



# **Day4 Energy Inc.**

Consolidated Interim Financial Statements  
**March 31, 2009 and 2008**  
(Unaudited)

**Day4 Energy Inc.**  
Consolidated Balance Sheets  
As at March 31, 2009 and December 31, 2008

	<b>March 31, 2009 \$ (unaudited)</b>	<b>December 31, 2008 \$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	12,954,941	14,730,294
Restricted cash (note 4)	5,083,550	11,085,230
Short-term investments (note 5)	4,000,000	-
Accounts receivable	2,598,473	3,320,849
Investment tax credits receivable (note 6)	600,000	600,000
Other receivables (note 7)	4,957,880	1,511,301
Inventory (note 8)	42,432,778	35,018,558
Prepaid expenses	384,965	379,429
Equipment held for sale (note 10)	-	2,704,913
	<u>73,012,587</u>	<u>69,350,574</u>
<b>Property, plant and equipment</b> (note 9)	<u>23,942,579</u>	<u>28,254,320</u>
	<u>96,955,166</u>	<u>97,604,894</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	16,515,268	12,504,078
Taxes payable (note 12(d))	830,000	830,000
Short-term debt (note 11)	157,737	142,940
Deferred revenue - current (note 4)	150,569	168,012
Derivative instruments (note 17)	-	2,157,218
	<u>17,653,574</u>	<u>15,802,248</u>
<b>Long-term debt</b> (note 11)	<u>1,143,521</u>	<u>1,143,521</u>
	18,797,095	16,945,769
<b>Non-controlling interest</b> (note 2 and 3)	-	26,410
<b>Shareholders' Equity</b> (note 12)		
<b>Share capital</b>		
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued and outstanding		
36,679,366 (2008 - 36,679,366) common shares	130,952,257	130,952,257
<b>Contributed surplus</b>	2,241,585	2,091,952
<b>Warrants</b>	2,279,890	2,279,890
<b>Deficit</b>	<u>(57,315,661)</u>	<u>(54,691,384)</u>
	<u>78,158,071</u>	<u>80,632,715</u>
	<u>96,955,166</u>	<u>97,604,894</u>
<b>Nature of operations and going concern</b> (note 1)		
<b>Commitments</b> (note 14)		

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

# Day4 Energy Inc.

## Consolidated Statements of Operations, Comprehensive Loss and Deficit For the three months ended March 31, 2009 and 2008 (unaudited)

	2009 \$	2008 \$
<b>Revenue</b>		
Sales	4,344,545	13,494,386
<b>Cost of goods sold</b>	4,808,157	13,223,997
<b>Gross (loss) margin</b>	(463,612)	270,389
<b>Expenses</b>		
General and administrative	3,004,701	1,158,704
Research and development	515,707	480,483
Selling and marketing	650,858	665,317
Depreciation	3,417	94,524
Amortization	-	71,055
	4,174,683	2,470,083
<b>Loss before undernoted</b>	4,638,295	2,199,694
Foreign exchange gain (loss)	1,923,033	1,439,996
Unrealized gain (loss) on derivative instruments	-	(757,750)
Interest and other income	65,721	831,867
Interest expense	(31,132)	-
Gain on disposition of property, plant and equipment	26,730	-
Gain on disposition of subsidiary (note 3)	24,677	-
Accretion expense	(6,334)	(46,541)
	2,002,695	1,467,572
<b>Loss before non-controlling interest</b>	2,635,600	732,122
Non-controlling interest (note 2 and 3)	11,323	-
<b>Loss and comprehensive loss for the year</b>	2,624,277	732,122
<b>Deficit - Beginning of period</b>	54,691,384	20,818,033
<b>Deficit - End of period</b>	57,315,661	21,550,155
<b>Net loss per share - basic and diluted</b>	0.07	0.02
<b>Weighted average number of shares outstanding - basic and diluted</b>	36,679,366	36,605,836

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

# Day4 Energy Inc.

## Consolidated Statements of Cash Flows

For the three months ended March 31, 2009 and 2008 (unaudited)

