Management Discussion and Analysis
For The Three Months Ended June 30, 2016

The following discussion and analysis as of August 24, 2016 should be read in conjunction with the Consolidated Financial Statements of Eguana Technologies Ltd. ("Eguana", or the "Company") and notes for the nine months ended June 30, 2016.

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 photovoltaic ("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.

Company

Eguana Technologies designs and manufactures power control solutions for grid interactive energy storage systems that use advanced batteries and energy management software. All integrated energy storage systems (ESS) have three major components, the software controller (energy management system), the battery, and the advanced power controls. Our smart power control solutions charge and discharge batteries converting alternating current (AC) to direct current (DC) to charge and converting DC to AC to discharge batteries in a seamless bi-directional conversion process. Our products are also the point of connectivity of the energy storage system and provide regulatory control over the interconnection of the energy storage system to the power grid and the consumer.

Based on our core power electronics technology, our products are designed and delivered as a value added factory assembled energy storage system with our power controlspre-integrated and certified with lithium batteries or as a set of power controls subassemblies for integration by our partners into their own products with their own batteries.Our focus is on distributed energy storage located at the point of consumption, or the edge of the power grid. We believe edge of grid, or behind the meter, applications are the most cost effective way to manage the power grid delivering multiple value streams to the key stakeholders, the customer, the electricity retailer, the distribution utility, and the system operator.

Distributed Energy Storage continues to have significant growth potential in the renewable energy sector. Eguana continues to be recognized as one of the market leaders in low voltage power conversion and control measured by system design flexibility, power conversion efficiency and installation simplicity. The Eguana AC Battery and Bi-Direx product lines are standardized, globally patented and commercially certified for distribution in major markets.

Intellectual Property is one of the Company's core assets, and our culture continues to drive us to add to our portfolio, which now includes 16 patents and pending patents globally. Our competitive advantage is based on our software-driven open controls architecture, our core technology efficiency advantage, our flexible value-added design for integration, and our integration capabilities.

Market

The market for distributed energy storage is driven by the need to smooth out growing renewable generation on our grids, and by the combination of falling battery costs and advanced control and communication networks enabling distributed energy storage to deliver low cost grid services and electricity bill savings.

We believe that the long term market will be characterized by fleets of distributed storage deployed and controlled by an aggregator to deliver grid services, and that the individual storage systems will earn their floor- or wall-space from commercial or residential hosts by delivering bill savings, reduced cost volatility, backup power, or some other compensation from the fleet owners.

However, until the new regulatory models supporting grid services are clarified there is little aggregation going on beyond pilot projects by utilities, and the market is being driven primarily by the hosts themselves seeking those behind the meter value propositions, sometimes including a contract with the system financier to make their system available for grid services, or sometimes with an option to opt-in to grid services opportunities in the future.

The host applications define the product configuration and bill savings opportunities but they can be generally categorized into three segments:

Residential Solar+Storage

This is an evolution of the original value proposition of rooftop solar PV as rate structures change to recognize the growing importance of distributed solar to our energy supply. High feed in tariffs and net metering (essentially using the grid as a battery) originally encouraged export of excess solar generation to the grid, but falling feed in tariffs that are now significantly below retail rates and the repeal of net metering that has begun to cascade across the USA are motivating homeowners to store their excess generation during the day and use it at night. This, combined with ability to arbitrage time of use rates and to provide backup power during grid outages makes the economic value proposition for the customer.

Commercial Buildings

In many jurisdictions rate structures for commercial buildings include demand charges in addition to the energy charges and fixed charges that are typical of residential rate structures. Demand charges are based on the peak power draw recorded during the previous billing period or over the previous year. Since these charges typically account for two thirds of a commercial building power bill, reducing them can provide significant value and in certain jurisdictions today the demand charge reductions alone result in a payback of less than 3 years on a commercial storage system. However, the ROI calculation is quite complex and sensitive to actual operating results, so this market is currently served by third party owners who install the system at the host location on a 'shared savings' basis rather than by selling the product to the host. This financeable third party ownership model makes this an attractive early market for aggregators looking to build up a base fleet of storage systems while the grid services market matures.

