MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Ltd. ("Eguana", or the "Company") is dated March 1, 2018 and should be read in conjunction with the Eguana's condensed interim consolidated financial statements for the three months ended December 31, 2017 ("Q1 2018") and for the three months ended December 31, 2016 ("Q1 2017"") and the annual consolidated financial statements for the years ended September 30, 2017 and 2016.

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all references to $ in this MD&A are to Canadian dollars. References to US$ or US dollars herein are to United States dollars.

Please read the Advisory Section of this MD&A which provides information on forward looking information and other information. Additional information relating to the Company, including Eguana's Consolidated Financial Statements, the Company's most recently completed Annual Information Form, news releases, and other required filing documents is available on SEDAR at www.sedar.com. The aforementioned documents are issued and made available in accordance with legal requirements but are not incorporated by reference into this MD&A.

OVERVIEW

A detailed overview of the Company's core business, the market for Eguana's products, and the Company's business strategy is provided in the MD&A for the financial year ended September 30, 2017.

Strategy and Outlook

Eguana's vision is to become a global leader in residential and small commercial grid tied energy storage systems. Strategically the Company remains focused on product standardization with pre-integrated, factory assembled, software driven energy storage systems with flexible capacity and an open controls interface to support locally optimized energy management software. In 2017 the Company aligned the following objectives to this strategy;

- Build key relationships in the United States, Europe, and Australia
- Convert 2016 design wins into partner contracts
- Technology advancement in residential and small commercial platforms
- Expand human resource, operational, and development capacity

In the first quarter of fiscal 2018 Eguana continued to gain traction in the Hawaiian residential customer grid supply (CGS) market recognizing $1.3 million in revenue, which translated into a 40% market share on the island of Oahu for the CGS installations. Product margins improved to 16 %, a +300% increase over prior year on product sales. In addition to Hawaii the Company has expanded business development activities in New York, California, and Ontario defining product applications and customers channels in residential, commercial, and electric vehicle infrastructure segments.

The 3-phase commercial product, which was completed and submitted for certification in fiscal Q4 2017, has passed all construction and environmental evaluation and testing, with only grid interactive and battery safety testing remaining.

The Company expects to obtain full certification status in North America within the current quarter. The commercial product is currently included in over a dozen customer project submissions in California where time of use and demand charges allow for an economic selling value for integrated battery systems.

In international markets, Eguana completed first prototypes of its All-in-One product, with first units set to ship in the second quarter as planned. The Company also completed the product qualification process for customer incentive and financing programs along with sales and marketing activities to generate early sales with its distribution partner.

Eguana has maintained a close relationship with its German automotive partner and completed a multi-year agreement with general product availability targeted for the June quarter. In order to execute on the initial year one forecasted volumes, and to prepare for continued growth, the Company has begun the transition to its planned contract manufacturing model. The transition will ensure operational, supply chain, and working capital requirements are met.

The Company completed a $3 million USD loan in the quarter to shore up working capital needs to continue to execute on sales and operational objectives. An initial $1.5 million USD tranche was drawn with the second $1.5 million USD tranche expected to be drawn in the current quarter.

Human resource objectives continued in the first quarter increasing our technical and training capacity for all markets. As volumes continue to grow, and the product portfolio increases, it becomes essential to provide advanced account management and training programs to ensure flawless execution on installation and service. Eguana will continue to add technical personnel throughout the year.

Q1 2018 OPERATING RESULTS

The following table sets forth a summary of the results of operations for the three months ended December 31, 2017 and 2016.

	Q1 2018	Q1 2017
Sales and engineering services	**1,318,727**	271,260
Cost of goods sold	**1,109,158**	59,739
Gross margin	**209,569**	211,521
Expenses		
General and administrative	**612,050**	368,775
Selling and marketing	**286,792**	223,679
Product research and development	**246,508**	272,083
Operations	**149,479**	137,881
	1,294,829	1,003,418
Loss before undernoted items	**(1,085,260)**	(791,897)
Financing costs	**(116,641)**	(101,588)
Other income	**212**	5,982
Net loss	**(1,201,689)**	(887,503)

Sales and engineering services

Deliveries to Eguana's customer in Hawaii resulted in an increase in sales of energy storage systems in Q1 2018 as compared to the same quarter in 2017. Sales of engineering services were nil in Q1 2018.