	2009 \$	2008 \$
<b>Cash flows from operating activities</b>		
Loss and comprehensive loss for the year	(2,624,277)	(732,122)
Items not affecting cash		
Stock-based compensation	149,633	219,051
Accretion and royalty premium on IRAP-TPC loan	-	41,749
Depreciation and amortization	416,933	338,069
Gain on disposal of property, plant and equipment	(26,730)	-
Gain on disposal of subsidiary (note 3)	(24,677)	-
Unrealized foreign exchange (gain) loss	(197,094)	(239,506)
Change in value of derivative instruments	(2,157,218)	757,750
Deferred lease inducement	-	(5,623)
Non-controlling interest	(11,323)	-
Changes in non-cash working capital items		
Accounts receivable	1,233,612	(10,795,566)
Other receivables	(3,446,579)	979,242
Inventory	(7,414,220)	114,650
Prepaid expenses	(5,536)	75,059
Accounts payable and accrued liabilities	3,578,464	(4,362,526)
Deferred revenue	(17,443)	415,506
	<u>(10,546,455)</u>	<u>(13,194,267)</u>
<b>Cash flows from investing activities</b>		
Purchase of short-term investments	(4,000,000)	-
Proceeds from sale of short-term investments	-	10,000,000
Change in restricted cash	6,001,680	(11,198,118)
Purchase of property, plant and equipment	(1,587,187)	(8,576,822)
Proceeds from disposal of property, plant and equipment	8,213,638	-
Proceeds from sale of subsidiary - net of cash included in sale of 29,098 (note 3)	9,590	-
	<u>8,637,721</u>	<u>(9,774,940)</u>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of warrants	-	492,500
	<u>-</u>	<u>492,500</u>
<b>Impact of foreign exchange on cash and cash equivalents</b>	<u>133,381</u>	<u>702,321</u>
<b>Decrease in cash and cash equivalents</b>	<u>1,775,353</u>	<u>21,774,386</u>
<b>Cash and cash equivalents - Beginning of period</b>	<u>14,730,294</u>	<u>53,093,136</u>
<b>Cash and cash equivalents - End of period</b>	<u>12,954,941</u>	<u>31,318,750</u>
<b>Supplemental cash flow information</b>		
Cash paid for interest	1,782	-
Cash received for interest	15,359	404,135
<b>Non-cash transactions</b>		
Conversion of warrants to common shares	-	354,097

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

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

### For the three months ended March 31, 2009 and 2008 (unaudited)

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#### 1 Nature of operations and going concern

##### The company

Day4 Energy Inc. (the company) is a federally incorporated company under the laws of Canada. The company's business is to design, develop, manufacture and market advanced photovoltaic (PV) energy products. In August 2006, the company commenced commercial production and sales. The company's products are sold primarily to customers in Germany, Canada and the United States of America. The company maintains an active research and development component within its commercial operations.

##### Going concern

While the accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the company will be able to continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of operations, there are material uncertainties related to conditions that cast substantial doubt about the company's ability to continue as a going concern.

The company has not yet realized profitable operations, has generated negative cash flows from operating activities and has an accumulated deficit of \$57,315,661 at March 31, 2009.

The company has relied upon external sources of debt and equity to fund operations to date.

The company is exposed to a number of risks and uncertainties that may affect its future financial condition, operations results and cash flows. These material uncertainties that may cast doubt about the company's ability to continue as a going concern are described below.

The company has recently completed a significant expansion of production capacity. The company has transferred a significant portion of that production capacity to a third party under an outsourcing agreement. Should the third party production commitments not match the required volumes for sales in a timely manner, additional costs or losses may be incurred by the company.

The company needs to increase sales volume at sustainable prices relative to its cost of production. As disclosed in note 15, two customers account for approximately 82% of sales in the current period and the majority of sales are to customers in Germany and Italy. Under current economic, market and competitive conditions, it is reasonably possible that the company's revenues will experience material fluctuations or declines. The company's sales may be affected by acceptance of solar energy products, user demand for the company's products, over supply of similar products in the industry, pricing pressures, reductions or elimination of government grants to end-users and foreign exchange volatility.

The company has committed to purchasing significant volumes of PV cells at fixed prices, subject to future market price adjustments from time to time. It is reasonably possible that committed volumes of these raw materials may exceed the company's requirements if sales volumes decline. Additionally, should module sales prices and/or volumes decline, the company may not be able to renegotiate lower PV cell prices and/or volume under its commitments with suppliers.

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

### For the three months ended March 31, 2009 and 2008 (unaudited)

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Until the company achieves higher revenue levels and lower costs of production, the company's operating results and cash flows are expected to be negatively impacted. The company may need to seek additional debt or equity financing, but cannot provide assurance that it will be successful in doing so.