Electric Vehicle ("EV") Charging deployments

While EV Charging applications end up on residential or commercial property and could be considered just another load on an residential or commercial power bill, EV Charging has some unique characteristics that make it a distinct and high growth channel for distributed energy storage:

- EV Charging is a significant new load added to the building, which will significantly impact the power bill and increases the motivation to add on site generation and storage at the same time.
- EV Charging (especially commercial) is typically deployed along with a control and monitoring network that can be used to dispatch fleets of storage.
- Despite all the talk about 'vehicle to grid' services, the reality is that the vehicle battery is not plugged in and available to be discharged often enough to depend on for grid services. Installing charging solutions including stationary storage allows for full grid services participation that can be augmented by the storage built into the vehicle whenever it's available. And the stationary storage can also be used to provide bill savings through time of use or demand charge optimization just as it is in other applications.
- There is a clear opportunity for co-packaging to reduce footprint and installed cost.

Each of these market segments appears in each region to varying degrees. Specific drivers in each regional market are described in more detail below:

Europe

The European market is currently the world's largest market for distributed energy storage, and is focused primarily on the residential self-consumption application. Commercial building opportunities are limited by the subsidized rates paid by commercial electricity customers according to industrial policy in many EU countries.

Europe is dominated by Germany's national market, as is expected from Germany's leadership in rooftop solar PV. As was the case with the PV market, the storage market is now spreading to other European countries including Italy, Spain, and the UK. While some German integrators are expected to carry their success to these other European markets, regional integrators will also have success based on offerings differentiated to each country's specific market needs. There are nascent grid services opportunities for distributed energy storage in Germany, with spinning reserve being the only active market with grid services not being a major market factor at this time.

USA

The US market has the highest long term potential due to the range of innovative regulatory and financing models currently being developed, but the market is limited at present to a handful of states, each with its own particular behind

the meter economic drivers. As these new regulations, rate structures, and financial products come into play, the US market is expected to rapidly expand and become the largest global opportunity for distributed energy storage.

The primary application for distributed energy storage in the USA at present is for commercial demand charge management, especially in California where demand charges have been steadily increasing over the past decade. The residential market opportunity is concentrated right now in Hawaii, where Hawaiian Electric's new Customer Grid Supply and Customer Self Supply programs incentivize energy storage through reduced export rates and non-export requirements, and among utility pilots of residential storage to provide grid services across the country. Elsewhere, residential demand is characterized by premium backup power and time of use arbitrage, and deployments are supported with state level incentives.

Australia

Australia is expected to be the fastest growing distributed energy storage market in 2017. While the market size is small, Australia has a combination of the self consumption drivers from Europe and regulatory innovation from the USA creating a range of attractive opportunities for distributed storage. Utilities are proactively getting involved in the business by financing and deploying customer sited systems, a PV retrofit market is developing for customers whose export compensation rates are falling to near zero, and new PV installations are expected to have a high storage attach rate.

Strategy

In order for energy storage to make an impact as quickly as possible, the industry requires standardized, certified, high volume, low cost, integrated products. However, global market requirements are varied, hampering efforts at producing a standardized product. Eguana has determined that the best approximation to a globally standardized product is an AC Battery: a pre-integrated battery and power control system with flexible storage capacity that is completed through an open standards interface with a customer defined EMS to create an energy storage system that meets the operating requirements of a given market. We deliver this integrated battery + power controls solution in a standard or customized enclosure that meets the installation requirements of the market and is fully certified as an energy storage appliance to safety and grid interconnection standards.. By standardizing the electronics and controls integration we achieve high volume production sooner and can invest in platform cost reductions that benefit all markets, all while enabling customized controls and enclosures to meet individual market requirements.

