KONTROL TECHNOLOGIES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 and 2023
(Prepared in Canadian dollars)

UNAUDITED

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)
AS AT

(in Canadian dollars)

	Notes	September 30 2024	December 31 2023
Assets			
Cash		**$1,378,595**	$3,247,795
Marketable securities		**10,229,612**	-
Accounts receivable	4	**2,941,983**	9,894,700
Inome tax receivable		**412,617**	276,117
Unbilled revenue		**101,734**	276,977
Finished inventory		**72,334**	495,624
Prepaid expenses and deposits		**160,132**	132,882
Current assets		**15,297,007**	14,324,095
Property and equipment	5	**117,941**	185,004
Right-of-use assets	6	**313,412**	594,342
Goodwill	7	**2,435,486**	3,435,739
Intangible assets	7	**2,572,140**	4,215,065
Non-current assets		**5,438,979**	8,430,150
Total assets		**$20,735,986**	$22,754,245
Liabilities			
Revolver	8	**-**	1,739,588
Accounts payable and accrued liabilities		**921,675**	2,539,059
Deferred revenue		**-**	808,136
Holdback and advances	9	**582,500**	582,500
Vendor take back	9	**3,500,000**	3,500,000
Current portion of term loans	10	**-**	9,323,750
Current portion of lease liabilities	6	**95,811**	187,979
Current liabilities		**5,099,986**	18,681,012
Lease liabilities	6	**240,813**	446,895
Deferred income taxes		**833,070**	833,070
Non-current liabilities		**1,073,883**	1,279,965
Total liabilities		**6,173,869**	19,960,977
Equity			
Common shares	11	**27,452,485**	27,782,485
Contributed surplus		**1,515,388**	1,340,009
Reserves	13	**4,290,173**	4,290,173
Accumulated other comprehensive loss		**(125,588)**	-
Deficit		**(18,570,341)**	(30,619,399)
Total equity		**14,562,117**	2,793,268
Total liabilities and equity		**$20,735,986**	$22,754,245

Contingent liabilities (Note 17)

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	**2024**	2023	**2024**	2023
Revenue		**$1,737,947**	$4,543,367	**$9,179,006**	$13,682,711
Cost of sales		**813,367**	1,393,576	**3,901,825**	4,992,806
Gross profit		**924,580**	3,149,791	**5,277,181**	8,689,905
Advertising and promotion		**3,000**	9,530	**41,713**	55,702
Bad debt		**1,043**	-	**19,574**	-
Business fees and licenses		**38,887**	74,106	**267,477**	317,537
Consulting		**608,575**	64,563	**1,848,865**	194,710
Employee salaries and benefits		**767,224**	1,427,685	**2,641,517**	4,553,751
Insurance		**26,368**	43,577	**103,211**	118,465
Maintenance and repairs		**30,948**	28,326	**57,982**	113,291
Office and general		**28,827**	19,040	**65,929**	62,048
Other income		**(25,010)**	(316,226)	**(225,226)**	(526,571)
Professional fees		**79,911**	270,470	**438,741**	438,130
Rent and utilities		**(11,069)**	68,324	**77,997**	209,911
Supplies		**598**	24,556	**7,508**	87,033
Telecommunication		**13,692**	27,582	**45,812**	80,813
Travel		**36,938**	51,611	**121,396**	143,929
Amortization - intangibles	7	**117,142**	246,294	**423,477**	735,928
Depreciation - property & equip. and right-of-use	5 & 6	**47,372**	115,092	**191,754**	344,967
Share-based compensation		**49,785**	13,292	**175,379**	247,005
		1,814,231	2,167,822	**6,303,106**	7,176,649
Income (loss) before undernoted		**(889,651)**	981,969	**(1,025,925)**	1,513,256
Finance (expense) income		**43,800**	(316,411)	**(206,829)**	(1,218,755)
Gain on sale of assets	15	**40,407**	-	**13,281,812**	-
Income (loss) from continuing operations		**(805,444)**	665,558	**12,049,058**	294,501
Gain from discontinued operations	16	**-**	-	**-**	21,786,635
Net income (loss) for the period		**(805,444)**	665,558	**12,049,058**	22,081,136
Other comprehensive loss					
Items that may be reclassified subsequently to income:					
Revaluation of marketable securities		**(125,588)**	-	**(125,588)**	-
Comprehensive income (loss) for the period		**$(931,032)**	$665,558	**$11,923,470**	$22,081,136
Earnings per common share - Continuing Operations					
Basic		**$(0.01)**	$0.01	**$0.21**	$0.01
Diluted		**$(0.01)**	$0.01	**$0.17**	$0.01
Earnings per common share - Discontinued Operations					
Basic		-	-	-	$0.40
Diluted		-	-	-	$0.32
Weighted average number of common shares outstanding					
Basic		**56,754,262**	57,510,072	**57,315,316**	54,847,356
Diluted		**56,754,262**	70,823,274	**71,485,968**	67,912,030