These financial statements do not include adjustments or disclosures that may result from the company's inability to continue as a going concern. If the going concern assumption is not appropriate for these financial statements, then adjustments may be necessary in the carrying value of assets and liabilities, and the reported net losses and balance sheet classifications used. Such adjustments could be material.

## 2 Significant accounting policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), using the same accounting policies and methods of application, except as set out below, as the company's most recent audited annual consolidated financial statements. These unaudited interim consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2008. All amounts are stated in Canadian dollars unless otherwise noted.

### Basis of consolidation

The consolidated financial statements include the accounts of the company and the assets, liabilities and results of operations of its wholly owned subsidiaries including Day4 Systems GmbH (Systems) of Rottweil, Germany, acquired November 30, 2007, and Day4 Italia S.r.l. (Italia) of Milan, Italy, incorporated June 22, 2007.

All material intercompany balances and transactions are eliminated upon consolidation.

### Non-controlling interest

Non-controlling interest exists with respect to a less than wholly owned subsidiary of the company and represents the outside interest's share of the carrying values of the subsidiary. For the period up to March 16, 2009, non-controlling interest represents the 40% interest of the non-controlling shareholders in Solar-Farm Hüfingen GmbH. As described in Note 3, on March 16, 2009 the company disposed of its 60% interest in Solar-Farm Hüfingen GmbH.

### Intangible Assets

Effective January 1, 2009 the company adopted Canadian Institute of Chartered Accountants (CICA) Handbook section 3064 - Goodwill and Intangible Assets, which replaced Section 3062 - Goodwill and Other Intangible Assets and Section 3450 - Research and Development Costs. Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The adoption of this standard has had no impact on the consolidated financial statements for the period ended March 31, 2009.

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

For the three months ended March 31, 2009 and 2008 (unaudited)

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### Recent Canadian GAAP announcement

- a) CICA Handbook Sections 1582, Business Combinations; 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests

In January 2008, the CICA issued Handbook Sections 1582, Business Combinations; 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections also provide the Canadian equivalent to IFRS 3, Business Combinations and IAS 27, Consolidated and Separate Financial Statements.

CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

Management is currently in the process of determining the impact of these standards on the Company's consolidated financial statements.

### 3 Disposition of a subsidiary

On March 16, 2009 the company sold its 60% interest in SolarFarm Hüfingen GmbH for proceeds of \$49,476 (€30,000). The gain on the sale of the subsidiary is calculated as follows:

	Euro	\$
Sale price	30,000	49,476
Cash	17,643	29,098
Property, plant and equipment	220,717	364,006
Bank loan	(213,299)	(351,773)
Non-controlling interest	(10,025)	(16,532)
Net assets sold	15,037	24,799
Net gain on disposition	14,963	24,677

### 4 Restricted cash

During 2009, the company is required to maintain deposits of cash or liquid securities of \$5,083,550 (December 31, 2008 - \$11,085,230), comprised of \$5,000,000 (December 31, 2008 - \$11,000,000) at a Canadian bank, and \$83,550 (€50,000) (December 31, 2008 - \$85,230 (€50,000)) with a German bank.

The \$5,000,000 cash deposit is held as collateral for the company's foreign currency contractual facility.

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

### For the three months ended March 31, 2009 and 2008 (unaudited)

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The \$83,550 cash deposit is collateral for the company's obligations under a \$137,420 (€100,000) letter of credit for a performance guarantee on the company's PV energy products sold to a German customer. Restricted cash is released as the letter of credit is drawn upon or expires. The letter of credit expires on November 30, 2009. The performance guarantee amount of \$137,420 is recorded as deferred revenue at a fair value of \$130,939.

#### 5 Short-term investments

At March 31, 2009, the company's short-term investments consisted of guaranteed investment certificates held with a Canadian financial institution, carried at a fair value of \$4,000,000. The company held no short-term investments as at December 31, 2008.

#### 6 Investment tax credits receivable

The company has investment tax credits receivable at March 31, 2008 of \$600,000 (December 31, 2008 - \$600,000). The amount consists of Scientific Research & Experimental Development (SR&ED) activities. The SR&ED claim for 2007 is subject to audit by CRA. Although the company has used its best estimates, judgment and understanding of the related income tax legislation in determining the balance, it is possible the amount could increase or decrease materially in the near term depending on the audit by CRA.

Effective December 6, 2007, as a publicly listed company, the company is no longer qualified for the refundable tax credits relating to CRA's SR&ED tax incentive program, however, the company may deduct tax credits from income taxes otherwise payable.

