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

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Ltd. ("Eguana", or the "Company") is dated March 1, 2022 and should be read in conjunction with Eguana's consolidated financial statements for the three months ended December 31, 2021 ("Q1 2022") and 2020 ("Q1 2021") and the Company's annual audited consolidated financial statements and notes thereto for the years ended September 30, 2021 and 2020.

The consolidated interim 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 AND UPDATE

A detailed overview of the Company's core business, its products, the market for Eguana's products, and the Company's business strategy is provided in the MD&A for the financial year ended September 30, 2021, published on January 6, 2022.

Eguana's mission is to become a global leader in residential and small commercial grid tied energy storage systems. Strategically, the Company remains committed to the continued development of its distribution channels 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.

Sales and Operations

In Q1 2022 the Company completed and announced a partnership with the Omega Group, inclusive of Omega subsidiary PowerCenter+ (DPC), to launch a premium product line based on Eguana's proprietary advanced power controls platform. The new partnership is inclusive of full turn-key manufacturing capability, along with supply chain expertise. This has resulted in a significant increase in raw materials procurement with a wider supply chain net, particularly as it relates to board level components. Importantly for Eguana, the Omega Group is accountable for non-battery module related working capital, while Eguana is responsible for all battery module requirements. The two teams have been expediting this transition and expect full systems to be available by the end of March 2022.

Alongside increases in raw materials purchasing, Eguana has recently commissioned an additional inverter functional test station (IFT), which, outside of recent supply chain challenges, is the only manufacturing constraint. The IFT has the capability of testing up to 200 systems per month per single shift operation. A third IFT has been planned as the Company continues to see growth in its order book, with near term focus on the 5kW premium branded product line.

Revenue for the quarter was again impacted by global supply chain shortages, specifically related to resins required for circuit board level connectors used in each of Eguana's product solutions. Additionally, certain board level components required for new communication boards were delayed through the supply chain. The Company has developed new software and hardware to mitigate the ongoing risk of the global IoT (internet of things) micro chip shortage, which is expected to continue into 2023. The new communication card has now been completed and will be available for production on a go forward basis.

Distribution channels continue to expand with the inclusion of national agreements with Codale (Sonepar) and ABC Supply into the Omega/Eguana partnership. Distribution branch orders are received by PowerCenter+, which in turn increase orders directly to Eguana. The Company made the decision to utilize the Eguana sales, technical sales, and after sales service teams to speed the premium branded solution market entry for DPC.

In line with the Company's growth objectives, the sales teams have been expanded into a greater geographical coverage to enhance the consumer experience with Eguana and DPC. The Company will continue building out its Eguana Certified installation and product training programs, which will also include training for premium brand and other white label partners.

Eguana continues to lead deployments under Hawaii's Battery Bonus program, with Evolve systems accounting for almost all executed contracts to date, although uptake of the program has slowed after the initial wave of interest in 2021. The PUC (Public Utilities Commission), Hawaiian Electric and other stakeholders have reviewed the program details and are introducing changes to make it more attractive for new installations under the Grid Supply Plus tariff, which is the most popular solar tariff in the state. Installations to date have almost all been upgrades to existing Net Energy Metering systems. The Company anticipates additional orders from partner Hawaii Energy Connection to be aligned with the upcoming changes to the program.

Post quarter end, Eguana launched a suite of micro inverters, the Eguana Enfuse product line, as part of its power controls platform expansion. The Company believes energy storage systems (ESS) will become the workhorse appliances as the power grid transitions to a distributed model with virtual power plant (VPP) capabilities. Rooftop solar is quickly becoming the charging infrastructure for the integrated batteries and thus will continue to play a key role in renewable energy. The Enfuse line has been developed to accept up to 30% more power than traditional micro's, delivering up to 15% more energy annually. The Enfuse line includes single, dual, and quad configurations, accommodating a wide range of system configurations. The quad configuration considerably simplifies installation processes and reduces the number of micro inverters required for standard installations, thus reducing system cost while increasing reliability.

