



## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED DECEMBER 31, 2020**

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Inc. ("Eguana", or the "Company") is dated March 1, 2021 and should be read in conjunction with Eguana's condensed interim consolidated financial statements for the three months ended December 31, 2020 ("Q1 2021") and for the three months ended December 31, 2019 ("Q1 2020") and the annual consolidated financial statements for the years ended September 30, 2020 and 2019.

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all references to \$ in this MD&A are to Canadian dollars. References to US\$ or US dollars herein are to United States dollars.

Please read the Advisory Section of this MD&A which provides information on forward looking information and other information. Additional information relating to the Company, including Eguana's Annual 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](http://www.sedar.com). The aforementioned documents are issued and made available in accordance with legal requirements but are not incorporated by reference into this MD&A.

### **OVERVIEW AND UPDATE**

A detailed overview of the Company's core business, its products, the market for Eguana's products, and the Company's business strategy is provided in the MD&A for the financial year ended September 30, 2020, published on January 21, 2021.

Eguana's mission is to become a global leader in residential and small commercial grid tied energy storage systems. Strategically, the Company remains committed to delivering continued growth in its distribution channel development by expanding sales, technical support and training, and operational capabilities in high demand markets.

Eguana's employees and partners are critical for its success, and as such the Company places the highest priority on their health and safety. To mitigate and manage the potential spread of COVID-19 a series of measures have been implemented in each location, including remote work, limited office attendance and close interaction, and new sanitation protocols. As a result, to date personnel issues have been minimized.

The COVID-19 global pandemic continues to constrain supply chains, ports and logistical networks around the world as economies reopen under varying safety measures and government guidance; including certain regions in which Eguana operates on both the supply and demand sides of the business. Through Q1, and continuing into Q2, Eguana has been supply constrained as global logistics networks were impacted more heavily than earlier in the pandemic due to a reduction in shipping capacity, changes to shipping lanes and the delayed return of containers to points of supply from their destinations. The result has been a substantial increase in material lead times and transit lead times.

Management believes these conditions will continue at least through the rest of the fiscal year. To alleviate risks to its supply chain, the company will use a portion of the recent Special Warrant financing to make strategic inventory investments, which will position key raw materials in order to buffer transit risk and allow a planned transition to flow manufacturing from batch manufacturing. These investments will smooth out the manufacturing process, increase product availability and provide better customer service to Eguana partners. By reducing the impact and further risk of COVID 19 delays throughout supply chain, the Company expects to fulfill a large portion of its current back log of orders in the next nine to twelve month period.

In Q1, Eguana made its first customer shipments of the Evolve lithium iron phosphate (LFP) product into the US market. This critical milestone diversifies the Company's battery supply chain, which in turn minimizes exposure to battery cell shortages from any individual supplier, putting the Company at the forefront of the lithium technology transition currently underway in the United States. New developments in Cobalt reduced and Cobalt free battery chemistries is also trending to eliminate cobalt sourcing issues and thermal runaway concerns with next generation battery technology.

Eguana's Evolve LFP residential energy storage system (ESS) is the first LFP-based ESS for the US market that is not priced at a premium to products based on NMC (nickel manganese cobalt) electric vehicle cells. Eguana's flexible software driven platform and advanced integration capabilities deliver rapid product cycles, keeping the Company on the cutting edge of battery technology as the stationary energy storage market matures.

In December 2020, the Company began developing a higher powered Evolve product targeted at 'Whole Home' backup applications, in the United States, with a primary focus in the state of California. This development remains on track, with functional testing nearing completion. As expected, the Public Safety Power Shutoffs throughout California have triggered interest in larger system sizes, which delivers a competitive advantage to Eguana as its platform has been designed with expandable capacity without the need for additional power controls. California has also passed a state mandate that all new residential home construction must have solar installed, which is anticipated to drive additional market growth for ESS.

The Company has several key initiatives underway as a result of its partnership with the ITOCHU Corporation (ITOCHE). Upon completion of an earlier development contract, Eguana entered field trials of its Moixa AI based Evolve product for US markets with Sunnova, a leading US residential solar and energy storage provider, who formed a strategic relationship with ITOCHU in 2018. The Moixa AI based Evolve was designed to excel in virtual power plant (VPP) and residential applications. To de-risk battery module supply availability, Eguana transitioned its LG Chem battery supply chain to ITOCHU, which also provided for a reduction in working capital requirements, enabling the Company to scale more quickly. Additionally, the Company has begun discussions on next generation battery module and battery management system development for future Eguana products. Investing in the vertical integration of its battery supply chain can further de-risk battery module shortages, provide additional cost control and speed future product development cycle time.

