



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2017

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Ltd. ("Eguana", or the "Company") is dated January 29, 2017 and should be read in conjunction with Eguana's consolidated financial statements for the years ended September 30, 2017 and 2016.

The 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

Company

Eguana designs and manufactures grid interactive energy storage systems based on its proprietary power control technology. Fully integrated energy storage systems ("ESS") consist of three major components, the software controller (the energy management system or "EMS"), the battery, and the advanced power controls.

The Company's smart power control technology charges 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. Eguana's technology also provides the point of connectivity to the energy storage system and provides regulatory control over the interconnection of the energy storage system to the power grid and the consumer.

Eguana's products are designed and delivered as a value-added, factory assembled, energy storage system pre-integrated and certified with lithium batteries. Eguana can also deliver the solution without the EMS controller for integration into the customer's own control network ("AC Battery") or as a set of power controls sub-assemblies ("Bi-Direx") for integration by the Company's partners into their own products, with their own batteries. Eguana's focus is on distributed energy storage located at the point of consumption, or the edge of the power grid. The Company believes edge of grid, or behind the meter, applications are the most cost-effective way to manage the power grid while delivering multiple value streams to the key stakeholders; the customer, the electricity retailer, the distribution utility and the system operator.

Management of Eguana believes that distributed energy storage continues to have significant growth potential in the renewable energy sector. Eguana's product lines are standardized, globally patented and commercially certified for distribution in major markets.

Intellectual property is one of the Eguana's core assets, and includes 16 patents and pending patents globally. Eguana's competitive advantage is based on its software-driven open controls architecture, its core technology efficiency advantage and its energy storage integration capabilities. Recent product development activities have furthered Eguana's technology capability to include remote diagnostics, pre and auto charge capability, expandable storage capacity and simplified installation.

The Market

The market for distributed residential energy storage is driven by two primary factors, self-generated energy consumption and the need to smooth-out growing renewable energy generation on local and national electric power grids. These two primary factors are driven by the falling battery costs, making energy storage an economical proposition for global home owners to utilize and consume their self-generated electricity, and advanced power control and communication networks, enabling grid services and efficiency. Once deployed, energy storage can provide a wide range of services to the utility as well as the electricity market, improving its return on investment by stacking both revenue and savings streams. Aggregating fleets of distributed energy storage can enable deployed systems to deliver low cost grid services at the same time as delivering electricity cost savings to the host.

Management believes 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 electricity savings, reducing cost volatility, providing backup power, or receiving some other form of compensation from the fleet owners.

However, until the new regulatory models supporting grid services are more clearly proven through real world pilots, 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, and are generally categorized into the three following segments:

Residential solar + storage

The evolution of the original value proposition of rooftop solar photovoltaic ("PV") systems is to combine self-generation with cost effective and efficient energy storage. High feed in tariffs and net metering (essentially using the grid as a battery) originally encouraged export of excess solar generation to the grid, however falling feed-in tariffs that are now significantly below retail rates and the repeal of net metering across most markets, homeowners are motivated to store their excess generation during the day and use it at night. This, combined with the ability to arbitrage time of use ("TOU") rates and to provide backup power during grid outages, is generally the economic value proposition for the residential customer.

Demand Charge Savings for 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 can typically account for over 60% of a commercial building power bill, reducing and managing them can provide significant value. In certain jurisdictions demand charge reductions alone will result in a payback of less than three years on a commercial storage system. The return on investment calculation is quite complex and sensitive to actual operating results, so this market has largely been 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. However, as the value proposition has come to be better understood, and as the savings have been proven out in early installs, a market is emerging for smaller solutions to be purchased by commercial building owners and operators. The capital investment is easier to absorb on these smaller systems, and with fast, simple deployment it is the next investment opportunity to reduce energy costs once the building has been outfitted with efficient lighting, HVAC, or solar power.

