MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2018

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Ltd. ("Eguana", or the "Company") is dated May 30, 2018 and should be read in conjunction with the Eguana's condensed interim consolidated financial statements for the three and six months ended March 31, 2018 ("Q2 2018" and "YTD 2018") and for the three months and six months ended March 31, 2017 ("Q2 2017" and YTD 2017) and the annual consolidated financial statements for the years ended September 30, 2017 and 2016.

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

A detailed overview of the Company's core business, 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, 2017.

Strategy and Outlook

Eguana's vision is to be a global leader in residential and small commercial grid tied energy storage systems. Strategically the Company has expanded its product scope to offer complete energy storage solutions including best in class energy management systems (EMS) from its partners for solar+storage, demand charge reduction, and grid services applications. These energy storage systems are based on the Company's pre-integrated, factory assembled, modular capacity AC Battery, but now offer installers a complete Eguana branded solution.

In the first six months of fiscal 2018 Eguana continued to gain traction in the Hawaiian residential customer grid supply (CGS) market, recognizing $2.4 million in revenue or a +400% increase over the same time period in 2017. Hawaiian Electric's new CGS+ and Smart Export programs began accepting applications in March. Customers that had been waiting on these programs began submitting applications, building demand for the second half of the year which has historically been the busiest installation season. The Company expects to see additional orders to satisfy this increasing market demand.

The Elevate and Evolve fully integrated energy storage product lines were launched into the broader US market at the Solar Expo in San Diego at the end of March. The Elevate is a three phase commercial product based on Eguana's Commercial AC Battery that includes Pason Power's demand charge management controller to provide a complete Eguana branded solution for electric vehicle infrastructure, commercial PV, and HVAC installers. The Evolve is a residential solar+storage solution based on the Company's Residential AC Battery that includes an EMS to provide a turnkey Eguana branded solution. Eguana expects US demand to grow starting in California and other areas across the country. Additionally, the Company has begun working with a renewable energy finance company opening up the solar+storage customer financing channel. Pilot projects using the Evolve solution are currently underway in Puerto Rico and the Mariana Islands.

Eguana's Commercial AC Battery will complete certification in June and initial shipments will follow immediately thereafter to clear backlogged demand. The first systems will be installed at a big box retail location in San Diego, California, taking advantage of new electricity rate structures in the region.

In international markets, Eguana's Enduro all-in-one energy storage system has begun field installations with positive installer feedback. The product has been specifically designed for simple installation with one person in less than one hour and comes with the full scope of Eguana value including pre-charge, auto recovery, and remote diagnostic capability. The Enduro will be officially launched at Intersolar Munich in June and will be displayed alongside the larger Evolve and Elevate energy storage systems.

Eguana has also certified the Evolve product in Australia, which has quickly grown to rival Germany as the leading global energy storage market. Latent demand for larger, flexible storage solutions has resulted in widespread interest in the Evolve. While Australia's alignment with European grid standards has resulted in availability of a range of German and Chinese product, the market needs in terms of product capability are more closely aligned with those in the United States. The Evolve product with 5kW power, installation flexibility, and modular capacity from 13-39kWh is a perfect fit for the Australian market. The Company will work with select distribution partners for product roll out through the fourth fiscal quarter.

Eguana is working with its long-standing German automotive partner to shift the relationship in light of recent announcements made by our partner. We expect these discussions will broaden the scope of the relationship and expand Eguana's distribution network into key global markets. The Company expects to announce additional information in the current quarter.

As planned, the Company has continued expanding its Human Resource capacity with additional personnel added to the development and technical training groups. The Company will continue this expansion with additions to the sales and marketing teams throughout the balance of the calendar year.

Q2 2018 OPERATING RESULTS

The following table sets forth a summary of the results of operations for the three and six months ended March 31, 2018 and 2016.