MANAGEMENT DISCUSSION OF SECOND QUARTER RESULTS

Operations

Third quarter revenue increased to $284,980 from $176,272 in the second quarter however our order backlog has been decreased by 16.6% to $398,580. The primary driver for the new order reduction was a result of regulatory permitting delays within the Hawaiian utility for all grid tied energy storage devices. Our view is the permitting process was in limbo pending the conclusion of the NextERA/Hawaiian Electric merger hearings. Our expectation is for approvals to begin in the coming weeks at which point orders will increase.

Gross margins from product sales remained positive for the third quarter at 7.2%. Margins were adjusted for $13,352 in inventory that was consumed in the quarter after being impaired at year end. The adjusted gross margin of 2.5% was achieved on low volume AC Battery prototype and demonstration sales as we continue to build our customer base and channels in the US and Australian markets. Our expectation is to see a steady increase in positive gross margins as volume discounts are realized in the supply chain. Operating costs for nine months ending June 30, 2016 were $2,941,806, down slightly from the same time period of the prior year of $3,096,366. Our Operating numbers continue to support our business model which has been designed to hold our operating cost flat year over year.

- Operating costs were $114,725, down 11.1% from $129,020 in Q3 2015. Included in this amount are salaries and benefits of employees working in operations, direct costs incurred to support manufacturing and supply chain activities and reallocation of the former COO salary to G&A in the current fiscal year.
- Product development costs in Q3 2016 remained relatively consistent with Q3 2015 at $153,145. 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 engineering group, and a portion of our CTO's compensation.

- Our investment in selling and marketing in Q3 2016 was $183,525 which is down from the prior quarter of $208,090 and down from $210,239 the same quarter in the prior year. Although in FY 2016 the company started business development activities in the United States and Japan along with Europe and have increased resources for execution, less has been spent on tradeshows and sponsorship. 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 our CTO's salary.
- Third quarter G&A decreased 11.5% to $632,196 from $714,713 in Q3 2015. G&A was down notwithstanding the Company incurring advisory costs (paid in shares - $224,559) and other share-based payments of $30,351. 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 above noted categories, including corporate maintenance charges, occupancy, all professional fees, investor relations fees and travel costs.

Outlook and Priorities

Strategically in 2016 we chose to expand our customer and channel coverage in each major market. Year to date we remain on track with our 2016 objectives measured by design wins, demonstration orders, and installations. We are continuing to focus our resources on US market expansion, European volume recovery, and business development in Asia and Australia.

United States

Residential

Our focus continues to be execution within the Hawaii and California markets. Although the economic drivers remain very strong in Hawaii, and the new customer grid supply 25MW maximum solar installation cap is nearing its end, the utility has yet to approve permits for storage system interconnection. Our assumption is that utility delays were a result of the pending decision on the NextERA purchase of the Hawaiian Electric Company which came to conclusion July 18, 2016. Our expectation is the permitting process will now begin with installations imminent thereafter. The Company will continue to support our partner E-Gear LLC as orders are expected to ramp with additional Hawaiian solar installers along with their expansion into the California market. The flexibility of our supply chain put the Company in position to slow down supply chain activities through the quarter as a result of the Utility permitting issue and reduction in orders however the net result will be a delayin the Company's profitability target by year end.

Commercial

As the commercial behind the meter market continues to mature, we are seeing increased interest in a 15kVA/30kWh, factory assembled product for small commercial applications. Our commercial product prototypes are planned in December 2016 for lab testing with beta deployment commencing early 2017. Pilot work with current customers has already begun with the existing residential AC Battery in anticipation of our commercial AC Battery release. Several of these customers have progressed through the integration testing phase. At present we have found no products on the market that meet this defined industry gap for commercial applications

Europe

Our focus remains on successful launches with our German automotive partner and our Spanish integration partner Ampere Energy along with integrating into the product development cycles of other leading players in the European market.

Initial prototypes have passed all functional acceptance testing with our automotive partner and product launch dates and marketing strategy has been confirmed with the company. The product is set to enter advanced field testing next month with volume orders expected this fall.

