

Condensed interim consolidated financial statements of

# **Eguana Technologies Inc.**

December 31, 2020

(Unaudited)

# Eguana Technologies Inc.

December 31, 2020

## Table of contents

Unaudited condensed interim consolidated statements of financial position .....	3
Unaudited condensed interim consolidated statements of loss and comprehensive loss .....	4
Unaudited condensed interim consolidated statements of changes in equity (deficiency) .....	5
Unaudited condensed interim consolidated statements of cash flows .....	6
Notes to the unaudited condensed interim consolidated financial statements .....	7

# Eguana Technologies Inc.

## Condensed interim consolidated statements of financial position

Stated in Canadian dollars

Unaudited

	Note	December 31 2020	September 30 2020
<b>Assets</b>			
Current:			
Cash		208,427	527,702
Accounts receivable		786,852	684,307
Inventory	4	1,469,311	1,544,105
Prepaid expenses and deposits		246,990	253,363
		<b>2,711,580</b>	<b>3,009,477</b>
Non-current:			
Development costs		3	3
Property and equipment		406,219	435,209
Right-of-use assets		320,160	347,315
		<b>3,437,962</b>	<b>3,792,004</b>
<b>Liabilities</b>			
Current:			
Accounts payable and accrued liabilities	16	4,149,073	4,051,734
Warranty provision		522,598	507,929
Deferred revenue		93,556	610,913
Current portion of long-term debt	6	1,082,618	1,314,756
Derivative liability	6	1,140,221	1,152,000
Current portion of lease liability	9	140,675	154,199
Current portion of other liabilities	9	524,810	450,376
		<b>7,653,551</b>	<b>8,241,907</b>
Non-current:			
Long-term debt	6	71,866	298,066
Debentures	7	7,362,232	7,288,750
Preferred shares	8	4,509,986	4,322,486
Lease liability	9	243,496	255,359
Other liabilities	9	657,791	842,270
		<b>20,498,922</b>	<b>21,248,838</b>
<b>Shareholders' equity (deficiency)</b>			
Common shares	10	47,932,608	45,634,694
Preferred shares	11	567,155	567,155
Warrants	13	2,592,598	2,488,365
Contributed surplus	14	11,400,882	10,989,832
Foreign currency translation reserve		(291,721)	(229,700)
Deficit		(79,262,482)	(76,907,180)
		<b>(17,060,960)</b>	<b>(17,456,834)</b>
		<b>3,437,962</b>	<b>3,792,004</b>

Going concern (Note 2(c))

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

# Eguana Technologies Inc.

## Condensed interim consolidated statements of loss and comprehensive loss For the three-month periods ended December 31,

Stated in Canadian dollars

Unaudited

	Note	2020	2019
			<i>Restated</i> (note 2(b))
Sales and engineering services	19	<b>2,323,787</b>	2,635,161
Cost of goods sold		<b>2,133,850</b>	2,405,073
Gross margin		<b>189,937</b>	230,088
Expenses			
General and administrative	16	<b>810,021</b>	529,519
Selling and marketing	16	<b>456,034</b>	540,752
Product research and development	16	<b>431,081</b>	199,782
Operations		<b>241,942</b>	267,422
		<b>1,939,078</b>	1,537,475
<b>Loss before undernoted items</b>		<b>(1,749,141)</b>	(1,307,387)
Financing costs	17	<b>(711,647)</b>	(486,351)
Unrealized foreign exchange gain		<b>105,486</b>	40,636
Other income		-	1
<b>Net loss</b>		<b>(2,355,302)</b>	(1,753,101)
Foreign currency adjustment to equity		<b>(62,021)</b>	(5,161)
<b>Total comprehensive loss</b>		<b>(2,417,323)</b>	(1,758,262)
<b>Loss per common share</b>			
Basic and diluted		<b>(0.01)</b>	(0.01)
<b>Weighted average number of common shares</b>			
Basic and diluted	10	<b>234,621,632</b>	226,943,753

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

# Eguana Technologies Inc.

## Condensed interim consolidated statements of change in equity (deficiency) For the three-month periods ended December 31,

