



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2022

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Ltd. ("Eguana", or the "Company") is dated May 30, 2022 and should be read in conjunction with Eguana's consolidated financial statements for the three and six months ended March 31, 2022 ("Q2 2022" and "YTD 2022") and 2021 ("Q2 2021" and "YTD 2021") and the Company's annual audited consolidated financial statements and notes thereto for the years ended September 30, 2021 and 2020.

The consolidated interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 as issued by the International Accounting Standards Board (IASB). Unless otherwise indicated, all references to \$ in this MD&A are to Canadian dollars. References to US\$ or US dollars herein are to United States dollars.

Please read the Advisory Section of this MD&A which provides information on forward looking information and other information. Additional information relating to the Company, including Eguana's Consolidated Financial Statements, the Company's most recently completed Annual Information Form, news releases, and other required filing documents is available on SEDAR at www.sedar.com. The aforementioned documents are issued and made available in accordance with legal requirements but are not incorporated by reference into this MD&A.

OVERVIEW AND UPDATE

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

Eguana's mission is to become a global leader in residential and small commercial grid tied energy storage systems. Strategically, the Company remains committed to the continued development of its distribution channels by expanding sales, technical support and training, and operational capabilities in high demand markets.

Eguana's employees and partners are critical for its success, and as such the Company places the highest priority on their health and safety. To mitigate and manage the potential spread of COVID-19 a series of measures have been implemented in each location, including remote work, limited office attendance and close interaction, and new sanitation protocols. As a result, to date personnel issues have been minimized.

Sales and Operations

During the second fiscal quarter, driven primarily by a Canadian supply partner's inability to produce required circuit boards needed to meet production targets, the Company elected to stop all manufacturing operations in Calgary and expedite its planned transition to full manufacturing operations,

including supply chain and procurement activities, to its contract manufacturing partner Omega EMS (Omega), based in San Jose California.

With scaling demand, and additional supply chain expertise required in the current environment, management believed it was critical to quickly increase production capacity and expand supply chain core competency, both of which are key components within the Omega group. Sales orders and shipments were deferred to the current and subsequent quarters, which impacted fiscal Q2 revenue results. Inclusive of this transition was the transfer of raw materials, installation of new Eguana proprietary testing equipment, assembly and Inverter Functional Test (IFT), and key personnel training. Plant commissioning was completed in April and fully manufactured systems are now coming off the line at Omega with a production capacity of 400 units per month.

Global supply chain disruption and international port delays remain high risk factors for manufacturers, with key shortages in energy storage system (ESS) materials including a variety of IoT and communication micro chips. As a result of continued material disruption and lead time delays, management developed a comprehensive plan, which we call the alternative parts program (APP), to further help mitigate future risk to its master production plan. The APP is executed daily to review long term material risk, identify alternative parts, develop circuit board layouts, plus test and certify where required. The Company has continued procurement activities for 3,000 ESS units from fiscal Q3 through to the end of the calendar year, of which the APP will play a key role in achieving this target.

Plans to increase production capacity to 800 units per month are in place with new IFT equipment expected to be delivered within the September quarter. Capacity increases are required to maintain product availability requirements consistent with distribution channel growth and demand plans.

PowerCenter+ (DPC) distribution channel expansion continued in the second quarter, with national agreements with Baywa and Sonepar to go along with CED Greentech and ABC Supply. Branch level orders flow through DCP, which in turn drives blanket product orders to Eguana. Branch level market feedback has been clear that distribution channel partners are placing high priority on product availability particularly as it relates to reorders.

Eguana continues to lead deployments under Hawaii's Battery Bonus program, with Evolve systems accounting for almost all executed contracts to date, although uptake of the program has slowed after the initial wave of interest in 2021. The PUC (Public Utilities Commission), Hawaiian Electric and other stakeholders have reviewed the program details and are introducing changes to make it more attractive for new installations under the Grid Supply Plus tariff, which is the most popular solar tariff in the state. Installations to date have almost all been upgrades to existing Net Energy Metering systems. These program changes have been implemented during Q2 and installation rates are growing again. The Company anticipates additional orders from partner Hawaii Energy Connection due to this increase.