The Company has also completed integration with the Ampere Sphere with general availability targeted for January 2017.

Australia

The reception to the AC Battery product in Australia has been very strong and we are quickly building distribution channels supported by our marketing partnership with Itochu. The combination of requirements typical of both the US and EU markets makes our global platform particularly valuable, and localized EMS provision is also proving desirable.

Our focus in Australia is to ensure a smooth launch with Itochu whereby we can establish our support capabilities while we further evaluate the market structure and additional opportunities.

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 June 30, 2016 was $1,195,551, a decrease of $181,420 from the same quarter ended June 30, 2015.

Excluding non-cash items, cash flow used in operations for the quarter ended June 30, 2016 was $838,364. Non-cash items affecting the Net Loss were for the 3 months ended:

	June 30, 2016	March 31, 2016	June 30, 2015
			$
Operating activities			
Net loss	**(1,195,551)**	(1,321,482)	(1,376,971)
Amortization of capital assets	**32,917**	24,412	21,881
Amortization of deferred lease inducement	**(3,900)**	(3,900)	(3,900)
Inventory (write up) write down	**(13,352)**	(30,271)	-
Share-based payments	**30,351**	-	21,118
Warranty provision	**(967)**	2,348	12,000
Finance costs	**134,182**	432,001	52,265
(Gain) loss on debentures and embedded derivatives	**-**	-	(139,446)
Investor relation expense	**16,414**	25,657	-
Unrealized foreign exchange loss (gain)	**(442)**	(8,270)	5,266
	(1,000,348)	(879,505)	(1,407,787)
Net change in non-cash working capital	**161,984**	167,487	566,084
Cash flow used in operating activities	**(838,364)**	(712,018)	(841,703)

Sales and Gross Margin

Total revenue from product sales and services decreased to $284,980 in Q3 fiscal 2016 from $1,552,853 in Q3 fiscal 2015. This decrease was primarily due to the loss of a major customer in Q4 2015.

Gross margins in Q3 2016 were $20,643 and reflected a net write-up of inventory of $13,352 in the quarter. Q3 2016 gross margin represents a significant improvement from the loss of $251,954 in the same quarter in 2015, which was negatively impacted by a non-reoccurring retrofit cost related to products shipped in FY 2014.

Summary of Quarterly Results

	2016			2015				2014
	June 30	March 31	Dec 31	Sept 30	June 30	March 31	Dec 31	Sept 30
Sales	284,980	176,272	228,376	1,367,075	1,552,853	1,545,575	1,541,505	921,639
Net (loss)	(1,195,551)	(1,321,482)	(1,198,652)	(4,587,408)	(1,376,971)	(1,328,286)	(1,496,142)	(3,070,391)
Per share (1)	(0.01)	(0.01)	(0.01)	(0.05)	(0.02)	(0.02)	(0.03)	(0.06)

(1) Basic and diluted

Liquidity and Capital Resources

Liquidity, as measured by working capital, at the end of the quarter was $1,522,017. The company recognized a cash flow deficiency from operations for the nine-month period ended June 30, 2016 of $2,759,430.

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 ($2,128,167 CAD) for unpaid invoices and interest, along with the option to claim an additional 903,584 Euros ($1,299,353 CAD) for European inventories purchased to fulfil this contract. 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. However, a favourable outcome in the dispute would increase the current assets of the Company.

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

In addition, the Company's former contract manufacturer submitted a claim in an Alberta court against Eguana for 1,534,000 Euros ($2,206,000 CAD) related to the cancellation of the above noted supply contract. The Company is disputing 799,000 Euros ($1,149,000 CAD) of the amount the contract manufacturer. The Company has recorded the undisputed amount and has filed a counter claim against the contract manufacturer. A successful defence of the claim submitted by the former contract manufacturer would not have an impact on the Company's liquidity.

