KONTROL TECHNOLOGIES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

UNAUDITED
(Prepared in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed interim consolidated financial statements for Kontrol Technologies Corp. (the "Company") have been prepared by management. Pursuant to subsection 4.3(3)(a) of National Instrument 51-102 Continuous Disclosure Requirements, the Company advises that the accompanying condensed interim consolidated financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditor. The Company's auditor has not performed a review of the accompanying condensed interim consolidated 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.

KONTROL TECHNOLOGIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
(in Canadian dollars)

	Notes	**September 30 2023**	**December 31 2022**
Assets			
Cash		**$2,657,653**	$1,980,728
Accounts receivable	3	**4,130,566**	4,207,581
Unbilled revenue		**377,865**	388,349
Finished inventory		**794,842**	674,176
Prepaid expenses and deposits		**193,139**	169,922
Current assets		**8,154,065**	7,420,756
Property and equipment	4	**597,018**	897,398
Right-of-use assets	5	**688,003**	1,171,198
Goodwill	6	**5,849,690**	5,849,689
Intangible assets	6	**7,351,996**	8,076,889
Non-current assets		**14,486,707**	15,995,174
Total assets		**$22,640,772**	$23,415,930
Liabilities			
Revolver	7	**1,739,588**	3,381,342
Accounts payable and accrued liabilities		**1,864,864**	23,602,471
Deferred revenue		**855,472**	779,977
Holdback and advances	8	**582,500**	1,582,500
Current portion of vendor take back	8	**84,763**	468,148
Current portion of convertible debentures	10	**23,062**	23,793
Current portion of term loans	9	**9,484,260**	11,950,691
Current portion of lease liabilities	5	**236,299**	515,431
Current liabilities		**14,870,808**	42,304,353
Vendor take back	8	**3,219,627**	3,099,068
Convertible debentures	10	-	21,975
Term loans	9	**15,013**	101,397
Lease liabilities	5	**489,631**	692,323
Deferred income taxes		**1,067,872**	1,067,872
Non-current liabilities		**4,792,143**	4,982,635
Total liabilities		**19,662,951**	47,286,988
Equity			
Common shares	11	**28,038,138**	25,287,349
Contributed surplus		**1,279,552**	1,177,411
Reserves	13	**3,984,648**	2,069,835
Deficit		**(30,324,517)**	(52,405,653)
Total equity (deficiency)		**2,977,821**	(23,871,058)
Total liabilities and equity		**$22,640,772**	$23,415,930

Contingent liabilities (Note 16)

KONTROL TECHNOLOGIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in Canadian dollars)

		Three months ended		Nine months ended	
		September 30	September 30	September 30	September 30
	Notes	**2023**	2022	**2023**	2022
Revenue		**$4,543,367**	$3,440,745	**$13,682,711**	$10,671,251
Cost of sales		**1,393,576**	1,517,176	**4,992,806**	4,800,044
Gross profit		**3,149,791**	1,923,569	**8,689,905**	5,871,207
Advertising and promotion		**9,530**	37,935	**55,702**	75,741
Business fees and licenses		**74,106**	137,856	**317,537**	426,925
Consulting		**64,563**	66,342	**194,710**	275,476
Employee salaries and benefits		**1,427,685**	982,232	**4,553,751**	3,809,997
Insurance		**43,577**	39,740	**118,465**	129,879
Maintenance and repairs		**28,326**	38,795	**113,291**	176,248
Office and general		**19,040**	35,073	**62,048**	88,237
Other income		**(316,226)**	(1,339,317)	**(526,571)**	(1,439,561)
Professional fees		**270,470**	35,081	**438,130**	325,060
Rent and utilities		**68,324**	78,669	**209,911**	213,589
Supplies		**24,556**	35,895	**87,033**	90,871
Telecommunication		**27,582**	26,459	**80,813**	79,921
Travel		**51,611**	45,734	**143,929**	94,163
Amortization - intangibles	6	**246,294**	320,478	**735,928**	937,103
Depreciation - property & equip. and right-of-use	4 & 5	**115,092**	123,044	**344,967**	350,538
Share-based compensation		**13,292**	262,318	**247,005**	387,189
		2,167,822	926,334	**7,176,649**	6,021,376
Income (loss) before undernoted		**981,969**	997,235	**1,513,256**	(150,169)
Amortization - financing fees		**-**	125,480	**-**	328,004
Finance expense		**316,411**	265,255	**1,218,755**	773,901
		316,411	390,735	**1,218,755**	1,101,905
Net income (loss) from continuing operations		**665,558**	606,500	**294,501**	(1,252,074)
Net (loss) from discontinued operations	15	**-**	(5,773,735)	**(104,798)**	(1,183,324)
Gain on disposal of discontinued operations	15	**-**	-	**21,891,433**	-
Net income (loss) and comprehensive income (loss) for the period		**$665,558**	$(5,167,235)	**$22,081,136**	$(2,435,398)
Earnings per common share - Continuing Operations					
Basic and Diluted		**$0.01**	$0.01	**$0.01**	$(0.03)
Earnings per common share - Discontinued Operations					
Basic		**-**	$(0.12)	**$0.40**	$(0.02)
Diluted		**-**	$(0.12)	**$0.32**	$(0.02)
Weighted average number of common shares outstanding					
Basic		**57,510,072**	48,748,335	**54,847,356**	48,388,639
Diluted		**70,823,274**	54,983,420	**67,912,030**	48,388,639

KONTROL TECHNOLOGIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(In Canadian dollars)