During the second quarter Eguana launched a suite of micro inverters, the Eguana Enfuse product line, as part of its power controls platform expansion. Market response from North American customers, where the product is premium branded under the Omega agreement, has exceed management expectation with branch level purchase orders already flowing through DPC. The Company expects its first micro inverter product blanket order in the coming weeks.

Micro inverters will continue to play a key role in the energy and power grid transformation. Rooftop solar, including micro inverters, is providing the energy for the energy storage systems, which management believes will be a critical component of grid transformation and electric vehicle infrastructure. The Enfuse line has been developed to accept up to 30% more power than traditional micros, delivering up to 15% more energy annually. The Enfuse line includes single, dual, and quad configurations, accommodating a wide range of system installations. The quad configuration further

simplifies installation processes and reduces the number of micro inverters required per install, thus reducing system cost while increasing reliability. Management expects the first micro inverter shipments to occur in June pending any receiving port delays.

The Company is currently planning first shipment roll out of its 10K Max full home back up product line, which is expected to come out of certification in June. Eguana has had to overcome a number of hurdles with its 10K Max certification, including regulatory and product safety testing protocol changes throughout certification in large part due to the uniqueness of the product. Additionally, due to COVID-19 policies at the certifier, Eguana was unable to provide onsite technical support for test set up and teardown, which resulted in damage to several 10K Max systems. Upon loosening of COVID restrictions, Eguana personnel were permitted onsite and completed all safety testing within a 5-day period. Eguana expects final regulatory tests and reports to be delivered in the coming weeks. As a result of the certification delays, the Company completed the required certifications to self test within the Eguana Calgary laboratory. This will considerably simplify and reduce the risk of product certifications on a go forward basis.

There has been no change with the Elevate product line, which continues to be under review from multiple US solar companies. Management expects to see growth from Elevate in the second half of calendar 2022. The Company will put the Elevate through bankability studies, which has been formally requested as part of development discussions with a tier one solar financing company.

In line with the Company's growth objectives, sales teams will continue expanding into a greater geographical coverage to enhance the consumer experience with Eguana and DPC. The Company will also begin dedicating resources specific to utility, virtual power plan (VPP), and additional white label opportunities. Additionally, the Eguana Certified installation and product training programs continue to be enhanced and rolled out to the market.

In Europe, the Company has entered negotiations for a white label agreement with a utility in France, inclusive of both the ESS and micro inverter. The primary objective will be a VPP with units distributed through the utility rate base. The Company expects to see Enduro and Enfuse related revenue increases through the second half of the calendar year.

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

In line with the VPP objectives, Eguana Australia is now certified for full system sales and installation, including micro inverters. The ability to manage complete installations simplifies the home builder and consumer experience providing a key advantage to the Company in the Australian market. Additionally, the Company has begun actively working along side utility partner Simply Energy to expand its VPP roll out in South Australia.

Development

With the manufacturing transition to Omega completed in May, the Company has freed additional expansion space for its Research and Development activities. The APP will remain a focus point for the development team while global supply chains remain unstable. In addition to the APP, the development team will continue multiple high-level initiatives defined as ESS Product Line Expansion, Eguana Cloud Services, and new battery integration.

ESS Product Line Expansion

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

To accompany the 5kW and 10kW storage solutions the Company has begun development of a next generation energy storage solution that will be geared towards the residential and commercial markets. First prototypes are expected later this year and will feature enhanced features for VPP and larger applications.

As the company engages with new white label partners, new variations of each product line will be necessary to allow offering differentiation or to serve particular market segments of interest. These products will all embody the Company's core technology platform, but will meet different installation, power, and capacity requirements. The Company continues to grow its development team and expand its development capacity to accommodate expected partner development activities.

Eguana Cloud Services

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

Battery Integration

As the Company expands its product lines, it will be integrating new battery technology as an interim step to 24M related cell availability. The new battery module will be included in Eguana's next generation ESS platform currently in development. Maintaining a diversified battery supply chain remains critical to achieving production and growth targets.

