MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2017

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Ltd. ("Eguana", or the "Company") is dated August 28, 2017 and should be read in conjunction with Eguana's condensed interim consolidated financial statements for the three and nine months ended June 30, 2017 ("Q3 2017" and "YTD 2017") and for the three and nine months ended June 30, 2016 ("Q3 2016" and "YTD 2016") and the annual consolidated financial statements for the years ended September 30, 2016 and 2015.

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, 2016.

OUTLOOK AND PRIORITIES

United States

Hawaii continues to be the growth driver for residential energy storage in the United States as the State continues toward its 100% renewable energy objectives. As previously released by the Company, the average system size (per kilowatt hour) has continued to increase with recent sales averaging 22.5 kwh per system sold. Early market analysis indicated standard systems would likely be 12kwh - 13kwh. Eguana's AC Battery's modular design allows for simple battery expansion in size configurations of 6.5 kwh, and up to 39kwh maximum, with a single set of power controls. The ability to easily add battery modules without requiring additional power electronics modules provides a direct cost advantage to the Company.

In September 2017, the U.S. will also introduce more stringent interconnection requirements in the form of UL1741SA. The Company believes this will be a significant technological barrier to entry within the competitive field for grid connected energy storage systems, and will disqualify previously used power control solutions. Eguana's AC Battery has internally passed all new interconnection requirements and been submitted to CSA for final certification. The Company expects a seamless transition to the new standard.

As planned, the Company began shipping PCS units in June to fulfill backlogged Hawaiian orders, however due to a short delay in battery module shipments, missed its internal revenue expectation. An immediate backorder of battery modules valued at $875,000 resulted. Battery module constraints have been resolved by our partner and new shipments are expected to commence in September, with increasing PCS and additional battery modules throughout the balance of year. The Company expects the resolution of its battery supply constraints to drive material growth in revenue for the rest of the calendar year, and increasing volume will begin to drive improved product gross margins.

The Company continues to build additional sales channels within the U.S. market, with our business development focus in New York along with California. Recent policy changes in New York State have been favorable for renewable energy and the Company is in advanced discussions with a prominent real estate developer, with the expectation of both residential and commercial system pilot installations this year. In addition, the Company has advanced to field trials with a tier one solar manufacturer to optimize a complete solar plus storage package encompassing the partner's micro-inverter technology. The Company has received all required partner technology and equipment for the final testing phase, where upon completion will be promoted through the partner's global installer network.

Commercial product development for deployment in the US market was completed in the quarter and submitted for UL certification as planned. Market conditions for the commercial product continue to gain momentum as peak load shaving, demand response, and grid services become critical for building owners and developers. The modular approach utilized by the Company for commercial product development allows system configurations ranging from 39kwh to 65kwh with one set of power controls and multiple systems can also be installed in parallel where larger battery capacity is required. Pilot orders for commercial systems are expected to ship through the last calendar quarter for demonstration installations in Alberta, Texas, and Colorado.

Electric vehicle infrastructure applications present a specific type of commercial load that is exposed to high demand charges for the asset owners. Commercial AC Batteries can be integrated into the EV charging system design, reducing the demand load on the power grid when vehicles are charging and therefore the operational cost structure. Eguana's commercial power controls partner, Pason Systems, has built in the required system controls and networking capabilities to allow the asset owner to deliver additional grid services. The Company expects to close on a master supply agreement in the fourth fiscal quarter with an electric vehicle charging company with global installations. Pilot demonstrations would commence post system certification this calendar year.

Europe

The Company has executed a distribution agreement targeting Germany, Austria, and Switzerland with an Eguana branded, fully integrated, indoor product developed for Europe's self consumption market. The new European product has been designed with a single step installation process and "touch-free" patented features including advanced remote diagnostics, battery pre-charge, and auto recovery functionality, eliminating traditional service and support infrastructure currently used by energy storage integrators. Product marketing and training will begin in the fourth calendar quarter with product rollout planned for the first calendar quarter of 2018.

The Company has continued development discussions with its German automotive partner as specifications for a residential storage system are finalized.

