KONTROL ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019
(UNAUDITED)
(Prepared in Canadian dollars)

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

	Notes	September 30 2019	December 31 2018
Assets			
Cash		**$1,069,520**	$1,022,061
Accounts receivable	5	**3,058,128**	4,259,464
Unbilled revenue		**331,641**	164,818
Finished inventory		**190,177**	194,021
Prepaid expenses		**131,203**	108,516
Current assets		**4,780,669**	5,748,880
Property and equipment	6	**539,368**	551,621
Right-of-use assets	7	**1,400,069**	-
Goodwill	8	**4,642,566**	4,642,566
Intangible assets	8	**7,073,680**	6,453,074
Long-term investment	9	**1**	1
Non-current assets		**13,655,684**	11,647,262
Total assets		**$18,436,353**	$17,396,142
Liabilities			
Operating line	10	**$392,663**	$701,824
Accounts payable and accrued liabilities		**2,599,931**	2,982,526
Deferred revenue		**167,723**	128,889
Due to shareholder	11	**39,500**	45,000
Holdbacks and vendor take back	12	**982,500**	1,635,000
Current portion of debentures	13	**1,584,000**	5,245,000
Current portion of term loan	14	**172,813**	165,739
Debt financing	15	**1,838,776**	1,767,720
Current portion of lease liabilities	7	**362,250**	-
Current liabilities		**8,140,156**	12,671,698
Debentures	13	**4,917,396**	398,165
Convertible debentures	16	**899,391**	-
Term loan	14	**48,917**	176,814
Lease liabilities	7	**1,084,595**	-
Deferred income taxes		**1,270,849**	1,270,849
Non-current liabilities		**8,221,148**	1,845,828
Total liabilities		**16,361,304**	14,517,526
Equity			
Common stock	17	**7,203,023**	6,465,051
Equity portion of convertible debentures	16	**138,941**	-
Contributed surplus		**791,373**	503,200
Warrant reserve		**210,000**	210,000
Deficit		**(6,268,288)**	(4,299,635)
Total equity		**2,075,049**	2,878,616
Total liabilities and equity		**$18,436,353**	$17,396,142

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

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

		Three months ended		Nine months ended	
		September 30	September 30	September 30	September 30
	Notes	2019	2018	2019	2018
Revenues		**$3,266,270**	$2,408,303	**$10,856,816**	$6,632,091
Cost of sales		**1,557,022**	795,501	**5,391,808**	2,172,376
Gross profit		**1,709,248**	1,612,802	**5,465,008**	4,459,715
Advertising and promotion		**31,998**	18,142	**132,324**	232,831
Business fees and licenses		**74,903**	80,337	**218,067**	168,088
Consulting		**133,733**	139,018	**448,052**	364,136
Employee salaries and benefits		**1,114,167**	1,049,759	**3,315,324**	3,118,745
Insurance		**40,827**	34,355	**86,951**	60,534
Maintenance and repairs		**27,863**	21,948	**89,239**	99,118
Office and general		**20,814**	26,819	**66,282**	59,379
Professional fees		**30,421**	118,254	**180,320**	269,555
Rent and utilities		**18,724**	133,693	**63,865**	388,188
Supplies		**20,990**	25,011	**66,996**	63,630
Telecommunication		**19,491**	20,676	**61,105**	53,090
Travel		**36,161**	9,337	**107,597**	42,928
Amortization - intangibles	8	**143,938**	98,400	**431,814**	275,200
Depreciation - property & equip. and right-of-use	6 & 7	**144,352**	23,853	**457,896**	73,745
Share based compensation		**72,686**	19,464	**462,576**	208,809
		1,931,068	1,819,066	**6,188,408**	5,477,976
Net loss from operations		**(221,820)**	(206,264)	**(723,400)**	(1,018,261)
Amortization - financing fees		**197,897**	102,236	**465,976**	379,821
Finance expense		**272,458**	135,242	**779,277**	376,590
		470,355	237,478	**1,245,253**	756,411
Net loss and comprehensive loss for the period		**$(692,175)**	$(443,742)	**$(1,968,653)**	$(1,774,672)
Basic and diluted loss per share		**$(0.02)**	$(0.02)	**$(0.07)**	$(0.07)
Basic and diluted weighted average number of common shares outstanding		**29,189,421**	26,871,297	**29,043,017**	26,351,835