The competitive landscape for micro inverters remains competitively light in the US market with only a few key players in the sector. As a result, the Company expects to see a quick uptake with revenue contribution from the Enfuse line within the June quarter.

The Elevate product is under review from multiple US solar companies at present, and Eguana expects to see growth from the product in the second half of 2022. The Company will put the Elevate through bankability studies, which has been formally requested as part of development discussions, with a tier one solar financing company.

In Europe the Company remains in active discussions for a white labeled Enduro with a utility in France. The primary objective will be a VPP with units distributed through the utility rate base. The Enfuse micro inverter line will also be released later this year into the European market. In Germany the Enduro sales remain low as expected in the near term. The Company expects to see Enduro sales increase once the retrofit market begins.

VPP discussions in Australia have begun between Eguana, ITOCHU, and multiple home building companies with focus on new residential homes with solar + storage. Business development activities are in early stages, however, given the market potential and partners engaged, management believes these discussions will open up VPP market opportunities in Australia.

Development

Research and Development continues to play a critical role in providing component flexibility and substitution. Maintaining this flexibility will be a key objective for the team while global supply chains remain unpredictable.

Beyond support for supply chain activities, our development team is focused on two high level initiatives:

<u>ESS Product Line Expansion</u>

The Company’s core business focus is on expanding and improving its ESS product line.

Certification of the 10kW Evolve Max is expected to be complete by March 31st. In June 2021 interpretations of UL9540 2nd addition certification and UL9540A test reports by the California Fire Code became clear, which drove changes to installation requirements for large residential storage systems. In September 2021, IEEE1547.1 test procedures were published and found to be inadequate as it was not possible to generate the required test reports using the newly published procedures. Test procedures with the certifier have now been updated and all required modifications to the 10kW Max have been completed to all new standards.

The Company has also completed UL9540A testing for both the Evolve Max and the Evolve LFP and the Company expects that the final report will provide the safety clarity that regional safety inspectors have been looking for. Based on internal research by Eguana the Company believes they will be the first to meet the new standards with respect to fire propagation in residential systems.

As the company engages with new white label partners, new variations of the product line will be necessary to allow these partners to differentiate their offering or serve particular market segments of interest. These products will all embody the Company’s core technology platform, but will meet different installation, power, and capacity requirements. Development of a next generation ESS platform has begun and the Company continues to grow its development team to expand its capacity for product development.

Eguana Cloud Services

As the market matures, Eguana's customers are demanding an improved user experience and the Company sees opportunities to directly engage in VPP aggregation opportunities by offering access to its fleet of customers. To support this, Eguana has licensed an Energy Management System (EMS) platform from its partner E-Gear, and is in the process of starting up its own version of this platform over the coming months. Once complete, Eguana will have direct control over the design and details of the user and commissioning interfaces, including in support of white label customers, and will be able to offer and manage VPP opportunities directly for its customers. Additionally, the EMS platform development will open recurring and SaaS revenue models for the Company.

COVID-19 IMPACT

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 that Eguana operates in on both the supply and demand sides of its business. Although the Company delivered record revenues in fiscal 2020 and record product revenues in fiscal 2021, growth remains constrained by component shortages, and increased transit times for both incoming raw materials and outgoing finished goods. There remains an inherent risk with respect to the global pandemic with changing conditions within global supply chains, however, management believes these risks will be primarily related to ongoing transits delays in both ports of exit and entry in Eguana's key markets.

2022 OPERATING RESULTS

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

	Q1 2022	Q1 2021
Sales and engineering services	**1,264,549**	2,323,787
Cost of goods sold	**1,254,138**	2,133,850
Gross margin	**10,411**	189,937
Expenses		
General and administrative	**711,775**	810,021
Selling and marketing	**613,558**	456,034
Product research and development	**546,045**	431,081
Operations	**346,217**	241,942
	2,217,595	1,939,078
Operating Loss	**(2,207,184)**	(1,749,141)
Financing costs	**(242,041)**	(711,647)
Unrealized foreign exchange gain	**24,393**	105,486
Other income	**2,215**	-
Net loss	**(2,422,617)**	(2,355,302)