Electric vehicle (“EV”) charging deployments

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

- EV charging can be a significant new load added to a commercial building or home, which could significantly impact a consumer’s power cost and therefore increases the motivation to add on-site generation and storage; and
- EV chargers (especially public chargers) are typically deployed along with a control and monitoring network that is used to provide customer visibility, support customer service and manage customer billing. Such a network can be expanded to control on-site energy storage systems with little additional cost, increasing the revenue/savings value for each physical location on the network and reducing the deployed cost of energy storage fleets. Each of the above market segments appears to varying degrees in each region in which Eguana operates. Specific drivers in each regional market are described in more detail below.

USA

The US market has the highest long-term potential due to its overall size and the range of innovative regulatory and financing models currently being developed, however the market has been limited thus far to a handful of states, each with its own particular “behind the meter” economic drivers. As 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 mainland USA at present is for commercial demand charge management, especially in California where demand charges have been steadily increasing over the past decade. New TOU rates combined with a shift of the peak power period into the evening that will be become mandatory for new solar installations in the San Diego area after March 30, 2018 will also be a key factor in energy storage growth in Southern California. In New York, favorable policy change is also expected to drive near term growth in commercial storage applications.

The residential market opportunity has been concentrated in Hawaii, where 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. As with the commercial market, new TOU rates and periods in San Diego are expected to turn San Diego into a significant demand region this year. Other parts of California are expected to follow, as TOU rates become the default across the state this year, though the rates and periods in those regions are not expected to create as dramatic an arbitrage opportunity as in San Diego.

Australia

Australia is again targeted to be the fastest growing distributed energy storage market in 2018 with 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 becoming involved in the business by financing and deploying customer sited systems. A PV retrofit market is developing for customers whose export compensation rates have fallen to near zero, and new PV installations are expected to have a high storage attach rate.

Europe

The European market is currently the world’s largest market for distributed energy storage, and is focused primarily on residential self-consumption applications. Commercial building opportunities are limited by the subsidized rates paid by commercial electricity customers according to industrial policy in many EU countries. While grid services have not played a major role in Europe to date, management expects to see deployments of distributed storage fleets focused initially on the secondary reserve (capacity) market.

Historically, Europe has been 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 are also expected to have success based on offerings differentiated to each country's specific market needs.

Eguana's Strategy

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

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

Fiscal 2017 proved to be a transformative year for Eguana as the Company successfully collected over +7 million in purchase orders, executed distribution and partner agreements in targeted markets and increased our gross margin by 25.5%. We have expanded business development activities with key relationships in high growth jurisdictions including Ontario, New York, and California and expect each market to deliver revenue in the coming year.

The core foundation of the Company is our technology. Eguana's development team completed second generation product platforms with patented technology advancements including remote diagnostics, battery pre-charge and auto recovery, with single step installation. We have broadened our global product portfolio with multiple certifications, defined our cost reduction roadmap, and completed investment in our development lab that doubled in-house capability.

In 2018 Eguana will build on this foundation with an aggressive sales and marketing approach with new product launches in both residential and commercial channels. This will include Europe's self-consumption market, the United States' electric vehicle market and small commercial markets, and a private label product launch in Australia.

Hawaii, where revenue was delayed by two quarters as a result of battery availability and permitting delays, is now gaining traction, multiple volume shipments have been made and the Company has gained a 40% market share in the Customer Grid Supply market on Oahu. Management expects continued growth throughout the year. In Australia, our announced partner has been slow to roll out committed AC Batteries due to a company reorganization. Management expects Australia will become a significant revenue driver in 2018.

Eguana is dedicated to providing world class products, people, and technology in a global marketplace. As such, the Company will continue to drive to excellence in culture, responsibility, accountability, and awareness. Through 2018 we will expand our team to provide technical "hands on" leadership in Germany, Australia, and the United States. Our goal will be to support the Eguana branded product launches, partner support and training programs, and to ensure best in class product reliability, installation, and customer experience.