	Number of Shares	Common Shares	Contributed Surplus	Reserves	Deficit	Total Equity
As at December 31, 2021	47,883,117	$ 24,306,961	$ 947,832	$ 2,141,611	$ (7,868,694)	$ 19,527,710
Shares to debenture holders	2,000	-	-	-	-	-
Share-based compensation	138,558	175,021				175,021
Stock options grant (Note 12)	-	-	212,168	-	-	212,168
Stock options exercise (Note 12)	172,000	252,438	(88,103)	-	-	164,335
Convertible debentures conversion (Note 10)	425,000	197,620	-	(4,342)	-	193,278
Warrants exercise (Note 13)	122,452	142,375	-	(67,434)	-	74,941
Repurchase of common shares	(5,000)	(10,000)	-	-	-	(10,000)
Share issuance costs	-	(209,332)	-	-	-	(209,332)
Base shelf prospectus issuance	130,000	180,006	-	-	-	180,006
Net loss	-	-	-	-	(2,435,398)	(2,435,398)
As at September 30, 2022	48,868,127	$ 25,035,089	$ 1,071,897	$ 2,069,835	$ (10,304,092)	$ 17,872,729

	Number of Shares	Common Shares	Contributed Surplus	Reserves	Deficit	Total Equity
As at December 31, 2022	49,342,685	$ 25,287,349	$ 1,177,411	$ 2,069,835	$ (52,405,653)	$ (23,871,058)
Shares for debt (Note 11)	119,047	77,381	-	-	-	77,381
Share-based compensation	350,000	143,500	-	-	-	143,500
Stock options grant (Note 12)	-	-	103,505	-	-	103,505
Stock options exercise (Note 12)	2,500	1,364	(1,364)	-	-	-
Private placement (Note 11)	7,695,840	2,865,170	-	2,137,126	-	5,002,296
Share issuance costs (Note 11)	-	(336,626)	-	(222,313)	-	(558,939)
Net income	-	-	-	-	22,081,136	22,081,136
As at September 30, 2023	**57,510,072**	**$ 28,038,138**	**$ 1,279,552**	**$ 3,984,648**	**$ (30,324,517)**	**$ 2,977,821**

KONTROL TECHNOLOGIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in Canadian dollars)

	Nine months ended September 30 2023	Nine months ended September 30 2022
Operating activities		
Net income (loss) from continuing operations	**$294,501**	$(1,252,074)
Non-cash items		
Amortization and depreciation	**1,080,895**	1,615,644
Share-based compensation	**247,005**	387,189
Finance expense	**1,218,755**	773,901
Earn-out	**-**	(1,229,293)
Non-cash working capital items		
Accounts receivable	**77,015**	448,134
Unbilled revenue	**10,484**	159,772
Finished inventory	**(120,666)**	(146,491)
Prepaid expenses and deposits	**(35,778)**	7,906
Accounts payable and accrued liabilities	**(661,830)**	(5,646,043)
Income tax payable	**-**	(63,490)
Deferred revenue	**75,495**	413,997
Cash flows from (used in) operating activities	**2,185,876**	(4,530,848)
Investing activities		
Additions to property, equipment and product development	**(132,307)**	(127,814)
Cash flows used in investing activities	**(132,307)**	(127,814)
Financing activities		
Payment of revolver	**(1,531,773)**	-
(Payment) Proceeds of term loan, net of fees	**(2,457,492)**	5,363,096
Payment of lease principal	**(265,032)**	(267,383)
Proceeds from options exercise	**-**	164,335
Proceeds from warrants exercise	**-**	74,941
Payment of VTB	**(351,887)**	(100,000)
Payment of convertible debenture	**(22,706)**	-
Proceeds from base shelf prospectus issuance	**-**	180,006
Repurchase of common shares	**-**	(10,000)
Proceeds from common shares private placement	**5,002,296**	-
Payment of share issue costs	**(558,939)**	(209,332)
Payment of interest	**(1,086,313)**	(419,570)
Cash flows (used in) from financing activities	**(1,271,846)**	4,776,093
Increase in cash from continuing operations	**781,723**	117,431
(Decrease) Increase in cash from discontinued operations	**(104,798)**	293,675
Cash at beginning of period	**1,980,728**	3,262,880
Cash at end of period	**$2,657,653**	$3,673,986

Additional information		
Income tax paid	**$0**	$285,085

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

1. NATURE OF OPERATIONS

Kontrol Technologies Corp. ("Kontrol" or the "Company") was incorporated under the laws of the Province of British Columbia and authorized continuance of the Company from the Business Corporations Act (British Columbia) to the Business Corporations Act (Ontario) ("OBCA"), and amendment of the Company's current articles of incorporation and bylaws to conform to the OBCA. The Company's common shares are listed in the NEO Exchange (NEO:KNR). The Company is a provider of energy efficiency solutions to commercial energy consumers. Through a disciplined mergers and acquisition strategy, combined with a growing technology platform, Kontrol's market-based energy solutions are designed to reduce its customers overall cost of energy while providing a corresponding reduction in Green House Gas (GHG) emissions. Management of the Company considers there to be one operating segment being the provision of energy compliance and consulting services. All of the Company's operations are in Canada. The address of the Company's head office is 11 Cidermill Ave, Unit 211, Concord, ON, L4K 4B6.

2. BASIS OF PREPARATION

Statement of Compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2022. The accounting policies and methods of computation followed in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of the most recent annual audited consolidated financial statements.

The condensed interim consolidated financial statements are presented in Canadian dollars which is the currency of the primary economic environment in which the Company operates. The condensed interim consolidated financial statements have been prepared on a historical cost basis, except where financial instruments have been designated as fair value through profit and loss.

Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern, and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business, and at amounts different from those in these consolidated financial statements. Such adjustments could be material.