Sales and engineering services

The Company's revenue is derived from the sale of ESS' 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 (lithium iron phosphate), 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 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 target both solar self-consumption consumers, VPP roll outs, 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 December 31, 2021, product sales were $1,264,549 (154 units comprised of Evolve, Enduro, and Elevate) a decrease of 45.6% compared to prior year product sales of $2,323,787 for the same period (276 units comprised of Evolve, Enduro, and Elevate). The decrease was due to continued supply chain disruption and other raw material delivery delays due to COVID-19, resulting in increased back log on customer demand. Specifically, a short-term shortage on circuit board level connectors developed as a result of the global resin shortage. These connectors, which are used in all Eguana products, constrained production through the quarter. Alternate connectors were run through Eguana's alternative parts qualification process which has resolved the issue.

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 continued global impacts of the COVID-19 pandemic on global supply chains, variability associated with the timing of customer purchase decisions and market growth rates.

Gross margin

Gross margins for ESS' decreased to 0.8% or $10,411 for the three months ended December 31, 2021. ESS gross margins for the same period in 2020 were $189,937 or 8.2%. This is primarily due to the pandemic risks within global supply chains caused by lockdowns for countries within Eguana's supply chain. Freight costs significantly increased toward the end of fiscal 2021 at the time in which Eguana was strategically positioning raw materials to offset pandemic supply risk. During the current quarter, Eguana sold inventory associated with these higher freight expenses, which in turn drove down the Q1 2022 gross margin.

Gross margins are expected to increase as supply chains and logistics costs balance out accompanied by a modest increase in product pricing relative to prior increased material costs. Additional planned cost reduction activities, with focus on the North American Evolve and Elevate products, are expected to further improve gross margins. The Company expects to see these improvements towards the second half of fiscal 2022.

Expenses

Operating costs for the three months ended December 31, 2021 were $2,217,595 up from $1,939,078 in the same period in 2021, representing a 14.4% increase year over year.

- G&A expenses decreased by $98,246 for the three months ended December 31, 2021.Non-cash share-based payments decreased by $226,734 due to payments associated with increased option grants in Q1 2021. This decrease is offset by an increase of approximately $35,000 in accounting services due to Eguana transitioning to quarterly financial statement reviews, as well as increased compliance work and special projects. Remaining offsets include increases in Salaries and benefits and director's compensation commensurate with the increase in Eguana's board of directors.

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

- Selling and marketing expenses for the three months ended December 31, 2021 increased by $157,524 as compared to Q1 2021. Approximately $138,000 of this increase is due the addition of sales and after sales service personnel in the United States to accelerate the Company's growth objective along with the associated recruiting costs for key personnel. In addition, with increases in personnel and the easing of restrictions, travel costs associated with sales efforts have increased.

Included in these costs are salaries and benefits of personnel employed in marketing and customer account relationships, travel, costs of trade shows, and portions of the Chief Executive Officer's ("CEO") and the Executive Vice President's ("EVP") (prior to fiscal 2021) compensation that relate to business development.

- Product research and development costs increased by $114,964 for the three months ended December 31, 2021. This increase is almost entirely due to the increase in Salaries and wages for the R&D team as the Company expanded personnel in preparation for new developments related to Eguana Cloud Services and energy management software advancement, battery, and battery management system, and micro inverter integration.

  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 increased by $104,275 for the three months ended December 31, 2021. This increase is due to a number of factors, including increased global freight costs, the addition of higher operating costs associated with the new and larger warehouse locations and the addition of operations personnel with to meet expected growth targets.