KONTROL TECHNOLOGIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine months ended September 30
(UNAUDITED)
(In Canadian dollars)

	Number of Shares	Common Shares	Contributed Surplus	Reserves	Accumulated other comprehensive loss	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**	**$0**	**$(30,324,517)**	**$2,977,821**

	Number of Shares	Common Shares	Contributed Surplus	Reserves	Accumulated other comprehensive loss	Deficit	Total Equity
As at December 31, 2023	57,737,669	$ 27,782,485	$ 1,340,009	$ 4,290,173	-	$ (30,619,399)	$ 2,793,268
Stock options grant (Note 12)	-	-	175,379	-	-	-	175,379
Repurchase of common shares (Note 11)	(1,256,500)	(330,000)	-	-	-	-	(330,000)
Revaluation of marketable securities	-	-	-	-	(125,588)	-	(125,588)
Net income	-	-	-	-	-	12,049,058	12,049,058
As at September 30, 2024	**56,481,169**	**$27,452,485**	**$1,515,388**	**$4,290,173**	**$(125,588)**	**$(18,570,341)**	**$14,562,117**

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

(in Canadian dollars)

	Nine months ended September 30 2024	Nine months ended September 30 2023
Operating activities		
Net income from continuing operations	**$12,049,058**	$294,501
Non-cash items		
Gain on sale of assets	**(13,281,812)**	-
Amortization and depreciation	**615,231**	1,080,895
Share-based compensation	**175,379**	247,005
Finance expense	**206,829**	1,218,755
Non-cash working capital items		
Accounts receivable	**2,067,028**	77,015
Income tax receivable	**(136,500)**	-
Unbilled revenue	**76,806**	10,484
Finished inventory	**(140,399)**	(120,666)
Prepaid expenses and deposits	**(78,795)**	(35,778)
Accounts payable and accrued liabilities	**(1,473,120)**	(661,830)
Deferred revenue	**(518,375)**	75,495
Cash flows (used in) from operating activities	**(438,670)**	2,185,876
Investing activities		
Additions to property and equipment	**(87,105)**	(132,307)
Cash from sale of assets	**20,859,247**	-
Purchase of marketable securities	**(10,320,200)**	-
Cash flows from (used in) investing activities	**10,451,942**	(132,307)
Financing activities		
Payment of revolver	**(1,739,588)**	(1,531,773)
Payment of term loan	**(9,323,750)**	(2,457,492)
Payment of lease principal	**(149,305)**	(265,032)
Payment of vendor take back	**-**	(351,887)
Payment of convertible debenture	**-**	(22,706)
Repurchase of common shares	**(330,000)**	-
Proceeds from common shares private placement	**-**	5,002,296
Payment of share issue costs	**-**	(558,939)
Payment of interest	**(339,829)**	(1,086,313)
Cash flows used in financing activities	**(11,882,472)**	(1,271,846)
Increase in cash from continuing operations	**(1,869,200)**	781,723
Decrease in cash from discontinued operations	**-**	(104,798)
Cash at beginning of period	**3,247,795**	1,980,728
Cash at end of period	**$1,378,595**	$2,657,653

Additional information		
Income tax paid	**$0**	$0

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 Cboe 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, 2023. 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.

