Management Discussion and Analysis

For The Three Months Ended December 31, 2015

The following discussion and analysis as of February 29, 2016 should be read in conjunction with the Consolidated Financial Statements of Eguana Technologies Ltd. ("Eguana", or the "Company") and notes for the three months ended December 31, 2015.

Additional information relating to the Company including our Consolidated Financial Statements, Management Discussion and Analysis, news releases, and other required filing documents is available on SEDAR at www.sedar.com and on our website at *www.eguanatech.com. The aforementioned documents are issued and made available in accordance with legal requirements but are not incorporated by reference into this MD&A.*

FORWARD LOOKING INFORMATION

This Management Discussion and Analysis ("MD&A,") especially but not limited to this section, contains certain forward-looking statements within the meaning of National Instruments and other relevant securities legislation relating but not limited to our operations, anticipated financial performance, business prospects and strategies. Forward-looking information includes statements that are not statements of historical fact and address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the development plans, the Company's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, construction timetable, extent of solar resources and future growth and performance. When used in this MD&A, statements to the effect that the Company or its management "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavours", "seeks", "predicts" or "intends" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. The Company believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

In particular we include: statements on the future dynamics and size of the solar PV and energy storage market and segments thereof; statements concerning our expectations of future relationships as well as the size of the market for power electronics; statements concerning our sales; and statements concerning factors which we believe may be relevant in assessing whether our plans are achievable.

Our conclusions concerning the size of the addressable solar PV and energy storage markets are based on certain critical assumptions and general conclusions concerning the future of these industries the market segmentation, and emerging market dynamics.

Our assumptions and the conclusions that we draw represent forward-looking information. While valuable in assessing our future prospects, forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are described herein. Many factors could cause the Company's actual results, performance or achievements, or future events or developments, to differ materially from those expressed or implied by the forward-looking information.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this MD&A. All subsequent forward-looking information attributable to the Company herein is expressly qualified in their entirety by the cautionary statements contained in or referred to herein. The Company does not undertake any obligation to release publicly any revisions to forward-looking information contained in this MD&A to reflect events or circumstances that occur after the date of this MD&A or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

BUSINESS OVERVIEW: HISTORY, VISION AND STRATEGY, AND CORE BUSINESS

A detailed overview of Eguana's business, including a summary of our history, business strategy, industry outlook, and core business is provided in the MD&A for the financial year ended September 30, 2015 which may be found, together with all our public documents, at www.sedar.com.

MANAGEMENT DISCUSSION OF FIRST QUARTER RESULTS

Operations

Revenue was impacted as expected in the first quarter as we completed the transition to the integrated AC Battery and entry into the United States. Product Sales revenue for the quarter was $228,376 with an adjusted gross margin of 8.38%. The margins were adjusted for lagging European transformer inventory received after fiscal 2015 yearend of $64,321 and supplier non-recurring engineering charges of $27,739. The positive margin was also achieved on low volume AC Battery prototype and demonstration sales as we continue to build our customer base and channels in the US market.

Operating costs remained flat to prior year at $952,367 and down $34,000 from $986,708 in Q4 2015 adjusted from our year end bad debt expense of $1,506,649 and settlements of $642,958 notwithstanding significant changes in our quarterly volumes along with completing the initial products for the US market. A significant contribution to the operating costs in the quarter went to supporting further development of our Bi-Direx PCS core technology which resulted in additional provisional patent filings in addition to product certifications.

- Operating costs were $124,203 down $34,196 (22%) from $158,399 in Q4 2015. Included in this amount are salaries and benefits of employees directly allocated to this function, direct costs incurred to support manufacturing and supply chain activities. Product development costs were $136,007 down $64,275 (32%) from $200,282 in Q4 2015. Included in product development costs are the costs associated with the product development process, market analysis in support of new product definition, salaries and benefits of our entire engineering group, and 100% of our CTO's compensation.
- Our investment in selling and marketing has remained consistent to prior quarter at $229,394; however this represents an increase of 42% over the prior year when we began business development activities in the United States and Japan. Included in these costs are salaries and benefits of personnel employed in marketing and customer account relationships, travel and costs of trade shows.
- First quarter G&A increased 22% to $462,763 from $359,158 in Q4 2015. Increases were driven mainly by legal costs associated with settlements noted in our annual financial report and accounting fees. G&A expense consists primarily of salaries, (including the value of stock options for all employees) employee benefits and overhead expenses that are not otherwise allocated to the earlier categories, including those related to corporate maintenance charges, occupancy, all professional fees, investor relations fees and travel costs.

Outlook and Priorities

Bi-Direx is recognized across the industry as a leader in its power ratings and one of the only power control systems standardized and certified for North American and European markets. The technology meets all grid connection regulations for these markets, is field tested and proven with thousands of installations in Europe and the United States.