As a result of non-compliance in fiscal year 2022 with financial covenants in respect to its credit facilities (see Note 9), the Company has in accordance with IFRS, classified the non-current portion of term loans, as at September 30, 2023 in the amount of $8,873,750 (December 31, 2022 - $11,325,750) as a current liability. On August 10, 2023, the Company entered into a renewed Forbearance Agreement ("FBA") with its secured lender for a six-month term up to January 31, 2024. Under the FBA the Company is required to remain current on principal and interest obligations and is subject to a minimum EBITDA and cash thresholds.

During the first quarter of the 2023 fiscal year, the Company's former wholly owned subsidiary, Global HVAC & Automation Inc. ("Global"), made an assignment pursuant to the Bankruptcy and Insolvency Act and a trustee in bankruptcy was appointed. As a result of the voluntary bankruptcy, the Company is deemed to have lost control of Global, and as such, has deconsolidated the subsidiary effective February 14, 2023. As a result of the deconsolidation, the Company has removed all assets and liabilities from the statements of financial position in the first quarter of the 2023 fiscal year.

As a result of these events and specifically the classification of the term loans as current liabilities, as at September 30, 2023, the Company's current liabilities exceed its current assets by $6.7 million (December 31, 2022 - $34.9 million). These matters indicate the existence of a material uncertainty that may cast significant doubt about the Company's future operations and the ability of the Company to meet its obligations as they come due.

During the nine months ended September 30, 2023, management successfully raised $5 million (before fees) of equity as the Company continues to make efforts to increase its capital base allowing the Company to expand its business operations and thereby increase its available cash and operating results. Management has enjoyed the ongoing support of its Financiers and expects to access the capital markets, as in the past, to continue to fund its rapid growth, and meet its business plan through to sustained profitability. However, it is not possible to predict with certainty whether additional financing is required, and if required, whether successful. As a result, a material uncertainty over the Company's ability to operate as a going concern exists.

Basis of Presentation

The consolidated financial statements are presented in Canadian dollars which is the currency of the primary economic environment in which the Company operates in.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Details of the Company's subsidiaries are as follows:

On June 30, 2016 the Company acquired 100% of Kontrol Technologies Inc., a company incorporated in Ontario. This entity and its parent company's activities are designed for commercial building applications and include deep energy retrofits, distributed power generation, conservation solutions, and energy audits.

On February 10, 2017 the Company acquired 100% of ORTECH Consulting Inc. ("ORTECH"), a company incorporated in Ontario. ORTECH is an engineering consulting firm specializing in Green House Gas reporting, air quality testing, emission testing and renewable energy/power consulting.

On August 4, 2017 the Company acquired 100% of Efficiency Engineering Inc. ("EE Inc."), a company incorporated in Ontario. EE Inc. provides engineering services to industrial, municipal and commercial building owners across Canada.

On April 30, 2018, the Company acquired assets from MCW Dimax Ltd. The purchased assets are used to manage HVAC systems in real time through ongoing monitoring and analysis. The acquisition of MCW Dimax Ltd was determined to be an acquisition of a business under IFRS 3 Business combinations.

On September 20, 2018, the Company acquired 100% of CEM Specialties Inc. ("CEMSI"), a company incorporated in Ontario. CEMSI provides the Canadian and US market with value added solutions for continuous emissions and process monitoring applications.

On August 1, 2020, the Company acquired 100% of New Found Air HVAC Services Inc. ("NFA"), a company incorporated in Ontario. NFA provides building energy services that ensures the effective operation and service of essential heating, cooling, ventilation, and utility systems.

On July 30, 2021, Kontrol Technologies Corp. completed the acquisition of Global HVAC & Automation Inc.

("Global"). Global provides integrated installations of complex heating, cooling, ventilation, plumbing and building automation systems to its customers. On February 14, 2023 Global made an assignment pursuant to the Bankruptcy and Insolvency Act and a trustee in bankruptcy was appointed.

All of the Company's subsidiaries have the same year end as the Company and share similar business products and services, customers, and markets in which they operate.

Basis of Consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Company and its subsidiaries after intercompany balances and transactions have been eliminated. Subsidiaries are consolidated from the date that control is obtained and deconsolidated on the date control ceases. The acquisition method is used to account for the acquisition of a subsidiary from an unrelated party at the date that control is obtained, with the difference between the consideration transferred and the fair value of the subsidiary's net identifiable assets acquired recorded as goodwill. Business acquisition related costs are recognized in profit and loss as incurred.

Discontinued Operations

On February 14, 2023, the Company's former wholly owned subsidiary, Global HVAC & Automation Inc. ("Global"), made an assignment pursuant to the Bankruptcy and Insolvency Act. The results have been presented separately from continuing operations as discontinued operations in the condensed interim consolidated statements of income and comprehensive. All related information in the notes have been presented based on these reclassifications. See Note 15 for further information.

Significant accounting judgments and estimates

The preparation of these condensed interim consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the condensed interim consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes differ from these estimates under different assumptions and conditions.

3. ACCOUNTS RECEIVABLE

All amounts included in accounts receivable are collectible within a short-term period with the exception of long-term accounts receivable. Accounts receivable net carrying value reasonably approximates the fair value of the receivables.

In the first quarter of 2023, the Company ceased operations of Global. The Company has reduced the gross amount of accounts receivables and unbilled revenues by $28,784,413, with a corresponding decrease to the provision for expected loss of the same amount. As the carrying amount of the receivable balance was $nil as of December 31, 2022, no additional provision for bad debt relating to Global was recorded during the period ended September 30, 2023.