Basis of Presentation

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

These condensed interim 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. Kontrol Energy Group Inc. and ORTECH Consulting Inc. were amalgamated on December 27, 2023. The amalgamated name is Kontrol Energy Group Inc. On December 29, 2023 the ORTECH Consulting Inc. business was sold through an asset sale.

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. Kontrol Technologies Corp. and CEMSI were amalgamated on June 21, 2024. The amalgamated name is Kontrol Technologies Corp. On June 24, 2024 the CEMSI business was sold through an asset sale.

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. This entity has been renamed to Kontrol Buildings Inc.

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.

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 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 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. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets at amortized cost	Sept 30, 2024	Dec 31, 2023
Cash	1,378,595	3,247,795
Accounts receivable	2,941,983	9,894,700
Financial assets at fair value through other comprehensive income		
Marketable securities	10,229,612	-
Financial liabilities at amortized cost		
Revolver	-	1,739,588
Accounts payable and accrued liabilities	921,675	2,539,059
Holdback and advances	582,500	582,500
Vendor take back	3,500,000	3,500,000
Term loans	-	9,323,750

During the period ended September 30, 2024, the Company invested in marketable securities, including fixed income securities and mutual funds. These securities may be held to collect principal and interest or for cash flows realized through sale and are therefore measured at fair value through other comprehensive income (FVOCI). In September 2024, the Company recorded a loss on the revaluation of these marketable securities of $125,588.

4. ACCOUNTS RECEIVABLE

Accounts receivable net carrying value reasonably approximates the fair value of the receivables.

	September 30, 2024	December 31, 2023
Net trade accounts receivable	1,737,830	3,804,858
Receivable from sale of assets	-	5,789,842
Holdback	1,204,153	300,000
Total accounts receivable	$2,941,983	$9,894,700

5. PROPERTY AND EQUIPMENT

Cost	Office Equipment	Lab & Other Equipment	Computer Equipment	Vehicles	Computer Software	Leasehold Improvements	Total
Balance at January 1, 2024	254,015	220,601	569,518	232,304	226,458	65,215	1,568,111
Additions	-	6,296	2,083	73,470	-	-	81,849
Disposals	(133,864)	(146,965)	(295,169)	(128,632)	(184,586)	(65,215)	(954,431)
Balance at September 30, 2024	120,151	79,932	276,432	177,142	41,872	-	695,529
Accumulated depreciation							
Balance at January 1, 2024	230,757	194,631	508,069	159,918	224,518	65,215	1,383,108
Disposals	(124,735)	(123,993)	(280,268)	(64,427)	(183,616)	(65,215)	(842,254)
Depreciation	3,051	4,574	13,608	14,531	970	-	36,734
Balance at September 30, 2024	109,073	75,212	241,409	110,022	41,872	-	577,588
Carrying value							
Balance at September 30, 2024	$11,078	$4,720	$35,023	$67,120	$0	$0	$117,941

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	5,018,325
Additions	10,137	51,223	18,184	116,499	5,467	-	201,510
Disposals	(234,358)	(1,201,654)	(482,353)	(308,472)	(97,131)	(110,187)	(2,434,155)
Discontinued operations	(70,631)	(397,167)	-	(416,925)	-	(332,844)	(1,217,567)
Balance at December 31, 2023	254,016	216,879	556,708	248,837	226,458	65,215	1,568,113
Accumulated depreciation							
Balance at January 1, 2023	514,773	1,245,165	918,170	641,827	310,059	490,931	4,120,925
Disposals	(221,570)	(981,439)	(445,709)	(173,855)	(90,939)	(96,335)	(2,009,847)
Depreciation	7,574	48,871	35,608	34,538	5,398	3,463	135,452
Discontinued operations	(70,020)	(117,965)	-	(342,592)	-	(332,844)	(863,421)
Balance at December 31, 2023	230,757	194,632	508,069	159,918	224,518	65,215	1,383,109
Carrying value							
At December 31, 2023	$23,259	$22,247	$48,639	$88,919	$1,940	-	$185,004

