MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE MONTHS ENDED SEPTEMBER 30, 2022

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Ltd. ("Eguana", or the "Company") is dated November 21, 2022 and should be read in conjunction with Eguana's consolidated financial statements for the three and twelve months ended September 30, 2022 ("Q4 2022" and "YTD 2022") and the Company's annual audited consolidated financial statements and notes thereto for the years ended September 30, 2021 and 2020 ("Q4 2021" and "YTD 2021").

The Board of Directors approved changing the Company's year end from September 30 to December 31 to have the Company's year end financial statements more comparative with a majority of its industry peers. Consequently, the financial statements for the fifteen months ended December 31, 2022 (Q5 2022), will be presented with comparative information for the twelve months ended September 30, 2021.

The consolidated interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 as issued by the International Accounting Standards Board (IASB). 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 AND UPDATE

A detailed overview of the Company's core business, its products, 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, 2021, published on January 6, 2022.

Eguana's mission is to become a global leader in residential and small commercial grid tied energy storage systems which will be a key component to electrification and migration to a distributed power grid. To lever delivering against this mission, the Company recently expanded its power electronics offering to include a line of micro inverters, a critical component in residential rooftop solar segments, providing energy to storage systems which in turn play a key role in power grid transformation and required electric vehicle infrastructure.

Strategically, the Company continues developing distribution partnerships, opening branch locations, and increasing product to consumer channels by expanding sales, technical support and training capacity, particularly in North American markets. Additionally, Eguana has vertically integrated its sales operations in Australia to include full turn key installation services, which has begun delivering positive growth and margins through the fourth quarter.

Eguana employees and external partners are critical to its success, the Company continues to expand key hardware and software development team members to support growth initiatives of new white label partnerships, regional and country certification requirements, and Eguana cloud and BMS/battery integration and development.

The Company places the highest priority on the health and safety of team members. To mitigate and continue managing potential risks related to the COVID-19 pandemic, a series of measures implemented in each location will remain in effect, including remote work opportunities, limited close interaction, and new sanitation protocols. As a result, to date, personnel issues have been minimized.

Sales and Operations

Through the fourth fiscal quarter Eguana doubled unit shipments of both energy storage systems and micro inverters. The Company maintains, that due to current market conditions, a significantly simplified supply chain, and a simpler installation process, the micro inverter line will outpace energy storage system sales in the near term. From a shipment perspective the fourth quarter followed this trend, which management expects to continue in the coming quarters. On September 30th a required vessel change took place in the shipping port with multiple micro inverter containers, delaying forecasted revenue from September into the December quarter, as detailed in the Operating Results section below.

The Company, along with partner Omega EMS, continued combined focus on manufacturing operations through September. Critical to mid and long term success of the energy storage sales strategy is to systematically increase production capacity as well as production throughput. Currently, production capacity is constrained by test processes required to meet certification and quality standards, each Inverter Functional Test (IFT) station has a capacity of 400 units / month across a two shift operation. Eguana has now installed and fully commissioned two IFT stations, increasing near term capacity to 800 units per month. Two additional IFT's are currently being built and tested at Eguana HQ and are planned to be installed in the first half of 2023. Four fully functional IFT's on a standard two shift operation will provide over 19,000 units worth of product test time annually.

Product throughput is measured by assessing the First Pass Yield (FPY) of Eguana products tested through its proprietary test stations. FPY metric is the aggregation of pass/fail percentages each time an energy storage unit is connected to an IFT station. Steady improvements continue to be made in manufacturing on FPY with Eguana's +90% target expected to be reached in the current quarter.

Global supply chain fragility has been magnified through the Covid 19 pandemic creating material pricing, scarcity, and logistics congestion for many manufacturers. Eguana and Omega undertook a collaborative approach and defined the Alternative Parts Program (APP). Currently, as a result, supply chain shortages have been minimized, however significant material and logistics cost increases continue to depress Eguana gross margin objectives. The Company has begun seeing cost easing on the logistics side, with costs coming down to 2.5 times pre-pandemic levels. Increases had previously reached a 5x cost increase for Asia to American shipments, a primary shipping lane for Eguana.