4. PROPERTY AND EQUIPMENT

Cost	Office Equipment	Lab & Other Equipment	Computer Equipment	Vehicles	Computer Software	Leasehold Improvements	Total
Balance at January 1, 2023	548,868	1,764,477	1,020,877	857,735	318,122	508,246	5,018,324
Additions	890	48,664	12,270	90,241	3,879	-	155,943
Disposals	-	-	-	(38,046)	-	-	(38,046)
Discontinued operations	(70,631)	(397,167)	-	(416,925)	-	(332,844)	(1,217,568)
Balance at September 30, 2023	479,126	1,415,974	1,033,147	493,004	322,001	175,402	3,918,653
Accumulated depreciation							
Balance at January 1, 2023	514,773	1,245,165	918,170	641,827	310,059	490,931	4,120,925
Disposals	-	-	-	(32,329)	-	-	(32,329)
Depreciation	4,974	35,568	24,298	26,489	2,535	2,597	96,461
Discontinued operations	(70,020)	(117,965)	-	(342,592)	-	(332,844)	(863,422)
Balance at September 30, 2023	449,726	1,162,767	942,468	293,395	312,595	160,684	3,321,635
Carrying value							
At September 30, 2023	$29,400	$253,206	$90,679	$199,609	$9,406	$14,718	$597,018
At December 31, 2022	$34,095	$519,312	$102,707	$215,907	$8,063	$17,315	$897,398

In the first quarter of 2023, the Company ceased operations of Global. As a result, the Company has removed property and equipment of Global.

Cost	Office Equipment	Lab & Other Equipment	Computer Equipment	Vehicles	Computer Software	Leasehold Improvements	Total
Balance at January 1, 2022	547,167	1,389,769	1,004,464	923,679	316,158	508,246	4,689,483
Additions	1,700	374,707	16,413	20,247	1,964	-	415,032
Disposals	-	-	-	(86,192)	-	-	(86,192)
Balance at December 31, 2022	548,867	1,764,476	1,020,877	857,735	318,122	508,246	5,018,323
Accumulated depreciation							
Balance at January 1, 2022	506,404	1,203,610	875,755	653,270	298,133	486,175	4,023,348
Disposals	-	-	-	(64,721)	-	-	(64,721)
Depreciation	8,369	41,555	42,415	53,279	11,926	4,756	162,299
Balance at December 31, 2022	514,773	1,245,165	918,170	641,827	310,059	490,931	4,120,925
Carrying value							
At December 31, 2022	$34,095	$519,312	$102,707	$215,907	$8,063	$17,315	$897,398
At December 31, 2021	$40,763	$186,159	$128,709	$270,409	$18,025	$22,071	$666,136

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

Cost	**Property**	**Vehicles**	**Equipment**	**Total**
Balance at January 1, 2023	1,821,834	302,170	37,617	2,161,621
Additions/Acquistions	93,322	48,479	-	141,801
Disposals	(215,621)	(13,721)	-	(229,342)
Discontinued operations	(339,877)	-	-	(339,877)
	1,359,658	336,928	37,617	1,734,204
Accumulated depreciation				
Balance at January 1, 2023	892,532	79,083	18,808	990,423
Disposals	(31,445)	(3,430)	-	(34,875)
Depreciation	203,135	48,052	9,404	260,591
Discontinued operations	(169,938)	-	-	(169,938)
Balance at Septmber 30, 2023	894,284	123,704	28,213	1,046,201
Carrying value				
At September 30, 2023	$465,374	$213,224	$9,404	$688,003
At December 31, 2022	$929,302	$223,087	$18,808	$1,171,198

Lease Liabilities	
Opening balance at January 1, 2023	1,207,754
Additions/Acquisitions	141,801
Disposals	(175,060)
Principal repayment	(265,032)
Discontinued operations	(183,534)
Closing balance at September 30, 2023	$725,930
Current	$236,299
Long-term	$489,631

Lease payments for the period ended September 30, 2023	
Principal payments	265,032
Interest expense	50,219
Lease payments	$315,251

Contractual lease payments by fiscal year	
2023	$387,805
2024	$242,765
2025	$184,484
2026	$158,538
2027	$158,007

In the first quarter of 2023, the Company ceased operations of Global. As a result, the Company has removed the right-of-use assets and lease liabilities of Global.

Right-of-Use Assets

Cost	**Property**	**Vehicles**	**Equipment**	**Total**
Balance at January 1, 2022	1,473,338	163,013	37,617	1,673,967
Additions/Acquistions	606,019	173,402	-	779,421
Disposals	(257,523)	(34,244)	-	(291,767)
Balance at December 31, 2022	1,821,834	302,170	37,617	2,161,621
Accumulated depreciation				
Balance at January 1, 2022	734,255	56,056	6,269	796,581
Disposals	(243,746)	(12,245)	-	(255,991)
Depreciation	402,023	35,271	12,539	449,833
Balance at December 31, 2022	892,532	79,083	18,808	990,423
Carrying value				
At December 31, 2022	$929,302	$223,087	$18,808	$1,171,198
At December 31, 2021	$739,082	$106,957	$31,347	$877,387

Lease Liabilities	
Opening balance at January 1, 2022	929,003
Additions/Acquisitions	779,421
Disposals	(29,301)
Principal repayment	(471,369)
Closing balance at December 31, 2022	$1,207,754
Current	$515,431
Long-term	$692,323

Lease payments for the period ended December 31, 2022	
Principal payments	471,369
Interest expense	60,992
Lease payments	$532,361

Contractual lease payments by fiscal year	
2023	$558,040
2024	$354,013
2025	$181,953
2026	$152,343
2027	$116,097

6. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Product	Brand	Customer	Intellectual	Patents	Total
Cost		Development	Names	Relationships	Property		Intangible Assets
Balance at January 1, 2023	5,849,689	2,679,136	645,400	6,597,766	1,421,138	195,056	11,538,496
Additions	-	11,034	-	-	-	-	11,034
Disposals	-	-	-	-	-	-	-
Balance at Sept 30, 2023	5,849,689	2,690,170	645,400	6,597,766	1,421,138	195,056	11,549,530
Accumulated amortization							
Balance at January 1, 2023	-	488,797	266,820	2,064,550	473,927	167,516	3,461,609
Disposals	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Amortization	-	297,080	44,345	320,818	71,057	2,629	735,928
Balance at Sept 30, 2023	-	785,876	311,165	2,385,368	544,984	170,145	4,197,537
Carrying value							
At Sept 30, 2023	$5,849,689	$1,904,294	$334,235	$4,212,399	$876,154	$24,912	$7,351,995
At December 31, 2022	$5,849,689	$2,190,339	$378,580	$4,533,216	$947,211	$27,541	$8,076,889

As at December 31, 2022 the Company had determined that a full impairment of the Goodwill and Customer Relationships relating to the Global CGU was required. There were no additional impairments recorded as at September 30, 2023.

	Goodwill	Product	Brand	Customer	Intellectual	Patents	Total
Cost		Development	Names	Relationships	Property		Intangible Assets
Balance at January 1, 2022	8,158,397	2,537,722	645,400	10,230,766	1,421,138	195,056	15,030,082
Additions	-	141,414	-	-	-	-	141,414
Disposals	-	-	-	-	-	-	-
Balance at Dec 31, 2022	8,158,397	2,679,136	645,400	10,230,766	1,421,138	195,056	15,171,496
Accumulated amortization and Impairment losses							
Balance at January 1, 2022	-	96,200	207,693	1,784,608	379,184	164,010	2,631,695
Disposals	-	-	-	-	-	-	-
Impairment losses	2,308,708	-	-	3,204,105	-	-	3,204,105
Amortization	-	392,597	59,127	708,837	94,743	3,506	1,258,809
Balance at Dec 31, 2022	2,308,708	488,797	266,820	5,697,550	473,927	167,516	7,094,609
Carrying value							
At December 31, 2022	$5,849,689	$2,190,339	$378,580	$4,533,216	$947,211	$27,541	$8,076,889
At December 31, 2021	$8,158,397	$2,441,522	$437,707	$8,446,158	$1,041,954	$31,046	$12,398,387

7. REVOLVER

	September 30, 2023	December 31, 2022
Revolver	$1,739,588	$3,381,342

The capacity of the revolving credit facility is subject to borrowing base requirements. On August 10, 2023, the Company entered into a renewed Forbearance Agreement ("FBA") with its secured lender for a six-month term up to January 31, 2024. Under the FBA the Company is required to remain current on principal and interest obligations and is subject to a minimum EBITDA and cash thresholds. The Company was in compliance as at September 30, 2023. Interest is payable on a monthly basis at Bank Prime rate plus 1.25% plus a margin (between

1.25% and 2.0% based on the Company's ratio of senior funded debt to EBITDA) with repayments and reborrow advances on a revolving basis. The facility is secured by a general security agreement and Company guarantees.

8. HOLDBACK, ADVANCES & VENDOR TAKE BACK

	September 30, 2023	December 31, 2022
Holdback payable relating to CEMSI acquisition	582,500	582,500
Advances	1,000,000	1,000,000
Discontinued operations	(1,000,000)	-
	$582,500	$1,582,500

Holdback payable are to secure any indemnifications of Vendors in connection with acquisitions. The holdback relating to the CEMSI acquisition was due December 20, 2019, however, the amount has not been repaid as at September 30, 2023. Advances to Vendors of Global and are unsecured, and non-interest bearing and balance was removed as Global ceased operations in the first quarter of 2023.

VENDOR TAKE BACK ("VTB")

	September 30, 2023	December 31, 2022
VTB relating to NFA acquisition	84,763	468,148
VTB relating to Global acquisition	3,219,627	3,099,068
	$3,304,390	$3,567,216

The NFA VTB shall mature on December 1, 2023 and shall accrue interest at 3.50% compounded annually. This indebtedness is in the form of a promissory note with subordinated security. The vendor take back is measured at fair value by taking a probability-weighted average of possible outcomes, as estimated by management, and discounting the payment to a present value. Principal repayment of $351,887 and shares for debt valued at fair value were made in connection with the NFA VTB during the nine months ended September 30, 2023. Principal repayment of $250,000 was made in connection with the NFA VTB during the year ended December 31, 2022.

The Global VTB shall mature on the third anniversary of the closing date and shall accrue interest at 3.0% compounded annually. The fair value determined by taking face value amount of $3.5 million and discounting over 3-year term at market rate. A Vendor earn-out equal to 45% of adjusted 3 years cumulative earnings after-tax in excess of $4.5 million was adjusted to zero in the fiscal year 2022, based on management's fair value calculation.

9. TERM LOANS

	September 30, 2023	December 31, 2022
(i) Vehicle term loans, opening balance	128,338	152,870
Payments	(7,492)	(24,532)
Discontinued operations	(95,323)	-
Closing balance	25,523	128,338
(ii) Term facility, opening balance	11,923,750	12,000,000
Payments	(2,450,000)	(76,250)

Closing balance	9,473,750	11,923,750
Total term loans	9,499,273	12,052,088
Less: Current portion	(9,484,260)	(11,950,691)
	$15,013	$101,397

(i) A vehicle fixed rate loan was entered into during the first quarter of 2021. Interest is payable at fixed rate of 5.89%. The term of the loan is 60 months and comprised of equal instalments of blended principal and interest. Maturity date is January 1, 2026. The loan secured by the vehicle.

