MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2024

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Ltd. ("Eguana," or the "Company") is dated May 30, 2024, and should be read in conjunction with Eguana's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2024 ("Q1 2024") and the Company's annual audited consolidated financial statements for the year ended December 31, 2023.

The Q1 2024 financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, under 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 Forward-Looking Statements section of this MD&A, which provides information on forward-looking information and other information. Additional information relating to the Company, including Eguana's financial statements, news releases, and other required filing documents are available on SEDAR+, at www.sedarplus.ca. The aforementioned documents are issued and made available in accordance with legal and reporting requirements but are not incorporated by reference into this MD&A.

Going Concern

These financial statements were prepared on a going concern basis. The going concern basis of accounting 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. The Company's intention is to continue to fund operations by adding revenue and positive cash flow, managing outgoing cash flows, and seek additional financing in the capital markets through debt and/or equity. The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. There is no guarantee that the Company will be able to secure additional financing in the future at terms that are favourable, or at all.

At March 31, 2024, the Company had not achieved profitable operations since its inception and had an accumulated deficit of $143.5 million (December 31, 2023 - $139.7 million), incurred a net loss of $3.8 million for the three months ended March 31, 2024 (March 31, 2023 – $5.3 million) and had cash flow used in operating activities of $0.6 million (March 31, 2023 – $6.1 million).

The Company had a working capital deficit of $2.7 million as at March 31, 2024. The Company missed its scheduled payment of US $383,378 that was due on its loan agreement with Western Technology Investment ("Lender") on December 1, 2023 (Note **Error! Reference source not found.**), which is an event of default under the terms of the loan agreement. In January, the Company made a payment of $61,924 representing the interest of the missing payment on January 5, 2024, and a payment of $321,454 was made on April 2, 2024 representing the principal payment. The Company has continued to miss its' monthly loan payments in the first quarter of 2024. On May 7, 2024, the Company and the lender entered into a forbearance agreement, which includes deferral of payments up to and including June 1, 2024, but that is predicated on subjective conditions that if not complied with render the forbearance to be terminated.

Management will be reliant on the continued support of lenders, suppliers, and other providers to the Company, as the Company is forecasting requiring additional cash to continue to fund operations and settle its obligations. The Company will need both the continued support of its existing lenders, and to raise significant additional financing either through further inventory returns, collection of accounts receivable, equity issuances, additional debt financings, and/or sales of business lines in order to be able to meet both its existing and future obligations. There is no guarantee that the Company will be successful in this regard. These facts create material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. Failure to continue as a going concern would require adjustments to assets and liabilities, the reported revenues and expenses, and balance sheet classifications used, which could differ materially from the going concern basis.

OVERVIEW

The Company

Eguana Technologies Inc. ("the Company"), incorporated under the Alberta Business Corporations Act, designs, markets, manufactures, and sells fully integrated energy storage solutions, for residential, commercial, and utility applications, based on its proprietary advanced power electronics platform, for global markets. The Company also sells a suite of micro inverter products, along with its energy management software platform, the Eguana Cloud, which are fully integrated within its energy storage platform, providing consumers with full solar plus storage system architecture, for residential and commercial applications. The vertically integrated stack is centered around its proprietary advanced power electronics platform and the Eguana Cloud software platform. The ecosystem typically contains all or a combination of fully integrated energy storage systems ("ESS"), micro inverters, and cloud-based software required to aggregate systems into fleets, or power grid assets, delivering a suite of virtual power plant ("VPP") functions.

The Company, incorporated under the Alberta Business Corporations Act, is a publicly traded company headquartered in Calgary, Alberta, Canada, and its shares trade on the TSX Venture Exchange (the "TSX-V") under the symbol "EGT" and on the Over-the-Counter Bulletin Board (OCT-BB) under the symbol "EGTYF".

The Market and Eguana's Strategy

Solar markets over the past year and a half have been extremely volatile, particularly within the residential rooftop markets. Lower demand, high distribution inventory positions, slow distribution sell-through, decreased pricing and competition, have negatively impacted Eguana's revenue and cashflows. On the macro-side however, the demand for power and electrification continues to grow, with increasing utility engagement for grid infrastructure, using distributed assets to drive capacity and resiliency.

