with landlords, suppliers and employees. Subsequent to quarter end, the Company agreed to pay costs associated with the early termination of a property lease totaling \$40,000, and to payment of any regular rent amounts in arrears.