COVID-19 IMPACT

Eguana's employees and partners are critical for its success, and as such the Company places the highest priority on their health and safety. To mitigate and manage the potential spread of COVID-19, a series of measures have been implemented in each location, including remote work, limited office attendance and close interaction, and new sanitation protocols. As a result, to date personnel issues have been minimized.

The COVID-19 global pandemic continues to constrain supply chains, ports, and logistical networks around the world as economies reopen under varying safety measures and government guidance, including certain regions that Eguana operates in on both the supply and demand sides of its business. Although the Company delivered record revenues in fiscal 2020 and record product revenues in fiscal 2021, growth remains constrained by raw material component shortages, and increased transit times for both incoming raw materials and outgoing finished goods. As a result, the Company has developed an Alternate Parts Program to further help mitigate material risk. The APP will remain in place until all bill of material related components become available under standard lead times.

2022 OPERATING RESULTS

The following table sets forth a summary of the results of operations for the three and six-months ended March 31, 2022 and 2021.

	Q2 2022	Q2 2021	YTD 2022 ⁽¹⁾	YTD 2021
Sales and engineering services	285,130	347,582	1,549,679	2,671,369
Cost of goods sold	213,482	333,752	1,467,620	2,467,602
Gross margin	71,648	13,830	82,059	203,767
Expenses				
General and administrative	1,299,125	1,097,880	2,010,900	1,907,901
Selling and marketing	529,262	472,150	1,142,820	928,184
Product research and development	439,418	419,179	985,463	850,260
Operations	323,043	194,909	669,260	436,851
	2,590,848	2,184,118	4,808,443	4,123,196
Operating loss	(2,519,200)	(2,170,288)	(4,726,384)	(3,919,429)
Financing costs	(43,310)	(743,653)	(285,351)	(1,455,300)
Unrealized foreign exchange (loss) gain	(10,144)	79,006	14,249	184,492
Other income	169,718	-	171,933	-
Net loss before tax	(2,402,936)	(2,834,935)	(4,825,553)	(5,190,237)
Current tax expense	-	-	(238,857)	-
Net loss	(2,402,936)	(2,834,935)	(5,064,410)	(5,190,237)

(1) Prior quarter current tax expense has been recast by \$238,857, refer to financial statement note 2(c) for additional information

Sales and engineering services

The Company's revenue is derived from the sale of ESS' which are available in multiple size configurations to meet individual consumer and regional requirements. The systems, which are branded the Evolve NMC (nickel manganese cobalt), the Evolve LFP (lithium iron phosphate), the Enduro, and the Elevate, maintain approximately 90% bill of material consistency throughout the electronics topology providing a standardized product platform where many of the Company's proprietary patents reside. Each feature rich system is capable of performing consumer related functions including solar self-consumption with seamless back-up power as well as a full suite of VPP services for fleet aggregators including frequency and voltage control, reactive power management, and spinning reserve.

The Company's customer base is addressed primarily through its dealer network inclusive of large residential installers and global distributors, who, in turn, market and sell Eguana systems through their customer networks to the end consumer. Additionally, in certain markets, the Company has white label products for large scale partners who have the ability to wrap financing around the solutions and target both solar self-consumption consumers, VPP programs, and other fleet aggregation services. Through a series of online and in person training programs, the Company ensures both its customers and

installation partners are appropriately educated and trained on product features and installation best practices prior to sales, as all installation, maintenance and subscriptions are the responsibility of the distributor or installer.

For the three-month period ended March 31, 2022, product sales were \$285,130 (38 units comprised of Evolve, Enduro, and Elevate) a decrease of 18.0% compared to prior period product sales of \$347,582 for the same period (29 units comprised of Evolve, Enduro, and Elevate). Based on increasing demand, market response for consistent supply, and increasing production capacity requirements management's focus for the second quarter was to expedite the full supply chain and manufacturing processes to its contract manufacturing partner, Omega EMS. At the time of this release the Omega San Jose facility is fully commissioned and in mass production. Second quarter orders will commence shipping within the third quarter. For the six-month period ended March 31, 2022, product sales were \$1,549,679 (192 units comprised of Evolve, Enduro, and Elevate), a 42.0% decrease from \$2,671,369 (305 units comprised of Evolve, Enduro, and Elevate) of the same period in the previous year. The decrease was primarily a result of supply chain disruption and associated delays in raw material deliveries due to COVID-19, particularly with Q1 shortages in circuit board level connectors, resulting in increased back log on customer demand.