Eguana's mission is to become a global leader in residential and small commercial grid-tied energy storage systems, which will be a key component to electrification and migration to an intelligent distributed power grid. To lever delivering against this mission, the Company expanded its power electronics offering to include a line of micro inverters, a critical component in residential rooftop solar segments, providing energy to storage systems, which in turn play a key role in power grid transformation and the required electric vehicle infrastructure. Additionally, the Company has developed the Eguana Cloud, a secure and scalable cloud services platform to modernize Virtual Power Plant ("VPP") infrastructure and to provide fleet and system level access and aggregation, for utility and grid operators.

During fiscal year 2023 and continuing into the first quarter of 2024, high interest rates and inflation, plus policy uncertainty have curtailed demand across the entire solar industry. This has resulted in lagging sales for most companies across the sector, including installers, distributors, and manufacturers. Eguana has felt this lower demand, resulting in lagging sales. This has resulted in a redirected emphasis to deploy the Eguana ecosystem through VPP channels, and directly through utility driven partnerships. Eguana has signed several utility partnerships, aimed at bringing the Eguana ESS and Cloud platforms to grid-connected consumer applications.

At the grid level, advanced power control and communication networks are enabling VPP's, grid services and power grid efficiency, for utility companies. Once deployed, energy storage will provide a wide range of services to utilities, as well as the electricity markets, improving its return on investment by stacking both revenue and cost savings streams. Aggregating fleets of distributed energy storage devices enable deployed systems to deliver low-cost grid services, at the same time as delivering electricity cost savings to consumers. Fleet aggregated solutions, at the home or commercial unit, allow for increased energy and more responsive energy usage, thus enabling utilities to add capacity, without the traditional capital-intensive projects of adding production and transmission. The aggregated fleet is always an environmentally friendly way of utilizing assets, at the point of consumption, with green solar solutions.

This "smart" grid, or grid 2.0, can reduce capital deployment requirements from utilities, while delivering additional grid services, including voltage and frequency regulation, spinning reserve, and solar self-consumption or time shifting. From the consumer perspective, residential and small commercial hosts benefit from electricity savings, reduced cost volatility, backup power availability, and additional forms of compensation from the aggregator or fleet owner by participation in VPPs (allowing the utility operator access to the host system from time to time). Management believes that utility and VPP engagement will drive adoption, as intelligent grid infrastructure is required to support on-going electrification and the electric vehicle movement.

In 2024, the Company launched the Eguana Edge™, a key element of the Eguana Cloud platform, is a utility feeder load balancer that provides Distribution System Operators (DSO's) with a fleet of energy storage assets, which are managed in real time, to stabilize feeder loading and voltage quality. The Eguana Edge™ presents this fleet as a single asset for DERMS integration, to deliver system level ancillary services, including demand response, frequency regulation, and spinning reserve. Eguana is currently demonstrating Eguana Edge™, with utilities in Canada and the USA, on distressed feeder lines that require end-of-line voltage support or have a high penetration of solar.

Eguana Edge™ consists of a suite of Eguana's energy storage solution products, combined with Eguana's fleet management software and operations and maintenance services. Eguana Edge™ can be deployed as a customer owned fleet, however, it delivers the highest value when deployed as a utility owned asset, offering resiliency to their customers, in exchange for hosting and accessing the systems. The Company is promoting this product with utility leaders, to add partners as part of an early deployment program. Revenues relating to this product line are expected to ramp in 2025.

2024 OPERATING AND FINANCIAL RESULTS

The following tables set forth a summary of the results of operations and key balance sheet and cash flow data items, for the three months ended March 31, 2024 and 2023.