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

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

	Number of Shares	Common Shares	Equity portion Convertible Debentures	Obligation to Issue Shares	Contributed Surplus	Warrant Reserve	Deficit	Total Equity
As at December 31, 2017	24,996,084	$ 4,462,970	-	$ 120,000	$ 257,000	-	$ (2,073,468)	$ 2,766,502
Shares to debenture holders (Note 13)	401,892	335,633	-	-	-	-	-	335,633
Exercise of warrants	1,240,457	990,008	-	-	-	-	-	990,008
Stock options grant (Note 18)	-	-	-	-	208,809	-	-	208,809
Stock options exercise	115,000	90,750	-	-	(16,000)	-	-	74,750
Share issuance costs	-	(24,353)	-	-	-	-	-	(24,353)
Repurchase of common shares	(77,000)	(57,144)	-	-	-	-	-	(57,144)
Obligation to issue - prior acquisition	605,000	120,000	-	(120,000)	-	-	-	-
Net loss for the period	-	-		-	-	-	(1,774,672)	(1,774,672)
As at September 30, 2018	27,281,433	$ 5,917,864	$ -	$ -	$ 449,809	$ -	$ (3,848,140)	$ 2,519,533

	Number of Shares	Common Shares	Equity portion Convertible Debentures	Obligation to Issue Shares	Contributed Surplus	Warrant Reserve	Deficit	Total Equity
As at December 31, 2018	28,089,570	$ 6,465,051	-	-	$ 503,200	210,000	$ (4,299,635)	$ 2,878,616
Shares to debenture holders (Note 13)	222,581	163,864	-	-	-	-	-	163,864
Shares to acquire Dimax Controls assets	600,000	420,000	-	-	-	-	-	420,000
Stock options grant (Note 18)	-	-	-	-	288,173	-	-	288,173
Share based compensation	290,672	174,403	-	-	-	-	-	174,403
Repurchase of common shares	(30,500)	(20,295)	-	-	-	-	-	(20,295)
Convertible debentures issue	-	-	138,941	-	-	-	-	138,941
Net loss for the period	-	-	-	-	-	-	(1,968,653)	(1,968,653)
As at September 30, 2019	**29,172,323**	**$ 7,203,023**	**$ 138,941**	**$ -**	**$ 791,373**	**$ 210,000**	**$ (6,268,288)**	**$ 2,075,049**

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

KONTROL ENERGY CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)
(in Canadian dollars)

	Nine months ended September 30 2019	Nine months ended September 30 2018
Operating activities		
Net loss	**$(1,968,653)**	$(1,774,672)
Non-cash items		
Amortization and depreciation	**1,355,686**	728,766
Share based compensation	**462,576**	208,809
Non-cash working capital items		
Accounts receivable	**1,201,336**	(645,634)
Unbilled revenue	**(166,823)**	(3,252)
Finished inventory	**3,844**	-
Prepaid expenses	**(22,687)**	33,210
Accounts payable and accrued liabilities	**(682,595)**	173,270
Deferred revenue	**38,834**	(144,935)
Cash flows from (used) operating activities	**221,518**	(1,424,438)
Investing activities		
Additions to property and equipment	**(43,156)**	(65,074)
Additions to product development	**(282,420)**	(189,003)
Cash paid in respect of asset purchase	**(100,000)**	(3,015,000)
Cash acquired from acquisitions	-	449,330
Cash flows used in investing activities	**(425,576)**	(2,819,747)
Financing activities		
(Payment) Proceeds of operating line	**(309,161)**	152,180
Payment of promissory note	**-**	(157,650)
Payment of holdbacks and vendor take back	**(652,500)**	-
Payment of loan from shareholder	-	(70,000)
Payment of due to shareholder	**(5,500)**	(65,000)
Payment of term loan	**(120,823)**	(117,256)
Proceeds from debenture, net	**637,987**	1,308,376
(Payment) Proceeds of debt financing, net	**(23,312)**	1,866,606
Payment of lease principal *(Lease interest payment of $104,372 incl. in operating activities)*	**(305,711)**	-
Proceeds from convertible debentures, net	**899,391**	-
Proceeds from equity portion of convertible debentures, net	**138,941**	-
Proceeds from stock option exercise	-	74,750
Proceeds from exercise of warrants	-	990,008
Proceeds from share issuance, net	**12,500**	200,000
Payment of share issue costs	-	(24,353)
Repurchase of common shares	**(20,295)**	(57,144)
Cash flows from from financing activities	**251,517**	4,100,517
Net increase (decrease) in cash	**47,459**	(143,668)
Cash at beginning of period	**1,022,061**	675,594
Cash at end of period	**$1,069,520**	$531,926