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.

Research and Development has several key initiatives including battery module and battery management system development, cost reduction activities, and a higher power Evolve product line.

## 2021 OPERATING RESULTS

The following table sets forth a summary of the results of operations for the three months ended December 31, 2020 and 2019.

	Q1 2021	Q1 2020 <sup>(1)</sup>
Sales and engineering services <sup>(1)</sup>	<b>2,323,787</b>	2,635,161
Cost of goods sold	<b>2,133,850</b>	2,405,073
Gross margin	<b>189,937</b>	230,088
Expenses		
General and administrative	<b>810,021</b>	529,519
Selling and marketing	<b>456,034</b>	540,752
Product research and development	<b>431,081</b>	199,782
Operations	<b>241,942</b>	267,422
	<b>1,939,078</b>	1,537,475
<b>Loss before undernoted items</b>	<b>(1,749,141)</b>	(1,307,387)
Financing costs	<b>(711,647)</b>	(486,351)
Unrealized foreign exchange gain (loss)	<b>105,486</b>	40,636
Other income	-	1
<b>Net loss</b>	<b>(2,355,302)</b>	(1,753,101)

(1) During the preparation of the condensed interim consolidated financial statements for Q1 2021, management identified an overstatement of \$167,000 in the revenue recorded in the comparative period ended December 31, 2019. This revenue should instead have been allocated to the second quarter ended March 31, 2020. Management also identified an understatement of cost of goods sold of \$17,600 which had originally booked within product research and development expenses. Refer to note 2(b) of the Q1 2021 condensed interim financial statements for further details. Items have been adjusted in the chart above.

### Sales and engineering services

The Company's revenue is derived from the sale of energy storage systems which are available in multiple size configurations to meet individual consumer and regional requirements. The systems, which are branded the Evolve NMC, the Evolve LFP, the Enduro, and the Elevate, maintain approximately 90% bill of material consistency throughout the electronics topology providing a standardized product platform which is where many of the Company's proprietary patents reside. Each feature rich system is capable of performing consumer related functions including solar self-consumption with seamless back-up power as well as a full suite of VPP services for fleet aggregators including frequency and voltage control, reactive power management, and spinning reserve.

The Company's customer base is addressed primarily through its dealer network inclusive of large residential installers and global distributors, who in turn market and sell Eguana systems through their customer networks to the end consumer. Additionally, in certain markets, the Company has white label products for large scale partners who have the ability to wrap financing around the solutions and are targeting roll outs through VPPs and other fleet aggregations services. Through a series of online and in person training programs, the Company ensures both its customers and installation partners 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.

For the three-month period ended December 31, 2020, product sales were \$2,323,787 consistent with prior year product sales of \$2,384,799 for the same period, which was the last reporting period prior to the supply disruptions caused by COVID-19. The 2.6% decrease was largely a result of material delivery delays due to COVID-19 driven congestion through international ports and shipping lanes.

Engineering revenue was \$250,362 in Q1 2020 for services provided to the ITOCHU Corporation to develop and certify a proprietary residential storage system. There was no engineering revenue in Q1 2021.

The Company does expect to see continued 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, market growth rates, and continued global impacts of the COVID-19 pandemic on global supply chains.

#### *Gross margin*

Gross margins for energy storage systems were 8.2% or \$189,937 for the three months ended December 31, 2020. Energy storage system gross margins for the same period in 2019 were \$34,394 or 1.4%. Gross margins improvement can be attributed to planned cost reduction activities, primarily in North American channels, the initial rollout of the LFP chemistry systems, and supply planning improvements. The company expects to see continued gross margin improvement through 2021 with additional product assembly efficiencies with contract manufacturing partners, favourable product mix shift to larger system configurations, and further cost reduction activities through supply chain and development.

Engineering services contributed \$195,694 to the margin in Q1 2020 for services provided to ITOCHU as described above. There were no engineering services in Q1 2021.

#### *Expenses*

Operating costs for the three months ended December 31, 2020 were \$1,939,078, up \$401,603 from the same period in 2019.