Stated in Canadian dollars

Unaudited

	Common shares	Preferred shares	Warrants	Contributed surplus	Foreign currency translation reserve	Deficit <i>Restated</i> <i>(note 2(b))</i>	Total
Balance October 1, 2020	45,634,694	567,155	2,488,365	10,989,832	(229,700)	(76,907,180)	(17,456,834)
Loss for the period	-	-	-	-	-	(2,355,302)	(2,355,302)
Other comprehensive loss	-	-	-	-	(62,021)	-	(62,021)
Issue of share capital	1,245,513	-	-	-	-	-	1,245,513
Issuance of partnership units (note 12)	909,967	-	-	-	-	-	909,967
Warrants issued	-	-	104,977	-	-	-	104,977
Warrants exercised	1,513	-	(744)	-	-	-	769
Stock options exercised	42,752	-	-	(21,001)	-	-	21,751
Convertible debenture exercised	98,169	-	-	-	-	-	98,169
Share-based payments	-	-	-	432,051	-	-	432,051
<b>Balance December 31, 2020</b>	<b>47,932,608</b>	<b>567,155</b>	<b>2,592,598</b>	<b>11,400,882</b>	<b>(291,721)</b>	<b>(79,262,482)</b>	<b>(17,060,960)</b>
Balance October 1, 2019	45,366,483	567,155	1,187,433	10,679,365	(152,888)	(68,668,528)	(11,020,980)
Loss for the period	-	-	-	-	-	(1,753,101)	(1,753,101)
Other comprehensive loss	-	-	-	-	(5,161)	-	(5,161)
Warrants expired	-	-	(88,634)	88,634	-	-	-
Share-based payments	-	-	-	37,916	-	-	37,916
<b>Balance December 31, 2019</b>	<b>45,366,483</b>	<b>567,155</b>	<b>1,098,799</b>	<b>10,805,915</b>	<b>(158,049)</b>	<b>(70,421,629)</b>	<b>(12,741,326)</b>

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

# Eguana Technologies Inc.

## Condensed interim consolidated statements of cash flows

For the three-month periods ended December 31,

Stated in Canadian dollars

Unaudited

	Note	2020	2019
			<i>Restated</i> (note 2(b))
<b>Operating activities</b>			
Net loss		<b>(2,355,302)</b>	(1,753,101)
Share-based payments	14,16	<b>432,051</b>	37,916
Financing costs	17	<b>711,647</b>	486,351
Amortization of property & equipment		<b>33,662</b>	46,019
Amortization of lease assets		<b>51,546</b>	43,622
Warranty provision		<b>14,670</b>	53,639
Unrealized foreign exchange (gain) loss		<b>(105,486)</b>	(40,636)
		<b>(1,217,212)</b>	(1,126,190)
Net change in non-cash working capital	18	<b>(694,846)</b>	2,399,787
Cash flow (used in) from operating activities		<b>(1,912,058)</b>	1,273,597
<b>Financing activities</b>			
Proceeds from bridge loan	5	-	280,000
Cost of issuing bridge loan	5	-	(3,745)
Proceeds from issuance of common shares	10	<b>1,500,000</b>	-
Cost of issuing common shares	10	<b>(196,598)</b>	-
Proceeds from issuance of limited partnership units	12	<b>1,150,000</b>	-
Cost of issuing limited partnership units	12	<b>(193,276)</b>	-
Proceeds on exercise of stock options	14	<b>21,751</b>	-
Proceeds on exercise of warrants	13	<b>1,100</b>	-
Repayment of long-term debt	6	<b>(456,081)</b>	(153,879)
Repayment of leases	9	<b>(64,762)</b>	(58,472)
Repayment of other liabilities	9	<b>(164,679)</b>	(42,372)
Cash flow from financing activities		<b>1,597,455</b>	21,532
<b>Investing activities</b>			
Capital asset additions		<b>(4,672)</b>	(8,404)
Cash flow used in investing activities		<b>(4,672)</b>	(8,404)
Net change in cash		<b>(319,275)</b>	1,286,725
Cash, beginning of period		<b>527,702</b>	480,170
<b>Cash, end of period</b>		<b>208,427</b>	1,766,895

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

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

### 1. Description of the business

Eguana Technologies Inc. ("the Company"), incorporated under the *Alberta Business Corporations Act*, designs and manufactures high performance residential and commercial energy storage systems. Eguana has two decades of experience delivering grid edge power electronics for fuel cell, photovoltaic and battery applications. The Company is a publicly traded company headquartered at Unit 3, 6143 – 4<sup>th</sup> Street SE, Calgary, Alberta, Canada and its shares trade on the TSX Venture Exchange (the "TSX-V") under the symbol "EGT".

### 2. Basis of preparation

#### (a) Statement of compliance

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

These financial statements do not comprise all the information required for annual audited consolidated financial statements and therefore should be read in conjunction with the annual audited consolidated financial statements for the years ended September 30, 2020 and 2019, which were prepared in accordance with IFRS.