#### 7 Other receivables

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
	\$	\$
GST receivable	93,591	488,719
Escrow receivable (note 12)	916,264	901,711
Value Added Taxes receivable	3,933,679	59,507
Other	14,346	61,364
	<hr/>	<hr/>
	4,957,880	1,511,301
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# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

For the three months ended March 31, 2009 and 2008 (unaudited)

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### 8 Inventory

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
	\$	\$
Raw materials	16,306,543	12,368,895
Work-in-progress	90,683	63,022
Finished goods	26,035,552	22,586,641
	<u>42,432,778</u>	<u>35,018,558</u>

During the three months ended March 31, 2009, the company recorded write-downs of inventory of \$272,496 (March 31, 2008 - \$ nil) to reduce the carrying value of the inventories to net realizable value.

### 9 Property, plant and equipment

	<b>March 31, 2009</b>		
	<b>Cost</b>	<b>Accumulated depreciation and impairment</b>	<b>Net</b>
	\$	\$	\$
Computer hardware and software	1,151,159	495,679	655,480
Machinery and equipment (notes 10 and 14)	27,323,365	4,219,174	23,104,191
Office furniture and equipment	321,452	310,888	10,564
Leasehold improvements	1,863,106	1,690,762	172,344
Investment in PV systems	4,818,717	4,818,717	-
	<u>35,477,799</u>	<u>11,535,220</u>	<u>23,942,579</u>

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

For the three months ended March 31, 2009 and 2008 (unaudited)

	<b>December 31, 2008</b>		
	<b>Cost</b>	<b>Accumulated depreciation and impairment</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Computer hardware and software	974,984	522,357	452,627
Machinery and equipment (note 17)	31,640,375	3,838,682	27,801,693
Office furniture and equipment	336,065	336,065	-
Leasehold improvements	1,717,696	1,717,696	-
Investment in PV systems	4,818,717	4,818,717	-
	<u>39,487,837</u>	<u>11,233,517</u>	<u>28,254,320</u>

For the three months ended March 31, 2009, depreciation of property, plant and equipment was \$416,933 (March 31, 2008 - \$267,014).

### 10 Asset Purchase Agreement

On December 22, 2008, the company entered into an Asset Purchase Agreement, with a closing date of January 26, 2009, whereby the company agreed to sell certain specified production equipment which the company had acquired and accounted for as capital assets during 2008 at prices equal to the original purchase price of the equipment. The total book value of the equipment sold was \$8,150,482, of which \$2,704,913 related to completed equipment held by the company as at December 31, 2008 and the remaining \$5,445,569 relates to the book value of equipment still under construction by the suppliers.

### 11 Short-term and long-term debt

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
	<b>\$</b>	<b>\$</b>
<b>Short-term debt</b>		
IRAP - TPC loans	157,737	142,940
<b>Long-term debt</b>		
IRAP - TPC loans	<u>1,143,521</u>	<u>1,143,521</u>
	<u>1,301,258</u>	<u>1,286,461</u>

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

### For the three months ended March 31, 2009 and 2008 (unaudited)

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#### IRAP - TPC loans

During 2008, the company renegotiated the repayment terms for the full amount owing of \$1,429,401 such that 10%, or \$142,940, plus accrued interest from the original November 29 due date of the first payment, was repaid on December 30, 2008. Another 10%, or \$142,940, plus accrued interest will be repaid on December 30, 2009, and the remaining 80% or \$1,143,521 plus accrued interest will be repaid on December 30, 2010. The interest is compounded monthly and is based on the Government of Canada prescribed rate of interest owing from vendors (bank prime plus 3%) which fluctuates on a monthly basis. The carrying value of the loan is inclusive of accrued interest.

## 12 Capital stock, contributed surplus and warrants

### a) Capital stock

#### Authorized

Unlimited number of common shares without par value

#### Common shares

The holders of common shares are entitled to one vote per share.