- General and administrative expenses ("G&A") increased by \$280,502 in Q1 2021 as compared to Q1 2020. The increase in G&A cost can primarily be attributed to the increase in share-based payments. Q1 2021 had 15,292,316 options outstanding, as compared to 8,782,316 for the same period in 2020, primarily the impact of 4.5M options granted to a capital markets advisory company, with half vesting immediately and half vesting 6 months later. This increase is partially offset by a decrease in travel and consulting costs due to COVID-19 global travel restrictions.

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

- Selling and marketing costs in Q1 2021 decreased \$84,718 as compared to Q1 2020. This decrease is a result of the global COVID-19 travel restrictions, wherein overall global travel was significantly reduced, along with restructuring selling resources to increase internal focus on operational activities and aftersales service, primarily in Europe and Australia, which resulted in a decrease in sales personnel.

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

- Product research and development costs increased by \$231,299 in Q1 2021 compared to the same period in 2020. This increase is due to prior year staff salary allocated to costs of goods sold in Q1 2020 for time spent on a new engineering development contract. There has been no similar allocation in Q1 2021. Management expectation is to further increase Research and Development costs related to team growth for battery integration projects, additional product cost reduction activities, and new product introductions and certification.

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 remained relatively consistent with Q1 2019 expenses.

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 in Q1 2021 were up \$225,296, or 46.3%, as compared to Q1 2020. \$212,000 of the increase is due to the addition of the \$5.0M convertible debenture accretion in Q2 2020, while \$39,000 of the increase is due to accretion of the legal settlement with a former contract manufacturer, which began in the third quarter of 2020. This is slightly offset with the reduction in accretion associated with the short-term bridge loan, which was repaid in April 2020.

## MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

<b>Operating activities</b>	<b>Q1 2021</b>	<b>Q1 2020<sup>(1)</sup></b>
Net loss	<b>(2,355,302)</b>	(1,753,101)
Share-based payments	<b>432,051</b>	37,916
Financing costs	<b>711,647</b>	486,351
Amortization of property & equipment	<b>33,662</b>	46,019
Amortization of lease assets	<b>51,546</b>	43,622
Warranty provision	<b>14,670</b>	53,639
Unrealized foreign exchange gain	<b>(105,486)</b>	(40,636)
	<b>(1,217,212)</b>	(1,126,190)
Net change in non-cash working capital	<b>(694,846)</b>	2,399,787
<b>Cash flow (used in) from operations</b>	<b>(1,912,058)</b>	1,273,597

(1) Restated. Refer to note 2(b) of the 1 2021 condensed interim financial statements.

### *Net Loss*

Net loss for Q1 2021 increased by \$602,201 over the net loss in Q1 2020. The increase in net loss can primarily be attributed the increase in share-based payments by \$394,135 during Q1 2021, due to an increase in options of 6,510,000 from the prior year, of which 2.3M vested within the quarter. Additionally, the first three months of 2020 saw engineering gross margins of \$195,694, which did not exist in the three months ended December 31, 2020.

### *Share-based Payments*

Share-based payments were \$432,051 in the three-month period ended December 31, 2020, up from \$37,916 from the same period in 2019. Q1 2021 had 15,292,316 options outstanding, as compared to 8,782,316 for the same period in 2020. The three-month increase was primarily due the impact of 4.5M options granted to a capital markets advisory company, with half vesting immediately and the remaining half vesting at the 6 months anniversary.

### *Financing Costs*

The increase in financing cost in the first quarter of 2021 is primarily due to the accretion of the convertible debentures issued in March 2020, as well as accretion associated with a legal settlement which occurred in July 2020.

### *Unrealized Foreign Exchange Gain*

Unrealized foreign exchange gain in Q1 2021 resulted from a favourable shift in foreign exchange, specifically the weakening of the US dollar for the Company's Senior debt, which is denominated in USD.

## Summary of Quarterly Results

	2021		2020		2019			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales <sup>(2)</sup>	2,323,787	1,330,848	2,179,891	1,805,778	2,635,161	825,492	774,670	973,140
Net (loss) <sup>(2)</sup>	(2,355,302)	(1,948,743)	(1,761,235)	(2,775,573)	(1,753,101)	(2,629,525)	(2,228,210)	(2,160,438)
Per share <sup>(1)</sup>	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

(1) Basic and diluted

(2) During the preparation of the condensed interim consolidated financial statements for Q1 2021, management identified an overstatement of \$167,000 in the revenue recorded in the comparative period ended December 31, 2019. This revenue should instead have been allocated to the second quarter ended March 31, 2020. Refer to note 2(b) of the Q1 2021 condensed interim financial statements for further details. Items have been adjusted in the chart above

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

The Company manages its capital with the prime objectives of safeguarding the business as a going concern, creating investor confidence, maximizing long-term returns and maintaining an optimal structure to meet its financial commitments and to strengthen its working capital position. At present, the capital structure of the Company is primarily composed of shareholders' equity and debt. The Company's strategy is to access capital primarily through equity issuances, asset based lending, and other alternative forms of debt financing. The Company actively manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile.

