



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2020

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Inc. ("Eguana", or the "Company") is dated June 1, 2020 and should be read in conjunction with Eguana's condensed interim consolidated financial statements for the three and six months ended March 31, 2020 ("Q2 2020" and "YTD 2020") and for the three and six months ended March 31, 2019 ("Q2 2019" and "YTD 2019") and the annual consolidated financial statements for the years ended September 30, 2019 and 2018.

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 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, 2019, published on January 23, 2020.

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 new sanitation protocols. As a result, to date personnel issues have been minimized.

The pandemic did burden the Company's supply chain with a series of material and operational hurdles throughout the fiscal quarter, including short delays in certain long lead items procured out of Asia and Europe. While revenue was negatively impacted, customer orders continued to increase. Management believes its supply chain partners have returned to capacity and expects all COVID-19 related issues within its supply chain to be resolved and material pipelines to return to normal. The Company expects to be at full operational capacity by the end of June, however, may see additional minor material disruptions due to the impacted component delivery lead times.

In the United States the Company remained focused on dealer growth and distribution partnerships, primarily in California, which remains the fastest growing residential storage sector in the country. Initial stocking units were shipped to CED Greentech branches, and further growth is expected as the Company continues to increase its Eguana trained dealers in the state. Hawaii installations continued through the pandemic as new orders were received with the expectation that the state will follow prior year market patterns of month over month growth into the end of the calendar year.

Eguana completed a software integration with its Evolve product as part of a previously announced development contract with the Itochu Corporation. The residential product, which will go into field trials in July, is geared for virtual power plant and residential fleet aggregation projects. Post successful trials, the product will roll out in the United States followed by Australia.

Social distancing protocols in Europe reduced installation teams to a maximum of two people. Eguana partner Hanwha QCells (“QCells”) was able to utilize the compact size of the Enduro, which was designed for single person installation in under one hour, to adhere to the COVID-19 safety guidelines and maintain installation capacity. Contract manufacturing transition was also completed for the Enduro, with fully integrated systems manufactured and shipped from Italy in the second quarter. With QCells providing system financing to its customers, Eguana expects to see continued volume increases quarter over quarter.

Due to the uncertainty created by COVID-19 with respect to material availability and logistics the Company rerouted materials originally destined for Australia to North America to further mitigate risk. This resulted in a short term shipment pause within the Australian market. Taking Australia’s successful management of the virus in hand, which has greatly reduced risk, the Company has reengaged its supply chain and currently has materials in transit to its facility in Adelaide for immediate fulfillment of backorders. Australia maintains one of the highest rooftop solar adoption markets and the Company will continue to build out its dealer network following its United States business model.

Q2 2020 OPERATING RESULTS

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

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Sales and engineering services	1,638,778	973,140	4,440,939	1,827,787
Cost of goods sold	1,432,401	905,370	3,819,874	1,662,999
Gross margin	206,377	67,770	621,065	164,788
Expenses				
General and administrative	450,026	764,744	979,545	1,308,262
Selling and marketing	524,651	752,186	1,065,403	1,482,874
Product research and development	190,693	274,316	408,075	514,246
Operations	168,173	193,682	435,595	380,665
	1,333,543	1,984,928	2,888,618	3,686,047
Loss before undernoted items	(1,127,166)	(1,917,158)	(2,267,553)	(3,521,259)
Financing costs	(864,862)	(350,526)	(1,351,213)	(669,052)
Unrealized foreign exchange (loss) gain	(458,855)	105,952	(418,219)	(93,898)
Other income	2	1,294	3	1,304
Net loss	(2,450,881)	(2,160,438)	(4,036,982)	(4,282,905)

Sales and engineering services

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

For the three-month period ended March 31, 2020, product sales were \$1,319,781, representing a 35.6% increase over product sales of \$973,140 for the same period in 2019. For the six-month period ended March 31, 2020, product sales were \$3,704,580, a 102.7% increase the same period in 2019, and representing the highest first half revenue in the Company's history. The sales increase was as result of consistent order growth and market share, and the associated distribution and sales partnerships.