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

1. NATURE OF OPERATIONS

Kontrol Energy Corp. ("Kontrol" or the "Company") is incorporated under the laws of the Province of British Columbia and its common shares are listed in the Canadian Securities Exchange ("CSE"). 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 180 Jardin Drive, Unit 9, Vaughan, ON, L4K 1X8.

2. BASIS OF PRESENTATION

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, 2018. 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 in.

The condensed interim consolidated financial statements have been prepared on a historical cost basis.

Basis of Presentation

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.

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.

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.

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. Acquisition related costs are recognized in profit and loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

Application of new and revised International Financial Reporting Standards

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is required for reporting periods beginning on or after January 1, 2018. This new standard supersedes existing standards and interpretations, including IAS 18, Revenue IAS 11, Construction Contracts, and several revenue-related Interpretations. The Company has applied the standard retrospectively to prior periods, subject to permitted and elected practical expedients.

This standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The application of IFRS 15 has not had a significant impact on the financial position and financial performance of the Company considering there was no change in the manner in which revenue was recognized under the new standard for revenue streams which existed prior to January 1, 2018.

IFRS 9 Financial Instruments ("IFRS 9"):

IFRS 9 is required for reporting periods beginning on or after January 1, 2018, with retrospective application. The Company applied IFRS 9 on January 1, 2018, and in accordance with the transition requirements, comparative periods have not been restated. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of financial instruments as at January 1, 2018.

IFRS 9 replaces the classification and measurement models in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). This classification is based on the business model in which a financial asset is managed, as well as its contractual cash flow characteristics, and eliminates the IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

The Company has assessed the classification and measurement of our financial instruments under IFRS 9, with reference to the former classification under IAS 39, as follows:

Financial Assets	**IFRS 9**	**IAS 39**
Cash and cash equivalents	FVTPL	FVTPL
Long-term investments	FVTPL	FVTPL
Accounts receivable	Amortized cost	Loans and receivables
Financial Liabilities		
Operating line	Amortized cost	Other financial liabilities
Accounts payable and accrued liabilities	Amortized cost	Other financial liabilities
Promissory note payable	Amortized cost	Other financial liabilities
Due to shareholder	Amortized cost	Other financial liabilities
Loan from shareholder	Amortized cost	Other financial liabilities
Holdbacks and vendor take back	Amortized cost	Other financial liabilities
Term loan	Amortized cost	Other financial liabilities
Debentures	Amortized cost	Other financial liabilities

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables and has adjusted for credit losses under IFRS 9.

In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 results in earlier recognition of credit losses for accounts receivable.

Upon adoption of IFRS 9, the Company did not recognize any adjustment to its consolidated statement of financial position as of January 1, 2018.

IFRS 16, Leases ("IFRS 16"):

IFRS 16 *Leases* replaces IAS 17, Leases. The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a "right-of-use asset" with exception for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within the operating and financing activities for the interest and principal portions, respectively.