Additionally, to manage geo political downside risk, Eguana has begun transitioning key supply chain components, sub assemblies, and alternate parts components to more secure partners and regions, further mitigating future supply chain disruption. During the quarter Eguana successful raised +$40 million CAD, which a portion of proceeds will be utilized to continue managing supply chain risk and inventory investments to achieve sales and margin objectives.

In addition to these investments, and to drive installer and consumer awareness, the Company expanded its sales team structure to include specific team focus on both distribution sell in and installer pull through. On demand training programs will also be rolled out in the December quarter to simplify product, installation, and commissioning training to installation partners. Installer training is critical to Energy Storage System (ESS) sales, management believes having online, on demand training opportunities for all key partners will provide a competitive advantage as ESS sales require highly trained personnel at the consumer kitchen table to product installation. Brand messaging and quarterly marketing programs are also planned through the March quarter.

Hawaii's Battery Bonus program, which was established to address gaps in peaking capacity driven by the scheduled retirement of the island's only coal facility by using a fleet of residential home energy storage systems charged with solar power on the island of Oahu, has been recently modified to entice additional residential consumers. Original launch uptake was slower than expected with first phase roll out targeting retrofit customers with existing solar systems installed under a past NEM tariff program. The Battery Bonus program was modified to encourage faster uptake by compensating system owners under the island's popular CGS and CGS+ tariffs. These changes have now made the program attractive for most solar homeowners and is expected to continue accelerating installations in 2023. The Company shipped an additional 144 units into the program through the quarter and expects to see order consistency remain through 2023.

Eguana remains in negotiation with a US automaker to address electric vehicle infrastructure requirements. VPP aggregation software integration has commenced with pilot roll out anticipated in the March 2023 quarter.

In Australia, Eguana continued to improve brand awareness and build capacity to support its vertically integrated solar installation business while growing the rate of installation completion in the South Australia market. The Company has added a consumer finance package to its offering and expects continued organic growth in the final quarter of the year and is planning for a step change in promotion of, and activity within, its installation business in early 2023. Eguana continues to build its new home builder relationships in Australia and looks expects to consummate these partnerships with solar+storage sales and installations in 2023.

The Company is nearing completion of demonstrating its compliance with the performance and self-reported verification requirements of the new FCAS (Frequency Control Ancillary Service) market regulations in order to take a leading position in this new market with utility partner Simply Energy.

The Company remains in discussion for a white label agreement with a utility in France, inclusive of both the ESS and micro inverters. All standard performance testing has been completed successfully and the utility has begun evaluating performance under extreme test conditions, which is expected to complete in November. Enfuse micro inverters will be first mover with pilot project currently being planned early 2023. Management expects the Enduro systems to follow through in the second half of 2023.

Continued energy instability in Europe, resulting from Russia's invasion into the Ukraine, is increasing demand for solar and energy storage products, particularly in Germany. As a result, the Company will expand its European sales team and market Eguana products directly to consumers in need. Enfuse micro inverters are being procured and Enduro energy storage systems are being manufactured to help ease product shortages currently in those markets.

Development

Development activities have significantly increased with additional product certification requirements in North American, and Australian markets, along with the prototyping and testing of project Nirvana, a next generation energy storage system currently in development. The product, which will be a scalable modular format in 20kWh building blocks will be available in single and three phase configurations with higher surge capacity and a simplified installation process. Project Nirvana is expected to go into certification in the March quarter for North American markets followed by Australian and European certification thereafter.

2022 OPERATING RESULTS

The following table sets forth a summary of the results of operations for the three and twelve-months ended September 30, 2022, and 2021.