Sales of engineering service was \$318,997 and \$736,359 for the three and six months periods ending March 31, 2020, respectfully, compared to \$nil for Q2 2019. The increase in engineering services was due to work performed to date for a new development contract, which began in the first quarter of 2020, whereby the Company was awarded a total of USD \$764,000 to develop and certify proprietary residential storage systems for its partner to distribute through sales channels across global markets.

The Company does expect to continue to see quarterly fluctuations in revenues generated from the Company's various markets, sales regions and sales channels due to variability associated with the timing of customer purchase decisions as well as the global impact with supply and demand as a result of the COVID-19 pandemic.

Gross margin

For the three months ended March 31, 2020, product sales resulted in a gross margin of 0.2% or \$3,054 as compared to a gross margin on product sales of 7.0% or \$67,770 in Q2 2019. Energy storage system gross margins were negatively impacted due to supply plan adjustments required to adjust for the COVID-19 pandemic. The Company assessed the supply chain risks and took the decision to reroute materials to its Calgary headquarters given the uncertainty associated with the logistical capability in China and Italy. This increased logistical and expediting costs, however allowed the Company to continue producing product for its customers. Additionally, gross margin was impacted by a mix change with the addition of European shipments of its Enduro product, which currently carries a lower gross margin relative to its Evolve and Elevate products.

Gross margins for energy storage systems were 1.0% or \$37,448 for the six months ended March 31, 2020. Energy storage system gross margins for the same period in 2019 were \$164,788 or 9.0%.

The COVID-19 pandemic has created unprecedented risks in the global supply chain caused by lockdowns throughout many countries, including some of whose industries are part of Eguana's supply chain. Eguana notes there is a risk of the component costs increasing due to these unprecedented supply constraints and expected increases in shipping lane and logistics costs. As a result, there remains an inherent risk to realizing the Company's gross margin improvement plans in the short term. Cost reduction activities as well as North American and Australian products transition to contract manufacturing continues however with the expectation to improve gross margins.

Engineering services contributed \$203,323 to the margin in Q2 2020 and \$583,617 for the six months ended March 31, 2020 for services provided to a partner to develop and certify proprietary residential storage system. There were no engineering services in 2019.

Expenses

Operating costs for the three months ended March 31, 2020 were \$1,333,543, down \$651,385 from the same period in 2019.

- General and administrative expenses ("G&A") decreased by \$314,718 in Q2 2020 as compared to Q2 2019. The decrease in G&A cost can primarily be attributed to reduced legal costs as Q2 2019 saw an increase associated with the ongoing German legal dispute for the cancellation of a supply agreement. Additionally, Q2 2020 saw a decrease in share-based compensation expense with 8,512,316 options outstanding, as compared to 10,382,316 for the same period in 2019, as well as the impact of older option vesting periods expiring.

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 2020 decreased \$227,535 as compared to Q2 2019. This decrease is primarily due to the reduction in advertising and trade show costs associated with global restrictions from COVID-19. Additionally, Q2 2019 included non-reoccurring costs associated with setting up the Australian and German offices which resulted in higher travel, advertising, and consulting costs compared to Q2 2020.

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 in Q2 2020 decreased \$83,623 as compared to Q2 2019. This decrease is due to staff salary allocation to costs of goods sold for time spent on the new engineering development contract.

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.

- Operations costs in Q2 2020 remained relatively consistent with costs from the same period in 2019.

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

Operating costs for the six months ended March 31, 2020 were \$2,888,618 down from \$3,686,047 for the six months ended March 31, 2019.

- G&A expenses ("G&A") decreased by \$328,717 for the six months ended 2020. The decrease in G&A cost can primarily be attributed to the reduced legal costs associated with the ongoing legal dispute in Germany, as well as a reduction in share-based payments. Consultants costs associated with the setup of new foreign operations were also reduced. These reductions are offset slightly by increases in salaries due added positions associated with the growth of the Company.
- Selling and marketing for the six months ended March 31, 2020 decreased by \$417,471 as compared to the six months ended March 31, 2019. This decrease is due to the non-reoccurring costs associated with the setting up of the Australian and German offices in the first half of 2019, as well as a reduction in tradeshow costs due to the global COVID-19 restrictions.
- Product research and development costs decreased by \$106,171 for the six months ended 2020. This decrease is due to staff salary allocation to costs of goods sold for time spent on the new engineering development contract.
- Operating costs remained relatively consistent with costs from the same period in 2019.