The Company does expect to see continued quarterly fluctuations in revenues generated from the Company's various markets, sales regions, and sales channels due to continued global impacts of the COVID-19 pandemic on global supply chains and port related logistics, variability associated with the timing of customer purchase decisions and market growth rates.

Gross margin

Gross margins for energy storage systems were 25.1% or \$71,648 for the three months ended March 31, 2022 compared to gross margins for the same period in 2021 of \$13,830 or 4.0%. This increase is primarily due to a positive inventory change of \$142,330, offset by \$87,646 of inventory which was deemed impaired and written-down for the period. YTD 2022 gross margins for energy storage systems were 5.3% or \$82,059. Energy storage system gross margins for the same period in 2021 were \$203,767 or 7.6%. These margins are primarily associated with continued global supply chain risk and high, fluctuating raw material and logistic costs.

Gross margins are expected to increase upon full transition to its contract manufacturer, the expectation of supply chains and logistics costs balancing out through the second half of the year, as well as a planned modest increase in product pricing relative to prior increased material costs. Additional planned cost reduction activities, with focus on the North American Evolve and Elevate products, are expected to further improve gross margins.

Expenses

Operating costs for the three months ended March 31, 2022 were \$2,590,848 up from \$2,184,118 in the same period in 2022, representing a 18.6% increase year over year.

- General and administrative expenses ("G&A") increased by \$201,245 in Q2 2022 as compared to Q2 2021. Non-cash share-based payments increased by \$106,826 due to \$1.0 million options granted to a capital markets advisory firm in the quarter that were fully vested on grant, and therefore fully expensed. Additionally, the Company saw increases in compliance work and special projects associated with the recently completed short form base shelf prospectus, as well as increases in salaries and benefits and director's compensation commensurate with the increase in Eguana's board of directors.

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

- Selling and marketing expenses in Q2 2022 increased by \$57,112 as compared to Q2 2021. Almost all of this increase is due to travel and business development costs as sales efforts have increased alongside the Company's growth objective. Due to global travel restrictions with the pandemic in 2021, these opportunities were negatively impacted.

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

- Product research and development costs remained relatively consistent with costs from the same period in 2021

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

- Operations costs in Q2 2022 increased by \$128,134 as compared to Q2 2021. One-third of this increase is due to a one-time cost of relocating the Eguana headquarter office, and operational freight cost being impacted by global increases and fluctuations. Further increases are from the addition of operations personnel required to meet expected growth targets.

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

Operating costs for the six months ended March 31, 2022 were \$4,808,443, an increase of \$685,247 from \$4,123,196 for the six months ended March 31, 2021.

- G&A expenses increased by \$102,999 for the six months ended March 31, 2022. This increase is primarily due to legal and accounting costs associated with the completion of the short form base shelf prospectus. Additionally, increases in salaries and an increase in directors' fees associated with Eguana moving from five to six board members.
- Selling and marketing for the six months ended March 31, 2022 increased by \$214,636 as compared to the six months ended March 31, 2021. Approximately \$117,000 of this increase is associated with the additional sales and technical sales personnel required in North America to execute the PowerCenter+ and microinverter sales strategies. Additional increases are a result of increased travel, associated meals, and marketing costs as global travel restrictions ease.
- Product research and development costs increased by \$135,203 for the six months ended March 31, 2022. This increase is almost entirely due to the increase in salaries and wages for the R&D team as the Company expanded personnel in preparation for new developments related to Eguana Cloud Services and energy management software advancement, battery, battery management system, and micro inverter integration.
- Operations costs increased by \$232,409 for the six months ended March 31, 2022 compared to the same period in the previous year. Half of this increase is associated with the global freight cost increases, and one-third with increases in salaries and additional operations personnel to match the Company's growth objectives. Additional increases are due to a number of smaller factors, including third party after sales partner costs.