	<b>Common shares</b>	
	<b>Number</b>	<b>Amount \$</b>
<b>Balance - December 31, 2007</b>	36,373,116	129,935,370
Exercise of 246,250 Series D warrants into common shares	246,250	846,597
Issuance of common shares from exercise of stock options	60,000	170,290
<b>Balance - December 31, 2008 and March 31, 2009</b>	<b>36,679,366</b>	<b>130,952,257</b>

### b) Contributed surplus

A summary of the company's contributed surplus balance at March 31, 2009 and the changes since December 31, 2007 is presented below:

	<b>\$</b>
Balance - December 31, 2007	1,439,491
Stock-based compensation expense	742,751
Less: stock options exercised	<u>(90,290)</u>
Balance - December 31, 2008	2,091,952
Stock-based compensation expense	<u>149,633</u>
Balance - March 31, 2009	<u>2,241,585</u>

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

### For the three months ended March 31, 2009 and 2008 (unaudited)

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#### c) Warrants

A summary of the company's share purchase warrants at March 31, 2009 and the changes since December 31, 2007 is presented below:

	Number of warrants	Amount \$
<b>Series D share purchase warrants</b>		
Balance - December 31, 2007	246,250	354,097
Exercise of share purchase warrants	(246,250)	(354,097)
Balance - December 31, 2008 and March 31, 2009	-	-
<b>Convertible debenture share purchase warrants</b>		
Balance - December 31, 2007, 2008 and March 31, 2009	527,492	2,279,890
<b>Total warrants</b>	527,492	2,279,890

#### d) Common shares exchange

Pursuant to a shareholder agreement signed in 2005 (the "Agreement"), a shareholder holding 750,000 shares of the company's issued and outstanding common shares at December 6, 2007, immediately prior to the company's IPO, executed a share exchange transaction for the benefit of that shareholder. As part of the Agreement, the shareholder agreed to indemnify the company against any liabilities it may incur from the transaction. The shareholder paid \$1,100,000 into escrow which will be available to the company via a claims basis until January 29, 2015. As at March 31, 2009, the company accrued \$916,264 (December 31, 2008 - \$901,711) representing the estimated withholding taxes payable, including accrued interest of \$86,264 (December 31, 2008 - \$71,711) in accrued liabilities, as a result of the share exchange, which has been recorded as a charge to share capital. The company has also recorded a corresponding receivable representing the indemnity provided by the shareholder, which has been recorded as a credit to share capital.

### 13 Employee stock options

The company has two stock option plans: the 2002 Stock Option Plan created as at December 31, 2002 with 2,800,000 total options available for grant, and the 2007 Stock Option Plan created in 2007 with 2,400,000 total options available for grant. Options, and the related exercise prices, are granted at the discretion of the company's board of directors. The maximum term of an option is 10 years from the date of grant.

The options granted have a variety of vesting schedules based upon service conditions.

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

### For the three months ended March 31, 2009 and 2008 (unaudited)

	<b>March 31, 2009</b>		<b>March 31, 2008</b>	
	<b>Options</b>	<b>Weighted average exercise price \$</b>	<b>Options</b>	<b>Weighted average exercise price \$</b>
Outstanding - Beginning of period	3,280,000	1.25	2,525,000	1.16
Forfeited	-	-	(70,000)	1.93
Outstanding - End of period	<u>3,280,000</u>	<u>1.25</u>	<u>2,455,000</u>	<u>1.14</u>

The following table summarizes the information about the stock options outstanding and exercisable at March 31, 2009:

	<u>Options outstanding</u>			<u>Options exercisable</u>		
	<b>Weighted average exercise price \$</b>	<b>Number outstanding at March 31, 2009</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Number exercisable at March 31, 2009</b>	<b>Weighted average exercise price \$</b>	<b>Weighted average remaining contractual life (years)</b>
	0.25	1,070,000	1.75	945,554	0.25	1.75
	1.00	950,000	9.67	198,000	1.00	9.67
	1.25	335,000	5.00	335,000	1.25	5.00
	1.50	210,000	6.85	146,000	1.50	6.81
	3.00	715,000	8.24	303,000	3.00	8.18
		<u>3,280,000</u>	<u>6.12</u>	<u>1,927,554</u>	<u>1.03</u>	<u>4.52</u>

The fair value of the company's stock options granted was estimated using the Black-Scholes option pricing model assuming no dividend yield and the following weighted average assumptions:

	<b>2009</b>	<b>2008</b>
Expected volatility	-	95.6%
Risk-free interest rate	-	2.08%
Expected life (in years)	-	5.0
Dividend yield	-	-

No options were granted during the three months ended March 31, 2009. The company recorded stock-based compensation expense of \$149,633, during the three months ended March 31, 2009 (2008 - \$219,051).

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

For the three months ended March 31, 2009 and 2008 (unaudited)

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### 14 Commitments

As at March 31, 2009, the company has multiple lease commitments for premises and equipment with terms up to October 31, 2018.

For the three months ended March 31, 2009, the company incurred a rental expense of \$595,697 (2008 - \$146,081).