In the second quarter of 2024, CEMSI business was sold, and the property and equipment were recorded in disposals.
In the first quarter of 2023, the Company ceased operations of Global and the disposition of property and equipment were recorded in discontinued operations. In the fourth quarter of 2023, ORTECH business was sold, and the property and equipment were recorded in disposals.

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets Cost	Property	Vehicles	Total
Balance at January 1, 2024	739,264	267,752	1,007,016
Additions/Acquistions	-	156,248	156,248
Disposals	(390,398) -	32,106	(422,504)
Balance at September 30, 2024	348,866	391,894	740,760
Accumulated depreciation			
Balance at January 1, 2024	328,813	83,861	412,674
Disposals	(114,126)	(26,220)	(140,346)
Depreciation	92,745	62,275	155,020
Balance at September 30, 2024	307,432	119,916	427,348
Carrying value			
At September 30, 2024	$41,434	$271,978	$313,412

Lease Liabilities	
Opening balance at January 1, 2024	634,874
Additions/Acquisitions	156,248
Disposals	(305,193)
Principal repayment	(149,305)
Closing balance at September 30, 2024	$336,624
Current	$95,811
Long-term	$240,813

Lease payments for the period ended September 30, 2024	
Principal payments	149,305
Interest expense	37,597
Lease payments	$186,902

Contractual lease payments by fiscal year	
2025	$124,495
2026	$85,440
2027	$106,958
2028	$35,701
2029	$4,143

Cost	**Property**	**Vehicles**	**Equipment**	**Total**
Balance at January 1, 2023	1,821,834	302,170	37,617	2,161,621
Additions/Acquistions	93,323	48,479	-	141,802
Disposals	(836,015)	(82,897)	(37,617)	(956,529)
Discontinued operations	(339,877)	-	-	(339,877)
Balance at December 31, 2023	739,265	267,752	-	1,007,017
Accumulated depreciation				
Balance at January 1, 2023	892,532	79,083	18,808	990,423
Disposals	(651,839)	(58,163)	(31,347)	(741,349)
Depreciation	258,059	62,941	12,539	333,539
Discontinued operations	(169,938)	-	-	(169,938)
Balance at December 31, 2023	328,814	83,861	-	412,675
Carrying value				
At December 31, 2023	$410,451	$183,891	-	$594,342

Lease Liabilities	
Opening balance at January 1, 2023	1,207,754
Additions/Acquisitions	141,801
Disposals	(193,875)
Principal repayment	(337,272)
Discontinued operations	(183,534)
Closing balance at December 31, 2023	$634,874
Current	$187,979
Long-term	$446,895

Lease payments for the year ended December 31, 2023	
Principal payments	337,272
Interest expense	63,536
Lease payments	$400,808

Contractual lease payments by fiscal year	
2024	$230,764
2025	$184,484
2026	$158,538
2027	$158,007

In the second quarter of 2024, CEMSI business was sold, and the right-of-use assets were recorded in disposals.
In the first quarter of 2023, the Company ceased operations of Global and the disposition of right-of-use assets were recorded in discontinued operations. In the fourth quarter of 2023, ORTECH business was sold, and the right-of-use assets were recorded in disposals.