	Q4 2022	Q4 2021	**YTD 2022**	YTD 2021
Sales	**2,602,195**	3,121,716	**6,469,208**	7,174,589
Cost of goods sold	**2,851,979**	2,933,300	**6,635,921**	6,705,131
Gross margin	**(249,784)**	188,416	**(166,713)**	469,458
Expenses				
General and administrative	**590,774**	489,939	**3,598,294**	3,477,835
Selling and marketing	**497,500**	650,880	**2,261,138**	2,054,753
Product research and development	**1,354,712**	652,776	**3,070,045**	1,954,402
Operations	**280,000**	407,878	**1,286,728**	1,224,912
	2,722,986	2,201,473	**10,216,205**	8,711,902
Operating loss	**(2,972,770)**	(2,013,057)	**(10,382,918)**	(8,242,444)
Financing costs	**(1,159,650)**	(449,643)	**(1,991,936)**	(2,235,611)
Unrealized foreign exchange (loss) gain	**(49,804)**	(22,582)	**(24,575)**	65,960
Other income	**(3,021)**	4,921	**225,445**	12,051
Net loss before tax	**(4,185,245)**	(2,480,361)	**(12,173,984)**	(10,400,044)
Current tax expense	**-**	-	**(238,857)**	-
Deferred tax recovery	**2,183,729**	-	**2,183,729**	-
Net loss	**(2,001,516)**	(2,480,361)	**(10,229,112)**	(10,400,044)

Sales

The Company's revenue is derived from the sale of power electronics including fully integrated ESS', available in multiple size configurations to meet consumer and regional requirements, and micro inverters. The ESS', which are branded the Evolve NMC (nickel manganese cobalt), the Evolve LFP (lithium iron phosphate), the Enduro, and the Elevate, maintain approximately 90% bill of material consistency throughout the advanced power electronics platform providing a standardized product topology where many of the Company's proprietary patents reside. Each feature rich system is capable of performing consumer related functions including solar self-consumption, with seamless back-up power, as well as a full suite of VPP services for fleet aggregators including frequency and voltage control, reactive power management, and spinning reserve. The micro inverters, an expansion of the Company's power controls offering, is sold under both Eguana (Enfuse) and premium white label branded names. The suite of micro inverters are inclusive of single, dual and quad port configurations, maximizing system flexibility, installation simplicity, and reliability. Micro inverters continue to play a key role in residential rooftop solar and are critical to the energy and power grid transformation. The Company recorded its first sales of the Enfuse in Q3 2022.

The Company's customer base is addressed primarily through its dealer network inclusive of large residential solar installers and global distributors, who, in turn, market and sell Eguana products through their customer networks to the end consumer. Additionally, in certain markets, the Company has white label products for large scale partners who have the ability to wrap financing around the solutions and target both solar self-consumption consumers, VPP programs, and other fleet aggregation services. Energy storage product installations are highly technical, Eguana, through a series of online and in person training programs, ensures both its customers and installation partners are appropriately educated and trained on all product features, installation best practices, and software based commissioning prior to selling partners achieving first sales. All installation, maintenance and subscriptions are the responsibility of the distributor or installer, putting additional importance on training.

For the three-month period ending September 30, 2022, product shipments for both ESS and micro inverters doubled compared to the three-month period ending June 30, 2022. However, due to port specific logistical delays and challenges, revenue for the period was $2,602,195 (1,150 units comprised of Evolve, Enduro, Elevate and Enfuse), a decrease of 16.6% compared to product sales of $3,121,716 for the same period in the previous year (153 units comprised of Evolve, Enduro, and Elevate). The revenue associated with these delays will be pushed to Q522. For the twelve-month period ended September 30, 2022, product sales were $6,469,208 (6,387 units comprised of Evolve, Enduro, Elevate and Enfuse), a 9.3% decrease from $7,129,037 (850 units comprised of Evolve, Enduro, and Elevate) of the same period in the previous year. Year to date revenue was impacted, primarily through the second quarter, as the Company ceased Canadian manufacturing operations and transitioned its operations to partner Omega EMS. Through the second and third quarters the Company, through the development of its Alternate Parts Program, was successful in solving key supply chain issues that had previously limited product availability. Manufacturing ramp up has been strategically managed to ensure all alternative parts and assemblies are in line with the Company's quality and certification standards. Additionally, Eguana maintained considerable focus on its micro inverter launch into US residential solar markets, which is expected to continue to grow substantially over the coming quarters.

Engineering revenue was $45,552 for the twelve-month periods ending September 30, 2021, for pre-work with FREYR AS related to defining battery module and battery management system design for next generation semi solid state lithium technology. There was no comparable revenue for the periods ending September 30, 2022.