	Three months ended	
	Mar 31, 2024	Mar 31, 2023
FINANCIAL RESULTS		
Sales	**955,198**	5,855,247
Cost of goods sold	**884,450**	5,703,077
Gross margin	**70,748**	152,170
Expenses		
General and administrative	**696,532**	716,557
Selling and marketing	**412,234**	589,419
Product research and development	**229,762**	1,319,414
Operations	**459,081**	313,534
Amortization	**180,815**	196,238
Share-based compensation	**93,068**	228,580
	2,071,492	3,363,742
Operating Loss	**(2,000,744)**	(3,211,572)
Financing costs	**(2,044,185)**	(2,005,821)
Expected credit loss	**-**	(78,203)
Foreign exchange (loss) gain	**149,125**	(101,992)
Other income	**210,185**	83,349
Other expense	**(64,752)**	-
Net loss	**(3,750,371)**	(5,314,239)
Foreign currency translation adjustment	**118,469**	(80,907)
Total Comprehensive Loss	**(3,631,902)**	(5,395,146)

	Three months ended	
	March 31, 2024	Dec 31, 2023
BALANCE SHEET		
Cash	**241,438**	814,003
Total Assets	**20,645,391**	21,457,496
Total Debt	**49,310,530**	46,583,801
CASH FLOW	**Three months ended**	
	March 31, 2024	Dec 31, 2023
Operating Cash Flow before changes in non-cash working capital	**(1,511,317)**	(2,605,306)

SUMMARY OF QUARTERLY RESULTS

	2024	**2023**				**2022**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	Q5	Q4	Q3
Sales[2]	955,198	984,627	2,551,092	2,067,624	5,855,247	10,357,667	2,602,195	2,317,334
Net loss[2]	(3,750,371)	(15,453,344)	(5,801,989)	(9,020,179)	(5,314,239)	(6,599,160)	(2,001,516)	(3,163,186)
Per share[1]	(0.01)	(0.03)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)

(1) Basic and diluted.
(2) Fiscal 2022 represents a fifteen-month period due to a change in year end from September to December. Fiscal 2021 represents a typical twelve-month period.

2024 First Quarter - Three Months Ended March 31, 2024

Sales

For the three months ended March 31, 2024, sales were $955 thousand, a decrease of $4.9 million or 83.6% from the comparative three months ended March 31, 2023, of $5.9 million.

Relative to the most recent prior quarter, revenue for this quarter of $955 thousand decreased by $29 thousand or 2.9% as compared to $985 thousand in the three months ended December 31, 2023.

The decrease in revenue during the quarter was as a result of the solar industry being negatively impacted by rising interest rates and high inflation, among other macro-economic factors. At the end of first quarter 2023, sales declined due to this demand shift. Liquidity issues of a key customer, also impacted by the underperforming solar market, negatively impacted sales after the first quarter of 2023 and continuing into 2024.

Gross margin

Gross margin of $71 thousand for power electronics increased to 7.4% for the three months ended March 31, 2024, as compared to gross margin of $152 thousand or 2.6% in the comparative quarter of 2023.

Overall gross margin remains low as the industry slowed and customers became more price sensitive, with rising interest and high inflation. With lower-than-expected sales volume, in this constrained marketplace, gross margin continues to remain low.

Operating expenses

Expenses for the three months ended March 31, 2024, were $1.8 million as compared to $2.9 million in the three months ended March 31, 2023, a decrease of $1.1 million or 38.8%.

General and administrative expenses ("G&A")

G&A expenses consist primarily of salaries, employee benefits and overhead expenses that are not otherwise allocated to other categories, occupancy, all professional fees, investor relations costs, travel costs, and realized foreign exchange gains and losses.

G&A expenses decreased by $20 thousand as compared to the comparative quarter ended March 31, 2023 as a result of the Company making strong efforts to control departmental spending. This decrease is primarily due to decreased salaries and wages and general expenditures including travel costs. Offsetting these reductions during the quarter are increased insurance, legal and audit fees.

Selling and business development ("S&BD")

These costs include 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") compensation that relates to business development.

For the three months ended March 31, 2024, S&BD costs decreased by $177 thousand as compared to the comparative quarter ended March 31, 2023. The decrease primarily relates to salaries and benefits along with travel and business development costs, as the number of sales personnel was reduced, to respond to current market conditions. This is partially offset from efforts to promote the Company's integrated solar presence in Australia, in which additional marketing and advertising efforts were continued in the first quarter of 2024.