7. GOODWILL AND INTANGIBLE ASSETS

Cost	Goodwill	Product Development	Brand Names	Customer Relationships	Intellectual Property	Patents	Total Intangible Assets
Balance at January 1, 2024	3,435,739	2,690,170	472,400	4,637,766	1,427,260	195,056	9,422,652
Additions	-	-	-	-	-	-	-
Disposals	(1,000,253)	-	(227,000)	(1,821,000)	-	-	(2,048,000)
Balance at September 30, 2024	2,435,486	2,690,170	245,400	2,816,766	1,427,260	195,056	7,374,652
Accumulated amortization							
Balance at January 1, 2024	-	1,969,514	209,171	1,945,662	912,217	171,021	5,207,585
Disposals	-	-	(130,850)	(697,700)	-	-	(828,550)
Impairment	-	-	-	-	-	-	-
Amortization	-	196,542	25,695	159,554	39,057	2,629	423,477
Balance at September 30, 2024	-	2,166,056	104,016	1,407,516	951,274	173,650	4,802,512
Carrying value							
At September 30, 2024	$2,435,486	$524,114	$141,384	$1,409,250	$475,986	$21,406	$2,572,140

Cost	Goodwill	Product Development	Brand Names	Customer Relationships	Intellectual Property	Patents	Total Intangible Assets
Balance at January 1, 2023	5,849,689	2,679,136	645,400	6,597,766	1,421,141	195,056	11,538,499
Additions	-	11,034	-	-	6,119	-	17,153
Disposals	(2,413,950)	-	(173,000)	(1,960,000)	-	-	(2,133,000)
Balance at Dec 31, 2023	3,435,739	2,690,170	472,400	4,637,766	1,427,260	195,056	9,422,652
Accumulated amortization							
Balance at January 1, 2023	-	488,797	266,820	2,064,550	473,927	167,516	3,461,610
Disposals	-	-	(116,775)	(882,333)	-	-	(999,108)
Impairment	-	1,118,124	-	346,660	354,214	-	1,818,998
Amortization	-	362,594	59,127	416,785	84,076	3,506	926,088
Balance at Dec 31, 2023	-	1,969,515	209,172	1,945,662	912,217	171,022	5,207,588
Carrying value							
At December 31, 2023	$3,435,739	$720,655	$263,228	$2,692,105	$515,043	$24,034	$4,215,065

In the second quarter of 2024, CEMSI business was sold, and the Goodwill, Customer Relationships, and Brand Names were recorded in disposals. As at December 31, 2023 the Company had determined that a full impairment of certain Product Development, Goodwill and Customer Relationships included in the Kontrol Energy Group CGU was required, due to a strategic decision to discontinue one of the Company's service lines. The Company will continue to provide energy management services through a rebranding under Kontrol Buildings Inc. (formerly NFA) in delivering a unified HVAC and real-time energy monitoring platform. In the fourth quarter of 2023, ORTECH business was sold, and the Goodwill, Customer Relationships, and Brand Names were recorded in disposals.

8. REVOLVER

	September 30, 2024	December 31, 2023
Revolver	$-	$1,739,588

The revolver was paid off and closed in the second quarter of 2024. Before it's closure, the capacity of the revolving credit facility was subject to borrowing base requirements. Interest was payable on a monthly basis at Bank Prime rate 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. General security agreement and Company guarantees have remained in place for any future borrowing request.

9. HOLDBACK

	September 30, 2024	December 31, 2023
Holdback payable relating to CEMSI acquisition	582,500	582,500

Holdback payable is 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, 2024.

VENDOR TAKE BACK ("VTB")

	September 30, 2024	December 31, 2023
VTB relating to Global acquisition	3,500,000	3,500,000

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. The Global VTB is classified as current based on the contractual terms of the purchase agreement. However, the Company is pursuing legal action against the vendor, as the full amount is under legal dispute.

10. TERM LOANS

	September 30, 2024	December 31, 2023
Opening balance	9,323,750	11,923,750
Payments	(9,323,750)	(2,600,000)
Closing balance	-	9,323,750
Less: Current portion	-	(9,323,750)
	$-	$-

The term loan was paid off and closed in the second quarter of 2024. Interest was payable on a monthly basis at Bank Prime rate plus a margin (between 1.25% and 2.0% based on the Company's ratio of senior funded debt to EBITDA). Financial covenants previously in place were removed in the second quarter of 2024 when the term loan was paid off. General security agreement and Company guarantees have remained in place for any future borrowing request.