Financing Costs

Financing costs in Q2 2022 were down \$700,343 as compared to Q2 2021. This is primarily associated with reduced accretion associated with debentures, which were fully converted by April 2021, representing a \$338,804 reduction in financing costs in comparing the two quarters. Additionally, as all preferred shares were converted in Q1 2022, there was a reduction in associated accretion of \$188,309. Reductions of \$40,838 are associated with reductions in the Senior loan accretion, as the loan was fully repaid as of February 1, 2022, and the Company saw a decrease in the fair value of the derivative liability due to the weakening of the US dollar, amounts to a reduction in financing costs of \$47,826. The previous years Q2 also had a one time \$75,706 non-cash loss on debt prepayment of a settlement with a third party. These reductions are offset with a slight increase in lease interest costs associated with the Company's new head office space.

Financing costs for the six-month period ended March 31, 2022 were \$1,169,949 lower than the same period in 2021 due primarily to the reduced debenture associated accretion of \$736,649. Additional decreases include \$192,587 of preferred share accretion, \$92,512 in long-term debt accretion, a \$37,267 positive change in the fair value of the derivative liability. Additionally, due to the \$75,706 non cash loss associated with prepaying a settlement, the company saw accretion on other liabilities decrease by \$68,394. These reductions are offset with a slight increase in lease interest costs associated with the Company's new head office space.

Other income

Other income in Q2 2022 was up \$169,718 as compared to Q2 2021. This increase is entirely associated with after sales services provided by Eguana on behalf of a third-party vendor. Other income for the six-month period ended March 31, 2022 was up \$171,933 compared to the same period in 2021. This increase is primarily due to the after sales income provided by Eguana.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	Q2 2022	Q2 2021	YTD 2022 ⁽¹⁾	YTD 2021
Net loss	(2,402,936)	(2,834,935)	(5,064,410)	(5,190,237)
Share-based payments	491,317	384,491	715,701	816,542
Financing costs	43,310	743,653	285,351	1,455,300
Amortization and depreciation	139,090	83,911	260,194	169,119
Write down (up) of inventory	82,913	(32,645)	87,646	(32,645)
Warranty provision	(872)	(1,661)	2,077	13,009
Bad debt expense	965	-	3,465	-
Unrealized foreign exchange loss (gain)	10,144	(79,006)	(14,249)	(184,492)
	(1,636,069)	(1,736,192)	(3,724,225)	(2,953,404)
Net change in non-cash working capital	162,466	(2,017,483)	247,200	(2,712,328)
Cash flow used in operations	(1,473,603)	(3,753,675)	(3,477,025)	(5,665,732)

(1) Prior quarter current tax expense has been recast by \$238,857, refer to financial statement note 2(c) for additional information

Net Loss

Net loss for Q2 2022 decreased by \$431,999 over the net loss in Q2 2021. The decrease in net loss can primarily be attributed to a reduction in financing expenses of \$700,343, as the Company became debt free in the quarter, offset by an increase in operating expenses of \$414,874 associated with personnel growth throughout the organization. Additionally, the company saw an increase in other income of \$169,718 associated with after sales service provided on behalf of a vendor.

Share-based Payments

Share-based payments were \$715,701 for the six-month period ended March 31, 2022, down from \$816,542 from the same period in 2021. This is due to YTD 2021 expenses associated with the grant of 1.5 million options which vested immediately (full expense recognition) and 4.5 million options having accelerated vesting terms of 6 months and a life of 3 years, both to a capital markets advisory firm. This is in comparison to a YTD 2022 having only 1.0 million of options issued in February with immediate vesting to that same capital market advisory firm.

Unrealized Foreign Exchange Gain

The \$170,243 decrease in unrealized foreign exchange gain for YTD 2022 compared to YTD 2021 was as a results of foreign exchange gains of \$73,845 associated with the Senior Debt due to the weakening of the US dollar in fiscal 2021. As of March 31, 2022, the senior debt was repaid in full. Additionally, due to the weakening of the US dollar in comparing the quarters, the Company saw decreased gains associated with accounts receivable and deferred revenue balances as compared to the same period in the previous year.

