MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Ltd. ("Eguana", or the "Company") is dated January 23, 2020 and should be read in conjunction with Eguana's consolidated financial statements for the years ended September 30, 2019 and 2018.

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

The Company

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

The Company's smart power control technology has multiple functions within the ESS with primary functions relating to power conversion and the charging and discharging of batteries in a seamless bi-directional conversion process. Eguana's technology provides the central point for connectivity to the energy storage system and provides regulatory control over the interconnection of the ESS to the power grid and the consumer.

Eguana develops and designs its products to be delivered as a value-added, factory assembled energy storage system with pre-integrated lithium batteries, and certified for grid connection in major global markets. Eguana's technology can also be delivered as a platform ("AC Battery") by integrating the customers' proprietary energy management controller or as a set of advanced power controls sub-assemblies ("Bi-Direx") for integration by the Company's partners into their own ESS, inclusive of batteries.

Eguana continues to focus on distributed energy storage applications located at the point of energy consumption, commonly referred to as the edge of the power grid or behind the meter. The Company believes these applications and storage solutions are the most cost-effective way to manage the power

grid while delivering multiple value streams to key stakeholders including the consumer, the electricity retailer, the distribution utility, and the system operator.

Eguana management maintains the opinion that distributed energy storage, as a result of the stackable value streams, will continue to show significant growth potential in the global renewable energy marketplace. Eguana's product lines have been standardized, globally patented, and commercially certified for distribution in major markets throughout the world.

Intellectual property relating to Eguana's advanced power controls are one of the Company's core assets including 16 patents and pending patents globally. At the system level, Eguana maintains competitive advantage through its software-driven open controls architecture, its core technology efficiency advantage, and its energy storage integration capabilities. At the system installer and consumer level, the Company has developed and built in a range of features to enhance the consumer experience including expandable storage capacity, simplified system installation, remote commission and diagnostic capability, and remote battery recovery capability.

The Market

The market for distributed residential energy storage continues to be driven by two primary factors, self-generated energy consumption (consumer) and the need to smooth-out increasing renewable energy generation on local and national electric power grids (infrastructure).

At a macro level, decreasing battery costs and advancement in battery technology remain the significant drivers for increasing adoption rates of residential and small commercial energy storage solutions in all markets. Integrated energy storage has now become an economical proposition driving homeowners to utilize and consume self-generated electricity, and advanced power control and communication networks are enabling virtual power plants ("VPP") and 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 cost 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 consumer.

Management maintains that long-term energy storage markets will be characterized by fleets of distributed storage systems that are aggregated and controlled by system operators to deliver grid services including voltage and frequency regulation, spinning reserve, and time shifting. From the consumer perspective, residential and small commercial hosts will benefit from electricity savings, reduced cost volatility, backup power, and additional forms of compensation from the aggregator or fleet owner by participation in VPP's (allowing the operator access to the host system from time to time to deliver grid services).

Host applications define product configurations and bill savings opportunities, and are generally categorized into the two 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 (where the power grid is essentially used as a battery) originally encouraged consumers to export excess generation to the grid, however in maturing markets feed-in tariffs have been declining and changes to net metering policies are driving homeowners to store 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, has become the economic value proposition for residential consumers.

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. Demand charges typically account for over 60% of a commercial building power bill, therefore the ability to manage and reduce "peak" power can deliver significant value to the building owner. In certain jurisdictions, demand charge reductions alone result in a payback of less than three years on a commercial storage system. The return on investment calculation can be quite complex and sensitive to actual operating conditions and results, which has led to the early market being primarily served by third party ownership with a "shared savings" model, rather than by selling products directly to hosts. However, early commercial installations have proven out the financial savings models, and a market is emerging for smaller solutions to be purchased by commercial building owners and operators. Management believes that a smaller upfront capital investment is easier to absorb 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.

Regions

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.

United States

The US market continues to show the highest long-term growth potential due to its overall size and the range of innovative, regulatory and financing models currently being developed. However, residential energy storage growth within the US has been limited thus far to a handful of progressive states, with California and Hawaii continuing to lead the way. Currently, each state has 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 to become the largest global opportunity for distributed energy storage.