Australia

Australia continues to be a high-profile market for residential energy storage as electricity prices continue to rise paired with significant decreases in solar feed-in tariff programs, driving growth in renewable energy self consumption. Following successful pilot installation and demonstrations, the Company has executed its first volume order targeting the residential marketplace. Product and installation training has been completed, with first product releases expected during the final calendar quarter.

OPERATING RESULTS

The following table sets forth a summary of the results of operations for the three and nine months ended June 30, 2017 and 2016.

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
Sales and engineering services	**178,887**	284,980	**778,741**	689,628
Cost of goods sold	**172,874**	264,337	**557,688**	725,780
Gross margin	**6,013**	20,643	**221,053**	(36,152)
Expenses				
General and administrative	**509,225**	632,196	**1,656,473**	1,457,989
Selling and marketing	**180,948**	183,525	**596,624**	621,009
Product research and development	**260,252**	153,145	**614,542**	519,278
Operations	**113,397**	114,725	**370,361**	343,530
	1,063,821	1,083,591	**3,238,000**	2,941,806
Loss before undernoted items	**(1,057,809)**	(1,062,948)	**(3,016,947)**	(2,977,958)
Financing costs	**(85,368)**	(134,182)	**(285,003)**	(721,124)
Loss on debentures	-	-	-	(18,433)
Other income	**1,866**	1,579	**11,869**	1,830
Net loss	**(1,141,311)**	(1,195,551)	**(3,290,081)**	(3,715,685)

Sales and engineering services

Sales and engineering services decreased 37% for the three months in Q3 2017 as compared to Q3 2016. Product sales in Q3 2017 were $178,887 and were primarily derived in Hawaii, as supply of batteries hindered revenue growth. In Q3 2016, product revenue was primarily generated from the sale in the USA of residential AC Batteries and the sale of BiDirex subassemblies.

Sales and engineering services increased 13% for the nine months ending June 30, 2017 as compared to YTD 2016. Product sales YTD 2017 were $486,087. YTD 2016, product sales were primarily generated in the USA from residential AC Battery design wins, customers with new battery technologies who require inverters to commercialize their product and for the net zero community demonstrations. YTD 2017, the Company generated $292,654 of sales through engineering services provided to its German automotive partner.

The Company expects to continue to see quarterly fluctuations in 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

Gross margins were positive for the three months ended June 30, 2017 at 3.4% or $6,013. Gross margin in Q3 2016 was 7.2% or $20,643. The Q3 2016 margin was helped by an inventory write up of $13,352 in the quarter. Margin improvements are expected across the next two quarters as supply chain processes and manufacturing become consistent with increasing orders. The Company will transition from a low volume procurement strategy to standard partner supply agreements delivering cost reduction on critical components. Q3 2017 gross margins from engineering services were nil.

Gross margins were 28.4% or $221,053 for the nine months ended June 30, 2017. Product sales margins were 4.7% or $22,824. When including the write down of inventory of $50,697, the margin is ($27,873) or (5.7%). YTD 2017 engineering service margins were $248,926 or 85.1%.

Expenses

Operating costs in Q3 2017 were $1,063,821, down from $1,083,591 in Q3 2016.

- General and administrative expenses ("G&A") decreased 19% in Q3 2017. The decrease in G&A cost is primarily due to the Company incurring advisory costs paid in shares in Q3 2016. The same expense did not exist in Q3 2017. 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, travel costs, and non-cash expenses for unrealized foreign exchange gains and losses and amortization.
- Selling and marketing costs in Q3 2017 remained relatively consistent with Q3 2016. 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 Q3 2017 increased 70% from Q3 2016. The increase is primarily due to material cost related to the development of the Company's Commercial AC Battery product. Product research and development cost include costs associated with a customer's certification and finalizing the AC Battery development. Included in product research and development 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.

Operating costs YTD 2017 were $3,238,000, up from $2,941,806 YTD 2016.