	Q2 2018	Q2 2017	**YTD 2018**	YTD 2017
Sales and engineering services	**1,103,774**	328,594	**2,422,501**	599,854
Cost of goods sold	**953,306**	325,075	**2,062,464**	384,814
Gross margin	**150,468**	3,519	**360,037**	215,040
Expenses				
General and administrative	**616,074**	778,473	**1,228,124**	1,147,248
Selling and marketing	**307,820**	191,997	**594,612**	415,676
Product research and development	**548,878**	81,207	**795,386**	354,290
Operations	**161,559**	119,083	**311,038**	256,964
	1,634,331	1,170,760	**2,929,160**	2,174,178
Loss before undernoted items	**(1,483,863)**	(1,167,241)	**(2,569,123)**	(1,959,138)
Financing costs	**(242,106)**	(98,047)	**(358,747)**	(199,635)
Other income	**32**	4,021	**244**	10,003
Net loss	**(1,725,937)**	(1,261,267)	**(2,927,626)**	(2,148,770)

Sales and engineering services

Deliveries to Eguana's customer in Hawaii resulted in more than a 400% increase in sales of energy storage systems for the three and six months ending March 31, as compared to the same periods in 2017.

Sales of engineering services were nil in 2018. For the three and six-month period ended March 31, 2017, sales of engineering services that were provided to its German automotive partner were $53,310 and $292,654 respectively.

The Company expects to continue to see quarterly fluctuations in the revenues generated from the Company's various markets, sales regions and sales channels due to variability associated with the timing of customer purchase decisions.

Gross margin

For the three months ended March 31, 2018, product sales resulted in a positive gross margin of 13.6% or $150,468 as compared to a net margin on product sales of (12.7%) or ($35,051) in Q2 2017. Engineering services contributed $38,570 the margin in Q2 2017 and were nil in Q2 2018.

Gross margins for energy storage systems were 14.9% or $360,037 for the six months ended March 31, 2018. Energy storage system gross margins for the same period in 2017 were ($33,886) or (11.0%). YTD 2017 engineering service margins were $248,926 or 85.1%.

Energy storage system gross margins have improved due to the Company beginning to realize production efficiencies in the transition from prototype volumes.

Expenses

Operating costs for the three months ended March 31, 2018 were $1,634,331, up from $1,170,760 for the same period in 2017.

- General and administrative expenses ("G&A") decreased by $162,399 in Q2 2018 as compared to Q2 2017. The decrease in G&A cost is primarily due to a decrease in legal expenses and share based compensation which was partially offset by a higher foreign currency loss than in Q2 2017. G&A expenses consist primarily of salaries (including the value of stock options for all employees), employee benefits and overhead expenses that are not otherwise allocated to other categories, occupancy, all professional fees, investor relations costs, travel costs, unrealized foreign exchange gains and losses and amortization.

- Selling and marketing costs in Q2 2018 increased as compared to Q2 2017. The increase was primarily due to higher travel cost and additional marketing expenses. Included in these costs are salaries and benefits of personnel employed in marketing and customer account relationships, travel, costs of trade shows, a portion of the Chief Technology Officer's ("CTO") and the Chief Executive Officer's ("CEO") that relate to business development.

- Product research and development costs in Q2 2018 increased 576% from Q2 2017. The increase is due to multiple projects going through final prototyping, European, Australian, and North American certifications, and an increase in development grant funding in 2017 versus 2018.

- Operations costs include salaries and benefits of employees directly allocated to this function and direct costs incurred to support manufacturing and supply chain activities.

Operating costs for the six months ended March 31, 2018 were $2,929,160, up from $2,174,178 for the six months ended March 31, 2017.

- General and administrative expenses increased by $80,876 for the six months ended 2018. The increase in G&A cost is primarily due to share based payments in Q1 2018. The increase was partially offset by a bad debt expense incurred in Q2 2017 which did not exist in 2018.

- Selling and marketing costs for the six months ended March 31, 2018 increased as compared to the six months ended March 31, 2017. The increase was primarily due to higher travel cost associated with increased business development and marketing expenses.

- Product research and development costs increased 43% for the six months ended 2018. The development costs were higher due to an increased number of projects completing and transitioning into prototyping and certification stages and the receipt of a larger grant in 2017 than in 2018.

- Operating costs increased for the six months ended March 31, 2018 due to higher overhead allocations due to increased production activity.