Related Party Transactions

The Company had the following related party transaction:

	Three months ended		**Nine months ended**	
	2016	2015	**2016**	2015
	$	$	**$**	$
General and administrative	**54,000**	90,893	**162,000**	307,513
Product research and development	**11,591**	-	**81,137**	-
Selling and Marketing	**27,046**	-	**34,773**	-
Operations	**8,500**	50,884	**32,500**	177,473
Total	**101,137**	141,777	**310,410**	484,986

Included in accounts payable and accrued liabilities is $292,428 (September 30, 2015 - $235,998) due to directors and members of key management personnel.

During the quarter, the Company paid $42,372 to a Director as part of a settlement agreement and incurred $31,473 of accretion as the obligation matures.

On December 21, 2014, in advance of the second anniversary of the issuance of the Company's Series II debentures issued on August 7, 2013, a subsidiary of the Company acquired $240,000 principal amount of the Series II debentures of the Company that were owned by Justin Holland, Michael Carten and Robert Penner for face value. In addition, on December 21, 2014, $42,167 of the remaining principal amount of the Series I debentures issued on June 29, 2012 that were issued to Justin Holland were acquired by a subsidiary of the Company.

At the time of the acquisition, Justin Holland was Chief Operating Officer of the Company, Michael Carten was President, Chief Executive Officer and a director of the Company and Robert Penner was a director of the Company. Pursuant to the acquisition of the Series I and Series II debentures by the Company:

- Justin Holland transferred $102,167 principal amount of debentures to a subsidiary of the Company for aggregate proceeds of $102,167. The principal amount transferred to the subsidiary of the Company was comprised of: (i) $60,000 principal amount of Series II debentures issued to Mr. Holland on August 7, 2013 for an aggregate purchase price of $52,500; and (ii) $42,167 remaining principal amount of Series I debentures issued on June 29, 2012 for an aggregate purchase price of $40,250;
- Michael Carten transferred $120,000 principal amount of debentures to a subsidiary of the Company for aggregate proceeds of $120,000. The principal amount transferred to the subsidiary of the Company was comprised of $120,000 principal amount of Series II debentures issued to Mr. Carten on August 7, 2013 for an aggregate purchase price of $105,000; and
- Robert Penner transferred $60,000 principal amount of debentures to a subsidiary of the Company for aggregate proceeds of $60,000. The principal amount transferred to the subsidiary of the Company was comprised of $60,000 principal amount of Series II debentures issued to Mr. Penner on August 7, 2013 for an aggregate purchase price of $52,500.

During the course of the Company's December 2014 private placement, a key subscriber imposed a closing condition on the Company requiring that the Company meet a minimum subscription amount prior to the closing of the offering. After a review of the financial position of the Company, management and the board of directors agreed, through the Company's wholly-owned subsidiary, to acquire the debentures from Messrs. Holland, Carten and Penner. Prior to the purchase of the debentures, the individuals provided a verbal non-binding confirmation to the Company that they proposed to utilize the proceeds from the disposition of their debentures to participate in the Company's December 2014 private placement. The Company acquired the debentures from Messrs. Holland, Carten and Penner and did not make an offer to acquire all of the Series II debentures of the Company that were outstanding because: (i) Messrs. Holland, Carten and Penner approached the Company with the offer to sell their Series II debentures at face value; (ii) the Company needed to complete the acquisition of the debentures in an expedited manner; and (iii) after considering the value of the Series II debentures, management of the Company believed that the other holders of the debentures would be unwilling to sell such debentures at face value.

Disclosure of Outstanding Share Data

As at August 24, 2016 200,588,283 common shares are outstanding. In addition, common share purchase warrants, representing the right to acquire 19,285,772 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 6,649,583 common shares of which options to acquire common shares, up to 3,129,167 had vested. The weighted average exercise price of the vested options is $0.27 per share.

Financing Costs

Financing costs were in Q3 2016 were $134,182, up from $52,265 in the same quarter of the prior year. In Q3 2015 the Company recognized a gain of $87,796 due to the change in fair value of the government grant, which accounted for the majority of the difference.

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. 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.