- General and administrative expenses increased 14% YTD 2017. The increase in G&A cost is primarily due to bad debt expenses incurred in Q2 2017 and to a lesser extent an increase in legal and professional fees largely related to ongoing litigation.
- Product research and development costs increased 18% YTD 2017. The increase is due to the addition of a new employee at the beginning of the year and slightly higher material costs.
- Operations costs include salaries and benefits of employees directly allocated to this function and direct costs incurred to support manufacturing and supply chain activities.

Financing Costs

- Financing costs were down for the quarter and YTD 2017 when compared to the same periods in 2016. The decrease is primarily attributable to a decrease in interest associated with the debentures, and no amortization of financing fees.

Analysis of Use of Proceeds

The following table sets forth a comparison of planned use of proceeds from the June 30, 2016 equity financing with amounts expended to June 30, 2017.

	Planned	Incurred to Q3 2017
Repayment of debt	2,000,000	1,310,765
Hiring of new employees	600,000	60,171
Office relocation and capital improvements to research lab	500,000	-
Acquisition of production equipment	300,000	62,301
Marketing and business development initiatives	300,000	271,562
	3,700,000	1,704,799

Repayment of Eguana's debt is currently made on a quarterly basis.

Hiring of new employees has been delayed due to delays in the Hawaiian and Australian market.

The Company was able to expand its facility at its existing location through renegotiation of its lease. The leasehold improvements related to the expansion are expected in calendar Q4 2017.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	**Q3 2017**	Q3 2016	**YTD 2017**	YTD 2016
Net loss	**(1,141,311)**	(1,195,551)	**(3,290,081)**	(3,715,685)
Share-based payments	**58,994**	46,765	**137,821**	126,126
Finance costs	**85,368**	134,182	**285,003**	721,127
Amortization of capital assets	**25,723**	32,917	**73,538**	80,787
Loss on debentures	**-**	-	**-**	18,433
Warranty provision	**9,951**	(967)	**11,144**	5,416
Amortization of deferred lease inducement	**(3,900)**	(3,900)	**(11,700)**	(11,700)
Write down (up) of inventory	**-**	(13,352)	**50,597**	20,698
Bad debt expense	**982**	-	**100,901**	-
Unrealized foreign exchange loss (gain)	**27,083**	(442)	**(26,224)**	(3,886)
	(937,110)	(1,000,348)	**(2,668,901)**	(2,758,684)
Net change in non-cash working capital	**464,930**	161,984	**(18,318)**	(746)
Cash flow used in operations	**(472,180)**	(838,364)	**(2,687,219)**	(2,759,430)

Net Loss

Net loss for Q3 2017 decreased $54,240 over the net loss in Q3 2016. The decrease in net loss is primarily attributable to lower finance costs. The decrease was partially offset by higher non-cash expenses including bad debt expense, inventory write down and share based payments.

Finance Costs

Finance costs YTD 2017 decreased $436,124 over the finance costs in Q3 2016. The decrease in finance costs is primarily due to a decrease in interest on debentures and financing fees being fully amortized in 2016.

Bad Debt Expense

Bad debt expense YTD 2017 includes an amount related to an accounts receivable from a customer who has declared bankruptcy.

SUMMARY OF QUARTERLY RESULTS

	2017				2016			2015
	Q3	Q2	Q1	Q4	Q3	Q3	Q1	Q4
Sales	178,887	328,594	271,260	9,036	284,980	176,272	228,376	1,367,075
Net (loss)	(1,141,311)	(1,261,267)	(887,503)	(1,119,216)	(1,195,551)	(1,321,482)	(1,198,652)	(4,587,408)
Per share (1)(2)	(0.01)	(0.01)	-	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)

(1) Basic and diluted

(2) 2016 annual earnings per share is ($0.03) which differs from the summary above because of rounding.

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.

The Company used $472,180 cash in operations during Q3 2017 and $275,011 cash to fund financing activities during the quarter.

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 Q3 2017 was ($2,141,848) (September 30, 2016 – $1,570,491).

The Company is required to repay $658,333 in debentures, $428,490 in other liabilities, $205,648 in purchase obligations, and $76,875 in lease obligations over the next 12 months.

