



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2021

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Inc. ("Eguana", or the "Company") is dated May 31, 2021 and should be read in conjunction with Eguana's condensed interim consolidated financial statements for the three and six months ended March 31, 2021 ("Q2 2021" and "YTD 2021") and for the three and six months ended March 31, 2020 ("Q2 2020" and "YTD 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. 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.

Global logistic networks and supply chains continued to struggle through the quarter as a result of the COVID-19 pandemic with standard material lead times increasing substantially. The Company's second quarter revenue was significantly impacted from delays at both shipping and receiving ports relative to both battery module and transformer deliveries, which arrived in the last week of March. These shipments were originally scheduled for receipt in late January. Product availability and customer shipments through the quarter were delayed as a result.

Changing consumer habits, driven primarily from the Pandemic response, is furthering supply chain disruption as global microchip demand has soared during this critical time, causing extended shortages with respect to key electronics component supply. Evolve Hub production continues to be impacted as a result of these microchip shortages. Eguana's development team has developed an interim microchip solution through software modification which will allow the Company to continue production through its fourth quarter. The interim solution is expected to be ready by mid July and will be maintained until the global chip shortage is resolved.

To alleviate further risks to its supply chain, the Company used a portion of the proceeds from its recent \$20 million Special Warrant private placement to shore up its supply chain and strategically position certain raw materials to accommodate longer component lead times and anticipated transit delays. Management continues to actively work with key suppliers, and with many of these components and raw materials already received to date, does not expect significant revenue impact in the second half of the calendar year. Based on current material inventory position the Company has converted its production model to a manufacturing flow environment from a production batch system and will continue to target filling its customer order backlog by the end of the calendar year.

Eguana crossed several key milestones in the second quarter, including having closed a Special Warrant financing transaction moving the Company into a positive working capital position, removed \$3.1M of convertible debenture debt from its balance sheet with all remaining debenture debt removed in April, shortly after quarter end, procured critical raw materials and circuit board level components to ramp production and shipment output, and defined the development path to an industry standard and battery agnostic Battery Management System ("BMS") to be available mid 2022.

Eguana maintains the opinion that access to battery module availability in the coming years will be critical to the success of residential and commercial energy storage system ("ESS") manufacturers. Management intends to continue vertically integrating its battery supply chain by designing an Eguana battery module, utilizing next generation semi solid-state lithium technology from 24M, an MIT-based technology company that has been funded in part by Eguana partner ITOCHU Corporation ("ITOCHU").

24M's technology is being licensed to global battery cell manufacturers looking to move into the energy and battery technology forefront. Eguana has secured its first Memorandum of Understanding ("MoU") with Norwegian based FREYR, who has secured a license to produce cells for the Eguana developed battery modules. The modules, targeted to be available mid 2022, will be fully integrated with Eguana's standard BMS and advanced power control solution.

In addition to the 24M-based modules, the Company intends to maintain its relationship with current battery partners defining multiple supply chains for module availability and providing consumers with battery chemistry and system choice within the Eguana family of products. Along with securing module availability for rapid growth within residential energy markets, management sees opportunities in new verticals with its integrated modules and BMS including commercial and industrial storage and electric vehicle markets.

Further benefits to the Company through these development objectives will be improved development speed and product cycle time given that roughly 90% of the total ESS platform will be internally managed. Cost profiles of battery cells based on 24M's innovative design have been forecasted to deliver up to 30-40% reduction in cost compared to currently available technology, delivering superior battery cell economics. Currently, battery modules represent approximately 60% of the cost of an ESS, opening cost reduction opportunity across all Eguana products.

In the United States, Eguana continues its field trials with its Moixa AI based Evolve, which has been designed to excel in virtual power plant ("VPP") and residential applications in the United States. Upon

Moixa's certification of California Rule 21 within its energy management software ("EMS"), the Company expects to move to the next phase with initial product release for the ITOCHU/Sunnova VPP. California Rule 21, the interconnection tariff put in place by the California Public Utility Commission defining the performance and function parameters required to connect to the California power grid, is considered to be the most advanced connection standards for solar and energy storage in the United States.