Product development

Product development costs include prototype development and certification, market analysis in support of new product definitions, salaries and benefits of the engineering group, and a portion of the Chief Operating Officer's ("COO") compensation.

Product development costs decreased by $1.1 million as compared to the comparative quarter ended March 31, 2023. The Company is making strong efforts to control departmental spending. Personnel costs decreased in the fourth quarter as the Company downsized its product development team, subsequent to the end of the third quarter of 2023, to respond to the current market conditions, which has continued through the first quarter of 2024.

Operations

Operations costs include salaries and benefits of employees directly allocated to this function, overhead cost allocations to support the operations personnel and a portion of the COO's compensation.

For the three months ended March 31, 2024, operations costs increased by $146 thousand as compared to the comparative quarter ended March 31, 2023. This increase is primarily due to additional inventory storage facilities utilized in the USA, and the expanded Australia operations team for rooftop solar installation services, which both directly increases operations expenses. In addition, salaries and personnel related expenses were higher in the quarter as additional operations staff were added during the year in Australia, in comparison to the three months ended March 31, 2023.

Amortization

Amortization costs are non-cash expenses related to the amortization of the Company's capital assets, intangible assets and right-of-use leased assets.

Amortization costs decreased by $15 thousand for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. This decrease is a result of property and equipment disposals and impairments in the fourth quarter of 2024.

Share-based compensation

Share based compensation expense is a non-cash expense related to the Company rewarding employees and related parties with equity ownership rights. Share-based compensation expense is recognized over the options vesting period.

For the three months ended March 31, 2024, share-based compensation expense decreased by $136 thousand, as compared to the comparative quarter ended March 31, 2023. This decrease in expense is due to less stock options being granted, plus some vesting periods of previous options becoming fully vested.

Expected credit loss ("ECL")

At the end of 2022 and the first quarter of 2023, the Company reported strong revenue growth, mostly in the North American market. A majority of this revenue was from a major customer, who has been and remains slow paying. This customer represents 80% of total accounts receivable, which as at March 31, 2024, had $7.8 million of total accounts receivable over 90 days past due. This customer continues to be delayed in making payments.

The Company originally recognized a credit loss provision at year-end December 31, 2022, and has been adjusting the provision on a quarterly basis. During the three months ended March 31, 2024, the Company recorded a reduction in ECL to reflect value received from inventory obtained as an offset to net accounts receivable with the major customer. As a result, the Company has a provision for this customer at March 31, 2024, in the amount of $7.8 million.

The Company applied significant judgment to estimate the ECL provision based on customer-specific factors, including past payment history, known customer business factors, and customer's access to capital, plus judgements for the expected timing of future consideration, and discount rates, to account for the time value of money. Further general and industry specific economic conditions are also included in the assessment of ECL. As the overall industry has not recovered and industry sell-through remains slow, especially in an industry that generally is stronger towards the end of the year, the collection risk was heightened. In addition, slower than expected payment frequency and amounts were factored into the ECL provision.

Financing costs

Financing costs include non-cash expenses such as accretion, fair value changes and imputed lease liability interest. With no new or significant changes in financial liabilities other than the short-term loan, financing costs were consistent quarter over quarter, at $2.0 million in both the three months ended March 31, 2024, and the comparative three months ended March 31, 2023.

Unrealized foreign exchange loss

The $251 thousand increase in unrealized foreign exchange gain for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023, is primarily a result of a strengthening of the US dollar over the three months ended March 31, 2024, in comparison to a weaking of the US dollar over the three months ended March 31, 2023.

Other income and expense

For the three months ended March 31, 2024, other expense of $65 thousand was reported, and other income of $210 thousand was reported. The detail of these items is outlined in the financial statements. In the first quarter of 2024, the Company reported other expenses related to transaction costs for the Australian business other income relating to a gain on return of certain inventories.