IFRS 16 has been applied by the Company using the cumulative catch-up approach for annual periods beginning on January 1, 2019. Under this approach, the Company will not restate its comparative figures and will recognize a right-of-use asset equal to the present value of the future lease payments.

On transition to IFRS 16, the Company has elected to apply the practical expedient to only transition contracts which were previously identified as leases. The Company has also elected to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company accounts for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

On initial application, the Company elected to record right-of-use assets of $2,011,667 and lease liabilities of $2,011,667 as at January 1, 2019.

At the inception, the Company assesses whether a contract is or contains a lease. Lease assets are capitalized at the commencement date of the lease initially measured based on the present value of the lease payments, plus initial direct costs incurred when entering into the lease and lease payments made at or before the commencement date, less any lease incentives received. The right-of-use assets are depreciated over the shorter of the lease term or the estimated useful life of the underlying asset. The Company uses the straight-line method of depreciation. An impairment review is undertaken for any asset that shows indicators of impairment and an impairment loss is recognized against the asset that is impaired. The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The property lease payments have been discounted using an incremental borrowing rate of 8% at January 1, 2019.

The following table reconciles the operating lease payments as at December 31, 2018 to the lease liabilities recognized as at January 1, 2019.

Operating lease payments as at December 31, 2018	2,413,126
Impact of discounting	(401,459)
Lease liabilities as at January 1, 2019	$2,011,667

IFRIC 22 Foreign Currency Transactions and Advance Consideration issued by the IASB in December 2016, provides guidance on the issue of the "date of the transaction" for the purpose of determining the exchange rate at the time of the transaction, to apply to transactions that are within the scope of IAS 21, Effects of Changes in Foreign Exchange Rates, which involve the receipt or payment of an advance consideration in a foreign currency. The interpretation applies for annual reporting periods beginning on or after January 1, 2018. The Company is currently evaluating the impact if the new standard on the consolidated financial statements.

IFRIC 23 Uncertainty over income tax treatments issued by the IASB in June 2017, provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact if the new standard on the consolidated financial statements.

4. BUSINESS ACQUISITIONS IN 2018

AQUISITION OF ASSETS FROM MCW DIMAX LTD.

On April 30, 2018, the Company acquired various assets and intangibles from MCW Dimax Ltd. The purchased assets are used to manage HVAC systems in real time through ongoing monitoring and analysis. Through Internet of things ("IOT") and Cloud services, the acquisition adds Software as a Service (SaaS) revenue to Kontrol's operating and technology platform. The aggregate cash purchase price of $1,008,239 was paid in 2018. The acquisition of assets was accounted for using the acquisition method for business combinations. The assets of MCW Dimax Ltd. are included at their fair value.

Assets acquired	
Computer equipment	$98,239
Customer relationships	512,000
Goodwill*	398,000
	$1,008,239
Consideration	
Cash	$1,008,239

*The excess of consideration over the identifiable net assets is allocated to Goodwill.

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits due to the reputation of MCW Dimax Ltd. and credibility it has established in the Canadian and U.S. market for providing IOT services. The goodwill has been allocated to the Kontrol Energy Group CGU for the purposes of testing for impairment.

The useful life of the customer relationships is 15 years.

AQUISITION OF CEM SPECIALITIES INC.

On September 20, 2018, the Company completed its acquisition of CEM Specialties Inc. ("CEMSI"). With more than 25 years of operating history, CEMSI provides the Canadian and US market with value added solutions for continuous emissions and process monitoring applications. The Company acquired 100% of the issued and outstanding shares of CEMSI. The acquisition of CEMSI was accounted for using the acquisition method for business combinations. The net assets of CEMSI are included at their fair value.