Australia

Australian market growth was slow versus industry expectation in 2019. Although grassroots demand continues to increase for energy storage based on backup power and the expiration of feed-in-tariffs, the Home Battery Scheme failed to meet market expectations due to government missteps in its rollout of the scheme and a host of the VPP programs that it was meant to support did not get off the ground. Management believes these issues will be resolved in 2020 through a revamped program, the introduction of TOU rates, and the introduction of new VPP options.

Europe

The European market is currently the world's largest market for distributed energy storage and is focused primarily on residential self-consumption applications. Historically, Europe has been dominated by Germany's national market, following Germany's leadership in rooftop solar photovoltaic ("PV") installations. The German energy storage market continues to follow the PV trajectory and is now spreading to other European countries including the United Kingdom, France and Italy.

Eguana's Strategy

Eguana's mission is to become a global leader in residential and small commercial grid tied energy storage systems. In 2019, the Company secured its position in each key market by building out

distribution channels, sales and support personnel on the ground. This investment led to a growing list of Eguana trained dealers supported by key distribution partners in each region.

Strategically in 2020, the Company will focus on growing its market share in the key markets with fully-integrated, factory assembled, software driven energy storage solutions. Key features including flexible capacity, simple installation, remote diagnostic and update capabilities, and remote battery recovery will continue to differentiate Eguana's product offerings. The Company believes this approach, with developed channels in multiple markets, will help diversify against regulatory and market risks typically associated with emerging renewable energy market segments.

In the United States, volumes with Eguana's long-standing partner Hawaii Energy Connection, the leading solar installer in the state, grew as changing state regulations resulted in the decline of competitive solar leasing models. Some of the regulatory changes limit the consumer's ability to deliver power to the grid, which forces PV system curtailment (slowing or stopping PV generation). This change puts a variable in the leasing model's return on investment calculations as a result of the power generation uncertainty. Eguana's flexible, intelligent system has been designed to size systems to match consumer load profiles, reducing any need for curtailment, delivering maximum value to the homeowners. Eguana expects to see further segmentation of third party ownership (TPO) models as the storage market expands across the United States, and the Investment Tax Credit (ITC) ramps down. TPO's will continue to be a significant factor in the growth of the overall market, however investors in these funds will become more sophisticated and engaged than the passive tax-equity investors that were attracted to early rooftop solar leasing models. Eguana will continue cultivating its brand and reputation for high performance and system reliability for these investors.

Beyond Hawaii, Eguana sees its biggest near-term growth opportunity through its partnership with CED Greentech, beginning with its focus in California. The Evolve has already been introduced by 8 CED Greentech branches across the USA, primarily in California. Onboarding of additional branches continues and, based on dealer feedback in Southern California with respect to Evolve's easy installation process and reliability, management expects to see continued dealer growth. The visceral impact of Public Safety Power Shutdowns by utilities in California through the wildfire season of late 2019 has heightened interest in energy storage beyond the western states. Focused distributors such as CED Greentech, which has national reach, has keyed in on finding a reliable supply of product they can offer to their networks. Eguana is well positioned to meet this need for an increasing number of CED branches.

In Europe, Eguana is supporting the multi-country rollout of the Q.Home+ energy storage system with partner Hanwha Q Cells. The Q.Home+ product has been certified for the United Kingdom and Ireland, the Scandinavian countries, and France as part of the expansion. Sales and installation training will continue as sales orders transition to monthly deliveries. With the completion of the Enduro contract manufacturing in Italy, the Company is now in a position to meet the growing product demand throughout Europe.

In Australia, Eguana remains focused on the South Australian market and VPP opportunities in that State. Despite initial challenges with the Home Battery Scheme, Eguana has been successful in establishing a growing dealer network within the State, most of whom have been approved installers under the Simply Energy VPP program. The Company will continue building its dealer base in other states through its partnership with distributor AC Solar Warehouse who provides national coverage.

Fiscal 2020 operational objectives will be focused on transitioning the Evolve and Elevate product lines to contract manufacturing and improving margins through supply chain activities. Currently, the Enduro has been transitioned with the major Evolve and Elevate sub-assemblies transitioning in the first half of fiscal 2020. Eguana will continue final product assembly in Australia and North America. The additional

shift to the contract manufacturer, which includes having the contractor purchase components on our behalf, will reduce working capital requirements as the Company continues to grow. Additional synergies will be found through supply chain and logistics, improving inventory turn times, manufacturing efficiencies, and the ability to rapidly expand manufacturing capacity.