The minimum annual rental payments required in future fiscal years are:

	<b>Equipment leases \$</b>	<b>Premises gross \$</b>
2009	51,476	1,473,046
2010	52,744	1,937,813
2011	22,379	1,937,813
2012	14,348	1,283,603
2013	732	1,031,710
Thereafter	-	5,112,120
	<u>141,679</u>	<u>12,783,264</u>

The company has entered into supply agreements for certain raw materials until December 31, 2011 to meet expected supply requirements. Under these agreements, the company is committed to purchase minimum annual quantities at fixed prices, subject to future market price adjustments from time to time, for the term of the arrangements, with options to acquire additional quantities.

	<b>\$ (in millions) Minimum</b>	<b>\$ (in millions) Options</b>	<b>\$ (in millions) Total</b>
2009	234.2	97.3	331.5
2010	163.6	294.5	458.1
2011	87.0	9.7	96.7
	<u>(US\$384.3) 484.8</u>	<u>(US\$318.3) 401.5</u>	<u>(US\$709.9) 886.3</u>

At March 31, 2009, the company has \$393,424 (2008 - \$12,830,658) of deposits placed with suppliers to secure orders for additional equipment valued at \$1,324,461 (2008 - \$20,359,706).

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

For the three months ended March 31, 2009 and 2008 (unaudited)

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### 15 Segmented information

The company has one operating segment – photovoltaic energy products. The following is a breakdown of revenue by geographic areas based on the customers' locations:

	2009	2008
	\$	\$
Canada	282,260	9,098
United States	1,042	675,250
Germany	1,098,402	11,322,250
Italy	2,962,013	1,490,876
Other	828	(3,088)
Total	<u>4,344,545</u>	<u>13,494,386</u>

The company has the following significant customers representing sales revenue greater than 10% of total sales:

	2009	2008
	\$	\$
Customer A	-	3,186,911
Customer B	733	3,060,144
Customer C	-	1,490,876
Customer D	2,961,365	-
Customer E	587,445	1,190,063

As at March 31, 2009, the company's property, plant and equipment was located in the following countries:

	March 31, 2009	December 31, 2008
	\$	\$
Canada	15,648,940	24,444,838
Germany	1,380	3,120,991
Poland	8,292,259	-
Other	-	688,491
Total	<u>23,942,579</u>	<u>28,254,320</u>

### 16 Related party transactions

A director who holds a senior management position in the company is also a principal shareholder and a consultant of a supplier company that provided proprietary and certain other manufacturing equipment. During the three months ended March 31, 2009, the company purchased manufacturing equipment with a total cost of \$535,818 (December 31, 2008 - \$11,876,438) from the supplier. The director was paid \$54,489 (€33,600)

# Day4 Energy Inc.

## Notes to Consolidated Financial Statements

### For the three months ended March 31, 2009 and 2008 (unaudited)

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during the three months ended March 31, 2009 for reimbursement of expenses and for consulting services provided during the period (2008 - \$40,654 (€27,000)). The supplier company has been paid \$29,972 (€18,482) in fees for assistance by the supplier company's employees regarding logistics during the three months ended March 31, 2009 (2008 - \$12,464 (€8,278)).

#### 17 Derivative instruments

The company is exposed to foreign exchange risk on its cash and cash equivalents, short-term investments, accounts receivable balances, accounts payable and derivative instruments.

The company's raw material purchases are predominantly in US dollars or Euros, and converted to Canadian dollars at the time of purchase. Similarly, most of the company's sales are in US dollars or Euros and are converted to Canadian dollars at the time of revenue recognition. The company's current time lag between raw materials purchase and finished product revenue recognition exposes it to currency risk. The company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash and cash equivalents held or by entering into foreign exchange forward contracts with Canadian chartered banks as hedges against the sales and purchases denominated in foreign currencies. The company has not adopted hedge accounting. The company also has the ability to reduce currency risk by providing natural hedges by operating within a single currency within the geographic markets in which it operates. This objective is being pursued through the company's strategy to outsource the costs of future production within the same currency jurisdiction to the company's primary markets.

The company's derivative instruments are forward foreign exchange contracts whereby the company is contracted to buy or sell foreign currencies in exchange for Canadian dollars. At March 31, 2009, the company was contracted to sell €9,590,000 through separate contracts between April 1, 2009 to June 30, 2009 at rates between 1.6314 and 1.6337. The company has provided \$5,000,000 of cash deposits as collateral against these contracts, as described in Note 4.