Net assets acquired	
Cash	$449,330
Accounts receivable	1,154,204
Unbilled revenue	36,456
Finished inventory	195,498
Prepaid expenses	34,792
Property and equipment	73,503
Customer relationships	1,821,000
Brand names	227,000
Goodwill*	1,000,253
Accounts payable and accrued liabilities	(838,724)
Deferred income taxes	(539,256)
	$3,614,056
Consideration	
Cash	$2,476,556
Vendor take back	502,500
Holdback payable**	582,500

Share purchase warrants	52,500
	$3,614,056

*The excess of consideration over the identifiable net assets is allocated to Goodwill.
**Holdback is to secure any indemnifications of Vendors; payable 15 months after acquisition date.

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits due to the reputation of CEMSI and credibility it has established in the Canadian and U.S. market for providing continuous emissions monitoring services. The consideration paid relate to combined synergies, related mainly to revenue growth. The goodwill is not deductible for income tax purposes. The goodwill has been allocated to the CEM Speciality CGU for the purposes of testing for impairment.

The useful life of the customer relationships is 15 years. Brand names have a useful life of 10 years.

5. ACCOUNTS RECEIVABLE

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

Allowance for expected credit losses as at September 30, 2019 is $66,013 (December 31, 2018 - $71,513).

6. PROPERTY AND EQUIPMENT

Cost	Office Equipment	Lab & Other Equipment	Computer Equipment	Vehicles	Computer Software	Leasehold Improvements	Radio Equipment	Total
Balance at January 1, 2019	536,561	1,196,393	895,051	354,927	433,958	148,557	3,336	3,568,783
Acquisitions	-	-	50,000	-	-	-	-	50,000
Additions	-	18,240	3,658	1,900	325	26,845	-	50,968
Disposals	(67,690)	-	-	(44,101)	-	-	-	(111,791)
Balance at Sept 30, 2019	468,871	1,214,633	948,709	312,726	434,283	175,402	3,336	3,557,960
Accumulated depreciation								
Balance at January 1, 2019	469,624	957,868	744,693	304,966	407,602	129,412	2,997	3,017,162
Acquisitions	-	-	-	-	-	-	-	-
Disposals	(63,219)	-	-	(40,760)	-	-	-	(103,979)
Depreciation	9,632	29,060	40,804	10,804	9,867	5,191	51	105,409
Balance at Sept 30, 2019	416,037	986,928	785,497	275,010	417,469	134,603	3,048	3,018,592
Carrying value								
At September 30, 2019	$52,834	$227,705	$163,212	$37,716	$16,814	$40,799	$288	$539,368
At December 31, 2018	$66,937	$238,525	$150,358	$49,961	$26,356	$19,145	$339	$551,621

The Company acquired computer equipment from Dimax Controls Canada Inc. on January 14, 2019.

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

Cost	**Property**	**Vehicles**	**Total**
Balance at January 1, 2019	2,011,667	-	2,011,667
Additions	-	22,240	22,240
Disposals	(281,351)	-	(281,351)
Balance at September 30, 2019	1,730,315	22,240	1,752,556
Accumulated depreciation			
Balance at January 1, 2019	-	-	-
Disposals	-	-	-
Depreciation	350,633	1,853	352,487
Balance at September 30, 2019	350,633	1,853	352,487
Carrying value			
At September 30, 2019	$1,379,682	$20,387	$1,400,069

Lease Liabilities	
Opening balance at January 1, 2019	2,011,667
Additions	22,240
Disposals	(281,351)
Principal repayment	(305,711)
Closing balance at September 30, 2019	$1,446,845
Current	$362,250
Long-term	$1,084,595

Lease payments for the nine months ended September 30, 2019	
Principal payments	305,711
Interest expense	104,372
Lease payments	$410,084

Contractual lease payments by fiscal year	
2019	$535,498
2020	$428,731
2021	$376,641
2022	$376,641
2023	$324,449
2024	$61,802