Financing Costs

Financing costs in Q2 2018 were up $144,059 as compared to Q2 2017, primarily due to the accretion of long term liabilities and change in fair value on the derivative liability which were offset by the elimination of the accretion on debentures.

Financing cost for the six-month period ended March 31, 2018 were higher than the same period in 2017 due to difference between the carrying value and the redemption value of the debentures that were repaid, the accretion of long term liabilities and change in fair value on the derivative liability. The financing cost were partially offset by lower accretion on debentures.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	**Q2 2018**	Q2 2017	**YTD 2018**	YTD 2017
Net loss	**(1,725,937)**	(1,261,267)	**(2,927,626)**	(2,148,770)
Share-based payments	**32,193**	60,914	**240,081**	78,827
Finance costs	**242,106**	98,047	**358,747**	199,635
Amortization of capital assets	**35,491**	23,860	**64,673**	47,815
Warranty provision	**29,086**	976	**45,966**	1,193
Amortization of deferred lease inducement	**(3,900)**	(3,900)	**(7,800)**	(7,800)
Write down (up) of inventory	**-**	50,697	**-**	50,697
Bad debt expense	**-**	99,919	**-**	99,919
Unrealized foreign exchange (gain) loss	**72,843**	(4,257)	**107,359**	(53,307)
	(1,318,118)	(935,011)	**(2,118,600)**	(1,731,791)
Net change in non-cash working capital	**(242,069)**	1,064	**(1,157,846)**	(483,248)
Cash flow used in operations	**(1,560,187)**	(933,947)	**(3,276,446)**	(2,215,039)

Net Loss

Net loss for Q2 2018 increased $464,670 over the net loss in Q2 2017. The increase in net loss is primarily attributable to higher operating costs related to product development and marketing cost, and a change in foreign exchange rates which resulted in a foreign exchange loss, partially offset by increased sales activity in the quarter.

Share-based Payments

Share-based payments were $240,081 in the six-month period ended March 31, 2018, up from $79,361 from the same period in 2017. The option expense in 2018 relates to 1,810,000 options that were granted to employees, officers and directors. 600,000 of the options vested immediately with an expiry of October 24, 2022. The remaining options vest in three equal tranches with the first to vest immediately and the remainder over two years with an expiry of October 24, 2027.

Finance Costs

Financing cost for the six-month period ended March 31, 2018 were higher than the same period in 2017 due to difference between the carrying value and the redemption value of the debentures that were repaid, the accretion of long term liabilities and change in fair value on the derivative liability. The financing cost were partially offset by lower accretion on debentures.

Unrealized Foreign Exchange (Gain) Loss

Unrealized foreign exchange loss in 2018 resulted from an unfavourable shift in foreign exchange rates during the period. In 2017 the change in foreign exchange rates were favourable and resulted in the recognition of a gain.

Summary of Quarterly Results

	2018		**2017**				**2016**	
	Q2	Q1	Q4	Q3	Q2	Q2	Q4	Q3
Sales	1,103,774	1,318,727	75,169	178,887	328,594	271,260	9,036	284,980
Net (loss)	(1,725,937)	(1,201,689)	(1,212,696)	(1,141,311)	(1,261,267)	(887,503)	(1,119,216)	(1,195,551)
Per share (1)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	-	(0.01)	(0.01)

(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. The Company's strategy is to access capital, primarily through equity issuances, asset based lending, and other alternative forms of debt financing. The Company actively manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile.

Cash paid to financing activities in Q2 2018 was $87,568, and the Company used $1,560,187 in operations during Q2 2018.

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 2018 was $2,294,690 (Q2 2017 – $906,928).

As at March 31, 2018 the Company had net liabilities of $3,711,582 which increased from $1,438,954 in the same quarter in the previous year, primarily due to the issuance $1,500,000 USD in long term debt, along with the related derivative liability and decreasing current assets.