11. COMMON STOCK

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

During the nine months ended September 30, 2024, 1,256,500 shares were repurchased under the Company's normal course issuer bid.

During the year ended December 31, 2023, 119,047 shares were issued in connection with partial VTB debt settlement.

During the year ended December 31, 2023, 577,597 shares were issued as stock-based compensation.

During the year ended December 31, 2023, the Company completed a private placement of Units. Each Unit consists of one common share in the capital of the Company, 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 year ended December 31, 2023, 2,500 shares were issued in connection with stock options exercise.

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, 2024 and 2023:

Options Outstanding	September 30, 2024		September 30, 2023	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Opening	3,197,500	$0.61	1,849,736	$1.21
Granted	900,000	$0.30	580,000	$0.65
Exercised	-	-	(2,500)	$1.67
Expired	(50,000)	$0.80	(259,236)	$1.02
Forfeited	(1,330,000)	$0.59	(180,000)	$1.90
Closing	2,717,500	$0.51	1,988,000	$1.01

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, 2024 and 2023:

Black-Scholes assumptions	September 30, 2024	September 30, 2023
Exercise price	$0.30	$0.65
Risk-free interest rate	3.0%	3.0%
Expected life	4 years	3 years
Expected volatility	100%	70% - 100%
Expected dividend yield	0%	0%
Weighted average grant date fair value per option	$0.19	$0.15

13. RESERVES

As at September 30, 2024, the outstanding warrants may be exercised for a quantity of 10,829,006 common shares (December 31, 2023 – 10,829,006).

During the year ended December 31, 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 year ended December 31, 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.

During the year ended December 31, 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 year ended December 31, 2023, 654,059 warrants expired.

Warrants issued are recorded at their fair value on the grant date 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, 2024 and 2023.

	September 30, 2024	September 30, 2023
Salaries, benefits and consulting	1,776,340	278,850
Share-based compensation	121,881	78,800
	$1,898,221	$357,650

15. GAIN ON SALE OF ASSETS

In the second quarter of 2024, the operational assets and liabilities of the CEMSI business were disposed of and a gain on sale recorded in the amount of $13,377,659.

Proceeds (including holdback receivable)	**16,069,405**
Carrying value of assets and liabilities	
Prepaids	51,545
Work-in-progress	98,437
Inventory	563,690
Property and equipment	112,176
Right-of-use	276,272
Intangibles	1,219,450
Goodwill	1,000,253
Accruals	(46,265)
Deferred revenue	(289,761)
Lease liabilities	(294,051)
Net assets sold	**2,691,746**
Gain on sale of assets	**13,377,659**
Other gain (loss)	**(95,847)**
	$13,281,812

16. 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.

	January 1, 2023 to February 14, 2023
Revenue	$-
Cost of sales	-
Gross profit	-
Bad debt	-
Business fees and licenses	15
Employee salaries and benefits	18,801
Insurance	-
Office and general	-
Professional fees	13,431
Provision for loss on contract	-
Rent and utilities	13,365
Supplies	9,270
Telecommunication	966
Travel	4,528
Depreciation	12,085
Finance expense	32,337
Income tax	-
	104,798
Loss from discontinued operations	$(104,798)

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
Cash flows used in operating activities	$(104,798)
Cash flows used in investing activities	-
Cash flow from financing activities	-
Cash flows used in discontinued operations	$(104,798)

17. 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. 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. An estimate of the potential claims against the Company is not reliably determinable, and as such no provision has been recorded.

In 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. An estimate of the potential claims against the Company is not reliably determinable, and as such no provision has been recorded.

18. 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, 2024 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.

(c) Interest rate risk

As at September 30, 2024, 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 2024 net income before tax by approximately $41,500 (September 30, 2023 - $99,500).

(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, 2024 and December 31, 2023, 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.

19. 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, 2023.