8. GOODWILL AND INTANGIBLE ASSETS

Cost	Goodwill	Product Development	Brand Names	Customer Relationships	Intellectual Property	Patents	Total Intangible Assets
Balance at January 1, 2019	4,642,566	330,715	483,000	5,509,275	640,000	160,000	7,122,990
Acquisitions	-	-	-	-	385,000	385,000	770,000
Additions	-	282,420	-	-	-	-	282,420
Balance at Sept 30, 2019	4,642,566	613,135	483,000	5,509,275	1,025,000	545,000	8,175,410
Accumulated amortization							
Balance at January 1, 2019	-	-	48,033	439,661	83,112	99,110	669,916
Amortization	-	-	36,225	275,464	51,250	68,875	431,814
Balance at Sept 30, 2019	-	-	84,258	715,125	134,362	167,985	1,101,730
Carrying value							
At September 30, 2019	$4,642,566	$613,135	$398,742	$4,794,150	$890,638	$377,015	$7,073,680
At December 31, 2018	$4,642,566	$330,715	$434,967	$5,069,614	$556,888	$60,890	$6,453,074

Product development costs relate to the development of the Company's next generation Energy Management System (SmartSuite). The new SmartSuite will include a robust Internet of Things (IOT) upgrade to allow device to device communication, device to Cloud communication and device to smart phone communication.

The Company recorded patents and intellectual property acquired from Dimax Controls Canada Inc. on January 14, 2019.

9. LONG-TERM INVESTMENT

On October 5, 2015, a consulting agreement with Ghana Energy One ("project") was assigned to Kontrol Energy Group Inc. (formerly Nuvo Energy Grid Inc.), which entitles the Company to have a 4% interest in the project's revenue. The project is approximately 157 Megawatts in total size and is to be in the Ashanti region of Ghana. The project is in the final stages of development and is anticipated to begin construction in 2019. The project will have a long-term Power Purchase Agreement (PPA) with the Government of Ghana for a period of 20 years. The balance $1 (2018: $1) is a nominal value to represent the investment.

10. OPERATING LINE

	September 30, 2019	December 31, 2018
Operating Line	$392,663	$701,824

Operating line facilities are with two financial institutions.

Facility I: Capacity of $400,000. Bank Prime rate plus 1.50% per annum. Drawdowns as required; repayment on demand. General security agreement issued on all assets of Efficiency Engineering Inc.

Facility II: Capacity of $500,000. Bank Prime rate plus 1.75% per annum. Drawdowns as required; repayment on demand. General security agreement issued on all assets of ORTECH Consulting Inc. The Company has provided a Guarantee over ORTECH Consulting Inc.'s borrowing under this facility. Also see financial covenants noted in the Term Loan in connection with this same financial institution (Note 14).

11. DUE TO SHAREHOLDER

Due to shareholder is unsecured, non-interest bearing and due on demand. This amount is related to the acquisition of Kontrol Technologies Inc.

12. HOLDBACKS PAYABLE AND VENDOR TAKE BACK

	September 30, 2019	December 31, 2018
Holdback relating to EE acquisition	400,000	550,000
Holdback relating to CEMSI acquisition	582,500	582,500
Vendor take back relating to CEMSI acquisition	-	502,500
	$982,500	$1,635,000

Holdbacks payable are to secure any indemnifications of Vendors in connection with acquisitions. The holdback relating the CEMSI acquisition is due December 20, 2019, is non-interest bearing and is unsecured. The holdback due dates relating the to EE acquisition were extended and amounts are owing in December 2019 and January 2020.

The Vendor take back amount relates to the CEMSI acquisition and is in the form of a promissory note with subordinated security, due September 20, 2019 was repaid in full.

13. DEBENTURES

	September 30, 2019	December 31, 2018
Debentures, at face value	7,109,750	6,129,250
Deferred financing cost and unamortized discount	(608,354)	(486,085)
	6,501,396	5,643,165
Less: Current portion	1,584,000	5,245,000
	$4,917,396	$398,165

Debenture offering – 2016
The Debentures bear interest at a rate of 8% per annum, payable quarterly in arrears and will mature on October 31, 2019. The Debentures are non-convertible and non-redeemable. The Debenture Offering is up to $5,300,000 of units at a price of $1,000 per unit, each unit to be comprised of one 8% unsecured non-convertible debenture and 100 common shares of the Company ("Debenture units"). The 2016 Debenture Offering was fully subscribed and closed during the first quarter of 2018. However, the offering was expanded in 2019 to allow for additional proceeds having the same maturity date as the extended debentures noted below.