These unaudited condensed interim consolidated financial statements follow the same accounting policies as outlined in Notes 2 and 4 of the audited consolidated financial statements for the year ended September 30, 2020.

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 of the September 30, 2020 audit consolidated financial statements.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on March 1, 2021.

#### (b) Restatement

During the preparation of the condensed interim consolidated financial statements for the three-month period ended December 31, 2020, management identified an overstatement of \$167,000 in the revenue recorded in the comparative period ended December 31, 2019. This revenue should instead have been allocated to the second quarter ended March 31, 2020. Management also identified an understatement of cost of goods sold of \$17,600 which had originally booked within product research and development expenses. The impact of the errors on the December 31, 2019 condensed interim consolidated financial statements is summarized below:

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

*Extract from the condensed interim consolidated statement of loss and comprehensive loss*

	Three-month period ended December 31, 2019 before restatement	Restatement	Three-month period ended December 31, 2019 as restated
Sales and engineering services	2,802,161	(167,000)	2,635,161
Cost of goods sold	2,387,473	17,600	2,405,073
Gross Margin	414,688	(184,600)	230,088
Product research and development	217,382	(17,600)	199,782
Loss before undernoted items	(1,140,387)	(167,000)	(1,307,387)
Net loss	(1,586,101)	(167,000)	(1,753,101)
Total comprehensive loss	(1,591,262)	(167,000)	(1,758,262)

*Extract from the condensed interim consolidated statement of cash flows*

	Three-month period ended December 31, 2019 before restatement	Restatement	Three-month period ended December 31, 2019 as restated
Net loss	(1,586,101)	(167,000)	(1,753,101)
Net change in non-cash working capital	2,232,787	167,000	2,399,787

### (c) Going concern

These consolidated financial statements were prepared on a going concern basis. The going concern basis of accounting assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

At December 31, 2020, the Company had not achieved profitable operations since its inception and had accumulated a deficit of \$79,262,482 (September 30, 2020 - \$76,907,180) and incurred a net loss for the three-month period ended December 31, 2020 of \$2,355,302 (December 31, 2019 - \$1,753,101). Whether and when the Company can attain profitability from operations is uncertain. At December 31, 2020 the Company has a working capital deficiency of \$4,941,971 (September 30, 2020 - \$5,232,430). The lack of profitable operations and current liabilities being in excess of current assets results in material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The ability to continue as a going concern is dependent on completing equity or debt financings and generating profitable operations in the future in order to meet liabilities as they come due and enable the Company to continue operations. The ability to continue as a going concern may be adversely impacted by the loss of customers and falling sales per customer. To address its financing requirements, the Company has completed a \$20 million private placed (Note x) and may need to also seek financing through the



# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

issuance of common shares, first preferred shares, units of EGT Markets Limited Partnership and debentures. The outcome of these matters cannot be predicted at this time.

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

### **(d) COVID-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

### **3. Recently issued accounting pronouncements**

#### **Future Accounting Policy Changes**

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

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

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

### 4. Inventory

	December 31 2020	September 30 2020
Finished goods	693,496	574,136
Components	775,815	969,969
	<b>1,469,311</b>	<b>1,544,105</b>

As at December 31, 2020, \$1,292,060 (September 30, 2020 - \$1,370,244) of inventory was carried at cost and \$177,251 (September 30, 2020 - \$173,861) was carried at net realizable value.

### 5. Bridge loan

On November 29, 2019, the Company entered into a short-term bridge financing transaction ("Bridge Loan") in the amount of \$280,000, with certain accredited investors, including the Company's Chief Executive Officer. The principal amount of the Bridge Loan bore an interest rate of 12.0% per annum for the initial three-month period, and 24.0% per annum each month thereafter and held a maturity date of May 29, 2020. The Company had the right to prepay at any time a partial or the entire balance of the Bridge Loan outstanding together with accrued interest, without notice, penalty, or bonus. An administrative fee of 10% on the initial principal amount is due and payable on the earlier of payment or maturity date. On April 7, 2020, the Company repaid the full amount outstanding on the Bridge Loan.