SELECT ANNUAL INFORMATION

	2017	2016	2015
Sales and engineering services	853,910	698,664	6,007,008
Net loss	(4,502,777)	(4,834,900)	(8,788,807)
Basic and diluted earnings (loss) per share	(0.02)	(0.03)	(0.07)
Total assets	3,931,944	5,721,292	4,875,815
Total non-current financial liabilities	583,969	1,240,604	1,829,356
Distributions or cash dividends	Nil	Nil	Nil

Revenue

The increase in revenue in 2017 is primarily due to the company generating sales of \$292,654 of engineering services to its German automotive partner. Sales of engineering services did not occur in 2016.

The decline in revenue in 2016 is primarily due to the loss of the Company's major customer in Germany in August 2015.

Net Loss

The decrease in net loss in 2017 is primarily attributable to higher positive gross margin, lower general administrative expenses and lower financing costs as compared to 2016. These were partially offset by higher product research and development expenses, a bad debt expense and no settlement recoveries in 2017 as compared to 2016.

The decrease in net loss in 2016 is primarily attributable to a positive gross margin in 2016, a bad debt recovery in 2016 as compared to a bad debt expense in 2015 and a settlement recovery in 2016 as compared to a settlement expense in 2015.

Total Assets

The decrease in assets in 2017 is primarily due to a smaller financing of \$3 million at year end versus a financing of approximately \$6.9 million in June and July 2016.

The increase in assets in 2016 when comparing to 2015 is primarily due to a financing, and resultant increase in cash, at year-end.

Total Non-Current Liabilities

The decrease in total non-current liabilities in 2017 and 2016 is primarily due to repayment of debentures in the year.

2017 OPERATING RESULTS

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

	Q4 2017	Q4 2016	2017	2016
Sales and engineering services	75,169	9,036	853,910	698,664
Cost of goods sold	20,790	(73,763)	578,478	652,017
Gross margin	54,379	82,799	275,432	46,647
Expenses				
General and administrative	420,536	895,953	1,976,108	2,353,942
Selling and marketing	192,107	164,133	788,731	785,142
Product research and development	442,904	198,474	1,057,446	717,753
Operations	132,910	195,136	503,271	538,666
Bad debt expense (recovery)	6,111	(10,330)	107,012	(10,330)
Settlements	-	(119,090)	-	(119,090)
	1,194,568	1,324,276	4,432,568	4,266,083
Loss before undernoted items	(1,140,189)	(1,241,477)	(4,157,136)	(4,219,436)
Financing gain (costs)	(72,528)	120,354	(357,531)	(600,770)
Gain (loss) on debentures	-	-	-	(18,433)
Other income	21	1,908	11,890	3,739
Net loss	(1,212,696)	(1,119,215)	(4,502,777)	(4,834,900)

Twelve Months ended September 30, 2017 and 2016

Sales and engineering services

Sales and engineering services increased 22% for the year ending September 30, 2017 as compared to 2016.

Product sales in 2017 were \$561,256. In 2017, the residential AC battery product sales were primarily to Australia and to Hawaii to the Company's largest customer. In 2016, product sales were primarily generated in the USA from residential AC Battery design wins, customers with new battery technologies who required inverters to commercialize their product and for the net zero community demonstrations.

In 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 32.2% or \$275,432 for the year ended September 30, 2017. Product sales margins were \$26,506 or 4.7%. 2017 engineering service margins were \$248,926 or 85.1%. Product margins are expected to improve as the Company continues to ramp sales volumes in Q1 2018.

Expenses

Operating costs in 2017 were \$4,432,568, up from \$4,266,083 in 2016.

- General and administrative expenses decreased 16.0% in 2017. The decrease in G&A cost is primarily due to the Company incurring advisory costs paid in shares in 2016. The same expense did not exist in 2017. The decrease in share based payments was partially offset by higher legal cost related to ongoing litigation.

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 2017 remained relatively consistent with 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 increased 47.3% in 2017. The increase is primarily due to material cost related to the development of the Company's Commercial AC Battery product and the addition of a new employee at the end of 2016.

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. Product research and development costs also include costs associated with a customer's certification and finalizing the AC Battery development.