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

Financing Costs

Financing costs in Q1 2022 were $469,606 lower than the same period in 2021. This is primarily associated with reduced accretion associated with debentures, which were fully converted by April 2021, representing a $397,845 reduction in financing costs year over year. Additionally, $51,674 of this decrease is due to the reduction in long term debt accretion as the senior loan nears the end of its term on February 1, 2022, as well as a $33,777 reduction in other liability accretion as these settlements near maturity in fiscal 2022. Subsequent to December 31, 2021, on February 1, 2022, the full value of the Senior Loan was repaid in full.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	Q1 2022	Q1 2021
Net loss	**(2,422,617)**	(2,355,302)
Share-based payments	**224,384**	432,051
Financing costs	**242,041**	711,647
Amortization and depreciation	**121,104**	85,208
Warranty provision	**2,949**	14,670
Write down of inventory	**4,733**	-
Bad debt expense	**2,500**	-
Unrealized foreign exchange gain	**(24,393)**	(105,486)
	(1,849,299)	(1,217,212)
Net change in non-cash working capital	**(154,123)**	(694,846)
Cash flow used in operations	**(2,003,422)**	(1,912,058)

Net Loss

Net loss for Q1 2022 increased by $67,315 over the net loss in Q1 2021. The increase in net loss can primarily be attributed to a decrease of gross margins by $179,526, as previously detailed, as well as operating expense increases of $278,517 associated with personnel growth throughout the organization. Unrealized foreign exchange gain also decreased by $81,093. This is offset with a reduction in financing expenses by $469,606 as Eguana nears full debt repayment, as previously detailed above.

Share-based Payments

Share-based payments were $224,384 for the three-month period ended December 31, 2021, down from $432,051 from the same period in 2020. This is due to Q1 2021 expenses associated with the grant of 1.5 million options which vested immediately (full expense recognition) and 4.5 million options having accelerated vesting terms of 6 months and a life of 3 years, this is in comparison to 4.5 million of options issued in the current period with the standard employee 3-year vesting term and a life of 10 years.

Unrealized Foreign Exchange Loss (Gain)

Unrealized foreign exchange gain for the three months ended December 31, 2021 decreased to $24,393, compared to $105,486 in the previous year. This primarily resulted from an unfavourable shift in foreign exchange on the Company's accounts receivable balance as compared to the previous year.

Summary of Quarterly Results

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales (2)	1,264,549	3,121,716	1,381,504	347,582	2,323,787	1,330,848	2,179,891	1,805,778
Net (loss) (2)	(2,207,184)	(2,480,361)	(2,729,446)	(2,834,935)	(2,355,302)	(1,948,743)	(1,761,235)	(2,775,573)
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 $431,294 in financing activities in Q1 2022 (Q1 2021 – received $1,597,455) and used $2,003,422 in cash flow from operating activities during the quarter (Q1 2021 – $1,912,058).

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 December 31, 2021 was $6,554,354 (September 30, 2021 – $2,706,390).

As at December 31, 2021 the Company had net assets of $7,569,145 which increased from net assets of $3,491,303 at September 30, 2021. This can be primarily be attributed to reduction in debt, including conversion of all preferred shares and nearing full repayment of the senior loan.

The Company has recorded $2,411,748 in accounts payables and accrued liabilities. In addition, the Company has $73,435 in short-term debt, $407,023 in lease obligations, and $547,939 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 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 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 Class F partnership units at a price of $1,000 per unit resulting in gross proceeds of $1,150,000. In connection with the issuance, the Company paid the agent a cash commission of $86,250 and issued 574,942 broker warrants at a price of $0.15 per warrant for a period of two years, with an expiry date of November 2, 2022. Legal and other costs of $107,026 related to the issue of the partnership units were incurred and netted against proceeds.

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

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

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

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

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

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

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

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

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

Subsequent to the quarter, the Company repaid its Senior Loan in full.

Shareholders' Equity and Shares Outstanding

As at March 1, 2022 393,762,398 common shares are issued and outstanding, an increase of 204,999 from December 31, 2021 due to the conversion of 204,999 warrants.

As at March 1, 2022, there are common share purchase warrants representing the right to acquire 30,791,375 common shares, and a decrease of 204,999 from December 31, 2021 due to the exercise of 204,999 warrants.