During the nine months ended September 30, 2019, a material amount of the 2016 debenture offering originally due October 31, 2019 were extended to October 31, 2020 as reflected in the table above. A new offering memorandum was issued, and subscriptions were processed for a one-year extension.

Securities offering – 2018
Proceeds raised were $1,229,000 and the offering was closed in the first quarter of 2019. Each unit at a price of $1,000 consisting of a $750 Debenture, $250 of common shares, and 150 common share purchase warrants

("Units"). The Debentures bear interest at a rate of 7% per annum, payable monthly and will mature on April 25, 2021. The Debentures are non-convertible and non-redeemable

Commissions paid to registered securities dealers to effect sales of the offerings and professional fees relating to preparation of the offerings is recorded as a reduction of the Debenture amount and amortized over the term of the Debenture. The common shares included in the 2016 offering are fair valued at the time of each Debenture closing and recorded as a reduction of the Debenture amount and amortized over the term of the Debenture.

14. TERM LOAN

	September 30, 2019	December 31, 2018
Term loan	221,730	342,553
Less: Current portion	(172,813)	(165,739)
	$48,917	$176,814

A term loan of $500,000 was taken out in the fourth quarter of 2017. Interest is payable at Bank Prime rate plus 2.40%. The repayment term of the loan is 36 months, regardless of potential adjustments made to the interest rate. The blended principal and interest repayment plus mandatory repayment is linked to ORTECH Consulting Inc.'s cash flow. In addition, a general security agreement was issued on all assets of ORTECH Consulting Inc. The Company has provided a guarantee over ORTECH Consulting Inc.'s borrowing under this facility. ORTECH Consulting Inc.'s financial covenants under this facility include the following: (i) Debt service coverage ratio on a rolling four quarters basis for the fiscal quarter then ended and the immediately preceding three fiscal quarters of not less than 1.25:1; and (ii) a ratio of funded debt to EBITDA, calculated on a rolling four quarter basis for the fiscal quarter then ended and the immediately preceding three fiscal quarters of not greater than 3:1.

15. DEBT FINANCING

	September 30, 2019	December 31, 2018
Debt financing	1,925,000	1,925,000
Deferred financing cost	(86,224)	(157,280)
	$1,838,776	$1,767,720

In connection with the acquisition of CEMSI, the Company closed on a $2 Million bridge debt financing. The bridge debt financing has a term of one year with an option to renew for an additional period. The outstanding principal amount of the debt bears interest at a rate per annum equal to 15%. Payments are interest only on a monthly basis and the outstanding principal is due on the maturity date. The debt is secured by general security agreements, shares pledge and guarantee. Fees recorded as a reduction of the debt and will be amortized over the term of the financing. CEMSI financial covenants under this debt financing include the following: (i) a ratio of EBITDA to interest expense calculated on a rolling four quarters basis for the fiscal quarter then ended and the immediately preceding three fiscal quarters of not less than 1.50:1; and (ii) a ratio of funded debt to EBITDA, calculated on a rolling four quarter basis for the fiscal quarter then ended and the immediately preceding three fiscal quarters of not greater than 5:1.

Subsequent to quarter ended September 30, 2019 the debt was refinanced on a 3-year term, providing incremental increased funding capacity and converts the existing short-term debt into a long-term obligation. As such the debt financing will be re-classified to long-term in the fourth quarter of 2019.

16. CONVERTIBLE DEBENTURES

	Liability Portion	Equity Portion	Total
December 31, 2018	-	-	-
Issuance of convertible debentures	899,391	138,941	1,038,332
September 30, 2019	$899,391	$138,841	$1,038,332

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 the Conversion Price. Gross proceeds of $1,114,00,000 were received.