Eguana has expanded its dealer partner network to over 270 dealers with primary focus remaining in California, which is largely expected to be the fastest growing residential market in the United States. Market feedback is that demand remains strong for the 10kW full home back up lithium iron phosphate ("LFP") based product, which is on track to go in for final certification testing in June, with early shipments scheduled shortly thereafter.

As a result of the Public Safety Power Shutoffs in California, system sizes continue to trend up in size. Eguana believes it will be the first company to offer multiple system chemistries with varying power and expandable capacity to deliver consumer choice in the market and right size ESS's to consumer needs. California has mandated residential solar for all new home construction, which is expected to drive additional growth for residential energy storage systems.

Raw material availability slowed product shipments in Europe through the second quarter. This situation has been resolved as part of the Company's supply chain activities and inventory positioning, which included components for the QCELLS AC coupled Q.Home product. As a result, management expects to see increasing shipments as the European market continues to show strong demand for AC coupled systems in both retrofit and new installations. As with other markets, system sizes are rising in Europe, and the Company's recently introduced Multi-Unit Controller supports the installation of multiple Q.Home systems that work in concert to optimize solar usage at a single location.

In Australia, Eguana remains focused on expanding its VPP participation in opportunities that are developing beyond South Australia. The Company has also expanded its dealer network to cover all mainland States and Territories and expects that the inventory positioning will be particularly helpful in activating our dealers in Australia with steady product availability.

2021 OPERATING RESULTS

The following table sets forth a summary of the results of operations for the three and six-months ended March 31, 2021 and 2020.

	Q2 2021	Q2 2020 ⁽¹⁾	YTD 2021	YTD 2020
Sales and engineering services ⁽¹⁾	347,582	1,805,778	2,671,369	4,440,939
Cost of goods sold	333,752	1,414,801	2,467,602	3,819,874
Gross margin	13,830	390,977	203,767	621,065
Expenses				
General and administrative	1,097,880	450,026	1,907,901	979,545
Selling and marketing	472,150	524,651	928,184	1,065,403
Product research and development	419,179	208,293	850,260	408,075
Operations	194,909	168,173	436,851	435,595
	2,184,118	1,351,143	4,123,196	2,888,618
Operating loss	(2,170,288)	(960,166)	(3,919,429)	(2,267,553)
Financing costs	(743,653)	(835,548)	(1,455,300)	(1,321,899)
Loss on debt extinguishment	-	(491,692)	-	(491,692)
Unrealized foreign exchange gain (loss)	79,006	(458,855)	184,492	(418,219)
Other income	-	2	-	3
Net loss	(2,834,935)	(2,746,259)	(5,190,237)	(4,499,360)

(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 (nickel manganese cobalt), the Evolve LFP, the Enduro, and the Elevate, maintain approximately 90% bill of material consistency throughout the electronics topology providing a standardized product platform where many of the Company's proprietary patents reside. Each feature rich system is capable of performing consumer related functions including management of 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 aggregation 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 March 31, 2021, product sales were \$347,582 (29 units comprised of Evolve, Enduro, and Elevate) a decrease of 73.7% compared to prior year product sales of \$1,319,781 for the same period (188 units comprised of Evolve, Enduro, and Elevate). Raw material inventory position has been increased and second quarter orders are expected to ship during the third quarter. For the six-month period ended March 31, 2021, product sales were \$2,671,369 (305 units comprised of Evolve, Enduro, and Elevate), a 39.8% decrease from \$3,704,580 (495 units comprised of Evolve, Enduro, and Elevate) of the same period in the previous year. The decrease was a result of raw material delivery delays due to COVID-19 driven congestion through international ports and shipping lanes.