- Operations costs in 2017 remained relatively consistent with 2016.

Operations costs include salaries and benefits of employees directly allocated to this function and direct costs incurred to support manufacturing and supply chain activities.

- Bad debt expense (recovery)

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

Financing Costs

- The decrease in financing costs in 2017 is primarily attributable to a decrease in interest associated with the debentures as principal payments became due, and no amortization of financing fees due to the cancellation of the line of credit in Q1 2016. The higher 2016 financing cost were offset by the expiry of an obligation to a third party.

Three Months ended September 30, 2017 and 2016

Sales and engineering services

Product sales in Q4 2017 were \$75,169 and were primarily derived in Hawaii and with a utility in Ontario. There were minimal sales in Q4 2016.

Gross margin

Gross margins were positive for the three months ended September 30, 2017 at 72.3% or \$54,379. The Q4 2016 margin was substantially all related to an inventory write up of \$20,698 in the quarter and an allocation of cost of goods sold to research and development expenses.

Q4 2017 gross margins from engineering services were nil.

Expenses

Operating costs in Q4 2017 were \$1,194,568, down from \$1,324,276 in Q4 2016.

- General and administrative expenses decreased 53.1% in Q4 2017 relative to Q4 2016. The decrease in G&A cost is primarily due to the Company incurring advisory costs paid in shares in Q4 2016. The same expense did not exist in Q4 2017.
- Selling and marketing costs in Q4 2017 remained relatively consistent with Q4 2016.
- Product research and development costs in Q4 2017 increased 123.2% from Q4 2016. The increase is primarily due to material cost related to the development of the Company's Commercial AC Battery product and certification cost of the residential AC Battery to meet the new requirements in the United States. Additionally, in Q4 2016 the Company reclaimed certain research and development cost from a scientific research and experimental development tax incentive.
- Operations costs were down 31.9% in Q4 2017 from the same quarter in 2016. The decrease was primarily due the Company lowering overhead cost.
- Settlement costs in Q4 2017 were nil as compared to a recovery of \$119,090 in Q4 2016 as it was a one-time event.

Financing Costs

- The decrease in financing costs in Q4 2017 is primarily attributable to a decrease in interest associated with the debentures as principal payments became due, and no amortization of financing fees due to the cancellation of the line of credit in Q1 2016. The higher Q4 2016 financing cost were offset by the expiry of an obligation to a third party.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	2017	2016
Net loss	(4,502,777)	(4,834,901)
Share-based payments	153,808	746,609
Finance costs	357,531	600,770
Amortization of capital assets	100,267	105,107
(Gain) loss on debentures	-	18,433
Warranty provision	(42,537)	3,389
Amortization of deferred lease inducement	(15,600)	(15,600)
Write down of inventory	45,487	-
Bad debt expense	107,012	-
Unrealized foreign exchange gain	(5,092)	(3,705)
	(3,801,901)	(3,379,898)
Net change in non-cash working capital	503,927	(797,238)
Cash flow used in operations	(3,297,974)	(4,177,136)

Net Loss

The decrease in net loss in 2017 is primarily attributable to higher positive gross margin, lower general administrative expenses and lower financing costs as compared to 2016. These were partially offset by higher product research and development expenses, a bad debt expense and no settlement recoveries in 2017 as compared to 2016.

Share-based Payments

Share-based payments were \$153,808 in 2017 (2016 - \$746,609). The decrease was substantially due to a share-based payment for corporate advisory services incurred during the 2016.

Finance Costs

The decrease in financing costs in 2017 is primarily attributable to a decrease in interest associated with the debentures as principal payments became due, and no amortization of financing fees due to the cancellation of the line of credit in Q1 2016.