Eguana received \$1,597,455 from financing activities in Q1 2021 (Q1 2020 - \$21,532) and used \$1,912,058 in operations during Q1 2020 (Q1 2020 –received \$1,273,597).

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 quarter ended December 31, 2020 was \$4,941,971 (September 30, 2020 – \$5,232,430).

As at December 31, 2020 the Company had net liabilities of \$17,060,960, which decreased from \$17,456,834 at September 30, 2020. This can be primarily be attributed to the decrease in the Company's long-term debt as it nears the end of the repayment schedule.

The Company has recorded \$4,149,073 in accounts payables and accrued liabilities. In addition, the Company has \$1,178,954 in long-term debt, \$1,108,216 in debentures, \$181,452 in lease obligations, and \$718,666 in other liabilities payable over the next 12 months.

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

The Company is currently in a dispute with a prior customer in Germany as a result of the cancellation of a supply contract. A claim has been prepared to recover 1,479,332 Euros (\$2,213,229 CAD) for unpaid invoices and interest, along with the option to claim an additional 903,584 Euros (\$1,351,852 CAD) for European inventories purchased to fulfil this contract. Litigation is inherently uncertain and while legal counsel advises that the Company has a strong case, the receivable is being carried on the books at near zero value. A favorable outcome in the dispute would increase the current assets of the Company.

The above noted prior customer has made warranty claims related to the Company's first generation, 3-phase Comfort series product. Management believes this claim is without merit and that any product failures are tied directly to a fundamental system failure in the design for which the customer was solely responsible.

## **Outstanding Debt**

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 retained 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. On April 7, 2020 the Company repaid the full amount outstanding on the Bridge Loan.

On March 13, 2020 the Company closed a strategic investment with the ITOCHU Corporation and issued 5,000 unsecured convertible debentures at a price of \$1,000 per debenture, for total gross proceeds of \$5,000,000. Each ITOCHU Debenture is convertible into Units of the Company, at a price of \$0.15 per unit. Each Unit consists of one Common Share and one-half of one Warrant. Each whole Warrant shall enable the holder thereof to acquire an additional Common Share at a price of \$0.20 per share for a period of three years following the closing date of the issuance of the ITOCHU Debentures. The ITOCHU Debentures bear interest at 10% per annum, paid semi-annually in cash or additional common shares, and mature on March 13, 2023.

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

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

Subsequent to quarter end, on February 19, 2021, the Company announced it would be forcing the conversion of its remaining unexercised Debentures as the volume weighted average trading price of the Common Shares exceeded \$0.30 for a period of 20 consecutive trading days. As a result of the Conversion, the estimated remaining total of approximately \$1.943 million of Debentures outstanding will be converted into approximately 12,953,339 Common Shares, and accrued interest (less any required deductions or withholdings) will be paid by the Company in cash or through the issuance of Common Shares to the applicable holders of the Debentures on March 22, 2021.

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

Subsequent to quarter, on February 25, 2021, the Company closed a private placement of \$20,000,000 wherein it issued 50,000,000 special warrants at a price of \$0.40. Each special warrant will be convertible into one common share of the Company without any additional consideration upon certain conditions being met. As consideration for its services in connection with the Offering, the Company paid the Agents a cash commission equal to \$1,400,000 and issued a total of 3,500,000 non-transferable compensation special warrants of the Company.

## **Shareholders’ Equity and Shares Outstanding**

As at March 1, 2021 269,131,377 common shares are issued and outstanding, an increase of 28,407,900 from December 31, 2020 due to the conversion of 1,959 convertible debenture units (13,060,004 shares), exercise of 1,450,000 employee and consultant stock options, exercise of



6,648,398 warrants and the exercise of the right to acquire limited partnership units, resulting in 7,665,900 common shares.

As at March 1, 2021, there are common share purchase warrants representing the right to acquire 72,200,836 common shares, an increase of 47,036,802 from December 31, 2020 due to the issuance of 53,500,000 special warrants in the closing of a private placement, exercise of 2,487,065 warrants, issuance of 185,200 broker warrants, and exercise of 4,161,333 warrants relating to the Senior Lender debt amendment.