Eguana is dedicated to providing world class people, products, and technology in the global marketplace. As such, the Company will continue to drive to excellence within its culture, responsibility, accountability, and awareness. Through 2020 Eguana will continue to grow its team, in each region, delivering best in class products and customer experience.

SELECT ANNUAL INFORMATION

	2019	2018	2017
Sales and engineering services	**3,427,949**	3,897,238	853,910
Net loss	**(9,140,640)**	(4,786,418)	(4,502,777)
Basic and diluted loss per share	**(0.04)**	(0.02)	(0.02)
Total assets	**4,147,126**	3,529,937	3,931,944
Total non-current financial liabilities	**8,377,529**	2,911,089	583,969
Distributions or cash dividends	**Nil**	Nil	Nil

Revenue

The Company's revenue is derived from the sale of energy storage systems. The systems come in multiple size configurations to meet individual customer and regional requirements and are branded as the Evolve, the Enduro, and the Elevate. Each system maintains approximately 90% bill of material consistency through the electronics topology, which is where many of the Company's proprietary patents reside. Each system is capable of performing customer and grid related services including solar self-consumption and back-up power functionality along with a suite of grid services including frequency and voltage control, and VPP's. The Company's customer base is addressed primarily through global distributors and large installers, who in turn market and sell systems to their customer base. Through a series of online and in person training programs, Eguana ensures that its customers are appropriately educated and trained on product features and installation best practices prior to sales, as all installation, maintenance and subscriptions are the responsibility of the distributor or installer.

Revenue from ESS sales increased from $2,836,281 in 2018 to $3,427,949 in 2019. The decrease in total revenue (Sales + Engineering Services) in 2019 is due to a non-recurring termination fee included in overall revenue in 2018 in the amount of $1,060,957 from Mercedes Benz Energy ("MBE").

The increase in revenue from 2017 to 2018 is due to an increase in revenue from energy storage system sales from $560,272 in 2017 to $2,836,281 as well as the aforementioned termination fee of $1,060,957.

Net Loss

The increase in net loss in 2019 is primarily attributable to higher selling and marketing expenses associated with the upfront costs for facilities expansion in Australia and Germany, along with the increased personnel in sales and technical sales to support building out the distribution channels, partner training, and order growth. Additionally, 2018 included a one-time revenue of $1,060,957 from the termination of a sales contract which did not exist in 2019. Higher financing costs due to the addition of Senior debt, preferred share financing, and two tranches of convertible debentures made up the balance of the difference.

The slight increase in net loss in 2018 is primarily attributable to higher selling and marketing expenses and financing costs partially offset by a higher positive gross margin and a reduction in bad debt expenses as compared to 2017.

Total Assets

The increase in assets in 2019 is primarily due to the increased buildup of inventory to fulfill customer orders into fiscal 2020 as well as increases in receivables due to higher revenue associated with sales of energy storage systems.

The decrease in assets in 2018 is primarily due to the loss incurred in the year which is partially offset by financings during 2018 as compared to 2017.

Total Non-Current Liabilities

The increase in total non-current liabilities in 2019 is primarily due to the issuance of preferred shares and convertible debenture financings.

The increase in total non-current liabilities in 2018 is primarily due to the issuance of long-term debt in the year, partially offset by the repayment of debentures as compared to 2017.

2019 OPERATING RESULTS

The following table sets forth a summary of the results of operations for the three months and years ended September 30, 2019 and 2018.

	Q4 2019	Q4 2018	**2019**	2018
Sales and engineering services	**825,492**	119,069	**3,427,949**	3,897,238
Cost of goods sold	**855,629**	140,744	**3,353,432**	2,702,375
Gross margin	**(30,137)**	(21,675)	**74,517**	1,194,863
Expenses				
General and administrative	**748,102**	603,242	**2,698,140**	2,177,580
Selling and marketing	**805,756**	360,049	**2,975,168**	1,303,752
Product research and development	**298,857**	340,112	**1,149,588**	1,214,289
Operations	**200,000**	111,268	**779,642**	556,949
	2,052,715	1,414,671	**7,602,538**	5,252,570
Loss before undernoted items	**(2,082,852)**	(1,436,346)	**(7,528,021)**	(4,057,707)
Financing costs	**(547,823)**	(202,271)	**(1,617,011)**	(729,079)
Other income	**1,150**	48	**4,392**	368
Net loss	**(2,629,525)**	(1,638,569)	**(9,140,640)**	(4,786,418)