Bad Debt Expense

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

SUMMARY OF QUARTERLY RESULTS

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	75,169	178,887	328,594	271,260	9,036	284,980	176,272	228,376
Net (loss)	(1,212,696)	(1,141,311)	(1,261,267)	(887,503)	(1,119,215)	(1,195,551)	(1,321,482)	(1,198,652)
Per share (1)(2)	(0.01)	(0.01)	(0.01)	-	(0.01)	(0.01)	(0.01)	(0.01)

(1) Basic and diluted

(2) 2017 and 2016 annual earnings per share is (\$0.02) and (\$0.03) respectively 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.

Cash generated from financing activities in 2017 was \$1,604,414 (2016 - \$5,138,702), and the Company used \$3,297,974 (2016 - \$4,177,136) in operations of during the year.

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 the year was (\$725,408) (2016 - \$1,570,491).

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 (\$2,178,331 CAD) for unpaid invoices and interest, along with the option to claim an additional 903,584 Euros (\$1,330,536 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 (\$2,258,830 CAD) related to the cancellation of the above noted supply contract. The Company is disputing 799,000 Euros (\$1,176,535 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 positively impact the Company. The Company has counter claimed the contract manufacturer for 6.8 million Euros.

In December 2017, the Company issued \$1,500,000 of debt in USD bearing an interest rate of 12.5% per annum which will be repaid in equal instalments starting in June 2018 for 30 months.

The Company called and repaid \$586,667 in debenture principal in December 2017. The debentures are no longer outstanding.

The Company is required to repay \$368,030 of the new debt issued in December 2017, \$192,840 in other liabilities, \$216,046 in purchase obligations, and \$78,875 in lease obligations over the next 12 months.

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

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 the year Eguana repaid \$842,834. The Series I debenture was repaid in its entirety in 2017. The Company has \$586,667 in principal outstanding as at September 30, 2017 (2016 - \$1,429,500).

In December 2017, the Company issued \$1,500,000 of debt in USD bearing an interest rate of 12.5% per annum which will be repaid in equal instalments starting in June 2018 for 30 months. Providing certain criteria are met, the Company has the option to draw another \$1,500,000 USD from the lender prior to March 31, 2018. As part of the loan, the Company issued 2,951,733 warrants which convert into an equal number of shares with an exercise price of \$0.17 and an expiry date of December 20, 2022. Currently, 1,475,866 warrants are exercisable and the remaining warrants will vest when the Company draws the additional \$1,500,000 USD. The exercisable warrants are exchangeable for \$500,000 USD after the earlier of a liquidity event or September 30, 2021.

In December 2017, the Company called the debentures at par and repaid principal of \$586,667. Accrued interest of \$3,906 and royalties of \$7,265 were also paid.

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 January 29, 2018, 217,679,549 common shares are issued and outstanding. In addition, there are common share purchase warrants representing the right to acquire 24,191,188 common shares at an average exercise price of \$0.26 per share.

The Company has 8,734,583 stock options outstanding entitling the holders thereof to acquire up to 8,734,583 common shares. The weighted average exercise price of the vested options is \$0.24 per share.

The Company had the following equity issuances throughout the fiscal 2017 year:

- In September 2017, the Company issued 15,000,000 Units at a price of \$0.20 per unit resulting in gross proceeds of \$3,000,000. Each Unit consisted of one common share and one-half of one common share purchase warrant. The 7,500,000 warrants are exercisable for a period of two years at an exercise price of \$0.25. The fair value of the warrants is \$nil based on the residual method where proceeds are first allocated to common shares according to the quoted price of the common shares at the time of issuance and any residual is allocated to warrants. 1,067,136 Agents' warrants were issued with an exercise price of \$0.20 per for a period of two years. The fair market value at issuance was \$126,463. The total cash cost of issuance was \$493,608.

Off-Balance Sheet Items

As at September 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 2017, capital expenditures totaled \$93,565 (2016 - \$12,372) and were primarily incurred with respect to the purchase of new lab equipment.

RELATED PARTY TRANSACTIONS

The Company had the following related party transactions with respect to salary and benefits:

	2017	2016
General and administrative	360,138	249,079
Product research and development	56,863	73,409
Selling and marketing	132,680	81,137
Operations	-	32,500
	<u>549,681</u>	<u>436,125</u>

Share based expenses to an officer was \$47,390 during 2017 and nil in 2016.