A vehicle fixed rate loan was entered in April 2021. Interest is payable at fixed rate of 2.70%. The term of the loan is 84 months and comprised of equal instalments of blended principal and interest. Maturity date is March 7, 2028. The loans are secured by the vehicle. In the first quarter of 2023, the Company ceased operations of Global. As a result, the Company has removed the vehicle term loan of Global.

(ii) On August 10, 2023, the Company entered into a renewed Forbearance Agreement ("FBA") with its secured lender for a six-month term up to January 31, 2024. Under the FBA the Company is required to remain current on principal and interest obligations and is subject to a minimum EBITDA and cash thresholds. Interest is payable on a monthly basis at Bank Prime rate plus 1.25% plus a margin (margin is between 1.25% and 2.0% based on the Company's ratio of senior funded debt to EBITDA). Principal repayments equal to 1.25% of the drawn amount, payable in quarterly installments. The facility is secured by a general security agreement and Company guarantees. The FBA replaces a three-year maturing term facility was entered into during the third quarter of 2022. Due to non-compliance in fiscal year 2022 of financial covenants in connection with the 2022 term facility and revolver, the Company's term loans have been classified as a current liability at September 30, 2023 and December 31, 2022.

10. CONVERTIBLE DEBENTURES

	September 30, 2023	December 31, 2022
Opening balance	45,768	489,907
Interest accreted during the period	2,294	33,269
Value of debt converted to equity	-	(477,408)
Payment at maturity	(25,000)	
	23,062	45,768
Less: Current portion	(23,062)	(23,793)
	$-	$21,975

2024 offering

	September 30, 2023	December 31, 2022
Opening balance	21,975	35,011
Interest accreted during the period	1,087	1,378
Value of debt converted to equity	-	(14,414)
	$23,062	$21,975

During the third quarter of 2019, the Company completed a private placement offering unsecured Convertible Debentures of the Company, at a price of $1,000 per $1,000 principal amount Convertible Debenture. The Convertible Debentures are convertible into common shares of the Company at a conversion price of $0.80 per share. Gross proceeds of $1,114,000 and $175,000 were received in 2019 and 2020 respectively. Conversions to common shares totaled $20,000 in the fiscal year 2022.

The Convertible Debentures bear interest at a rate of 8.0% per annum from and including their date of issue until the earlier of their date of conversion and the maturity date, payable semi-annually in arrears in cash on December 31 and June 30 of each year.

The Convertible Debentures may be converted in full or in part, at the holders' option into Common Shares, at any time prior to the maturity date. Holders converting their Convertible Debentures will receive a cash payment equal to accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion.

At any time after the date that is eighteen months following the Closing Date, the Company may force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not less than 30 days' notice if the volume weighted average trading price of the Common Shares for any 20 consecutive trading day period is greater than $1.25.

Any Convertible Debentures that have not been converted will mature on August 31, 2024.

The Company paid a cash commission to finders and brokers equal to 7.0% of the gross proceeds from the sale of the Convertible Debentures attributable to such finders or brokers. In addition, the Company agreed to grant to finders and brokers common share purchase warrants equal to the quotient obtained by dividing 6.0% of the gross proceeds attributable to such finders or brokers by $0.80. Each Compensation Warrant is exercisable to purchase one Common Share of the Company at a price of $0.80 for a period of 24 months from the Closing Date.

The Convertible Debentures are unsecured obligations of the Company and shall rank pari passu in right of payment of principal and interest with all other Convertible Debentures issued under the private placement and all previously existing and future unsecured indebtedness of the Company.

The liability portion of the Convertible Debentures was assigned a value based on the present value of the contractually determined stream of future cash flows discounted at 12%. The rate is estimated to be equivalent market interest rate that would apply to a similar liability which does not contain an equity conversion option. The difference between the principal amount of the Convertible Debentures and the discounted cash flows represents the fair value of the conversion feature and was recognized in Equity. The transaction costs directly attributable to the offering were allocated to the liability and equity portions of the Convertible Debentures.

Accretion of the liability portion and interest payable on the Convertible Debentures are included in finance expense in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

2023 offering

	September 30, 2023	December 31, 2022
Opening balance	23,793	454,896
Interest accreted during the period	1,207	31,891
Value of debt converted to equity	-	(462,994)
Payment at maturity	(25,000)	-
	$-	$23,793

During the year ended December 31, 2020, the Company received gross proceeds of $1,999,000 in connection with a private placement offering of convertible debenture units, each unit comprised of one $1,000 8% unsecured debenture of the Company, convertible into Common Shares at the conversion price; and 1,000 warrants, with each warrant exercisable at the holders' option to purchase one Common Share until June 30, 2023, at a price of $0.60 cents on or prior to June 30, 2022 and at a price of $0.70 cents after June 30, 2022 until or on June 30, 2023. Conversions to common shares totaled $500,000 for the fiscal year ended December 31, 2022. The 2023 offering matured on June 30, 2023 and payment of $25,000 was made during the second quarter of 2023.

The convertible debentures bear interest at a rate of 8.0% per annum from and including their date of issue until the earlier of their date of conversion and June 30, 2023, payable semi-annually in arrears in cash on December 31 and June 30 of each year.

The convertible debentures may be converted in full or in part, at the holders' option into Common Shares, at any time prior to the maturity date, at a conversion price of $0.50 on or prior to June 30, 2022 and at a price of $0.60 after June 30, 2022 until or on June 30, 2023. Holders converting their convertible debentures will receive a cash payment equal to accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion.

At any time after August 31, 2021, the Company may force the conversion of the principal amount of the then outstanding debentures at the then applicable conversion price on not less than 30 days' notice if the volume weighted average trading price of the Common Shares for any 20 consecutive trading day period is greater than $0.70.

At any time after August 31, 2021, the Company may accelerate the expiry date of the then outstanding Warrants on not less than 30 days' notice if the volume weighted average trading price of the Common Shares for any 20 consecutive trading day period is greater than $0.85.