Financing Costs

Financing costs in Q2 2020 were up \$514,336 as compared to Q2 2019. Approximately \$80,000 of the increase is due to the accretion of the preferred shares financing, which commenced halfway through Q2 2019, while \$229,000 of the increase is due to the accretion of convertible debentures issued in the second half of fiscal 2019. The change in fair value associated with the derivative liability accounted for \$109,000 of the increase and was due primarily to the weakening of the US Dollar.

Financing costs for the six month period ended March 31, 2020 were \$682,161 higher than the same period in 2019 due primarily to the addition of the convertible debenture accretion in Q3 and Q4 2019, as well as Q2 2020, as well as a full six months of preferred share accretion for YTD 2020. This increase

is offset with a reduction in long term debt accretion due to an amendment with the Company's Senior Lender, wherein the monthly payments were reduced and comprised of interest only for four months commencing November 1, 2019 through February 1, 2020.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Net loss	(2,450,881)	(2,160,438)	(4,036,982)	(4,282,905)
Share-based payments	15,141	94,922	53,057	233,313
Financing costs	864,862	350,526	1,351,213	669,052
Amortization of capital assets	43,589	38,695	89,608	74,850
Amortization of leased assets	42,900	-	86,522	-
Warranty provision	36,514	12,122	90,153	52,423
Unrealized foreign exchange loss (gain)	470,855	(105,952)	418,219	93,898
	(977,020)	(1,770,125)	(1,948,210)	(3,159,369)
Net change in non-cash working capital	(1,936,232)	(909,958)	308,555	(698,694)
Cash flow used in operations	(2,913,252)	(2,680,083)	(1,639,655)	(3,858,063)

Net Loss

Net loss for Q2 2020 increased by \$290,443 over the net loss in Q2 2019. The increase in net loss can be attributed to an increase in financing costs associated with the convertible debentures and derivative liability. These are offset with decreased operating costs and the addition of engineering revenue associated with a new development contract, which did not exist in 2019.

Share-based Payments

Share-based payments were \$53,057 in the six-month period ended March 31, 2020, down from \$233,313 from the same period in 2019. This is due to the passing of time of older option grants, as each tranche is recognized on a graded vesting basis over the period in which the option vests. As of March 31, 2020 there were a total of 8,512,316 options outstanding, as compared to 10,382,316 for the same period in 2019.

Finance Costs

Financing cost for the six month period ended March 31, 2020 were higher than the same period in 2019 primarily due to added accretion of convertible debentures issued in the second half of fiscal 2019 and second quarter of 2020, as well as the added accretion of the preferred shares issued in Q2 2019. This increase is offset with a reduction in long term debt accretion due to an amendment with the Company's Senior Lender, wherein the monthly payments were reduced and comprised of interest only for four months commencing November 1, 2019 through February 1, 2020.

Unrealized Foreign Exchange Loss (Gain)

Unrealized foreign exchange loss in the three and six month period ending March 31, 2019 resulted from an unfavourable shift in foreign exchange rates during the period, specifically a weakening of the Canadian dollar against the US dollar, largely impacting the US denominated long-term debt. Unrealized foreign exchange gain in Q2 2019 resulted from a favourable shift in foreign exchange rates during the period. However, for the six-month period ended March 31, 2019 there was an overall loss on unrealized foreign exchange due to an unfavorable shift in rates.

Summary of Quarterly Results

	2020		2019			2018		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	1,638,778	2,802,161	825,492	774,670	973,140	854,647	119,069	1,355,668
Net (loss)	(2,450,881)	(1,586,101)	(2,629,525)	(2,228,210)	(2,160,438)	(2,122,467)	(1,638,569)	(220,223)
Per share (1)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)

(1) Basic and diluted

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 \$4,470,411 from financing activities in Q2 2020 (Q2 2019 - \$2,540,830) and used \$2,913,252 in operations during Q2 2020 (Q2 2019 - \$2,680,083).