### 6. Long-term debt and derivative liability

	Derivative liability	Long-term debt	Total
Balance October 1, 2019	874,627	2,495,615	3,370,242
Loss on extinguishment of debt	-	491,692	491,692
Fair value allocation to warrant exchange	-	(410,898)	(410,898)
Accretion and accrued interest	-	360,381	360,381
Repayment	-	(1,371,871)	(1,371,871)
Fair value loss on derivative liability	277,373	-	277,373
Loss on foreign exchange	-	47,903	47,903
Balance September 30, 2020	1,152,000	1,612,822	2,764,822
Accretion and accrued interest	-	60,540	60,540
Repayment	-	(456,081)	(456,081)
Gain on derivative liability	(11,779)	-	(11,779)
Gain on foreign exchange	-	(62,797)	(62,797)
<b>Balance December 31, 2020</b>	<b>1,140,221</b>	<b>1,154,484</b>	<b>2,294,705</b>
<b>Less: current portion</b>	<b>(1,140,221)</b>	<b>(1,082,618)</b>	<b>(2,222,839)</b>
	-	<b>71,866</b>	<b>71,866</b>

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

The derivative liability is carried at fair value through profit and loss and re-measured at each reporting date. The higher fair value was the present value of the warrant exchange payment using a discount rate of 16% and the value was determined to be \$1,140,221 at December 31, 2020.

On December 31, 2019, the Company entered an amendment, that was finalized in January 2020, with the Senior Lender to the original loan agreement, wherein the monthly payments were reduced and comprised of interest only for four months commencing November 1, 2019 through February 1, 2020. The Senior Loan will continue to bear interest at a rate of 12.5% per annum and will now be repaid February 1, 2022. In consideration, 4,161,333 common share purchase warrants were issued, subsequent to quarter end, on January 22, 2020, at a price of \$0.06 per warrant for a period of five years, with an expiry date of January 22, 2025. The fair value of the amended loan was determined by applying a risk-adjusted rate of 18.1% to discount the contractual cash over the remaining life of the loan. The book value of the loan prior to amendment was then deducted from the new fair value, resulting in a loss on extinguishment of debt of \$80,794 in January 2020.

The fair value of the warrant component was determined by using the Black-Scholes option pricing model using a nil dividend yield, a 1.46% interest rate and a volatility of 77.10%. The fair market value at issuance was \$410,898, also recognized as loss on extinguishment.

### 7. Debentures

	Debt component of convertible debenture	Warrant component of convertible debenture (note 14)	Total
Balance October 1, 2019	3,018,560	895,184	3,913,744
Convertible debenture	4,000,000	1,000,000	5,000,000
Transaction costs	(83,465)	(20,866)	(104,331)
Interest	(695,551)	-	(695,551)
Accretion	1,199,841	-	1,199,841
Conversion to common shares	(150,635)	-	(150,635)
Balance September 30, 2020	7,288,750	1,874,318	9,163,068
Interest	(226,194)	-	(226,194)
Accretion	397,845	-	397,845
Conversion to common shares	(98,169)	-	(98,169)
<b>Balance December 31, 2020</b>	<b>7,362,232</b>	<b>1,874,318</b>	<b>9,236,550</b>

On February 18, 2020 the Company entered into a shares for debt agreement with DHCT, wherein the Company amended the interest payment schedule of the convertible debenture certificate dated August 8, 2019, held by DHCT. The agreement settled \$60,000 of interest due through the issuance 545,454 common shares at a price of \$0.11 per share (note 14). The Company incurred transaction costs of \$1,651.

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

On March 13, 2020 the Company closed a strategic investment with ITOCHU Corporation (“ITOCHU”) and issued 5,000 unsecured convertible debentures at a price of \$1,000 per debenture (“ITOCHU Debentures”), for total gross proceeds of \$5,000,000. Each ITOCHU debenture is convertible into Units of the Company, at a price of \$0.15 per unit. Each Unit consists of one Common Share and one-half of one Warrant. Each whole Warrant shall enable the holder thereof to acquire an additional Common Share at a price of \$0.20 per share for a period of three years following the closing date of the issuance of the ITOCHU Debentures. The ITOCHU Debentures bear interest at 10% per annum, paid semi-annually in cash or additional common shares, and mature on March 13, 2023. The debt component was measured at the issue date at the present value of the cash interest and principal payments using a discount rate of 20% and a three-year term. The difference between the amount recorded for the debt component and the face value of the debentures is recorded in the statement of changes in equity (deficiency) as warrants. In connection with issuing the ITOCHU debentures, the Company incurred transaction costs of \$104,331 that were allocated on a pro rate basis to the carrying values.

On August 10, 2020 the Company entered into a shares for debt agreement with DHCT, following prior practices with its largest shareholder. The agreement settled \$60,000 of interest due through the issuance 461,538 common shares at a price of \$0.13 per share (note 10). The Company incurred transaction costs of \$2,338.