Any Convertible Debentures that have not been converted will mature on June 30, 2023.

The Company paid cash commissions to finders and brokers equal to 7.0% of the gross proceeds from the sale of the Units attributable to such finders or brokers. In addition, the Company granted to finders and brokers common share purchase warrants equal to the quotient obtained by dividing 7.0% of the gross proceeds attributable to such finders or brokers by $0.60. Each Compensation Warrant is exercisable to purchase one Common Share of the Company at a price of $0.60 cents on or prior to June 30, 2022, and at a price of $0.70 cents after June 30, 2022 until or on June 30, 2023.

The Convertible Debentures are unsecured obligations of the Company and shall rank pari passu in right of payment of principal and interest with all other Convertible Debentures issued under the private placement and all previously existing and future unsecured indebtedness of the Company.

Deferred financing cost relate to transaction fees directly related to the issuance of the debentures, which are recorded as a reduction of the debt and will be amortized over the term of the financing.

11. COMMON STOCK

The Company is authorized to issue an unlimited number of common shares.

During the nine months ended September 30, 2023, 119,047 shares were issued in connection with partial VTB debt settlement (see Note 8).

During the nine months ended September 30, 2023, 350,000 shares were issued as stock-based compensation.

During the nine months ended September 30, 2023, the Company completed a private placement of Units. Each Unit consists of one common share in the capital of the Company or one common share equivalent and one common share purchase warrant. Common shares of 5,400,000 were issued at a price of $0.65 per share. Common share equivalents of 2,295,840 are pre-funded and require an additional $0.001 per common share equivalent to have it converted into a common share; these common share equivalents were then exercised and converted in the second quarter of 2023. Proceeds received in Q1 2023 from the private placement totalled $5 million. Proceeds from the common share equivalents converted in Q2 2023 were $2,296. Warrants of 7,695,840 were issued and exercisable immediately and entitles the holder thereof to purchase one common share at an exercise price of $0.81 for a period of five years from the date of issuance. There were $520,119 of share issuance costs recorded and allocated to common shares and reserves.

During the nine months ended September 30, 2023, 2,500 shares were issued in connection with stock options exercise.

During the year ended December 31, 2022, 2,000 shares were issued to Debenture Unit holders.

During the year ended December 31, 2022, 130,116 shares were issued as stock-based compensation.

During the year ended December 31, 2022, 172,000 shares were issued in connection with stock options exercise.

During the year ended December 31, 2022, 925,000 shares were issued in connection with convertible debentures conversion.

During the year ended December 31, 2022, 122,452 shares were issued in connection with warrants exercise.

During the year ended December 31, 2022, 22,000 shares were repurchased under the Company's normal course issuer bid.

During the year ended December 31, 2022, 130,000 shares were issued in connection with the at-the-market equity program. The distribution of common shares under the program was qualified by a prospectus supplement dated May 5, 2022 to the Company's short form base shelf prospectus dated April 22, 2022.

12. STOCK OPTIONS

The Company has established a stock option plan for directors, employees, and consultants. The aggregate number of common shares issuable pursuant to options granted under the plan is 10% of the Company's issued common shares. The board of directors has the exclusive power over the granting of options.

The following is a summary of the changes in the Company's stock option plan for the nine months ended September 30, 2023 and 2022:

Options Outstanding	September 30, 2023		September 30, 2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Opening	1,849,736	$1.21	1,973,236	$1.30
Granted	580,000	$0.65	293,500	$1.69
Exercised	(2,500)	$1.67	(172,000)	$0.96
Expired	(259,236)	$1.02	(20,000)	$0.80
Forfeited	(180,000)	$1.90	(280,000)	$2.50
Closing	1,988,000	$1.01	1,794,736	$1.21

The fair value of stock options is determined using the Black-Scholes Model. Volatility is calculated by using the historical volatility. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options. The following outlines the range of assumptions used for the options issued during the nine months ended September 30, 2023 and 2022:

Black-Scholes assumptions	September 30, 2023	September 30, 2022
Exercise price	$0.65	$1.67 - $1.96
Risk-free interest rate	3.0%	1.5%
Expected life	3 years	3 – 5 years
Expected volatility	70% - 100%	70%
Expected dividend yield	0%	0%
Weighted average grant date fair value per option	$0.15	$0.97

13. RESERVES

As at September 30, 2023, the outstanding warrants may be exercised for 10,829,006 common shares (December 31, 2022 – 3,753,745).

During the first quarter of 2023, the Company issued 7,695,840 warrants in connection with a private placement. Common share equivalents and warrants were recorded to reserves and totaled $2,991,576. During the second quarter of 2023, the outstanding common share equivalents were exercised and converted for 2,295,840 common shares. The reserve amount in connection with the common share equivalents was $854,451 and reallocated to common shares accordingly (see Note 11).

During the nine months ended September 30, 2023, the Company agreed to amend 1,211,500 warrants that were issued in June 2021. The exercise price was reduced from $1.75 to $0.81, and the expiry date was extended from June 1, 2024 to February 22, 2028. All the necessary approvals for the amendment were received.

During the nine months ended September 30, 2023, 654,059 warrants were expired.

During the year ended December 31, 2022, 122,452 warrants were exercised.

During the year ended December 31, 2022, 5,775 warrants were expired.

Warrants issued are recorded at their fair value which is determined using the Black-Scholes Model. Key inputs to the model include exercise price, grant-date fair value of the Company's shares, the risk-free rate of return and volatility. The inputs are adjusted on each issuance based on the prevailing rates and prices on the grant date.