Summary of Quarterly Results

	2022		2021		2020			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	285,130	1,264,549	3,121,716	1,381,504	347,582	2,323,787	1,330,848	2,179,891
Net (loss)	(2,402,936)	(2,661,474)	(2,480,361)	(2,729,446)	(2,834,935)	(2,355,302)	(1,948,743)	(1,761,235)
Per share ⁽¹⁾	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

(1) Basic and diluted

(2) Prior quarter current tax expense has been recast by \$238,857, refer to financial statement note 2(c) for additional information

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 spent \$271,429 in financing activities in Q2 2022 (Q2 2021 – received \$18,584,415) and used \$1,473,603 in cash flow from operating activities during the quarter (Q2 2021 – \$3,753,675).

Working capital represents the Company's current assets less its current liabilities. The Company's liquidity, as measured by the Company's working capital at the quarter ended March 31, 2022 was \$4,351,655 (September 30, 2021 – \$2,706,390).

As at March 31, 2022 the Company had net assets of \$5,450,224 which increased from net assets of \$3,491,303 at September 30, 2021. This can be primarily be attributed to reduction in debt, including conversion of all preferred shares and full repayment of the senior loan.

The Company has recorded \$2,439,031 in accounts payables and accrued liabilities. In addition, the Company has \$nil in short-term debt, \$238,857 in current taxes, \$401,081 in lease obligations, and \$354,396 in other liabilities payable over the next 12 months.

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

The Company is currently in a dispute with a prior customer in Germany as a result of the cancellation of a supply contract. A claim has been prepared to recover 1,479,332 Euros (\$2,213,229 CAD) for unpaid invoices and interest, along with the option to claim an additional 903,584 Euros (\$1,351,852 CAD) for European inventories purchased to fulfil this contract. Litigation is inherently uncertain and while legal counsel advises that the Company has a strong case, the receivable is being carried on the books at near zero value. A favorable outcome in the dispute would increase the current assets of the Company.

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

Outstanding Debt and Equity

On November 2, 2020, the Company issued 1,150 EGTLP Class F partnership units at a price of \$1,000 per unit resulting in gross proceeds of \$1,150,000. In connection with the issuance, the Company paid the agent a cash commission of \$86,250 and issued 574,942 broker warrants at a price of \$0.15 per warrant for a period of two years, with an expiry date of November 2, 2022. Legal and other costs of \$107,026 related to the issue of the partnership units were incurred and netted against proceeds.

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

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

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

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

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

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

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

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

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

On February 1, 2022, the Company repaid its Senior Loan in full.

On April 1, 2022, the Company entered into a loan agreement (the "Loan") for general working capital for up to US\$10,000,000 with previous lender, Western Technology Investment (the "Lender"), and drew \$5,000,000 under the terms of the loan on April 7, 2022. The loan bears interest at a rate of 12% per annum, per draw, with interest only payments being paid during the first six months, followed by both principal and interest being paid in equal installments over a period of 30 months commencing on the 6-month anniversary of the relevant draw. As consideration for the advance of the Loan, the Company has issued common share purchase warrants, entitling the Lender to purchase up to an aggregate of 4,934,309 common shares of the Company at a price of \$0.355 per common share for a period of five years from the date of the Loan, with 50% of the Warrants having vested immediately and 50% of the Warrants vesting ratably on subsequent draws made under the Loan. The vested unexercised Warrants will be exchangeable, at the option of the holder, after the earlier of a liquidity event for the Company and September 30, 2025, for an amount equal to the sum of: (i) US\$1,500,000; and (ii) the product obtained by multiplying US\$1,500,000 by the percentage of the principal amount of the Loan actually advanced by the Lender relative to US\$10,000,000.

Shareholders' Equity and Shares Outstanding

As at May 30, 2022 394,221,270 common shares are issued and outstanding, an increase of 346,666 from March 31, 2022 due to the exercise of 166,666 warrants and 180,000 employee stock options.

As at May 30, 2022, there are 34,238,235 common share purchase warrants representing the right to acquire 34,238,235 common shares, an increase of 3,534,066 from March 31, 2022 due to 3,700,732 warrants issued with new Senior debt, offset by the exercise of 166,666 warrants.