As at March 1, 2020 the Company has 15,342,316 stock options outstanding, an increase of 50,000 from December 31, 2020, due to 1,500,000 incentive options issued, offset by the exercise of 1,450,000 options. These options entitle the holders thereof to acquire up to 15,342,316 common shares. 10,708,989 stock options have vested as of today's date. The weighted average exercise price of the vested options is \$0.25 per share.

#### **Off-Balance Sheet Items**

As at December 31, 2020, 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 Q1 2021, capital expenditures totaled \$4,672 (Q1 2020 - \$8,404) and were primarily incurred with respect to the purchase of computer hardware equipment.

#### **RELATED PARTY TRANSACTIONS**

The Company had the following related party transactions with director and key management personnel:

Salaries and benefits	Q1	
	2021	2020
General and administrative	<b>117,807</b>	113,690
Product research and development	<b>71,654</b>	70,043
Selling and marketing	<b>16,596</b>	16,269
	<b>206,057</b>	200,002

Included in accounts payable and accrued liabilities is \$861,013 (September 30, 2020 - \$777,194) due to directors and key management personnel.

Share based expenses to officers and a director was \$24,714 for the three-months ended December 31, 2020 (December 31, 2019 - \$19,310).

During Q1 2021 the Company paid \$36,318 (Q1 2020 - \$42,372) to its former CEO as part of a settlement agreement and incurred \$10,710 (Q1 2020 - \$15,832) of accretion as the obligation matures.

#### **RISK FACTORS AND RISK MANAGEMENT**

##### **Going Concern**

The condensed interim consolidated financial statements were prepared on a going concern basis. The going concern basis 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 December 31, 2020, the Company had not achieved profitable operations since its inception and had accumulated a deficit of \$79,262,482 (September 30, 2020 - \$76,907,180) and incurred a net loss for the three-month period ended December 31, 2020 of \$2,355,302 (December 31, 2019 - \$1,753,101). Whether and when the Company can attain profitability from operations is uncertain. At December 31, 2020 the Company has a working capital deficiency of \$4,941,971 (September 30, 2020 – \$5,232,430). The lack of profitable operations and current liabilities being in excess of current assets results in material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

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 has completed a \$20 million private placed (see note 21 in the condensed interim consolidated financial statements) and may need to also seek financing through the issuance of common shares, preferred shares, EGT Markets Limited Partnership units, debentures or other securities of the Company or its subsidiaries. The outcome of any future financings cannot be predicted at this time.

#### **COVID-19 Based Risk**

The COVID-19 global pandemic has created unprecedented risks in Eguana's business, some of which are detailed here. The global supply chain has been disrupted with lockdowns in many countries, some of whose industries are part of Eguana's supply chain. There is a risk of component cost increases due to supply constraints along with expected increases in shipping and logistics costs. The short- and medium-term impacts are unprecedented in modern history and remain difficult to estimate at this time. The extent of the global economic damage remains unknown but is expected to be severe with economic recession, market volatility and political uncertainty may last many months or years as global supply chains, labour forces and credit markets recover. This may impact companies' abilities to reach the targeted sales numbers, gross margin objectives, and safe and healthy workplaces. Eguana has taken precautionary steps to mitigate the associated risks.

#### **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 all such laws and regulations. Eguana intends to invest financial and managerial resources to ensure such compliance and will continue to do so in the future; however, it is impossible for Eguana to predict the cost or impact of such laws and regulations on Eguana's future operations. Eguana's products are currently certified for use in Germany, the United Kingdom, France, Australia, and North America. The technical associations that are prevalent in maintaining the grid interconnection and safety standards in these countries are VDE, Australian

Standards, UL, CSA, IEC, EN and FCC. The specific standards that are actively maintained for compliance by Eguana are VDE 4105, G98, AS 4777, UL 1741, UL 9540, IEC 62109 and IEC 61000.

## **ACCOUNTING POLICIES**

### **New accounting standards issued but not yet effective**

New accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. The Company is currently evaluating the impact of adopting these standards.

#### *IAS 1, Presentation of Financial Statements ("IAS 1")*

An amendment to IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period. The Company is assessing the impact of this standard.

## **ADVISORY SECTION**

### **Forward-Looking Statements**

This MD&A contains forward-looking information and forward-looking statements (collectively, "forward-looking statements") within the meaning of applicable securities laws that 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.