Engineering revenue was \$485,997 and \$736,359 for the three- and six-month periods ending March 31, 2020, respectfully, for services provided to the ITOCHU Corporation to develop and certify a proprietary residential storage system. There was no engineering revenue in 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. To mitigate risks associated with the quarterly fluctuations, the Company will be using a portion of the proceeds from the recent \$20M special warrant private placement to strategically position inventory for the transition from batch manufacturing to flow manufacturing, enabling consistent product availability.

Gross margin

Gross margins for energy storage systems were 4.0% or \$13,830 for the three months ended March 31, 2021 compared to gross margins for the same period in 2020 of 0.2% or \$3,054. YTD 2021 gross margins for energy storage systems were 7.6% or \$203,767. Energy storage system gross margins for the same period in 2020 were 1.0% or \$37,448. Gross margins are expected to continue improving with larger volume material purchase discounts, reduced expediting costs related to strategically positioned raw materials, and transitioning into a flow based manufacturing model. Additionally, the company expects to see further improvement opportunities through 2021 from product assembly efficiencies through contract manufacturing partners, favourable product mix shift to larger system configurations. Longer term the Company will see further gross margin increases from a transition to the Eguana developed battery module and BMS.

Engineering services contributed \$387,923 to the margin in Q2 2020 and \$583,617 for the six months ended March 31, 2020. There were no engineering services in Q1 2021.

Expenses

Operating costs for the three months ended March 31, 2021 were \$2,184,118, up \$832,975 from the same period in 2020.

- General and administrative expenses ("G&A") increased by \$450,026 in Q2 2021 as compared to Q2 2020. The increase in G&A cost can primarily be attributed to an increase of \$369,350 in share-based payments. Q2 2021 had 15,342,316 options outstanding, as compared to 8,512,316 for the same period in 2020; primarily the vesting impact of 4.5M options granted to a capital markets advisory company in Q1 2021, as well as 1.5M options granted in Q2 2021. Additional

increases are due to professional service fees associated with the special warrants private placement, as well as consultant 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, realized foreign exchange gains and losses and amortization.

- Selling and marketing costs in Q2 2021 decreased by \$52,501 as compared to Q2 2020. This decrease is a result of the global COVID-19 travel restrictions, wherein overall global travel was significantly reduced, as well as reduced sales personnel in Europe and Australia due to organizational restructuring.

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 \$210,886 in Q2 2021 compared to the same period in 2020. This increase is due to prior year staff salary allocated to costs of goods sold in Q2 2020 for time spent on a new engineering development contract. There has been no similar allocation in Q2 2021. Additionally, Q2 2021 saw an increase in costs related to R&D associated with battery integration projects and additional product cost reduction activities.

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

- Operations costs in Q2 2021 increased by \$26,736 as compared to Q2 2020. This increase is due to an increase in operational personnel and consultant costs as well as additional inventory storage requirements due to increased customer demands.

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

Operating costs for the six months ended March 31, 2021 were \$4,123,196, an increase of \$1,234,578 from \$2,888,618 for the six months ended March 31, 2020.

- G&A expenses increased by \$928,356 for the six months ended 2020. \$763,485 of the increase in G&A cost is attributed to an increase in share-based payments associated with option grants in the second half of 2020, as well as first half of fiscal 2021. Specifically, 4.5M options granted to a capital markets advisory firm in the first quarter of 2021, with accelerated vesting at the six-month mark increased non-cash associated share-based expenses. Additionally, 1.5M options were granted in January 2021.
- Selling and marketing for the six months ended March 31, 2021 decreased by \$137,219 as compared to the six months ended March 31, 2020. This decrease is due to reduced travel, meals, and trade-show costs associated with the global COVID-19 restrictions, as well as reduced sales personnel in Europe and Australia due to organizational restructuring.
- Product research and development costs increased by \$442,185 for the six months ended 2021. This is due to staff salary allocation to costs of goods sold in fiscal 2020 for time spent on a new engineering development contract. There was no similar allocated in the current YTD 2021 as the Company's R&D focus has been on growth for battery integration projects, additional product cost reduction activities, and new product introductions and certification.