Energy storage system sales in Q1 2017 were $31,917 and were primarily derived in the USA and Canada from design wins with new customers. The Company generated $239,343 of sales through engineering services provided to the German automotive partner. This contract allowed for Eguana to bill for the engineering services and prototyping while customizing Eguana's inverter technology for the partner's ESS.

The Company expects to continue to see quarterly fluctuations in the revenues generated from the Company's various markets, sales regions and sales channels due to variability associated with the timing of customer purchase decisions.

Gross margin

Q1 2018 product sales resulted in a positive gross margin of 15.9% or $209,569 as compared to a positive gross margin of 3.7% or $1,166 for product sales and 88% or $210,355 from engineering services in Q1 2017.

Expenses

Operating costs for Q1 2018 were $1,294,829, up from $1,003,418 in Q1 2017.

- General and administrative expenses ("G&A") increased by $243,275 in Q1 2018 as compared to Q1 2017. The increase in G&A cost is primarily due to an unfavorable change in foreign exchange rates which resulted in a foreign exchange loss in Q1 2018 rather than a foreign exchange gain in Q1 2017 and higher share-based compensation. G&A expenses consist primarily of salaries (including the value of stock options for all employees), employee benefits and overhead expenses that are not otherwise allocated to other categories, occupancy, all professional fees, investor relations costs, travel costs, unrealized foreign exchange gains and losses and amortization.

- Selling and marketing costs in Q1 2018 increased as compared to Q1 2017. The increase was primarily due to higher travel cost and additional marketing. Included in these costs are salaries and benefits of personnel employed in marketing and customer account relationships, travel, costs of trade shows and a portion of the Chief Technology Officer's ("CTO") salary.
- Product research and development costs in Q1 2018 decreased 9.7% from Q1 2017. The decrease is primarily due to a recovery of cost through a grant that was received. Included are costs associated with prototype development and certification, market analysis in support of new product definition, salaries and benefits of the engineering group, and a portion of the CTO compensation.

Financing Costs

Financing costs in Q1 2018 were up slightly from Q1 2017. The increase is primarily attributable to the difference between the carrying value and the redemption value of the debentures that were repaid.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	**Q1 2018**	Q1 2017
Net loss	**(1,201,689)**	(887,503)
Share-based payments	**207,888**	17,913
Finance costs	**116,641**	101,528
Amortization of capital assets	**29,182**	23,955
Warranty provision	**16,880**	217
Amortization of deferred lease inducement	**(3,900)**	(3,900)
Unrealized foreign exchange (gain) loss	**34,516**	(49,049)
	(800,482)	(786,839)
Net change in non-cash working capital	**(915,777)**	(484,252)
Cash flow used in operations	**(1,716,259)**	(1,281,091)

Net Loss

Net loss for Q1 2018 increased $314,186 over the net loss in Q1 2017. The increase in net loss is primarily attributable to a higher share-based compensation, change in foreign exchange rates which resulted in a foreign exchange loss and higher marketing cost in Q1 2018.

Share-based Payments

Share-based payments were $207,888 in Q1 2018, up from $17,913 in Q1 2017. The option expense in Q1 2018 relates to 1,810,000 options that were granted to employees, officers and directors. 600,000 of the options vested immediately with an expiry of October 24, 2022. The remaining options vest in three equal tranches with the first to vest immediately and the remainder over two years with an expiry of October 24, 2027.

Finance Costs

Finance costs in Q1 2018 increased $15,113 over the finance costs in Q1 2017. The increase is primarily attributable to the difference between the carrying value and the redemption value of the debentures that were repaid.

Unrealized Foreign Exchange (Gain) Loss

Unrealized foreign exchange loss in Q1 2018 resulted from an unfavourable shift in foreign exchange rates during the quarter. In Q1 2017 the change in foreign exchange rates were favourable and resulted in the recognition of a gain.

Summary of Quarterly Results

	2018	**2017**				**2016**		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	1,318,727	75,169	178,887	328,594	271,260	9,036	284,980	176,272
Net (loss)	(1,201,689)	(1,212,696)	(1,141,311)	(1,261,267)	(887,503)	(1,119,216)	(1,195,551)	(1,321,482)
Per share (1)	(0.01)	(0.01)	(0.01)	(0.01)	-	(0.01)	(0.01)	(0.01)

(1) Basic and diluted

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company manages its capital with the prime objectives of safeguarding the business as a going concern, creating investor confidence, maximizing long-term returns and maintaining an optimal structure to meet its financial commitments and to strengthen its working capital position. At present, the capital structure of the Company is primarily composed of shareholders' equity. The Company's strategy is to access capital, primarily through equity issuances, asset based lending, and other alternative forms of debt financing. The Company actively manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile.