As at May 30, 2022 the Company has 20,826,537 stock options outstanding, an increase of 340,000 from March 31, 2022, due to the exercise of 180,000 incentive options to employees offset by the forfeiture of 160,000 options. These options entitle the holders thereof to acquire up to 20,826,537 common shares. 14,568,211 stock options have vested as of today's date. The weighted average exercise price of the vested options is \$0.27 per share.

Off-Balance Sheet Items

As at March 31, 2022, 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 2022, capital and intangible expenditures totaled \$147,726 (Q2 2021 - \$10,704) and were primarily incurred with respect to the purchase of new lab test equipment as well as leasehold improvements and purchasing for the new corporate head office.

RISK FACTORS AND RISK MANAGEMENT

Going Concern

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.

At March 31, 2022, the Company had not achieved profitable operations since its inception and had accumulated a deficit of \$92,371,634 (September 30, 2021 - \$87,307,224), incurred a net loss for the six-month period ended March 31, 2022 of \$5,064,410 (March 31, 2021 - \$5,190,237) and cash flow used in operating activities was \$3,477,025 (March 31, 2021 - \$5,665,732). Whether and when the Company can attain profitability from operations is uncertain. At March 31, 2022 the Company has a positive working capital balance of \$4,351,655 (September 30, 2021 - \$2,706,390). The lack of profitable operations results in material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The ability to continue as a going concern is dependent on completing equity or debt financings and generating profitable operations in the future in order to meet liabilities as they come due and enable the Company to continue operations. To address its financing requirements, the Company may need to seek financing through the issuance of common shares, preferred shares, units of EGT Markets Limited Partnership, debentures, or traditional debt to meet its continuing operating requirements.

COVID-19 and Geo-political Events

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. Government authorities have approved the rollout of COVID-19 vaccines and easing of restrictions implemented to prevent the spread of COVID-19, however there is no certainty when economic activity will return to pre COVID-19 levels. Additionally, in early 2022, Russia's invasion of the Ukraine has raised global concerns over the already susceptible economic downturn, raising global concerns over disrupted supply chain channels, and in turn material supply constraints. These global situations remain dynamic and it is currently not possible for the Company to predict the duration or magnitude of potential adverse impacts of the pandemic or Russia's invasion of the Ukraine or their effects on the Company's business or ability to raise funds.

The global supply chain has been disrupted with lockdowns in many countries, some of whose industries are part of Eguana's supply chain. There is a risk of component shortage, increased material lead times, and cost increases due to supply constraints along with expected increases in shipping and logistics costs. The short- and medium-term impacts are unprecedented in modern history and remain difficult to estimate at this time. The extent of the global economic damage remains unknown but is expected to be severe with economic recession, market volatility and political uncertainty may last many months or years as global supply chains, labour forces and credit markets recover. This may impact companies'

abilities to reach the targeted sales numbers, gross margin objectives, and safe and healthy workplaces. Eguana has taken precautionary steps to mitigate the associated risks.

Government Regulation

The operations of Eguana are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Of particular relevance to Eguana's business, the laws and regulations related to the interconnection of behind the meter energy resources and to the installation of lithium-based batteries are covered by an evolving set of regulations that are similar in scope but differ in detail in each region in which the Company operates. Changes to these regulations often require investment in redesign and recertification of the Company's products and may increase the cost of the product, but they affect Eguana and its competition equally with the net effect of limiting competition to those who make these investments and deferring any potential commoditization of our product category. Eguana believes that it is currently in compliance with all such laws and regulations. Eguana intends to invest financial and managerial resources to ensure such compliance and will continue to do so in the future; however, it is impossible for Eguana to predict the cost or impact of such laws and regulations on Eguana's future operations. Eguana's products are currently certified for use in Germany, the United Kingdom, France, Australia, and North America. The technical associations that are prevalent in maintaining the grid interconnection and safety standards in these countries are VDE, Australian Standards, UL, IEEE, CSA, IEC, EN and FCC. The standards that are typically actively maintained for compliance by Eguana are UL 1741, IEEE 1547, IEEE 2030.5, UL 9540, VDE 4105, G98, AS 4777, IEC 62109 and IEC 61000.

ADVISORY SECTION

Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements (collectively, "forward-looking statements") within the meaning of applicable securities laws that 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.