- Operating costs remained relatively consistent with costs from the same period in 2020.

Financing Costs

Financing costs in Q2 2020 were down \$91,895 as compared to Q2 2020. Reductions of \$200,055 are associated with reductions in the Senior loan accretion, as the first tranche has fallen off as the Company nears the end of the full loan repayment. Additionally, a decrease in the fair value of the derivative liability due to the weakening of the US dollar, amounts to a reduction in financing costs of \$104,952. These reductions are offset with an increase of \$110,019 in accretion of convertible debentures, due to addition of \$5.0M issued in March of 2020, as well as a non-cash loss associated with prepayment of a settlement balance with a third party approximately five years early, this aligns with the Company's efforts to strengthen its balance sheet and work towards debt elimination.

Financing costs for the six-month period ended March 31, 2021 were \$133,401 higher than the same period in 2020 due primarily to the reduction in long term debt accretion and reduction in the derivative liability. This is offset with an increase of \$75,706 for a non-cash loss on debt prepayment of a settlement with a third party in the second quarter of 2021 as well as increased accretion of convertible debentures, with the addition of \$5.0M in March 2020. The Company will see convertible debenture accretion end in April of 2021 as all debentures were converted to common shares shortly after Q2 2021.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	Q2 2021	Q2 2020 ⁽¹⁾	YTD 2021	YTD 2020 ⁽¹⁾
Net loss	(2,834,935)	(2,746,259)	(5,190,237)	(4,499,360)
Share-based payments	384,491	15,141	816,542	53,057
Financing costs	743,653	835,548	1,455,300	1,321,899
Loss on debt extinguishment	-	491,692	-	491,692
Amortization of capital assets	33,956	43,589	67,618	89,608
Amortization of leased assets	49,955	42,900	101,501	86,522
Write up of inventory	(32,645)	-	(32,645)	
Warranty provision	(1,661)	36,514	13,009	90,153
Unrealized foreign exchange (gain) loss	(79,006)	458,855	(184,492)	418,219
	(1,736,192)	(822,020)	(2,953,404)	(1,948,210)
Net change in non-cash working capital	(2,017,483)	(2,091,232)	(2,712,328)	308,555
Cash flow used in operations	(3,753,675)	(2,913,252)	(5,665,732)	(1,639,655)

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

Net Loss

Net loss for Q2 2021 increased by \$88,676 over the net loss in Q2 2020. The increase in net loss can be attributed to decreased gross margins as Q2 2020 included engineering revenue, which yield higher percentage margins. Additionally, operating costs overall increased, primarily due to growth in share-based expense. These net loss increases were partially offset with decreased financing expenses, as well as the \$491,692 loss on debt extinguishment in Q2 2020, which did not exist in 2021.

Share-based Payments

Share-based payments were \$816,542 in the six-month period ended March 31, 2021, up from \$53,057 from the same period in 2020. This is due to an increase in options from 8,512,316 for YTD 2020 to 15,342,316 for YTD 2021. Of this increase in options, 4.5M have accelerated vesting terms of 6 months and a life of 3 years, in comparison to the standard employee 2-year vesting term and a life of 10 years. Each tranche is recognized on a graded vesting basis over the period in which the option vests.

Financing Costs

Financing cost for the six-month period ended March 31, 2021 were lower than the same period in 2020 primarily due to the reduction in accretion associated with the Company's senior loan as the first draw has been paid in full and it nears the end of its principal.

Unrealized Foreign Exchange Gain

Unrealized foreign exchange gain in Q2 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, as well as for the companies USD denominated aged accounts payable balances.

Summary of Quarterly Results

	2021		2020				2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales ⁽²⁾	347,582	2,323,787	1,330,848	2,179,891	1,805,778	2,635,161	825,492	774,670
Net (loss) ⁽²⁾	(2,834,935)	(2,355,302)	(1,978,057)	(1,761,235)	(2,746,259)	(1,753,101)	(2,629,525)	(2,228,210)
Per share ⁽¹⁾	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

(1) Basic and diluted

(2) As previously disclosed, 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 \$18,584,415 from financing activities in Q2 2021 (Q2 2020 - \$4,470,411) and used \$3,753,675 in operations during Q2 2021 (Q2 2020 -\$2,913,252).