Included in accounts payable and accrued liabilities is \$276,250 (2016 - \$238,566) due to directors and key management personnel.

During 2017 the Company paid \$157,380 (2016 - \$177,702) to its former CEO as part of a settlement agreement and incurred \$107,757 (2016 - \$117,900) of accretion as the obligation matures.

RISK FACTORS AND RISK MANAGEMENT

Going Concern

The 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 September 30, 2017, the Company had not achieved profitable operations since its inception and had an accumulated deficit of \$54,741,470 (September 2016 - \$50,238,693) and recognized a cash flow deficiency from operations in 2017 of \$3,297,974 (2016 - \$4,177,136). 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.

As at September 30, 2017, the Company had working capital (deficit) of (\$725,408) (2016 - \$1,570,491).

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

Operating Losses

The Company is in the growth phase of its business and is subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability, and the need to raise additional funding. As is common with companies at this stage of development it is likely that marketing and operating costs will exceed net sales revenues during the product launch period. Eguana's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development, particularly companies in relatively new and evolving markets.

Market Acceptance

Market acceptance of Eguana's products may represent a challenge for the Company. While the Company has certain technical, competitive advantages compared to other participants in the solar industry and the energy storage sector, Eguana's relatively small size and limited financial resources may be a deterrent to some customers. The Company has adjusted its strategy to address this risk through partnering with original equipment manufacturers ("OEM's"), private labelling and/or licensing relationships in order to provide better access to the market and alleviate customer concerns.

Demand for Distributed Solar Generation in Residential Markets

A significant portion of the demand for Eguana's products assumes that demand for distributed solar in residential markets will continue. Historically demand for solar power has been incentivized by government pricing policies for solar electricity capital grants and tax credits. The Company believes that this period is coming to an end and solar power must compete on basic economics.

The Company believes, as do many analysts, that solar is competitive in many high-density markets and that solar power, especially in residential markets, will continue to grow at rates that are similar to the past 3 years. This may not occur and if not, demand growth will likely be slower than anticipated for energy storage connected to new systems.

Continuation of Net Metering Policies for US residential markets

Net metering has been a significant incentive in driving growth in US residential solar markets, however there is growing pressure to change the pricing structure on net metering. While changes to net metering may reduce demand for new solar PV, the changes could make solar self-consumption a much more attractive alternative in markets with high residential electricity prices.

Access to Additional Debt and Equity Financing

There is no assurance that additional debt or equity financing, if required, will be available to the Company when needed or on terms acceptable to Eguana. The Company's inability to obtain additional financing to support ongoing operations or to fund capital expenditures or acquisitions and business combinations could limit Eguana's growth and may have a material adverse effect upon the Company.

Competition and Technological Change

The Company is in a highly competitive market. It may not be able to compete effectively in these markets, and the Company may lose or fail to gain market share. Eguana faces a number of competitors, many of whom are larger and have greater resources than the Company. The Company expects to face increasing competition in the future. Eguana's competitors may develop products based on new or proprietary technology that have competitive advantages over its products.

Many of the Company's current and potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, sales, marketing, technical and other resources. Eguana's competitors may enter into strategic or commercial relationships on terms that increase their competitiveness. These

competitors may be able to respond more quickly to changing customer demand, and devote greater resource to developing, marketing, and selling their products.

The Company's business model is highly dependent on market acceptance of the value propositions for its technology. Even if the Company is successful in gaining market acceptance for its value propositions, there is always the possibility that one of more competitors will develop new technology that enables the same value propositions at the same or better cost than the Company is able to achieve and Eguana's business would be adversely affected. It is also possible that one or more of Eguana's competitors will attempt to copy its approach and challenge the validity of its patents. While the Company believe that its patents and other intellectual property are defensible, there is no assurance that a court will not find to the contrary, negatively affecting the value of Eguana.