### 8. Series A Preferred shares

	Debt component of preferred shares	Equity component of preferred shares (note 11)	Total
Balance October 1, 2019	3,621,769	567,154	4,188,923
Accretion	700,717	-	700,717
Balance September 30, 2020	4,322,486	567,154	4,889,640
Accretion	187,500	-	187,500
<b>Balance December 31, 2020</b>	<b>4,509,986</b>	<b>567,154</b>	<b>5,077,140</b>

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

### 9. Other liabilities

	Settlement Agreement	Contingent liability settlement	Legal settlement	Total
Balance October 1, 2019	314,581	131,815	-	446,396
Legal settlement liability	-	-	905,182	905,182
Accretion	60,460	31,827	45,183	137,470
Repayments	(157,380)	(39,993)	-	(197,373)
Loss on foreign exchange	-	685	286	971
Balance September 30, 2020	217,661	124,334	950,651	1,292,646
Accretion	10,710	7,466	45,235	63,411
Repayments	(36,318)	-	(128,361)	(164,679)
Gain on foreign exchange	-	(5,957)	(2,820)	(8,777)
<b>Balance December 31, 2020</b>	<b>192,053</b>	<b>125,843</b>	<b>864,705</b>	<b>1,182,601</b>
<b>Less: current portion</b>	<b>(133,050)</b>	<b>(12,552)</b>	<b>(379,208)</b>	<b>(524,810)</b>
	<b>59,003</b>	<b>113,291</b>	<b>485,497</b>	<b>657,791</b>

### Lease liability

	Total
Balance October 1, 2019	551,796
Accretion	63,992
Repayments	(240,205)
Loss on foreign exchange	33,975
Balance September 30, 2020	409,558
Addition of lease liability	17,784
Accretion	14,130
Repayments	(64,762)
Loss on foreign exchange	7,461
<b>Balance December 31, 2020</b>	<b>384,171</b>
<b>Less: current portion</b>	<b>(140,675)</b>
	<b>243,496</b>

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

### 10. Common shares

*Authorized*, unlimited number

*Issued*

	Number of shares	Amount (\$)
Balance October 1, 2019	226,943,753	45,366,483
Issuance of common shares	1,006,992	120,000
Issuance costs	-	(3,989)
Exercise of debentures (note 7)	1,333,332	150,635
Exercise of warrants (note 13)	7,333	1,565
Balance September 30, 2020	229,291,410	45,634,694
Issuance of common shares units	10,000,000	1,500,000
Share issuance costs	-	(254,487)
Issuance of partnership units (note 12)	-	1,150,000
Partnership unit costs (note 12)	-	(240,033)
Exercise of debentures (note 7)	833,332	98,169
Exercise of warrants (note 13)	7,333	1,513
Exercise of stock options (note 14)	175,000	42,752
<b>Balance December 31, 2020</b>	<b>240,307,075</b>	<b>47,932,608</b>

In November, 2020, the Company closed a private placement of 10,000,000 common shares at an issue price of \$0.15 per common share, for gross proceeds of \$1,500,000. In connection with the offering, the Company incurred transaction costs of \$196,598, including agent commissions. Agents received 750,000 broker warrants (note 13), at a price of \$0.15 per warrant for a period of two years, with an expiry date of November 17, 2022. The fair value of the warrants was determined by using the Black-Scholes option pricing model using a nil dividend yield, a 0.27% interest rate and a volatility of 104.23%. The fair market value at issuance was \$57,889, also recognized as part share issuance costs.

#### *Weighted average number of common shares*

The weighted average number of shares as at December 31, 2020 and September 30, 2020 were determined by excluding preferred shares, stock options and warrants as the Company was in a loss position.

### 11. Preferred shares

*Authorized*

The Corporation is authorized to issue an unlimited number of convertible \$10, 8% redeemable First Preferred shares, issuable in series.

Holder of the preferred shares may convert, at any time, into that number of fully paid and non-assessable common shares equal to the then applicable Series Redemption Price divided by the conversion price. The

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

conversion for the preferred shares includes a fixed conversion price on the initial subscription plus the conversion of accreted dividends to common shares. The accreted dividend conversion price is based on the closing price of the common shares on the day prior to the conversion.