Cash generated from financing activities in Q1 2018 was $1,211,944, and the Company used $1,716,259 in operations during Q1 2018.

Working capital represents the Company's current assets less its current liabilities. The Company's liquidity, as measured by the Company's working capital (deficit), at the end of Q1 2018 was ($475,090) (Q1 2017 – $477,487).

As at December 31, 2017 the Company had net liabilities of $2,026,286 which increased from $240,083 in the same quarter in the previous year, primarily due to the issuance $1,500,000 USD in long term debt along with the related derivative liability.

The Company is required to repay $3,110,901 in accounts payables and accrued liabilities, $533,543 in long-term debt, $193,083 in other liabilities, $161,145 in purchase obligations, and $76,875 in lease obligations over the next 12 months.

No unusual trends or fluctuations are expected outside the ordinary course of business.

The Company is currently in a dispute with a prior customer as a result of the cancellation of a supply contract. A claim has been prepared to recover 1,479,332 Euros ($2,224,013 CAD) for unpaid invoices and interest, along with the option to claim an additional 903,584 Euros ($1,358,439 CAD) for European inventories purchased to fulfil this contract. Litigation is inherently uncertain and while legal counsel advises that the Company has a strong case, the receivable is being carried on the books at near zero. A favorable outcome in the dispute would increase the current assets of the Company.

The above noted prior customer has made warranty claims related to the Company's first generation, 3-phase Comfort series product. Management believes this claim is without merit and that any product failures are tied directly to a fundamental system failure in the design for which the customer was solely responsible.

The Company's former contract manufacturer submitted a claim in the Court of Queen's Bench in Alberta against Eguana for 1,534,000 Euros ($2,306,216 CAD) related to the cancellation of the above noted supply contract. The Company is disputing 799,000 Euros ($1,201,217 CAD) of the amount the contract manufacturer has claimed. The Company has recorded in its financial statements the undisputed amount, therefore a successful defense of the claim submitted by the former contract manufacturer would have no impact on the Company's liquidity. The Company has counter claimed the contract manufacturer for 6.8 million Euros.

Outstanding Debt

In December 2017, the Company issued $1,500,000 USD of debt, bearing an interest rate of 12.5% per annum which will be repaid in equal instalments starting in June 2018 for 30 months. Providing certain criteria are, the Company has the option to draw another $1,500,000 USD from the lender prior to March 31, 2018. As part of the loan, the Company issued 2,951,733 warrants which convert into an equal number of shares with an exercise price of $0.17 and an expiry date of December 20, 2022. Currently, 2,213,800 warrants are exercisable and the remaining warrants will vest when the Company draws the additional $1,500,000 USD. The exercisable warrants are exchangeable for $750,000 USD after the earlier of a liquidity event or September 30, 2021.

The Company had $586,667 of Series II and III debentures outstanding at the beginning of the 2018 fiscal year. In December 2017, the Company called all of the outstanding debentures at par and repaid principal of $586,667, accrued interest of $3,906 and royalties of $7,265 was also paid.

Shareholders' Equity and Shares Outstanding

As at March 1, 2018, 217,679,549 common shares are issued and outstanding. In addition, there are common share purchase warrants representing the right to acquire 25,667,055 common shares at an average exercise price of $0.26 per share outstanding. 737,933 of the warrants have not yet met their vesting conditions.

The Company has 8,734,583 stock options outstanding entitling the holders thereof to acquire up to 8,734,583 common shares. 4,647,494 stock options have vested as of today's date. The weighted average exercise price of the vested options is $0.24 per share.

The Company had no other equity issuances during Q1 2018 or Q1 2017.

Off-Balance Sheet Items

As at December 31, 2017, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on Eguana's financial condition, results of operations, liquidity or capital expenditures.

CAPITAL EXPENDITURES

In Q1 2018, capital expenditures totaled $55,206 (Q1 2017 - $14,754) and were primarily incurred with respect to the expansion of the company's facility to increase production capacity.