Twelve Months ended September 30, 2019 and 2018

Sales and engineering services

Sales derived from energy storage systems increased 20.9% to $3,427,949 in fiscal 2019 in comparison to $2,836,281 in 2018, however combined sales and engineering services revenue decreased 12.0% for the year ending September 30, 2019 as compared to 2018 as a result of a one-time termination fee from contract negotiations with MBE during the year ending September 30, 2018. The net result of the negotiation resulted in revenue of $1,060,957, MBE endorsement of Eguana as a preferred energy storage solution, and a transfer of their global energy storage system sales pipeline. There was no similar engineering revenue in 2019.

The Company does expect 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 $74,517, or 2.2%, for the year ended September 30, 2019. This was entirely related to product sales margins, whereas $348,137, or 12.3%, of the 2018 margin related to product sales and $846,726, or 79.8%, related to the termination of the MBE contract.

Energy storage system gross margins were negatively impacted due to additional costs associated with expediting materials as a result of a global battery module delay, and the decision to expedite fourth quarter material deliveries to shorten lead times as a result of increased sales orders, primarily in Hawaii. Additionally, gross margin was impacted by a mix change with the addition of European shipments of

the Enduro product, which currently carries a lower gross margin relative to the Evolve and Elevate products.

The Company expects to see gross margins improve with the completion of the transition to contract manufacturing and cost reduction activities targeted to roll out in second fiscal quarter of 2020.

Expenses

Operating costs in 2019 were $7,602,538, up from $5,252,570 in 2018.

- General and administrative expenses in 2019 increased by $520,560 relative to 2018 expenses. The increase in G&A cost is primarily due to higher investor relations costs which began in the fourth quarter of 2018. Additionally, legal costs were higher in 2019 as litigation continues in Germany with a prior customer related to the cancellation of a supply agreement. Amortization increased during the year as new assets were acquired with the opening of the Australian office. Consulting costs increased as fees associated with the executive consultants increased slightly in comparison to 2018 fees.

  G&A expenses consist primarily of salaries (including the value of stock options for all employees), employee benefits and overhead expenses that are not otherwise allocated to other categories, occupancy, all professional fees, investor relations costs, travel costs, unrealized foreign exchange gains and losses and amortization.

- Selling and marketing costs in 2019 increased $1,671,416 relative to 2018. Approximately 70% of the increase is due to salary costs and associated benefits from the addition of the European and Australian offices opened and expanded in 2019. In line with this market expansion, costs associated with travel, branding and trade shows to support growth objectives made up the remaining increase.

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

- Product research and development costs remained relatively consistent with costs from the same period in 2018.

  Included in product research and development are costs associated prototype development and certification, market analysis in support of new product definition, salaries and benefits of the engineering group, and a portion of the EVP compensation.

- Operating costs increased by $222,693 for the year ended September 30, 2019 as compared to 2018. This is due to slightly higher costs for inventory storage as well as salary overhead allocations due to increased production activity and staffing requirements. Additionally, allocated rent from the operating functions in the new Australian office also made up a portion of the increase.

  Operations costs include salaries and benefits of employees directly allocated to this function and overhead cost allocations to support the operations personal.

Financing Costs

- Financing costs for the year ended September 30, 2019 were $887,932 higher than in 2018 due to the increase in long term debt in 2019 due to the issuance of convertible debentures and preferred shares as well as the Company drawing the remaining $1.5M USD of the Senior loan in Q4 2018 and Q1 2019.

- $418 thousand of the increase is due to accretion associated with the preferred share financing in the second quarter of 2019, $370 thousand is due to the accretion for the Senior Loan and its recent additional draws, and the remaining difference is primarily associated with $145 thousand associated with the two tranches of convertible debentures in the fourth quarter of 2019.

Three Months ended September 30, 2019 and 2018

Sales and engineering services

For the three-month period ended September 30, 2019, product sales were $825,492 representing a 593.3% increase over the product sales for the same period in 2018. Product sales in Q4 2018 were $119,069 and were primarily derived in mainland America.