The fixed conversion price for each of the issued series outstanding as at December 31, 2020 is as follows:

- Series 8 \$1.00
- Series A \$0.24

*Issued*

	Number of shares	Amount (\$)
<b>Series 8</b>		
<b>Balance October 1, 2019, September 30, 2020 and December 31, 2020</b>	<b>1</b>	<b>1</b>
<b>Balance October 1, 2019, September 30, 2020 and December 31, 2020</b>	<b>434,860</b>	<b>567,154</b>
<b>Total preferred shares December 31, 2020</b>	<b>434,861</b>	<b>567,155</b>
<b>Total preferred shares September 30, 2020</b>	<b>434,861</b>	<b>567,155</b>

### 12. EGT Markets Limited Partnership

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

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

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

In November 2020, EGTLP issued 1,150 EGT Markets Limited Partnership units at a price of \$1,000 per unit resulting in gross proceeds of \$1,150,000. In connection with the issuance, the Company paid the agent a cash commission of \$86,250 and issued 574,942 broker warrants (note 14) at a price of \$0.15 per warrant for a period of two years, with an expiry date of November 2, 2022. Legal and other costs of \$107,026 related to the issue of the partnership units were incurred. The fair value of the warrants was determined by using the Black-Scholes option pricing model using a nil dividend yield, a 0.26% interest rate and a volatility of 104.72%. The fair market value of the warrants at issuance was \$46,757 and has been

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

recognized as share issuance costs. If the Company exercises its right to acquire all LP units, 7,665,900 common shares will be issued.

### 13. Warrants

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

	Issued with common shares and debt  (#)	Broker warrants  (#)	Total purchase warrants  (#)	Allocated fair market value
Balance October 1, 2019	26,381,762	1,677,443	28,059,205	1,187,433
Warrants issued	4,161,333	3,333	4,164,666	411,176
Warrants exercised	-	(7,333)	(7,333)	(744)
Warrants expired	(8,101,946)	(271,833)	(8,373,779)	(88,634)
Balance September 30, 2020	22,441,149	1,401,610	23,842,759	1,509,231
Warrants issued	-	1,328,608	1,328,608	104,977
Warrants exercised	-	(7,333)	(7,333)	(744)
<b>Balance December 31, 2020</b>	<b>22,441,149</b>	<b>2,722,885</b>	<b>25,164,034</b>	<b>1,613,464</b>

As consideration for the Senior Loan debt amendment (note 7), the Company issued 4,161,333 warrants to its Senior Lender. The warrants convert into an equal number of shares with an exercise price of \$0.06 per common share for a period of five years from the date of the debenture.

The ITOCHU Debentures (note 8) are convertible into Units of the Company, at a price of \$0.15 per unit. Each Unit consists of one Common Share and one-half of one Warrant. Each whole Warrant shall enable the holder thereof to acquire an additional Common Share at a price of \$0.20 per share for a period of three years following the closing date of the issuance of the ITOCHU Debentures. In the event the ITOCHU Debentures are converted into Units, 16,666,666 common share purchase warrants which convert into an equal number of shares with an exercise price of \$0.20 per common share for a period of three years from the date of the ITOCHU Debenture will be issued. The Company measured the fair value of the ITOCHU Debenture conversion option at \$979,134, net of \$17,029 in transaction costs.

As consideration for the November 2020 private placement (note 10), the Company issued 750,000 warrants to its agents. The warrants convert into an equal number of shares with an exercise price of \$0.15 per common share for a period of two years from the date of the warrant.

As consideration for the November 2020 brokered LP unit issuance (note 12), the Company issued 574,942 warrants to its agents. The warrants convert into an equal number of shares with an exercise price of \$0.15 per common share for a period of two years from the date of the warrant.



# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

Outstanding and exercisable warrants at December 31, 2020 were as follows:

Range of exercise prices	Warrants	Weighted average exercise prices (\$)	Weighted average years to expiry
\$0.01 - \$0.20	23,925,939	0.17	2.03
\$0.21 - \$0.40	1,238,095	0.21	0.64
<b>Balance December 31, 2020</b>	<b>25,164,034</b>	<b>0.17</b>	<b>1.96</b>

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

Exercise price	Warrants	Weighted average exercise prices (\$)	Weighted average years to expiry
\$0.20	16,666,666	0.20	2.20

#### 14. Contributed surplus

The Company established the Stock Option Plan, which is accounted for in contributed surplus, whereby the Company may grant options to purchase common shares to directors, officers, employees, and consultants. The Stock Option Plan allows for a maximum term on any options of ten years. The Company, at the discretion of the board of directors, may issue up to a maximum of 22,861,000 options. The shareholders approved the Stock Option Plan on October 8, 2020. The minimum price at which the options may be granted is the closing price of the common shares on the TSX-V on the date immediately prior to the date of issue.