The Company does expect to see more consistent revenue growth with the addition of the Enfuse Micro Inverter line, which has a significantly less complex supply chain as compared to an ESS. Elevated shipping costs related to increased fuel costs and demand, port related delays, and global supply chain impacts from the COVID 19 pandemic continue to drive short term variability in product revenue and margins, however management believes this to be short term. Currently, container shipping costs have begun trending down in recent months and current sit approximately 2.5 times pre pandemic levels.

Gross margin

Gross margins for product sales were negative 9.6%, or $249,784, for the three months ended September 30, 2022, compared to positive gross margins for the same period in 2021 of $188,416, or 6.0%. This decrease is primarily due to inventory rationalization related to winding down Canadian supply chain activities and transitioning supply chain and operational activities to Omega. The net value of the inventory adjustments totalled $68,311. Additionally, logistics and shipping costs remained significantly elevated versus prepandemic levels, along with battery module cost increases related to lithium markets. This is offset with growth in product margins as the Company expanded its power controls platforms. YTD 2022 gross margins for product sales were negative 2.6%, or $166,713. Gross margins for the same period in 2021 were $440,311 or 6.2%. These lower margins are associated with negative inventory change adjustments, continued global supply chain risk and high, fluctuating raw material and logistics costs. With the manufacturing operations transition complete, and freight costs beginning to trend downwards, the Company expects to see a reversal and steady growth in gross margins with short term fluctuations remaining relative to logistics costs.

Engineering services contributed $29,147, or 64.0% to the margin YTD 2021. There were no comparable engineering services in 2022.

Expenses

Expenses for the three months ended September 30, 2022, were $2,608,298 up from $2,201,473 in the same period in 2021, representing a 18.5% increase year over year.

- General and administrative expenses ("G&A") increased by $100,835 in Q4 2022 as compared to Q4 2021. $137,664 of this increase is due to non-cash share-based expenses associated with the employee and director grant in October 2021 in comparison to Q4 2021. This is offset a decline of $19,896 in bad debt expense in Q4 2022 compared to Q4 2021.

  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, realized foreign exchange gains and losses and amortization.

- Selling and marketing expenses in Q4 2022 decreased by $153,380 as compared to Q4 2021. This is primarily due to 50% cost recovery as part of the Eguana Power Center+ partner relationship.

  Included in these costs are salaries and benefits of personnel employed in marketing and customer account relationships, travel, costs of trade shows, and portions of the Chief Executive Officer's ("CEO") compensation that relate to business development.

- Product research and development costs increased by $701,936 in Q4 2022, compared to the previous year. This is mainly due to higher salaries related to employee recruitment and retention and the benefits associated with growth in the research and development team. Additionally, higher R&D spending is related to increased R&D compliance testing certifications through the quarter, and higher amortization expenses due to increased capex spending related to R&D testing efforts.

  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 Chief Operating Officer's ("COO") compensation.

- Operations costs in Q4 2022 decreased by $127,878 as compared to Q4 2021. The majority this difference can be attributed to casual labor and third-party partner after sales service costs incurred in the Q4 of the prior year that were not incurred in Q4 2022. These costs no longer exist due to North American production shifting to Eguana's contract manufacturer, Omega EMS.

  Operations costs include salaries and benefits of employees directly allocated to this function, overhead cost allocations to support the operations personnel and portions of the COO's compensation (from fiscal 2021 onward).

Expenses for the twelve months ended September 30, 2022, were $10,101,517 an increase of $1,389,519 or 16.0%, from $8,711,902 for the twelve months ended September 30, 2021.

- G&A expenses increased by $120,459 as compared to Q4 2021.This increase is primarily due to the implementation of a new ERP system and an increase in cargo insurance costs.

- Selling and marketing for the twelve months ended September 30, 2022, increased by $206,385 as compared to the twelve months ended September 30, 2021. This increase is associated with additional sales and technical sales personnel growth in North America to execute the PowerCenter+ and microinverter sales strategies. This is offset with the 50% cost recovery strategies with the Eguana PowerCenter+ partnership Additional increases are a result of increased travel, associated meals, and marketing costs as global travel restrictions ease.
- Product research and development costs increased by $1,115,643 for the twelve months ended September 30, 2022 as compared to the same period in 2021. More than half of this increase is due to the increase in salaries and wages for the R&D team as the Company significantly expanded its personnel in preparation for new developments related to Eguana Cloud Services and energy management software advancement, new product development, battery, battery management system, and micro inverter integration. The remaining increase is due to the aforementioned new product design and development expenses.
- Operations costs increased by $61,816 for the twelve months ended September 30, 2022, compared to the same period in the previous year. This increase is associated with the global freight cost increases and increase in operational personnel compared to the previous year.