Net loss

Net loss for the three months ended March 31, 2024, decreased by $1.6 million, as compared to the three months ended March 31, 2023. The decrease in net loss can primarily be attributed to decreased operating expenses by $1.3 million, due to lower selling, general and administrative costs, as the Company implemented cost saving measures across the Company. These measures implemented in the fourth quarter of 2023 continued in the first quarter of 2024. In addition, unrealized foreign exchange for the three months ended March 31, 2024, had a positive impact on net loss of $149 thousand (three months ended March 31, 2023 – negative impact of $102 thousand).

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company manages its capital closely as it focuses on near and medium-term liquidity, to fund the Company's operating activities and other financial obligations through the current market downturn. At present, the capital structure of the Company is primarily composed of shareholders' equity and debt. The Company's approach has been 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 used cash flow from financing activities of $51 thousand in the three months ended March 31, 2024 (March 31, 2023 – received $1.5 million) and used $638 thousand in operations during the three months ended March 31, 2024 (March 31, 2023 – used $6.1 million).

Working capital represents the Company's current assets less its current liabilities. The Company's liquidity, as measured by the Company's working capital as at March 31, 2024, was a working capital deficit of $2.7 million (December 31, 2023 – $64 thousand). The Company has $8.0 million in accounts payables and accrued liabilities as at March 31, 2024 (December 31, 2023 - $6.9 million).

The Company is involved in a long-running dispute with a prior customer in Germany, for the cancellation of a supply contract. Eguana has a claim to recover 1.5 million Euros ($2.1 million CAD) for unpaid invoices and interest, along with the option to claim an additional 904 thousand Euros ($1.3 million 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. The above noted prior customer has counter claims for warranty concerns related to the Company's first-generation product. Management believes this counter claim is without merit and that any product failures are tied directly to a fundamental system failure, for which the customer was solely responsible.

The Company received a legal demand letter from a supplier for payment on an open purchase order. The Company ordered inventory with a deposit and understood that the supplier would hold the products. The vendor is demanding payment of US $2.3 million. The Company has responded with its own legal letter outlining why there is no dispute or amount owing. The dispute may result in the deposit on the inventory, outlined in Note 7, being forfeited, and hence written off to a loss by the Company.

Cash Flows

From inception, operational activities have not been sufficient, on their own, to finance the Company's requirements. Financing consists primarily of equity offerings that have been used to supplement revenue streams. The development of applications utilizing SAF as well as its production process involve significant financial risks, including the ability of the Company to develop and penetrate new markets, obtain additional financing as required, achieve profitable production and the ability for the Company to be able to successfully assert its intellectual property rights and protect against patent infringement. The Company has incurred significant operating losses and cash outflows from operations.

Cash used in operating activities for the three months ended March 31, 2024, was $638 thousand compared to $6.1 million for the three months ended March 31, 2023. The decrease is related to a reduction in net loss and cash used in non-cash working capital, largely due to the large swing in accounts receivable in the first quarter of 2023.

Cash used in financing activities for the three months ended March 31, 2024, was $51 thousand compared to for the three months ended March 31, 2023, cash provided by financing of $1.5 million. Cash used in operations in the three months ended March 31, 2024, related to repayments of long-term debt, net of the proceeds from a short-term loan. Cash provided by financing activities for the three months ended March 31, 2023, to repayments of long-term debt, net of the conversion of common share warrants.

Cash used in investing activities for the three months ended March 31, 2024, was $5 thousand compared to $224 thousand, for the three months ended March 31, 2023. Investing activities relate to the investment in lab equipment for product testing and development, office leasehold improvements, vehicles and software intangible assets.

Outstanding Debt

Senior Loan

As at March 31, 2024, the Company reflected the long-term debt amounts as a total current liability. As a result of a missed payment on December 1, 2023, the Company was in technical default. As mentioned, Eguana has been and continues to work with the senior lender of this long-term debt and has received payment deferrals since December 1, 2023, up to May 2024. Partial or full payments were delayed for the December 1, 2023, January 1, 2024, February 1, 2024, and March 1, 2024, payments. Interest amounts for the December 1, 2023, and January 1, 2024, payments, were made in early 2024. And as part of ongoing negotiations, a payment in the amount of approximately $638 thousand USD was made on April 2, 2024, which represented the outstanding principal amounts due for December 1, 2023, and January 1, 2024. On May 7, 2024, the Company entered into a forbearance agreement with the lender whereby the Lender has agreed to a deferral of payments up to and including June 1, 2024, but that is predicated on subjective conditions that if not complied with render the forbearance to be terminated.