The Convertible Debentures shall 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 first interest payment shall be on December 31, 2019 for the period from the Closing Date to December 31, 2019.

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 $0.80. 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 on the CSE for any 20 consecutive trading day period is greater than $1.25.

The Convertible Debentures will mature on August 31, 2024.

The Company shall pay 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 agrees 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 shall be 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 will be 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 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 Loss and Comprehensive Loss.

17. COMMON STOCK

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

During the nine months ended September 30, 2019, 222,581 shares were issued to Debenture Unit holders. These common shares were valued at $163,864 (see Note 13).

On January 14, 2019, the Company issued 600,000 to Dimax Controls Canada Inc. in connection with the purchase of computer equipment, patents and intellectual property. Escrow conditions apply.

During the nine months ended September 30, 2019, 290,672 performance shares were issued.

During the nine months ended September 30, 2019, 30,500 shares were repurchased under the Company's normal course issuer bid and were valued at $20,295.

18. STOCK OPTIONS

The Company has established a stock option plan for directors, employees, and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the Discounted Market Price policies of the CSE. The aggregate number of common shares issuable pursuant to options granted under the plan is10% of the Company's issued common shares. The board of directors has the exclusive power over the granting of options and their vesting and cancellation provisions.

The following is a summary of the changes in the Company's stock option plan for the nine months ended September 30, 2019:

Options Outstanding	September 30, 2019		September 30, 2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Opening	2,631,165	$0.75	1,850,000	$0.67
Granted	400,000	$0.80	1,013,665	$0.84
Exercised	-	-	(115,000)	$0.65
Forfeited	(260,000)	$0.77	(1,195,000)	$0.65
Closing	2,771,165	$0.76	1,553,665	$0.80

The fair value of stock options is determined using the Black-Scholes Model. Volatility is calculated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. 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, 2019:

Black-Scholes assumptions	September 30, 2019	September 30 ,2018
Exercise price	$0.60 - $0.80	$0.60 - $1.50
Risk-free interest rate	1.0%	1.0%
Expected life	2 years – 5 years	2 years – 5 years
Expected volatility	46%	46%
Expected dividend yield	0%	0%
Weighted average grant date fair value per option	$0.24	$0.29

19. WARRANTS

During the nine months ended September 30, 2019, the Company issued 7,500 warrants relating to the Securities offering (see Note 13).

During the nine months ended September 30, 2019, the Company issued 330,780 warrants relating to Finder fees in connection with capital raising efforts.

During the nine months ended September 30, 2019 a total of 246,760 warrants had expired.

Warrants outstanding as at September 30, 2019 are 2,036,282 (December 31, 2018 – 1,944,762).

20. RELATED PARTY TRANSACTIONS

Related Party Balances

	September 30, 2019	December 31, 2018
Due to shareholder (see Note 11)	$39,500	$45,000

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 six months ended September 30, 2019.

	September 30, 2019	September 30, 2018
Salaries, benefits and consulting	389,100	340,350
Share-based compensation	141,196	10,333
	$530,296	$350,683

21. 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 a large Canadian financial institution. 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 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 flow from operations, the Company's holdings of cash, and the available credit facilities. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

(c) Interest rate risk

As at September 30, 2019, the Company's Operating Line and Term Loan 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 2019 net income before tax by approximately $6,220 (September 30, 2018 - $7,500).

(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).

(e) Foreign currency risk

Foreign currency risk arises because of fluctuations in exchange rates. The Company's newly acquired subsidiary, 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 as approved by its Board. 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.

22. 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, 2018.

23. SUBSEQUENT EVENTS

Subsequent to quarter ended September 30, 2019 the Debt Financing of $1,838,776 (Note 15) was refinanced on a 3-year term, providing incremental increased funding capacity and converts the existing short-term debt into a long-term obligation. As such the Debt Financing will be re-classified to long-term in the fourth quarter of 2019.