14. RELATED PARTY TRANSACTIONS

Key Management Compensation

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors. The following is a summary of the related party transactions, including key management compensation for the nine months ended September 30, 2023 and 2022.

	September 30, 2023	September 30, 2022
Salaries, benefits and consulting	278,850	290,300
Share-based compensation	78,800	97,000
	$357,650	$387,300

15. DISCONTINUED OPERATIONS

On February 14, 2023 the Company's former wholly owned subsidiary, Global HVAC & Automation Inc. ("Global"), made an assignment pursuant to the Bankruptcy and Insolvency Act and a trustee in bankruptcy was appointed. As a result of the voluntary bankruptcy, the Company is deemed to have lost control of Global, and as such, has deconsolidated the subsidiary effective February 14, 2023.

Net (loss) from discontinued operations

	January 1, 2023 to February 14, 2023	July 1, 2022 to Sept 30, 2022	January 1, 2022 to Sept 30, 2022
Revenue	$-	$16,435,821	$64,963,910
Cost of sales	-	19,263,520	58,110,291
Gross profit	-	(2,827,699)	6,853,619
Business fees and licenses	15	4,698	13,672
Employee salaries and benefits	18,801	2,688,917	7,118,362
Insurance	-	-	103,235
Office and general	-	4,632	56,150
Professional fees	13,431	16,917	54,467
Rent and utilities	13,365	91,641	264,198
Supplies	9,270	48,252	188,355
Telecommunication	966	2,806	2,806
Travel	4,528	8,309	32,006
Depreciation	12,085	33,610	100,831
Finance expense	32,337	46,254	102,861
	104,798	2,946,036	8,036,943
Net (loss) from discontinued operations	$(104,798)	$(5,773,735)	$(1,183,324)

Gain on disposal of discontinued operations

Following the deconsolidation, the carrying amount of assets and liabilities of Global were removed from the Company's consolidated statements of financial position. The effect of the disposal was recorded in the first quarter of 2023 and is noted below.

Proceeds	$-
Net working capital deficiency	21,137,515
Property and equipment	(354,146)
Right-of-use	(169,938)
Advances	999,145
Vehicle loan	95,323
Lease liabilities	183,534
	21,891,433
Gain on disposal of discontinued operations	$21,891,433

Cash flows - discontinued operations

	January 1, 2023 to February 14, 2023	January 1, 2022 to Sept 30, 2022
Cash flows used in operating activities	$(104,798)	$(3,144,611)
Cash flows from investing activities	-	-
Cash flow from financing activities	-	3,438,286
Cash flows (used in) from discontinued operations	$(104,798)	$293,675

16. CONTINGENT LIABILITIES

The Company's former wholly owned subsidiary, Global HVAC & Automation Inc. ("Global"), was deconsolidated effective February 14, 2023 and treated as a discontinued operation.

Global is subject to several claims from suppliers and customers of which certain claims were filed in periods before Global began to experience financial challenges; Global has counterclaimed under the Construction Lien Act of Ontario. While other claims relate to the fiscal year 2022 where Global was not able to complete projects. These claims are being addressed by the receiver for the Global bankruptcy in this fiscal year 2023. An estimate of the potential claims against the Company is not reliably determinable, and as such no provision has been recorded.

During the first quarter of 2023, Kontrol was included as a defendant on a claim filed by a bonding insurance company which relates to Global and two of its former Directors as indemnitors of the insurance claim. Kontrol has not recorded any account provisions as an outcome is not determinable at this time.

17. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk.

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to the liquidity of its cash and accounts receivable. The Company limits exposure to credit risk by maintaining its cash with large Canadian financial institutions. To mitigate credit risk with respect to accounts receivable the Company subjects all major customer accounts to its credit evaluation process. The Company's maximum exposure to credit risk as at September 30, 2023 is the carrying value of cash held with financial institutions and accounts receivable.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements after taking into account cash flows from operations, the Company's holdings of cash, available credit facilities, and by initiating new debt or equity financings. The Company manages liquidity risk through the management of its capital structure. Due to non-compliance in the fiscal year 2022 of its financial covenants in the credit facilities which includes the revolver and term facility, the Company's term loans have been classified as a current liability. During the nine months ended September 30, 2023, the Company signed a forbearance agreement with the financial institution (see Note 9).

(c) Interest rate risk

As at September 30, 2023, the Company's revolver and term loans are subject to varying rates with the financial institution's prime rate and are subject to cash flow risks. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to mitigate this risk. Based on the outstanding credit facilities, a 1% increase in interest rates for the Company would decrease year to date 2023 net income before tax by approximately $99,500 (September 30, 2022 - $32,400).

(d) Fair Value

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities:
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2023 and December 31, 2022, the earn-out relating to the acquisition of Global was classified as level 3.

As at September 30, 2023 and December 31, 2022, the vendor take back relating to the acquisition of NFA was classified as level 3.

As at September 30, 2023 and December 31, 2022, both the carrying and fair value amounts of all the Company's financial instruments was approximately equivalent.

(e) Foreign currency risk

Foreign currency risk arises because of fluctuations in exchange rates. CEMSI conducts a portion of its business activities in U.S. dollars. Management of foreign exchange currency exposure is governed by the Company's foreign exchange policy. The objective of the policy is to minimize the earnings impact of foreign currency gains and losses associated with foreign exchange rate fluctuations.

The financial assets and liabilities that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and the U.S. dollar. This primarily includes cash, accounts receivable, and accounts payables and accrued liabilities which are denominated in foreign currencies.

18. MANAGEMENT OF CAPITAL RISK

The Company considers items included in shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustment to it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

To facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

To maximize the ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition selected with regard to the expected timing of expenditures from continuing operations. The Company's approach to managing capital remains unchanged from the year ended December 31, 2022.