Financing Costs

Financing costs in Q4 2022 were up $710,007 as compared to Q4 2021. $415,573 of this increase is associated with accretion for the new loan agreement (New Senior Loan) the Company entered into at the beginning of April 2022, which drew an additional $5.0M USD in September 2022. This is compared to Q4 2021 where the previous loan was nearing the end of its term. Alongside this increase in debt, Q4 2022 saw accretion of $388,719 related to the ITOCHU Corporation (ITOCHU) convertible debentures, issued in August 2022. There were no convertible debentures in Q4 2021. The warrant derivative liability for Q4 2022 saw an increase of $223,388 associated with the change in fair value as compared to the previous year. Offsetting these increases was a reduction in accretion of $302,851 associated with the preferred shares, as all had been converted in Q1 2022.

Financing costs for the twelve-month period ended September 30, 2022, were $243,675 lower than the same period in 2021. This decrease is primarily due to the preferred shares having all been converted in Q1 2022, decreasing accretion by $690,970, alongside twelve-month accretion on debentures decreased by $374,890 as 2022 saw only one month of accretion associated with the ITOCHU debentures, compared to ten months in 2021. Additionally, other liability accretion decreased by $130,319, as these were fully repaid by the end of the Q4 2022. These decreases are offset by an increase of $650,580 in accretion of long-term debt due to the new Senior loan, as well as a $302,481 increase in the FV derivative liability.

Other income

Other income in Q4 2022 was down $7,942 as compared to Q4 2021 and up $213,394 for the twelve-month period ended September 30, 2022, compared to the same period in 2021. Other income for the twelve months ended September 30, 2022 is primarily compromised of after sales services provided by Eguana on behalf of a third-party vendor that occurred in Q3 2022.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	**Q4 2022**	Q4 2021	**YTD 2022**	YTD 2021
Net loss	**(2,001,516)**	(2,480,361)	**(10,229,112)**	(10,400,044)
Share-based payments	**191,827**	54,163	**1,333,942**	1,531,263
Financing costs	**1,159,650**	449,643	**1,991,936**	2,235,611
Amortization and depreciation	**133,392**	79,222	**526,735**	322,962
Write (up) down of inventory	**-**	31,853	**87,646**	-
Warranty provision	**128,111**	(80,714)	**253,588**	(47,776)
Bad debt expense	**-**	19,896	**3,465**	19,896
Deferred tax recovery	**(2,183,729)**	-	**(2,183,729)**	-
Unrealized foreign exchange (gain) loss	**49,804**	22,583	**24,575**	(65,960)
	(2,522,461)	(1,903,716)	**(8,190,954)**	(6,404,048)
Net change in non-cash working capital	**(3,076,202)**	(646,617)	**(7,198,432)**	(8,434,105)
Cash flow used in operations	**(5,598,663)**	(2,550,333)	**(15,389,386)**	(14,838,153)

Net Loss

Net loss for Q4 2022 decreased by $478,845 over the net loss in Q4 2021. This is primarily due to the $2.2 million deferred tax recovery associated with the equity component of the new convertible debentures. This is offset by an increase in financing expenses of $709,868, associated with the New Senior Loan, which commenced in Q3 2022 and the ITOCHU convertible debentures, which closed in Q4 2022. Additionally, operating expenses increased by $521,513 due primarily to the increase in R&D activities on projects and certifications, personnel growth throughout the organization, and an overall sales decrease of $519,521 due to vessel delays in port.

Share-based Payments

Share-based payments were $1,333,942 for the twelve-month period ended September 30, 2022, down from $1,531,263 from the same period in 2021. This is due to 2021 expenses associated with the grant of 1.5 million options which vested immediately, and 4.5 million options having accelerated vesting terms of 6 months and a life of 3 years, both to a capital markets advisory firm. This is in comparison to 2022 having 1.0 million of options issued in February and 1.0 million in June with immediate vesting to the same capital market advisory firm.