Gross margin

For the three months ended September 30, 2019 gross margins increased 14.5% from negative 18.2% in fiscal Q4 2018 to negative 3.7%. Gross margin was negatively impacted due to material expediting to support short lead time consumer orders in Hawaii and standard year-end inventory change adjustments.

Expenses

Operating costs in Q4 2019 were $2,011,255, up from $1,414,671 in Q4 2018.

- General and administrative expenses increased by $144,860 in Q4 2019 relative to Q4 2018. The increase in G&A cost is primarily due to an increase in the unrealized foreign exchange loss by approximately $100 thousand due to weakening foreign exchange rates, as well as losses associated with the Australian operations developed in 2019. Legal fees associated with the ongoing German legal dispute, as well as commencement of a letter of guarantee with Economics Development Canada, made up the remainder of the increase
- Selling and marketing costs in Q4 2019 increased by $445,707 as compared to Q4 2018. The increase is due to the addition of the German and Australian offices and the associated increase in salary and benefit costs for the additional staffing requirements.
- Product research and development costs in Q4 2019 were relatively consistent with costs from the same quarter in 2018
- Operations costs in Q4 2019 increased by $88,732 as compared to Q4 2018. The increase is due to the rent associated with Australian manufacturing facility, which was opened in Q2 2019.

Financing Costs

- Financing costs in Q4 2019 were up $345,552 as compared to Q4 2018. This is primarily due to the issuance of preferred shares, a $166 thousand increase, and convertible debentures, a $154 thousand increase, during fiscal 2019. There was no accretion related to preferred shares or debentures in Q4 2018.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	**2019**	2018
Net loss	**(9,140,640)**	(4,786,418)
Finance costs	**1,617,011**	729,079
Share-based payments	**335,444**	334,904
Amortization of capital assets	**173,113**	124,558
Warranty provision	**102,313**	40,177
Unrealized foreign exchange loss (gain)	**25,135**	(7,392)
Amortization of deferred lease inducement	**-**	(7,800)
Write up of inventory	**(65,000)**	-
Other	**397**	-
	(6,952,227)	(3,572,892)
Net change in non-cash working capital	**(455,894)**	(1,010,323)
Cash flow used in operations	**(7,408,121)**	(4,583,215)

Net Loss

Net loss in 2019 increased $4,354,222 over the net loss in 2018. The increase in net loss can be attributed to the facilities expansion in Australia and Germany along with the increased personnel in sales and technical sales. Additionally, 2018 included onetime revenue of $1,060,185 from the termination of a sales contract, which did not exist in 2019. Higher finance costs due to the addition of Senior Debt and preferred share financing make up the balance of the difference.

Share-based Payments

Share-based payments were $335,444 in 2019, which is consistent with share-based payments of $334,904 for the same period in 2018.

Finance Costs

The increase in financing costs in 2019 is due to the accretion of long-term debt, as the remaining $1,500,000 USD was drawn from the Senior Lender in Q4 2018 and Q1 2019. Additionally, accretion also increased due to the preferred share financing of $3,000,000 in Q2 2019 and $4,227,000 in convertible debentures issued in Q3 and Q4 2019

SUMMARY OF QUARTERLY RESULTS

	2019				**2018**			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	825,492	774,670	973,140	854,647	119,069	1,355,668	1,103,774	1,318,727
Net (loss)	(2,629,525)	(2,228,210)	(2,160,438)	(2,122,467)	(1,638,569)	(220,223)	(1,725,937)	(1,201,689)
Per share (1)(2)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)

(1) Basic and diluted
(2) 2018 annual earnings per share is was ($0.02), 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 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.

Cash received from financing activities in 2019 was $6,791,892 (2018 - $3,536,066), and the Company used $7,408,121 (2018 - $4,583,215) in operations 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 $3,048,553 (2018- $1,906,356).

As at September 30, 2019 the Company had net liabilities of $11,020,980 which increased from $4,428,831 at September 30, 2018. This can be attributed to the receipt of the final tranche of long-term debt from the Senior Lender ($750,000 USD) in Q1 2019, the preferred share loan settlement and conversion in Q2 2019, and the convertible debenture private placement in the third and fourth quarter of 2019.