Working capital represents the Company's current assets less its current liabilities. The Company's liquidity, as measured by the Company's working capital deficit at the end of Q2 2020 was \$2,187,812 (September 30, 2019 - \$3,048,553).

As at March 31, 2020 the Company had net liabilities of \$13,769,063, which increased from \$11,020,980 at September 30, 2019. This can be primarily be attributed to the issuance of new convertible debentures in Q2 2020.

The Company has recorded \$4,586,316 in accounts payables and accrued liabilities, of which \$1,145,568 is in dispute. In addition, the Company has \$333,131 in short-term debt, \$1,966,720 in long-term debt, \$903,316 in debentures, \$233,694 in lease obligations, and \$200,784 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. A favorable outcome in the dispute would increase the current assets of the Company.

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

The Company's former contract manufacturer submitted a claim in the Court of Queen's Bench in Alberta against Eguana for 1,534,000 Euros (\$2,295,028 CAD) related to the cancellation of the above noted supply contract. The Company is disputing 799,000 Euros (\$1,195,389 CAD) of the amount the contract

manufacturer has claimed. The Company has recorded in its financial statements the undisputed amount, therefore a successful defense of the claim submitted by the former contract manufacturer would positively impact the Company. The Company has counter claimed the contract manufacturer for 6.8 million Euros (\$10.6M CAD).

Outstanding Debt

In December 2017, the Company issued \$1,500,000 USD of debt, bearing an interest rate of 12.5% per annum which will be repaid in equal instalments starting in July 2018 for 30 months. In August 2018, the Company drew an additional \$750,000 USD bearing an interest rate of 12.5% per annum which will be repaid in equal instalments starting in March 2019 for 30 months. In October 2018, the Company drew the remaining \$750,000 USD from its Senior Lender, bearing interest at 12.5% per annum, which will be repaid in equal instalments starting in May 2019 for 30 months. As part of the Senior Loan, the Company issued 2,951,733 warrants which convert into an equal number of shares with an exercise price of \$0.17 and an expiry date of December 20, 2022. The exercisable warrants are exchangeable for \$1,000,000 USD after the earlier of a liquidity event or September 30, 2021. On December 31, 2019, the Company entered an amendment with its Senior Lender to the original loan agreement wherein the monthly payments were reduced and comprised of interest only for four months commencing November 1, 2019 through February 1, 2020. The Senior Loan will continue to bear interest at a rate of 12.5% per annum and will now be repaid February 1, 2022. In consideration for this, 4,161,333 common share purchase warrants were issued on January 22, 2020, at a price of \$0.06 per warrant for a period of five years from the date of issuance.

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

In December 2018, the Company issued 715 Limited Partnership units at a price of \$1,000 per unit resulting in gross proceeds of \$715,000 via its subsidiary EGT Markets Limited Partnership. In February 2019, Eguana exercised its right to convert 715 EGT Markets Limited Partnership units to common shares of Eguana and issued 3,575,000 shares.

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

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

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

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

On March 13, 2020 the Company closed a strategic investment with ITOCHU Corporation ("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 Debenture is convertible into 6,666.67 common shares and issued with 3,333.33 warrants. The Debentures bear interest at 10% per annum, paid semi-annually in cash or additional common shares, and mature on March 13, 2023.

Subsequent to quarter end, on April 7, 2020 the Company repaid the full amount outstanding on the Bridge Loan.

Shareholders' Equity and Shares Outstanding

As at June 1, 2020 226,943,753 common shares are issued and outstanding, no change from March 31, 2020. As at June 1, 2020, there are common share purchase warrants representing the right to acquire 40,513,425 common shares, no change from March 31, 2020.

As at June 1, 2020 the Company has 8,512,316 stock options outstanding, no change from March 31, 2020. These options entitle the holders thereof to acquire up to 8,512,316 common shares. 7,932,324 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 March 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 2020, capital expenditures totaled \$113,094 (Q2 2019 - \$39,633) and were primarily with respect to the purchase of new lab equipment as well as assets for the contract manufacturing warehouse in Italy.