We remain on track with our objective to be a top 3 provider of power control systems in our targeted channels. The Company measures this objective as a 30% market share in each market. In 2016 we will continue to focus our resources on US market expansion, European volume recovery, and business development activities in Japan.

United States

Our first priority is to take a significant share of the Hawaiian market.. Our AC Battery developed in partnership with Korea's LG Corporation was the 1st storage system approved for use in Hawaii by the local utility Hawaiian Electric Company ("HECO") and is currently in production. We have an announced partnership with a market leader and are continuing to ship orders.

Hawaii has both primary solar storage market drivers: (i) high electricity costs driving customer self-consumption which requires energy storage similar to Germany; and (ii) grid instability due to high residential solar penetration.

Utility grid stabilization is required as a result of the high penetration of residential rooftop solar which disrupts business as usual grid operations. Hawaiian Electric introduced new interconnection rules in November 2015 that require advanced inverter functions that will also prevent new solar PV systems from exporting PV generated power to the grid. An energy storage system is required for residential customers to maximize their self-consumption opportunity by storing the maximum output of their PV system without curtailing or constraining its output. Eguana's advanced system was the first energy storage inverter to meet all requirements. We believe that HECO's experience will be closely watched by other US utilities and regulators especially in California, which is seeing some of the same grid imbalance issues as HECO in pockets across the State.

Europe

We are targeting volume recovery in Europe in calendar 2016 among customers spread across automotive storage entrants, battery companies, storage integrators, and utilities. Our Bi-Direx sub assembly platform has the flexibility, efficiency, and easy integration features needed to attract world class partners. The Company is currently in advanced discussions with key customers in each segment. Our expectation during 2016 is to re-establish Bi-Direx as the leading power controls solution for the European market. Targeted installation markets include Germany, Italy, Spain, and the United Kingdom.

Japan

In 2015, the Company executed a non-exclusive sales and marketing contract with the Itochu Corporation one of Japan's largest trading houses with investments across the battery production chain to globally promote and sell the AC Battery and Bi-Direx platforms. Itochu is developing opportunities in the commercial buildings market where competition in the newly deregulated electricity market is driving the need for differentiated energy service offerings from electricity retailers starting in April 2016.

Management Discussion of Financial Results

Summary of Significant Accounting Policy Choices

Our significant accounting policies are disclosed in note 4 of the annual audited consolidated financial statements.

Net Loss and Comprehensive Loss

Our net loss for the quarter ended December 31, 2015 was $1,198,652 a decrease of $297,490 over a loss of $1,496,142 in the same quarter ended December 31, 2014. Excluding the non-cash items, the net loss for the quarter ended December 31, 2015 was $878,832.

Non-cash items affecting the Net Loss were:

	2,015	2014
	$	$
Operating activities		
Net loss	**(1,198,652)**	(1,496,142)
Amortization of capital assets and development costs	**23,456**	15,735
Amortization of deferred lease inducement	**(3,900)**	(3,900)
Write down of inventory	**64,321**	-
Share-based payments	**35,512**	10,117
Warranty provision	**4,035**	-
Finance costs	**154,944**	437,700
Loss on debentures	**18,433**	-
Investor relation expense	**18,192**	108,360
Unrealized foreign exchange loss (gain)	**4,826**	(1,066)
	(878,833)	(929,196)

Sales and Gross Margin

Total revenue from product sales and services decreased from $1,541,505 in Q1 fiscal 2015 to $228,376 in Q1 fiscal 2016 (December 31). This was due to the loss of the Company's major customer in Q4 2015. Gross margins at Q1 fiscal 2016 were ($72,913) due to a net write-down of European inventory of $64,321 also related to the loss of the Company's major customer.

Summary of Quarterly Results

	2016	2015				2014		
	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2
Sales	228,376	1,367,075	1,552,853	1,545,575	1,541,505	921,639	477,419	396,357
Net (loss)	(1,198,652)	(4,587,408)	(1,376,971)	(1,328,286)	(1,496,142)	(3,070,391)	(1,536,377)	(489,286)
Per share – basic and diluted	(0.01)	(0.05)	(0.02)	(0.02)	(0.03)	(0.06)	(0.05)	(0.02)

Liquidity and Capital Resources

Liquidity, as measured by working capital, at the end of the quarter was deficient by $2,022,440. The working capital at December 31, 2014 was $2,164,120.

The Company is currently in a dispute with our prior customer Sonnenbatterie as a result of the cancellation of a supply contract. A claim has been filed to recover 1,660,053 Euros ($2,510,640 CAD) for unpaid invoices and interest along with the option to claim an additional 903,584 Euros ($1,366,568 CAD) for European inventories purchased on Sonnenbatterie's direction. Litigation is inherently uncertain and while our legal counsel advises that we have a strong case, we are carrying the receivable on our books at near zero.