The long-term debt was entered into during 2022 and included an agreement to issue common share purchase warrants. The details of these items are outlined in the notes to the financial statements.

Convertible Debenture

The Company has an outstanding convertible debenture of $34.9 million at March 31, 2024. The debenture was entered into during 2022 and $7.3 million was recorded as an equity component of the debenture. The details of these items are outlined in the notes to the financial statements.

During the year ended December 31, 2023, the holder converted interest earned on the unsecured convertible debenture totaling $2,310,000 into common shares. In March 2023, 4,242,617 common shares were issued and in September 2023 13,580,094 common shares, in lieu of the interest payments due on March 1, 2023 and September 1, 2023.

Shareholders’ Equity and Shares Outstanding

The following amounts are current as at May 30, 2024.

- Common shares issued and outstanding for 448,956,022, with no change from March 31, 2024.
- Common share purchase warrants representing the right to acquire 16,234,309 common shares, with no change from March 31, 2024.
- The Company has 15,172,001 stock options outstanding, a decrease of 1,745,000 from March 31, 2023, due to the forfeiture of stock options. These stock options entitle the holders thereof to acquire up to

15,172,001 common shares. 11,987,611 stock options have vested as of today's date. The weighted average exercise price of the vested options is $0.30 per share.

Capital Expenditures

In the first quarter of 2024, capital and intangible expenditures totaled $5 thousand (2023 - $516 thousand) and were incurred for the acquisition of a vehicle.

Related Party Transactions

The Company has routine transactions with related parties, and these are outlined in the annual financial statements. The largest transactions are wages and benefits paid to officers and fees paid to directors.

Subsequent Event

Subsequent to quarter-end, the Company determined that formal completion of the business acquisition of Solarlab, by Eguana Pty Ltd, in Australia was not possible. This determination was made after various process delays completing the transaction, and in the context of the overall industry downturn. At December 31, 2023, and March 31, 2024, any costs related to this acquisition were expensed to transaction costs, in other expenses. This determination will have an overall impact on the Company's Australian business. The Company is assessing the impacts and next steps but is presently aiming towards maintaining a presence in Australia for VPP deployment, with a significantly lower cost structure.

ACCOUNTING POLICIES

Critical Accounting Judgements and Estimates

The judgements and estimates used in the preparation of the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2024, have been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements as at December 31, 2023.

IFRS Standards Issued Not Yet Effective and Amendments

There are no standards that have been issued, but not yet effective, that the Company anticipates having a material effect on the consolidated financial statements once adopted.

Reporting Regulations

In June 2023, the International Sustainability Standards Board ("ISSB") issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures which are effective for annual reporting periods beginning on or after January 1, 2024. These standards provide for transition relief in IFRS S1 that allows a reporting entity to report on only climate-related risks and opportunities in the first year of reporting under the sustainability standards. There is no requirement for public companies in Canada to adopt the ISSB standards until the Canadian Securities Administrators ("CSA") and Canadian Sustainability Standards Board ("CSSB") have issued a decision on reporting requirements in Canada.

The CSA are responsible for determining the reporting requirements for public companies in Canada and are responsible for decisions related to the adoption of the sustainability disclosure standard, including the effective annual reporting dates. The CSA issued proposed National Instrument NI-51-107 - Disclosure of Climate-related Matters in October 2021. The CSA intends to consider the ISSB standards in addition to development in United States reporting requirements in its decision relating to development of climate-related disclosure requirements for Canadian reporting issuers. While the Corporation is actively reviewing the ISSB standards, as well as recently released CSSB proposals, it has not yet determined the impact on future financial statements nor has it quantified the costs to comply with such standards.