	Number of options to employees	Weighted average price to employees	Number of options to non-employees	Weighted average price to non-employees
Balance October 1, 2019	6,537,052	0.27	2,265,264	0.27
Granted	2,305,000	0.15	500,000	0.09
Forfeited	(385,000)	(0.21)	(50,000)	(0.30)
Balance September 30, 2020	8,457,052	0.24	2,715,264	0.24
Granted	-	-	4,500,000	0.24
Exercised	(175,000)	(0.12)	-	-
Forfeited	(205,000)	(0.19)	-	-
<b>Balance December 31, 2020</b>	<b>8,077,052</b>	<b>0.24</b>	<b>7,215,264</b>	<b>0.24</b>

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

The following summarizes information about stock options outstanding as at December 31, 2020:

	Outstanding options			Exercisable options	
	Options	Weighted average price (\$)	Weighted average years to expiry	Options	Weighted average price (\$)
\$0.01 - \$0.30	11,735,000	0.20	5.05	7,801,673	0.21
\$0.31 - \$0.40	3,522,316	0.36	3.21	3,522,316	0.36
\$0.41 - \$0.50	35,000	0.44	3.29	35,000	0.44
<b>Balance December 31, 2020</b>	<b>15,292,316</b>	<b>0.24</b>	<b>4.62</b>	<b>11,358,989</b>	<b>0.25</b>

The total share-based compensation calculated for the three -months ended December 31, 2020, was \$432,051 (December 31, 2019 – \$37,916).

In December 2020, the Company entered into an agreement with a capital markets advisory firm under which the firm will provide services over a term of up to 24 months for compensation consisting of incentive stock options to acquire up to an aggregate of 8,000,000 common shares. The incentive stock options are issuable as follows:

- 4,500,000 incentive stock options at a strike price of \$0.24 per share, with an expiry of December 4, 2023 upon execution of the agreement (issued in December 2020).
- 1,500,000 incentive stock options at a market-based strike price to be determined if, as and when 3,012 unsecured convertible debentures issued for \$3,012,000 in 2019 convert into commons shares. Should these options be issued, they will have a 36-month term.
- 1,000,000 incentive stock options at a market-based strike price on the 12-month anniversary date of the advisory firm agreement in December 2021. Should these options be issued, they will have a 36-month term.
- 1,000,000 incentive stock options at a market-based strike price on the 18-month anniversary date of the advisory firm agreement in June 2022. Should these options be issued, they will have a 36-month term.

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

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

	December 31 2020	September 30 2020
Risk free interest rate	0.30%	0.27% – 0.36%
Expected volatility <sup>(1)</sup>	104%	107% – 114%
Dividend yield	-	-
Expected life (years)	3	3 – 10
Weighted average fair value	0.06	0.12

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

### 15. Financial instruments fair value

The carrying value and fair value of financial instruments at December 31, 2020, is disclosed below by financial instrument category:

	Carrying value	Fair value
Accounts receivable	786,852	786,852
Accounts payable and accrued liabilities	4,149,073	4,149,073
Derivative liability	1,140,221	1,140,221

The Company categorizes its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The Company valued cash using Level 1 input, the other liabilities, debentures, preferred shares, lease liability and long-term loan were measured at fair value on initial recognition using Level 2 inputs (notes 6-9) and the derivative liability was measured at fair value using level 2 inputs (notes 6).

- 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.

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

### 16. Related party transactions

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

Salaries and benefits	Three months ended	
	December 31, 2020	December 31, 2019
General and administrative	117,807	113,690
Selling and marketing	71,654	70,043
Product research and development	16,596	16,269
	<b>206,057</b>	200,002

Included in accounts payable and accrued liabilities is \$861,013 (September 30, 2020 - \$777,194) due to directors and key management personnel.

Share based expenses to officers and a director was \$24,714 for the three-months ended December 31, 2020 (December 31, 2019 - \$19,310).

In June and August 2019, key management personnel and the significant shareholder of the Company purchased 1,321 Convertible Debenture Units at \$1,000 a Unit (note 8).

### 17. Financing costs

	Three months ended	
	December 31, 2020	December 31, 2019
Accretion of debentures	397,845	186,262
Accretion of other liabilities	63,411	23,922
Accretion of long-term debt	60,540	44,775
Accretion of bridge loan	-	18,197
Accretion of preferred shares	187,500	169,764
Change in fair value on derivative liability	(11,779)	31,268
Accretion on lease liability	14,130	12,163
	<b>711,647</b>	486,351

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

### 18. Supplemental information

The changes in non-cash working capital for the three-months ended December 31, 2020 and 2019 is as follows:

	Three months ended	
	December 31, 2020	December 31, 2019
Operating activities		
Decrease (increase) in assets		
Accounts receivable and advances	(203,385)	261,464
Inventory	74,794	1,183,295
Prepaid expenses and deposits	(1,319)	116,464
	(129,910)	1,561,223
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	(64,180)	104,006
Deferred revenue	(500,756)	734,558
	(694,846)	2,399,787

### 19. Segmented information

#### *Major customers*

The Company had one customer where sales were greater than 10% of total sales in the three-month period ended December 31, 2020 (December 31, 2019 – two). The customers had attributed sales of approximately \$2,053,154 for the three-month period ended December 31, 2020 (December 31, 2019 - \$2,191,125), respectively.