RELATED PARTY TRANSACTIONS

The Company had the following related party transaction:

	Q1 2018		Q1 2017	
	Salaries and benefits	**Share based compensation**	Salaries and benefits	Share based compensation
General and administrative	**70,550**	**150,429**	72,388	-
Product research and development	**14,620**	-	12,993	-
Selling and marketing	**59,314**	-	30,316	-
	144,484	-	115,697	-

Included in accounts payable and accrued liabilities at December 31, 2017 is $244,022 (September 30, 2017 - $276,250) due to directors and key management personnel.

During Q1 2018 the Company paid $36,318 (Q1 2017 - $36,318) to its former CEO as part of a settlement agreement and incurred $23,207 (Q1 2017 - $25,829) of accretion as the obligation matures.

RISK FACTORS AND RISK MANAGEMENT

Our risk factors and risk management are detailed in the annual MD&A filed on SEDAR at www.sedar.com on January 29, 2018 and have not materially changed since that time.

Going Concern

The condensed interim consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

At December 31, 2017, the Company had not achieved profitable operations since its inception and had an accumulated deficit of $55,943,159 (September 30, 2017 - $54,741,470) and recognized a cash flow deficiency from operations for the three-month period ended December 31, 2017 of $1,716,259 (2016 - $1,281,092). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. The lack of profitable operations and cash flow deficiency may cast significant doubt on the Company's ability to continue as a going concern.

At December 31, 2017, the Company had working capital deficit of $475,090 (September 30, 2017 – $725,408).

The ability of the Company to continue as a going concern is dependent on completing equity or debt financings and generating profitable operations in the future in order to meet liabilities as they come due. The ability to continue as a going concern may be adversely impacted by the loss of customers and/or declining sales per customer. To address its financing requirements, the Company may seek financing through the issuance of common shares, preferred shares, units of EGTLP, debentures or other securities of the Company or its subsidiaries. The outcome of these matters cannot be predicted at this time.

ACCOUNTING POLICIES

There have been no changes to the Company's critical accounting estimates and policies in Q1 2018. Significant accounting policies are disclosed in note 4 of the annual audited consolidated financial statements for the year ended September 30, 2017.

Accounting Pronouncements Issued but Not Adopted

The IASB has issued the following new and revised standards and amendments, which are not yet effective for the period ended December 31, 2017:

(a) IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project; classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

(b) IFRS 15, Revenue from Contracts ("IFRS 15")

IFRS 15 was issued in May 2014 and amended in April 2016 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

(c) IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and it replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The company is currently evaluating the impact of adopting the standards noted above.

ADVISORY SECTION

Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements (collectively, "forward-looking statements") within the meaning of applicable securities laws that and are based on certain assumptions and analysis made by the Company's management as of the date of this MD&A. Forward-looking statements include, without limitation, statements with respect to investment objectives and strategy, the development plans of the Company, regulatory changes, availability of customers, market penetration, 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 timetables, extent of solar resource usage and future growth and performance opportunities. The words "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavours", "seeks", "predicts", "intends", "potential", "opportunity", "target" or variations of such words of similar expressions thereto and the negatives thereof, identify forward-looking statements. In particular, this MD&A includes forward-looking statements with respect to the future dynamics and size of the solar PV and energy storage market and segments thereof; statements concerning the Company's expectations of future relationships as well as the size of the market for power electronics; statements concerning the Company's sales; and statements concerning factors which management believes may be relevant in assessing whether the Company's plans are achievable.

Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by the Company as of the date of such statements, outside of the Company's control and are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being entirely or partially incorrect or untrue.

Certain forward-looking statements contained in this MD&A about prospective results of operations, financial position or cash flows may constitute "future oriented financial information", is based on assumptions about future events, is given as at the date hereof and including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Forward-looking statements contained in this MD&A are based on various assumptions, including, but not limited to the following: (i) the Company's ability to achieve its growth strategy; (ii) the demand for the Company's products and fluctuations in future revenues; (iii) the Company's business model and assumptions; (iv) expectations of growth in the industry in which the Company operates and the markets in which the Company's products are sold; (v) sufficiency of current working capital to support future operating and working capital requirements; (vi) the stability of general economic and market conditions; (vii) currency exchange rates and interest rates; (viii) equity and debt markets continuing to provide the Company with access to capital; (ix) the Company's continued compliance with third party intellectual property rights; and (x) that the risk factors noted above, collectively, do not have a material impact on the Company's business, operations, revenues and/or results. By their nature, forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond the Company's control, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. All of the forward-looking statements contained in this MD&A are qualified by these cautionary statements.