Working capital represents the Company's current assets less its current liabilities. The Company's liquidity, as measured by the Company's working capital at the quarter ended March 31, 2021 was \$12,179,180 (September 30, 2020 – deficit of \$5,232,430).

As at March 31, 2021 the Company had net assets of \$3,492,556, which increased from net liabilities of \$17,456,834 at September 30, 2020. This can be primarily be attributed to the special warrant private placement in February 2021.

The Company has recorded \$3,821,159 in accounts payables and accrued liabilities. In addition, the Company has \$801,001 in long-term debt, \$523,288 in debentures, \$235,366 in lease obligations, and \$644,643 in other liabilities payable over the next 12 months.

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

Outstanding Debt and Equity

In November 2019, the Company entered into a short-term bridge financing transaction ("Bridge Loan") in the amount of \$280,000 with certain accredited investors, including the Company's Chief Executive Officer, 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 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 Class F partnership units at a price of \$1,000 per unit resulting in gross proceeds of \$1,150,000. In connection with the issuance, the Company paid the agent a cash commission of \$86,250 and issued 574,942 broker warrants at a price of \$0.15 per warrant for a period of two years, with an expiry date of November 2, 2022. Legal and other costs of \$107,026 related to the issue of the partnership units were incurred.

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.

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

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

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

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

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

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

In connection with the conversion, the Company entered into a shares for debt agreement with ITOCHU. The agreement settled the remaining \$41,096 of interest due through the issuance 90,320 common shares at a price of \$0.455 per share.

Shareholders' Equity and Shares Outstanding

As at May 31, 2021 366,961,998 common shares are issued and outstanding, an increase of 83,337,921 from March 31, 2021 due to the ITOCHU Conversion of remaining debentures, resulting in 33,333,333 common shares; the closing of the special warrant transaction, resulting in the issuance of 50,000,000 common shares, as well as a 4,588 shares issued in exchange for outstanding interest due.

As at May 31, 2021, there are common share purchase warrants representing the right to acquire 38,034,302 common shares, a decrease of 33,333,334 from March 31, 2021 due to the exercise of 50,000,000 special warrants, offset by the issuance of 16,666,666 warrants to ITOCHU on the conversion of debentures.

As at May 31, 2020 the Company has 16,842,316 stock options outstanding, an increase of 1,500,000 from March 31, 2021, due to 1,500,000 incentive options issued. These options entitle the holders thereof to acquire up to 16,842,316 common shares. 11,942,321 stock options have vested as of today's date. The weighted average exercise price of the vested options is \$0.29 per share.

Off-Balance Sheet Items

As at 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 Q2 2021, capital expenditures totaled \$10,704 (Q2 2020 - \$113,094) and were primarily incurred with respect to the to the purchase of lab equipment.

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 March 31, 2021, the Company had not achieved profitable operations since its inception and had accumulated a deficit of \$82,097,417 (September 30, 2020 - \$76,907,180), incurred a net loss for the six-month period ended March 31, 2021 of \$5,190,237 (March 31, 2020 - \$4,499,360) and cash flow used in operating activities was \$5,665,732 (March 31, 2020 - \$1,639,655). Whether and when the Company can attain profitability from operations is uncertain. At March 31, 2021 the Company has a positive working capital of \$12,179,180 (September 30, 2020 – deficiency \$5,232,430). The lack of profitable operations results in material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The ability 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. To address its financing requirements, the Company completed a \$20 million private placement and may need to also seek additional financing through the issuance of common shares, first preferred shares, units of EGT Markets Limited Partnership and debentures to meet its continuing operating requirements. The outcome of these matters 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.

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.