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 ($2,090,148 CAD) for unpaid invoices and interest, along with the option to claim an additional 903,584 Euros ($1,276,674 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 ($2,167,400 CAD) related to the cancellation of the above noted supply contract. The Company is disputing 799,000 Euros ($1,128,900 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

The Company had $1,429,500 of Series I, II and III debentures outstanding at the beginning of the 2017 fiscal year. During Q3 2017 Eguana repaid $232,167 and repaid the Series I debenture in its entirety. The Company has $748,333 in principal outstanding as at June 30, 2017.

Term Loan Facility

During the year ended September 30, 2016, the Company repaid the outstanding line of credit with proceeds from the issuance of common shares in September 2015 and canceled the $1,500,000 operating line of credit.

As a result of the canceling of the line of credit, certain warrants were subject to accelerated expiration and the deferred financing cost were fully amortized.

Shareholders' Equity and Shares Outstanding

As at August 23, 2017, 202,679,549 common shares are issued and outstanding. In addition, there are common share purchase warrants representing the right to acquire 15,832,183 common shares at an average exercise price of $0.29 per share.

The Company has 6,884,583 employee stock options outstanding entitling the holders thereof to acquire up to 6,884,583 common shares. The weighted average exercise price of the vested options is $0.31 per share.

The Company had no equity issuances during Q3 2017. In Q3 2016, the Company issued 27,272,728 common shares from gross proceeds of $6,000,000.

Off-Balance Sheet Items

As at June 30, 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 Q3 2017, capital expenditures totaled $1,272 (Q3 2016 - nil) and were primarily incurred with respect to the purchase of new lab equipment.

RELATED PARTY TRANSACTIONS

The Company had the following related party transaction:

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
General and administrative	**96,250**	54,000	**264,388**	162,000
Product research and development	**14,623**	11,591	**98,559**	81,137
Selling and marketing	**34,121**	27,046	**42,240**	34,773
Operations	**-**	8,500	**-**	32,500
	144,995	101,137	**405,187**	310,410

Included in accounts payable and accrued liabilities is $215,481 (June 2016 - $292,428) due to directors and key management personnel.

During Q3 2017 the Company paid $36,318 (Q3 2016 - $42,372) to its former CEO as part of a settlement agreement and incurred $24,591 (Q3 2016 - $31,473) of accretion as the obligation matures.

In January 2017, the Company issued 200,000 stock options with an exercise price of $0.27 to the Interim Chief Financial Officer. The options vested immediately and expire five years from the grant date.

RISK FACTORS AND RISK MANAGEMENT

Risk factors and risk management are detailed in the annual MD&A filed on SEDAR at www.sedar.com on January 27, 2017 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 of accounting 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 June 30, 2017, the Company had not achieved profitable operations since its inception and had an accumulated a deficit of $53,528,774 (June 2016 - $49,119,478) and recognized a cash flow deficiency from operations for the nine-month period ended June 30, 2017 of $2,687,219 (June 2016 - $2,759,430). 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.

The Company currently has working capital (deficit) of ($2,141,848) (September 30, 2016 – $1,570,491).

The ability 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 and enable the Company to continue operations. The ability to continue as a going concern may be adversely impacted by the loss of customers and falling sales per customer. To address its financing requirements, the Company may seek financing through the issuance of common shares, first preferred shares, units of EGT Limited Partnership and debentures. 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 for the period ending June 30, 2017. Significant accounting policies are disclosed in note 4 of the annual audited consolidated financial statements for the year ended September 30, 2016.

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 June 30, 2017:

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

IFRS 9 reflects the first phase of the IASB's work on the replacement of IAS 39 "Financial Instruments, Recognition and Measurement". The standard revises and limits the classification and measurement models available for financial assets and liabilities to amortized cost or fair value. IFRS 9 is effective for annual periods on or after January 1, 2018.

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

IFRS 15 was issued in May 2014 and 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.

(d) IAS 1, Presentation of Financial Statements ("IAS 1")

In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statement of operations and comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments to IAS 1 may be applied immediately, and become mandatory for annual periods beginning on or after January 1, 2016.

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.