Unrealized Foreign Exchange Gain

The $90,535 decrease in unrealized foreign exchange gain for YTD 2022 compared to YTD 2021 is primarily a result of an increased balance in US denominated debt and strengthening of the US dollar as at September 30, 2022, in comparison to the prior year. This is offset by increased gains associated with US denominated accounts receivable as compared to the same period in the previous year due to the strengthening of the US dollar in comparison to the prior periods.

Summary of Quarterly Results

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	2,602,195	2,317,334	285,130	1,264,549	3,121,716	1,381,504	347,582	2,323,787
Net (loss)	(2,001,516)	(3,163,186)	(2,402,936)	(2,661,474)	(2,480,361)	(2,729,446)	(2,834,935)	(2,355,302)
Per share (1)	(0.01)	(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 and debt. 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.

Eguana received $38,672,289 in financing activities in Q4 2022 (Q4 2021 – use of $178,722) and used $5,598,663 in cash flow from operating activities during the quarter (Q4 2021 – $2,550,333).

Working capital represents the Company's current assets less its current liabilities. The Company's liquidity, as measured by the Company's working capital at the quarter ended September 30, 2022, was $41,194,522 (September 30, 2021 – $2,706,390).

As at September 30, 2022, the Company had net assets of $9,773,342 which increased from net assets of $3,491,303 at September 30, 2021. This can primarily be attributed to the addition of the convertible debenture, net of the equity portion, which is offset by the reduction in preferred share debt.

The Company has recorded $4,083,678 in accounts payables and accrued liabilities. In addition, the Company has $4,752,172 in long-term debt, $2,310,000 in convertible debenture interest, $238,857 in current taxes, and $360,500 in lease obligations payable 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 in Germany as a result of the cancellation of a supply contract. A claim has been prepared to recover 1,479,332 Euros ($2,213,229 CAD) for unpaid invoices and interest, along with the option to claim an additional 903,584 Euros ($1,351,852 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 value. 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.

Outstanding Debt and Equity

On November 2, 2020, the Company issued 1,150 EGTLP Class F partnership units at a price of $1,000 per unit resulting in gross proceeds of $1,150,000. In connection with the issuance, the Company paid the agent a cash commission of $86,250 and issued 574,942 broker warrants at a price of $0.15 per warrant for a period of two years, with an expiry date of November 2, 2022. Legal and other costs of $107,026 related to the issue of the partnership units were incurred and netted against proceeds.

On November 17, 2020, the Company closed a private placement of 10,000,000 common shares at an issue price of $0.15 per common share, for gross proceeds of $1,500,000. In connection with the offering, the Company incurred transaction costs of $196,598, including agent commissions, these were netted against proceeds. Agents received 750,000 broker warrants, at a price of $0.15 per warrant for a period of two years, with an expiry date of November 17, 2022.

On February 19, 2021, the Company elected to exercise its right to convert the remaining principal amounts of its June 21, 2019, and August 8, 2019, debentures into common shares of the company on March 22, 2021, as the volume weighted average trading price of the Company's common shares exceeded $0.30 for a period of 20 consecutive trading days. Holders of $1.7 million in debentures voluntarily elected to convert immediately on February 19, 2021, and entered into debt settlement agreements with the Company, wherein $57,613 of accrued interest was settled by issuing a total of 115,218 common shares at a price of $0.50 per share. The Company incurred transaction costs of $2,000. 16,767 common shares were issued to related parties consisting of directors and executives of the Company.

On February 19, 2021, the Company announced that it has exercised its previously announced right to acquire all 1,150 Class F limited partnership units for 7,665,900 common shares in the capital of Eguana (the "LP Common Shares"). The LP Common Shares issued in exchange for the Units are subject to resale restrictions which expired on March 3, 2021.

On February 25, 2021, the Company closed a private placement of $20,000,000 wherein it issued 50,000,000 special warrants at a price of $0.40. Each special warrant will be convertible into one common share of the Company without any additional consideration upon certain conditions being met. In connection with the special warrant offering, the Company granted the agents 3,500,000 of non-transferable compensation special warrants and incurred transaction costs, including agent commissions, of $1,766,989, which were netted against proceeds.