The Company has recorded $3,234,318 in accounts payables and accrued liabilities, of which $1,269,148 is in dispute. In addition, the Company has $731,454 in long-term debt, $194,605 in other liabilities, and $76,875 in lease obligations 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 as a result of the cancellation of a supply contract. A claim has been prepared to recover 1,479,332 Euros ($2,349,801 CAD) for unpaid invoices and interest, along with the option to claim an additional 903,584 Euros ($1,435,271 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 ($2,436,636 CAD) related to the cancellation of the above noted supply contract. The Company is disputing 799,000 Euros ($1,269,148 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 have no impact on the Company's liquidity. The Company has counter claimed the contract manufacturer for 6.8 million Euros.

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. As part of the 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. Currently, 2,213,800 warrants are exercisable and the remaining warrants will vest when the Company draws the additional $1,500,000 USD. The exercisable warrants are exchangeable for $750,000 USD after the earlier of a liquidity event or September 30, 2021.

Providing certain criteria are met, the Company has the option to draw another $1,500,000 USD from the lender.

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

Shareholders' Equity and Shares Outstanding

As at May 30, 2018, 217,904,674 common shares are issued and outstanding. In addition, there are common share purchase warrants representing the right to acquire 25,441,930 common shares at an average exercise price of $0.26 per share outstanding. 737,933 of the warrants have not yet met their vesting conditions.

The Company has 8,619,583 stock options outstanding entitling the holders thereof to acquire up to 8,619,583 common shares. 4,567,495 stock options have vested as of today's date. The weighted average exercise price of the vested options is $0.24 per share.

The Company had no material equity issuances during Q2 2018 or Q2 2017.

Off-Balance Sheet Items

As at March 31, 2018, 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 2018, capital expenditures totaled $40,192 (Q2 2017 - $36,327) and were primarily incurred with respect to the expansion of the company's facility to increase production capacity.

RELATED PARTY TRANSACTIONS

The Company had the following related party transaction:

Salaries and benefits	Three months ended		Six months ended	
	2018	2017	**2018**	2017
General and administrative	**70,550**	95,750	**141,100**	159,138
Product research and development	**59,314**	14,623	**118,629**	27,616
Selling and marketing	**14,620**	34,121	**29,241**	64,438
	144,484	144,494	**288,970**	251,192

Included in accounts payable and accrued liabilities is $252,670 (September 30, 2017 - $276,250) due to directors and key management personnel.

Share based expenses to officers and a director was $12,521 and $162,950 for the three and six months ended March 31, 2018 (March 31, 2017 - $43,390 for three and six months).

During six-month period ended Q2 2018 the Company paid $78,690 (Q2 2017 - $78,690) to its former CEO as part of a settlement agreement and incurred $49,404 (Q2 2017 - $55,261) 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 29, 2018 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, 2018, the Company had not achieved profitable operations since its inception and had an accumulated deficit of $57,669,096 (March 31, 2017 - $52,387,464) and recognized a cash flow deficiency from operations for the six-month period ended March 31, 2018 of $3,276,446 (2017 - $2,215,039). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. The lack of profitable operations and cash flow deficiency may cast significant doubt on the Company's ability to continue as a going concern.

At March 31, 2018, the Company had a working capital deficit of $2,294,690 (September 30, 2017 – $725,408).

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. The ability to continue as a going concern may be adversely impacted by the loss of customers and/or declining sales per customer. To address its financing requirements, the Company may seek financing through the issuance of common shares, preferred shares, units of EGTLP, debentures or other securities of the Company or its subsidiaries. The outcome of these matters cannot be predicted at this time.

ACCOUNTING POLICIES

There have been no changes to the Company's critical accounting estimates and policies in Q2 2018. Significant accounting policies are disclosed in note 4 of the annual audited consolidated financial statements for the year ended September 30, 2017.

Accounting Pronouncements Issued but Not Adopted

The IASB has issued the following new and revised standards and amendments, which are not yet effective for the period ended March 31, 2018:

(a) IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project; classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

(b) IFRS 15, Revenue from Contracts ("IFRS 15")

IFRS 15 was issued in May 2014 and amended in April 2016 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

(c) IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and it replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The company is currently evaluating the impact of adopting the standards noted above.

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.