The Company has recorded $3,970,740 in accounts payables and accrued liabilities, of which $1,062,284 is in dispute. In addition, the Company has $1,837,634 in long-term debt, $903,600 in debentures, $196,873 in other liabilities and $224,143 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. 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 ($2,295,028 CAD) related to the cancellation of the above noted supply contract. The Company is disputing 799,000 Euros ($1,195,389 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 ($10.6M CAD).

Outstanding Debt

In December 2017, the Company issued $1,500,000 USD of debt, bearing an interest rate of 12.5% per annum which will be repaid in equal instalments starting in July 2018 for 30 months. In August 2018, the Company drew an additional $750,000 USD bearing an interest rate of 12.5% per annum which will be

repaid in equal instalments starting in March 2019 for 30 months. In October 2018, the Company drew the remaining $750,000 USD from its Senior Lender, bearing interest at 12.5% per annum, which will be repaid in equal instalments starting in May 2019 for 30 months. As part of the Senior 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.The exercisable warrants are exchangeable for $1,000,000 USD after the earlier of a liquidity event or September 30, 2021.

In August 2018, the Company entered into a loan agreement for general working capital for $1,300,000 with its largest shareholder, DHCT II Luxembourg SARL. The loan is due one month after the final Senior Loan payment is made. The loan bears interest at a fixed annual rate of 8%. The interest is paid at the same time the loan is repaid. As consideration for the advance of the DHTC loan, which had a second priority lien on all the assets of Eguana and its material subsidiaries, the Company issued common shares purchase warrants, entitling the Lender to purchase an aggregate of up to 1,238,095 common shares at a price of $0.21 per common share for a period of three (3) years from the date of the loan.

On February 7, 2019, the Company issued 300,000 shares of newly created Series A First Preferred Shares (the “Series A Shares”) at $10.00 per Series A Share (the “Issue Price”) for aggregate gross proceeds of $3,000,000 (the “Offering”). The Series A Shares were issued and sold to the Company’s largest shareholder, DHCT II Luxembourg SARL (the “Investor”), the investment vehicle of funds managed by Doughty Hanson & Co Managers Limited. The Series A Shares are convertible by the Investor at any time into common shares of the Company at a price of $0.24 per common share. The Company may force conversion of the Series A Shares once its TSX-V listed share price is equal to or greater than $0.60 for at least 60 consecutive days. In connection with the Offering, the Company and the Investor also entered into a loan settlement and conversion agreement whereby an additional 134,860 Series A Shares were issued to the Investor at the Issue Price to replace the existing $1,300,000 secured loan facility plus accrued interest.

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

On June 21, 2019, the Company issued 3,012 unsecured convertible debentures (“Debentures”) by way of a private placement, at a price of $1,000 per debenture, for total gross proceeds of $3,012,000. Each Debenture is convertible into 6,666.67 common shares and issued with 3,333.33 warrants. The debentures bear interest at 10% per annum, paid semi-annually, and mature on June 21, 2022.

On August 8, 2019, the Company closed the second tranche of the upsized debenture private placement. The Company issued 1,215 non-brokered unsecured convertible debentures at a price of $1,000 per debenture, for total gross proceeds of $1,215,000. The Company’s largest shareholder, DHCT II Luxembourg SARL, subscribed for 1,200 of the total debentures issued. The second tranche of the debentures mature on August 8, 2022, with all other terms remaining identical to the first tranche.

As of December 31, 2019 the two tranches of Debentures held $102,146 in accrued interest.

Subsequent to year end, in November 2019, the Company entered into a short-term bridge financing transaction (“Bridge Loan”) in the amount of $280,000 bearing an interest rate of 12.0% per annum for the initial three month period, and 24.0% per annum each month thereafter, and holds a maturity date of May 29, 2020. The Company has the right to prepay at any time a partial or the entire balance of the Bridge Loan outstanding together with accrued interest, without notice, penalty, or bonus. An administrative fee of 10% is due and payable on maturity date.

Additionally, on December 31, 2019, the Company entered an amendment with its Senior Lender to the original loan agreement dated December 20, 2017, wherein the monthly payments were reduced and comprised of interest only for four months commencing November 1, 2019 through February 1, 2020. The Senior Loan will continue to bear interest at a rate of 12.5% per annum and will now be repaid

February 1, 2022. In consideration for this, 4,161,333 common share purchase warrants were issued at a price of $0.06 per warrant for a period of five years from the date of issuance.