On March 15, 2021, the Company entered into a shares for debt agreement with ITOCHU. The agreement settled $247,945 of accrued interest due through the issuance 590,345 common shares at a price of $0.42 per share. The Company incurred transaction costs of $1,740, which were netted against proceeds.

On March 22, 2021, the remaining $1.9 million of debentures associated with the June 21, 2019, and August 8, 2019, issuance were converted into common shares. The holders had a prior option to convert remaining interest due into common shares or take payment in cash. On April 4, 2021, holders of $2,180 of interest elected to enter into debt settlement agreements, through the issuance of 4,588 common shares at a price of $0.475 per share. The Company incurred transaction costs of $511.

On April 19, 2021, ITOCHU elected to convert its balance of debentures, resulting in 33,333,333 common shares of the Company and 16,666,666 warrants. Each warrant entitles ITOCHU to acquire an additional common share at a price of $0.20 per share until March 13, 2023. The balance of debentures remaining for the Company post ITOCHU conversion is $nil.

In connection with the conversion, the Company entered into a shares for debt agreement with ITOCHU. The agreement settled the remaining $41,096 of interest due through the issuance 90,320 common shares at a price of $0.455 per share. These shares were issued and approved by the TSX-V on August 11, 2021.

In December 2021, DHCT elected to convert all 434,860 Series A preferred shares into 18,119,167 common shares. In respect of the accretive dividend payable on the Series A Shares, the Company paid DHCT $500,000 and issued 1,326,986 common shares at a price of $0.45 for the remaining outstanding dividend amount. Following this transaction and concurrent exercise of warrants, DHCT owns greater than 20% of all outstanding common shares of the Company.

On February 1, 2022, the Company repaid its Senior Loan in full.

On April 1, 2022, the Company entered into a new loan agreement (the "New Senior Loan") for general working capital for up to USD$10.0 million with Western Technology Investment (the "Lender"). The first USD $5.0 million was available immediately, while the additional USD$5.0 million is available through August 31, 2022, upon the Company achieving revenue of at least CAD$14.0 million between May 1, 2022, and July 31, 2022, and the Company having unrestricted cash of CAD$10.0 at the time of the draw. The New Senior Loan bears interest at a rate of 12% per annum, per draw, with interest only payments being paid during the first six months, followed by both principal and interest being paid in equal installments over a period of 30 months commencing on the 6-month anniversary of the relevant draw. The Company may prepay the Loan by paying all scheduled but unpaid payments, subject to a scaling discount off future interest owed depending on the date of repayment.

As consideration for the advance of the Loan, the Company has entered into an agreement to issue common share purchase warrants entitling the Lender to purchase up to an aggregate of 4,934,309 common shares of the Company at a price of $0.355 per common share for a period of five years from the date of the Loan, with 50% of the warrants issued immediately and 50% of the warrants issued ratably on subsequent draws made under the Loan, all vesting immediately. The vested unexercised warrants will be exchangeable, at the option of the holder, after the earlier of a liquidity event and September 30, 2025, for an amount equal to the sum of: (i) USD$1,500,000; and (ii) the product obtained by multiplying USD$1,500,000 by the percentage of the principal amount of the Loan actually advanced by the Lender relative to US$10,000,000. These warrants are recorded as a warrant derivative liability at fair value through profit or loss. The Company drew USD$5.0 million on April 7, 2022, resulting in the issuance of 3,700,732 common share purchase warrants and measured the fair value of the warrant derivative liability associated with the New Senior Loan with the residual assigned to the loan.

On August 31, 2022, the Lender waived the financial milestones required under the Loan Agreement for the second tranche of the New Senior Loan and the Company drew USD$5.0 million. This resulted in the issuance of 1,233,577 common share purchase warrants.