RISK FACTORS AND RISK MANAGEMENT

As an early stage, growing company active in the renewables industry, the Company faces operational and financial risks inherent in the growth stage in the industry. These risks may affect results of operation and financial condition. To date, the Company has not had net earnings or positive operating cash flows. An investment in Eguana's common shares should therefore be considered speculative. Investors should carefully consider all the risk factors. The Company strives to manage the risks, however, risk management does not eliminate risks. Outlined below are the risks management believes are the most important in our current business context.

Additional information relating to the Company's Risk Factors and Risk Management can be reviewed in the Financial Statements, news releases, and other required filing documents on SEDAR+, at www.sedarplus.com.

Going Concern

As discussed above, the Company will require additional capital in F2024 to continue its operations. The Company is actively pursuing various avenues, including equity and debt financing, to increase its liquidity and capital resources. Although the Company has historically been successful in obtaining financing in the past, there can be no assurances that the Company will be able to obtain adequate financing in the future. This represents a material uncertainty that casts substantial doubt on the Company's ability to continue as a going concern. The financial information presented does not include the adjustments to the amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material. If the Company is not able to raise capital, it may be forced to cease operations.

Operating Losses

The Company is subject to the risks of an early-stage company, including uncertainty of revenues, markets and profitability, and the need to raise additional funding. As is common with companies at this stage, it is likely that marketing and operating costs will exceed net sales revenues. Currently Eguana continues to generate negative cash flow from operations. Eguana's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early-stage, particularly companies in relatively new and evolving markets.

The Company had cash of $0.8 million as at December 31, 2023, providing tight liquidity, due largely to the Company's cash used in operations during the year and the result of a slow paying customer. The Company continues to rely upon completing equity and debt financings until it is able to start generating profit and positive cash flows from operations in the future, in order to pay its liabilities and contractual obligations as they come due and enable the Company to continue operations.

Need for Additional Capital and Access to Debt and Equity Financing

In order to fund its operations, Eguana will need to raise additional capital from lenders and/or equity markets in the future. The capital required to execute on the Company's strategy is tied to working capital, increased investment in new product development, increased investment in human resources including marketing, sales, and after sales service, and investment in realizing additional cost reduction activities. If Eguana is unable to raise the capital on reasonable terms, its growth could be limited, and its operations could be materially and adversely impacted. If Eguana issues Common Shares, or securities convertible into Common Shares, in order to obtain additional financing, shareholders may suffer additional dilution.

There is no assurance that additional debt or equity financing, if required, will be available to the Company when needed or on terms acceptable to Eguana. The Company's inability to obtain additional financing to support ongoing operations or to fund capital expenditures or acquisitions and business combinations may have a material adverse effect upon the Company.

Inability to Meet Debt Service Obligations

The Company has previously deferred its financial obligations as they become due and may continue to struggle to meet its financial obligations in the future. The Company has various debt obligations which include monthly payment of principal and interest and semi-annual interest and payment at maturity. In the event that the Company does not obtain additional financing or achieve positive cash flows, the Company may not have sufficient available capital to meet its debt obligations.

ADVISORY SECTION

Statement of Management Responsibility for Quarterly Filings

This MD&A was prepared by management of Eguana and approved by the Board of Directors of Eguana on May 30, 2024.

Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in these filings. The Audit Committee and Board of Directors of Eguana provide an oversight role with respect to all public financial disclosures by the Company and have reviewed this MD&A and the accompanying condensed interim consolidated financial statements.

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), in accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers Annual and Interim Fillings* ("NI 52-109"), have both certified that they have reviewed the unaudited condensed interim consolidated financial statements and this MD&A (the "Filings") and that, based on their knowledge having exercised reasonable diligence, that (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings; and (b) the unaudited condensed interim consolidated financial statements together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the period presented in the interim filings.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost-effective basis, the disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109 will result in additional risks to the quality, reliability, transparency and timeliness of interim filings, annual filings, and other reports provided under securities legislation.

In contrast to the certification required for non-venture issuers under NI 52-109, the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109.

In particular, the CEO and CFO filing this MD&A are not making any representations relating to the establishment and maintenance of:

- Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports filed or submitted under securities legislation is recorded, processed, summarized, and/or reported within the time periods specified in securities legislation; and
- A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IASB reporting.

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.