Shareholders' Equity and Shares Outstanding

As at January 23, 2020, 226,943,753 common shares are issued and outstanding, no change from September 30, 2019. As at January 23, 2020, there are common share purchase warrants representing the right to acquire 23,846,759 common shares, a decrease of 4,212,446 from September 30, 2019 due to the expiration of unexercised warrants, partially offset with the warrants issued on the restructuring of the Senior Loan.

As at January 23, 2020, the Company had 8,762,316 stock options outstanding, a decrease of 40,000 from September 30, 2019 due to the expiration of unexercised options. These options entitle the holders thereof to acquire up to 8,762,316 common shares. The weighted average exercise price of the vested options is $0.28 per share.

The Company had the following equity issuances throughout the fiscal 2019 year:

- During Q1 2019 EGTLP issued 715 EGT Markets Limited Partnership units at a price of $1,000 per unit resulting in gross proceeds of $715,000. During Q2, 2019, the Company exercised its right to convert the 715 EGT Markets Limited Partnership units to common shares of Eguana and issued 3,575,000 shares
- During Q2 2019, 315,000 warrants were exercised at a price of $0.12 and the equivalent number of common shares were issued
- During Q3 2019, 342,518 warrants were exercised at a price of $0.12 and the equivalent number of common shares were issued

Off-Balance Sheet Items

As at September 30, 2019, 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 2019, capital expenditures totaled $189,601 (2018 - $235,197) and were primarily incurred with respect to the expansion of the company's facility to increase production capacity and the addition of the Australian office and manufacturing facility.

RELATED PARTY TRANSACTIONS

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

	2019	2018
General and administrative	**506,996**	424,238
Selling and marketing	**315,290**	275,002
Product research and development	**69,620**	67,192
	891,906	766,432

Share based expenses to officers and a director was $135,187 during 2019 (2018 - $187,992).

Included in accounts payable and accrued liabilities is $448,135 (2018 - $324,418) due to directors and key management personnel.

During the year, key management personnel and the significant shareholder of the Company purchased 1,321 Convertible Debenture Units at $1,000 a Unit.

During 2019 the Company paid $157,380 (2018 - $157,380) to its former CEO as part of a settlement agreement and incurred $79,843 (2018 - $95,351) 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, 2019, the Company had not achieved profitable operations since its inception and had an accumulated a deficit of $68,627,068 (September 2018 - $59,527,888) and recognized a cash flow deficiency from operations in 2019 of $7,408,121 (2018 - $4,583,215). 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, 2019, the Company had a working capital deficit of $3,007,093 (2018 – $1,906,356).

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.

Need for Additional Capital and Access to Debt and Equity Financing

In order to accelerate its growth objectives, and realize the full potential of its market opportunities, Eguana will likely need to raise additional funds from lenders and/or equity markets in the future. The capital needed to execute on this strategy would be tied to working capital, increased investment in human resources for marketing and new product development and additional production test equipment needed to ramp production. If Eguana is unable to raise the capital on reasonable terms, its growth could be limited. If Eguana issues Common Shares, or securities convertible into Common Shares, in order to obtain additional financing, shareholders may suffer additional dilution.

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, Australian dollars or 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.

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.

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 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 with the net effect of 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 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 UK, Ireland, France, Australia, New Zealand and North America. The technical associations that are prevalent in maintaining the grid interconnection and safety standards in these countries and regions are VDE, Standards Australia, UL, CSA, IEC, EN, FCC and various EU Directives. Some of the standards that are actively maintained for product compliance by Eguana are VDE 4105, EN 50549, G98/99, AS 4777, UL 1741, UL 9540, IEC 62109 and IEC 61000. The specific regional requirements that are additionally enforced by AHJs, such as for California and Hawaii, are also maintained..

ACCOUNTING POLICIES

Effective October 1, 2018, the Company adopted IFRS 9 ("IFRS 9"), Financial Instruments and IFRS 15 ("IFRS 15"), Revenue from Contracts. All significant accounting policies, including IFRS 9 and IFRS 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, 2019:

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 assessing the impact of this standard.

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments, with a mandatory effective date of January 1, 2019 which is applicable to the Company starting October 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect on initial application in opening retained earnings without adjusting comparative information. The adoption of IFRIC 23 is not expected to have a significant impact on the Company's consolidated financial statements

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 23, 2020.

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 Fillings ("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 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.