On August 31, 2022 (the Closing Date), the Company closed a strategic investment by ITOCHU in the amount of $33.0 million in the form of an unsecured convertible debenture. The Debenture bears interest at a rate of 7% per annum, paid semi-annually in either cash or with the issuance of shares, and matures on August 31, 2025. While the Debenture remains outstanding, at any time following the date that is four months plus one day following the Closing Date, if the Company files a financial statement in respect of a three-month period which reports stable positive net income and the parties mutually agree (such consent not to be unreasonably withheld), ITOCHU will be entitled to convert all or part of the principal amount of the Debenture into common shares at a price of $0.50 per common share. Additionally, beginning on the date that is four months plus one day following the Closing Date, if the Company files a financial statement in respect of a three-month period which reports stable positive net income, the daily volume weighted average trading price of the Common Shares on the TSXV is greater than $1.00 for any 20 consecutive trading days, and the parties mutually agree (such consent not to be unreasonably withheld), the Company can require ITOCHU to convert the Debenture into Common Shares at a price of $0.50 per Common Share on not less than 30 days' notice. Financing fees of $453,420 were allocated between the liability and equity portion of the Debentures.

Shareholders' Equity and Shares Outstanding

As at November 21, 2022, 403,166,645 common shares are issued and outstanding, an increase of 949,942 from September 30, 2022 due to the exercise of warrants.

As at November 21, 2022, there are 26,652,708 common share purchase warrants representing the right to acquire 26,652,708 common shares, a decrease of 949,942 from September 30, 2022 due to the exercise of warrants.

As at November 21, 2022, the Company has 21,476,537 stock options outstanding, a decrease of 70,000 from September 30, 2022, due to the forfeiture of 70,000 options. These options entitle the holders thereof to acquire up to 21,446,537 common shares. 18,299,884 stock options have vested as of today's date. The weighted average exercise price of the vested options is $0.29 per share.

Off-Balance Sheet Items

As at September 30, 2022, 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 Q4 2022, capital and intangible expenditures totaled $285,892 (Q4 2021 - $278,604) and were primarily incurred with respect to the leasehold improvements and purchasing furniture for the new corporate head office.

RISK FACTORS AND RISK MANAGEMENT

Nature of Operations

The Company has cash of $34.3 million as at September 30, 2022, providing a sufficient source of liquidity, due largely to the Company's financing activities in the year. The Company continues to rely upon completing equity and debt financings until it is able to start generating profit and positive cash flows from operations in the future in order to pay liabilities and contractual obligations as they come due and enable the Company to continue operations.

COVID-19 and Geo-political Events

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak continues to adversely affect workforces, economies, and financial markets globally, resulting in economic downturn. Government authorities have approved the rollout of COVID-19 vaccines and easing of restrictions implemented to prevent the spread of COVID-19, however there is no certainty when economic activity will return to pre COVID-19 levels. Additionally, in early 2022, Russia's invasion of the Ukraine has raised global concerns over the already susceptible economic downturn, raising global concerns over disrupted supply chain channels, and in turn material supply constraints. These global situations remain dynamic and it is currently not possible for the Company to predict the duration or magnitude of potential adverse impacts of the pandemic or Russia's invasion of the Ukraine or their effects on the Company's business or ability to raise funds.

Estimates and judgments made by management in the preparation of the financial statements are increasingly difficult and subject to a higher degree of estimation uncertainty during this volatile period.

Government Regulation

The operations of Eguana are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Of particular relevance to Eguana's business, the laws and regulations related to the interconnection of behind the meter energy resources and to the installation of lithium-based batteries are covered by an evolving set of regulations that are similar in scope but differ in detail in each region in which the Company operates. Changes to these regulations often require investment in redesign and recertification of the Company's products and may increase the cost of the product, but they affect Eguana and its competition equally creating a significant barrier to new market entrants thus limiting competition to those who make these investments and deferring any potential commoditization of our product category. Eguana believes that it is currently in compliance with all such laws and regulations. Eguana intends to invest financial and managerial resources to ensure such compliance and will continue to do so in the future; however, it is impossible for Eguana to predict the cost or impact of such laws and regulations on Eguana's future operations. Eguana's products are currently certified for use in Germany, the United Kingdom, France, Australia, and North America. The technical associations that are prevalent in maintaining the grid interconnection and safety standards in these countries are VDE, Australian Standards, UL, IEEE, CSA, IEC, EN and FCC. The standards that are typically actively maintained for compliance by Eguana are UL 1741, IEEE 1547, IEEE 2030.5, UL 9540, VDE 4105, G98, AS 4777, IEC 62109 and IEC 61000.

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.