#### *Revenue composition*

The Company generated \$2,323,787 of revenue (December 31, 2019 - \$2,384,799) from energy storage system sales with a cost of \$2,133,850 (December 31, 2019 - \$2,350,404) for the three-month period ended December 31, 2020, respectively. The Company generated \$nil of revenue (December 31, 2019 - \$250,362) from engineering services with a cost of \$nil (December 31, 2019 - \$54,668) for the three-month period ended December 31, 2020, respectively.

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

### *Geographic Sales Revenue*

	Three months ended	
	December 31, 2020	December 31, 2019
Australia	36,428	52,715
Asia	11,862	250,362
Canada	-	-
Europe	-	293,435
United States	2,275,497	2,038,649
	<b>2,323,787</b>	<b>2,635,161</b>

### 20. Legal disputes

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

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

### 21. Subsequent events

#### *Stock options*

In January 2021, the Company granted incentive stock options to acquire 1,500,000 common shares at a strike price of \$0.35 per share, with an expiry of January 15, 2024.

Subsequent to December 31, 2020 and up to the date of these condensed interim consolidated financial statements, 1,450,000 common shares were issued in relation to option exercises.

#### *Warrants*

Subsequent to December 31, 2020 and up to the date of these condensed interim consolidated financial statements, 6,231,996 common shares were issued in relation to warrant exercises. Included in these warrant exercises were the 4,61,333 warrants granted to the Company's Senior Lender in consideration for the Senior Loan debt amendment (note 6).

#### *Convertible debt conversions*

On February 19, 2021, the Company announced it would be exercising its rights under the applicable agreements to force the conversion of certain convertible debentures (Note 7) as the volume weighted average trading price of the Company's common shares exceeded \$0.30 for a period of 20 consecutive trading days. As a result of this forced conversion, the Company will issue approximately 12,953,339 common shares in exchange for convertible debentures with a face value of \$1.943 million. Any accrued

# Eguana Technologies Inc.

## Notes to the condensed interim consolidated financial statements

December 31, 2020

Stated in Canadian dollars

Unaudited

interest (less any required deductions or withholdings) will be paid by the Company in cash or through the issuance of Common Shares to the applicable holders of the Debentures on March 22, 2021.

Subsequent to December 31, 2020 and up to the date of these condensed interim consolidated financial statements, a total of 13,060,004 common shares were also issued in relation to a number of voluntary convertible debenture (Note 7) conversions. The Company also settled outstanding interest due in connection with these convertible debentures in the amount of \$57,613 by issuing a total of 115,218 common shares in the capital of the Company at a deemed price of \$0.50 per share. 16,767 were issued to related parties consisting of directors and executives of the Company.

### *Conversion of LP Units*

On February 19, 2021, the Company announces that it has exercised its previously announced right to acquire all 1,150 limited partnership units (note 12) in EGTLP issued on November 2, 2020 in exchange for 7,665,900 common shares in the capital of Eguana (the "LP Common Shares"). The LP Common Shares issued in exchange for the Units are subject to resale restrictions which expire on March 3, 2021.

### *Private Placement*

On February 25, 2021, the Company announced the closing of a private placement of Special Warrants ("Special Warrants") for gross proceeds of \$20 million and issuance of 50 million Special Warrants at a price of \$0.40 per Special Warrant. Each Special Warrant is exercisable into one common share without payment of any additional consideration upon certain conditions being met. The Company will use its commercially reasonable efforts to qualify the distribution of the Common Shares issuable upon exercise of the Special Warrants by way of a short form prospectus within 90 days following the closing of the Offering (the "Qualifying Condition"). The securities issued in connection with the Offering will be subject to a 4-month hold period from the date of the closing of the Offering, unless the Qualifying Prospectus is filed and receipted within that time. If the Qualifying Condition is not met, each Special Warrant will be exercisable (for no additional consideration and with no further action on the part of the holder thereof) for 1.1 Common Shares.

As consideration for its services in connection with the Offering, the Company paid the Agents a cash commission equal to \$1,400,000 and issued a total of 3,500,000 non-transferable compensation special warrants of the Company.