Sonnenbatterie in return has made warranty claims against the company related to field failures of first generation 3-phase Comfort series product. We believe that this claim is without merit and that the failures are tied directly to fundamental system failures in the Sonnenbatterie Comfort design for which Sonnenbatterie was solely responsible. These failures were pointed out to Sonnenbatterie at that time and the Company advised not to ship systems without rectification of the system design flaws. The system issues noted were corrected in the new generation Eco product line which utilizes the identical Bi-Direx product as Comfort. There are no outstanding power controls claims with respect to the second generation product. Legal counsel advises the Company that the Sonnenbatterie decision to ship 3-phase Comfort in spite of warnings voids any warranty claim.

The Company's former contract manufacturer submitted a claim against Eguana related to the cancellation of the Sonnenbatterie supply contract in the amount of 1,534,000 Euros ($2,320,000 CAD) in an Alberta court. The Company is disputing 536,000 Euros ($809,000 CAD) of the amount the contract manufacturer is seeking for recovery of a prior deposit paid and contested invoices for units produced without purchase orders. The undisputed amount has been recorded by the Company. The expectation of the Company is to resolve the liability from the Sonnenbatterie receivable.

The Company repaid and canceled its operating line of credit in October 2015.

Financial liabilities	< 1 Year	1-3 Years	Thereafter	Total
Accounts payable and accrued liabilities	3,570,564	-	-	3,570,564
Energy Northwest obligation	151,568	-	-	151,568
Government grant obligation	48,188	-	-	48,188
Debentures	816,980	1,014,656	-	1,831,636
Other liabilities	50,594	132,035	507,613	690,242
Total	4,637,894	1,146,691	507,613	6,292,198

Off Balance Sheet Items

The Company has no off-balance sheet financial commitments other than the commitments for operating leases for premises, a purchase order with its former supplier in Europe and consulting, service agreements.

Related Party Transactions

The Company had the following related party transaction:

	2015		2014	
	Salaries and benefits	**Share based compensation**	Salaries and benefits	Shared based compensation
	$	**$**	$	$
General and administrative	**54,000**	**-**	107,287	2,336
Marketing	**27,046**	**-**	-	-
Product research and development	**11,591**	**-**	33,024	-
Operations	**12,000**	**-**	49,500	-
Total	**104,637**	**-**	189,811	2,336

Financing costs of $5,583 for the three-month period ended December 31, 2015 (2014 - $24,537) related to the debentures and preferred shares Series 15 held by key personnel and directors are included in the statement of loss. Interest payments amounted to $1,352 (2014 - $5,338) for the three-month period ended December 31, 2015.

Included in accounts payable and accrued liabilities is $197,080 (September 30, 2015 - $235,998) due to directors and members of key management personnel.

During the quarter, the Company paid $56,640 to its former CEO as part of a settlement agreement and incurred $28,146 of accretion as the obligation matures.

Disclosure of Outstanding Share Data

As at December 31, 2015, 151,005,323 common shares were outstanding. In addition, common share purchase warrants, representing the right to acquire 19,962,080 common shares at an average exercise price of $0.28 per share. The Company has employee stock options outstanding entitling the holders thereof to acquire up to 5,375,833 common shares of which options to acquire common shares, up to 2,086,730 had vested. The weighted average exercise price of the vested options is $0.29 per share. Subsequent to yearend, the Company called 747 limited partnership units and exchanged them for 6,790,977 common shares of Eguana.

Financing Costs

Amortization of the financing costs associated with the standby equity agreement with DHTV was $34,135 the same as the quarter ended December 31, 2014. Accretion of the obligation to repay government contributions to research and development was $3,324 compared to $12,052 for the quarter ended December 31, 2014. The decrease is the result of the principal being repaid over the year. Interest on the Energy Northwest obligation was ($30,554) for the quarter ending December 31, 2015, compared to $3,994 for the quarter ended December 31, 2014. The decrease is the result of the contract expiring and the Company being potentially liable for eight minimum payments of $7,000 US plus interest of 20%.

The debentures are adjusted on a quarterly basis to reflect the Company's current forecast and the result that has on the amounts payable under the agreements. The forecast has not changed from yearend. Interest on bank debt was $0 for the quarter ending December 31, 2015 as compared to $15,689 for the same period in 2014. This decrease is due to of the Company repaying the line of credit in early October 2015.

Accretion on settlement liabilities was $37,788 for the period ended December 31, 2015. The liabilities did not exist at December 31, 2014.

Foreign Exchange

Our contract manufacturing is priced in U.S. dollars and in Euros, as is the custom in the electronics industry and our sales are priced in Euros and US dollars. The Company is exposed to fluctuations in the Canadian dollar value relative to the U.S. dollar and the Euro when margins from the sales are negative and the Company is required to finance the losses through use of Canadian funds. We do not hedge these exchange risks and have no plans to do so until our volumes are more stable.

Risks and Uncertainties

Our risks and uncertainties are detailed in the annual MD&A filed on SEDAR on January 29, 2016 and have not materially changed since that time.