As at March 1, 2022 the Company has 21,206,537 stock options outstanding, an increase of 1,155,000 from December 31, 2021, due to the issuance of 160,000 incentive options to employees, 1,000,000 incentive options to a capital markets advisory firm, and offset by the forfeiture of 5,000 options. These options entitle the holders thereof to acquire up to 20,206,537 common shares. 14,178,211 stock options have vested as of today's date. The weighted average exercise price of the vested options is $0.27 per share.

Off-Balance Sheet Items

As at December 31, 2021, 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 2022, capital and intangible expenditures totaled $167,780 (Q1 2021 - $4,672) and were primarily incurred with respect to the to the purchase of new lab test equipment as well as leasehold improvements and purchasing for the new corporate head office.

RISK FACTORS AND RISK MANAGEMENT

Going Concern

The condensed 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, 2021, the Company had not achieved profitable operations since its inception and had accumulated a deficit of $89,729,841 (September 30, 2021 - $87,307,224), incurred a net loss for the three-month period ended December 31, 2021 of $2,422,617 (December 31, 2020 - $2,355,302) and cash flow used in operating activities was $2,003,422 (December 31, 2020 – $1,912,058). Whether and when the Company can attain profitability from operations is uncertain. At December 31, 2021 the Company has a positive working capital balance of $6,554,354 (September 30, 2021 –$2,706,390). 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 may need to seek financing through the issuance of common shares, first preferred shares, units of EGT Markets Limited Partnership, and debentures to meet its continuing operating requirements.

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 shortage, increased material lead times, and 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-based batteries are covered by an evolving set of regulations that are similar in scope but differ in detail in each region in which the Company operates. Changes to these regulations often require investment in redesign and recertification of the Company's products and may increase the cost of the product, but they affect Eguana and its competition equally 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, IEEECSA, IEC, EN and FCC. The specific standards that are actively maintained for compliance by Eguana are VDE 4105, G98, AS 4777, UL 1741, IEEE 1547, UL 9540, IEC 62109 and IEC 61000.

ADVISORY SECTION

Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements (collectively, "forward-looking statements") within the meaning of applicable securities laws that and are based on certain assumptions and analysis made by the Company's management as of the date of this MD&A. Forward-looking statements include, without limitation, statements with respect to investment objectives and strategy, the development plans of the Company, regulatory changes, availability of customers, market penetration, the Company's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, construction timetables, extent of solar resource usage and future growth and performance opportunities. The words "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavours", "seeks", "predicts", "intends", "potential", "opportunity", "target" or variations of such words of similar expressions thereto and the negatives thereof, identify forward-looking statements. In particular, this MD&A includes forward-looking statements with respect to the future dynamics and size of the solar PV and energy storage market and segments thereof; statements concerning the Company's expectations of future relationships as well as the size of the market for power electronics; statements concerning the Company's sales; and statements concerning factors which management believes may be relevant in assessing whether the Company's plans are achievable.

Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by the Company as of the date of such statements, outside of the Company's control and are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being entirely or partially incorrect or untrue.

Certain forward-looking statements contained in this MD&A about prospective results of operations, financial position or cash flows may constitute "future oriented financial information", is based on assumptions about future events, is given as at the date hereof and including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Forward-looking statements contained in this MD&A are based on various assumptions, including, but not limited to the following: (i) the Company's ability to achieve its growth strategy; (ii) the demand for the Company’s products and fluctuations in future revenues; (iii) the Company's business model and assumptions; (iv) expectations of growth in the industry in which the Company operates and the markets in which the Company’s products are sold; (v) sufficiency of current working capital to support future operating and working capital requirements; (vi) the stability of general economic and market conditions; (vii) currency exchange rates and interest rates; (viii) equity and debt markets continuing to provide the Company with access to capital; (ix) the Company’s continued compliance with third party intellectual property rights; and (x) that the risk factors noted above, collectively, do not have a material impact on the Company's business, operations, revenues and/or results. By their nature, forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond the Company's control, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management’s expectations and plans relating to the future. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. All of the forward-looking statements contained in this MD&A are qualified by these cautionary statements.