RELATED PARTY TRANSACTIONS

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

Salaries and benefits	Q2 2020	Q2 2019	YTD 2020	YTD 2019
General and administrative	108,431	131,938	222,121	274,994
Selling and marketing	64,716	72,241	134,759	170,887
Product research and development	15,184	16,747	31,453	36,159
	188,331	220,926	388,333	482,040

Share based expenses to officers and a director was \$7,639 and \$26,949 for the three and six months ended March 31, 2020 (2019 - \$30,869 and \$87,094).

Included in accounts payable and accrued liabilities is \$638,392 (September 30, 2019 - \$448,135) due to directors and key management personnel.

During six-month period ended March 31, 2020 the Company paid \$78,690 (2019 - \$78,690) to its former CEO as part of a settlement agreement and incurred \$32,930 (2019 - \$42,082) of accretion as the obligation matures.

RISK FACTORS AND RISK MANAGEMENT

Our risk factors and risk management are detailed in the annual MD&A filed on SEDAR at www.sedar.com on January 27, 2020 and have not materially changed since that time.

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, 2020, the Company had not achieved profitable operations since its inception and had accumulated a deficit of \$72,705,510 (September 30, 2019 - \$68,668,528) and incurred a loss from operations for the six-month period ended March 31, 2020 of \$2,267,553 (2019 - \$3,521,259). Whether and when the Company can attain profitability from operations is uncertain. 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.

At March 31, 2020 the Company has a working capital deficiency of \$2,187,812 (September 30, 2019 - \$3,048,553).

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

Government Regulation

The operations of Eguana are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Of particular relevance to Eguana's business, the laws and regulations related to the interconnection of behind the meter energy resources and to the installation of lithium batteries are covered by an evolving set of regulations that are similar in scope but differ in detail in each region in which the company operates. Changes to these regulations often require investment in redesign and recertification of the company's products and may increase the cost of the product, but they affect Eguana and its competition equally with the net effect of limiting competition to those who make these investments and deferring any potential commoditization of our product category. Eguana believes that it is currently in compliance with such laws and regulations. Eguana intends to invest financial and managerial resources to ensure such compliance and will continue to do so in the future; however, it is impossible for Eguana to predict the cost or impact of such laws and regulations on Eguana's future operations. Eguana's products are currently certified for use in Germany, the 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.

COVID-19 Based Risk

The COVID-19 global pandemic has created some 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 the component costs increasing due to supply constraints and 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 it is expected to be severe and 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 reach the targeted sales numbers, gross margin objectives, and safe and healthy work places. Eguana has taken precautionary steps to mitigate the associated risks.

ACCOUNTING POLICIES

There have been no changes to the Company's critical accounting estimates and policies in the six months ended March 31, 2020 for the adoption effective October 1, 2019 of IFRS 16, Leases ("IFRS 16") and IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23"). Significant accounting policies are disclosed in note 4 of the annual audited consolidated financial statements for the year ended September 30, 2019.

Recently issued accounting pronouncements

Adoption of new and amended standards

IFRS 16, Leases

Effective October 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. The new standard requires a lessee to recognize in the statement of financial position: a liability for future lease payments (the lease liabilities) and an asset for the right to use the underlying leased asset during the lease term (the lease assets).

The Company recognized the initial effect of applying IFRS 16 as an increase in the right-of-use asset in the amount of \$551,796, with a corresponding increase to the lease liability in the same amount. The right of use asset was offset with a previously recorded lease inducement of \$41,210. Comparative information has not been restated and continues to be reported in accordance with the standards and accounting policies in effect prior to October 1, 2019.

Further details of the transition to IFRS 16 can be found in note 22 of the condensed interim consolidated financial statements ended March 31, 2020.

IFRIC 23, Uncertainty over Income Tax Treatments

Effective October 1, 2019, the Company adopted IFRIC 23, Uncertainty over Income Tax Treatments. There have been no significant changes to disclosures or measurement of income taxes as a result of this application.

Accounting Pronouncements Issued but Not Adopted

There were no new or amended accounting standards or interpretations issued during the six months ended March 31, 2020 that are applicable to the Company in future periods.

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.