Manufacturing Cost

Eguana's business model assumes that it will be able to use its low manufactured cost and strategy of selling proprietary electronics sub-assemblies and AC Batteries to penetrate target markets. Delays in reaching adequate rates and efficiencies in production could impair the profitability of the Company's products. Eguana's ability to produce products that are cost effective depends on reaching efficient production levels.

The Company has minimal control over the cost of its raw materials, including copper and steel. The prices for these raw materials are subject to market forces beyond Eguana's control and have varied significantly in the past and may vary significantly in the future.

The Company may not be able to adjust its product prices, especially in the short-term, to recover the costs of increases in these raw materials. Future profitability may be adversely affected to the extent the Company is unable to pass on higher raw material to compensate for such changes.

Operation and Supplier Risk

At the Company's stage of development, there is a risk that critical components will not be available on a timely basis, negatively affecting its ability to meet delivery commitment on sales contracts. In addition, with new products there may be a risk of failures in quality control, a risk that is increased by the limited resources of the Company. There is also a risk that long lead times for critical components may affect production lead times. Where possible, the Company address these risks by ensuring multiple sources of critical components, working closely with its suppliers through the demand planning cycle, actively monitoring critical component suppliers and in some cases, investing in additional inventory purchases to secure longer lead-time items.

Dependence on Customers

Eguana's strategy depends heavily on the ability of its customers to develop markets for the products into which the Company's components are integrated. The Company mitigates this risk by partnering closely on the demand planning, customer support and marketing Eguana's technology advantage.

Foreign Exchange

Most of the Company's sales are now, and will for the foreseeable future be, made in Euros or in US dollars; whereas most of its production costs are incurred in Canadian and US dollars. Changes in foreign exchange rates can cause fluctuations in the Company's operating expenditures from period to period.

To date the Company has not hedged these transactions except in the form of cash deposits on sales and for the cost of materials, and there are no immediate plans to do so. As a result, there is a risk that margins will be reduced due to adverse changes in these currencies relative to the Canadian dollar.

Attracting and Retaining Key Personnel

The Company's future prospects depend to a significant extent on the continued service of its key executives. Furthermore, the Company's continued growth and future success depends on its ability to identify, recruit and retain key management and engineering personnel. The competition for such employees is substantial and there can be no assurance that the Company will be successful in identifying, recruiting or retaining such personnel.

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. Eguana believes that it is currently in compliance with 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.

ACCOUNTING POLICIES

There have been no changes to the Company's critical accounting estimates and policies in 2017. Significant accounting policies are disclosed in note 4 of the annual audited consolidated financial statements.

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 year ended September 30, 2017:

IFRS 9, Financial Instruments ("IFRS 9")

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

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

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

IFRS 16, Leases ("IFRS 16")

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

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

ADVISORY SECTION

Statement of Management Responsibility for Annual Filings

This MD&A was prepared by management of Eguana and approved by the Board of Directors of Eguana on January 29, 2018.

Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in these filings. The Audit Committee and Board of Directors of Eguana provide an oversight role with respect to all public financial disclosures by the Corporation, and have reviewed this MD&A and the accompanying financial statements.

The CEO and the Chief Financial Officer (“CFO”), in accordance with National Instrument 52-109 – Certification of Disclosure in Issuers Annual and Interim Filings (“NI 52-109”), have both certified that they have reviewed the audited consolidated financial statements and this MD&A (the “Filings”) and that, based on their knowledge having exercised reasonable diligence, that (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings; and (b) the audited consolidated financial statements together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the period presented in the annual filings.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost-effective basis, the disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109 will result in additional risks to the quality, reliability, transparency and timeliness of interim filings, annual filings, and other reports provided under securities legislation.

In contrast to the certification required for non-venture issuers under NI 52-109, the Corporation does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109.

In particular, the CEO and CFO filing this MD&A are not making any representations relating to the establishment and maintenance of:

- Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Corporation in its filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and/or reported within the time periods specified in securities legislation; and
- A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s IFRS reporting.

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 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.