



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2021

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Inc. ("Eguana", or the "Company") is dated August 26, 2021 and should be read in conjunction with Eguana's condensed interim consolidated financial statements for the three and nine months ended June 30, 2021 ("Q3 2021" and "YTD 2021") and for the three and nine months ended June 30, 2020 ("Q3 2020" and "YTD 2020") and the annual consolidated financial statements for the years ended September 30, 2020 and 2019.

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all references to \$ in this MD&A are to Canadian dollars. References to US\$ or US dollars herein are to United States dollars.

Please read the Advisory Section of this MD&A which provides information on forward looking information and other information. Additional information relating to the Company, including Eguana's Annual 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, 2020, published on January 21, 2021.

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.

Supply Chain

The COVID-19 pandemic continues to negatively impact global supply chains, in particular circuit board level components and semiconductor chips. Changes to consumer buying patterns, electric vehicle charging infrastructure advancements, and growth in electric vehicle markets, have driven semiconductor demand to unprecedented levels. Eguana, like many of its competitors, utilizes many of these components across its advanced power control platform and has been impacted due to these supply constraints. In March, following the Company's \$20M private placement, management began to

strategically position certain raw materials and components to reduce mid to long term impacts to product availability customer shipments. While supply chain balancing continues, key components and sub assembly positions were stabilized in late May, with 68% of all third quarter product revenue delivered in the final three weeks of the quarter.

The Company maintains a key supply chain technology advantage through the ownership of its advanced power controls platform, which provide the basis for all Eguana energy storage solutions. In addition to product cycle speeds, platform ownership allows for quick alternative component testing and replacement, as the Company does not need to rely on third party partners for test verification processes. This process was paramount through the third quarter, with multiple component substitutions keeping production lines running. This supply chain flexibility will be a key factor going forward, as supply chains are expected to remain unpredictable in the coming months.

Operations

A key milestone resulting from Eguana's investment in raw materials was the conversion from batch manufacturing to flow manufacturing in order to deliver a consistent supply of finished goods over the second half of the calendar year. As part of management's efforts to achieve this milestone, the Company repositioned its inverter functional testing processes (IFT), a key constraint to production capacity, to an earlier position in the assembly process, effectively doubling available capacity from each IFT test stand. This process change will be rolled out to contract manufacturing partners and become the standard for Eguana product assembly going forward.

As a result of anticipated residential market growth through the increase in virtual power plant (VPP) activity and growing demand for Eguana products, the Company has increased its operations team for a near term capacity increase along with initiating discussions with potential manufacturing partners in North America and Europe to increase future capacity for Eguana products. Management believes multiple manufacturing partners will be required as global energy storage markets continue to rapidly expand.

Product gross margins remained positive, however were negatively impacted by significant increases in freight costs associated with raw material shipments. Normalized product gross margins, calculated by assuming a standard freight expense of 2% of revenue, are estimated to be approximately 11% for fiscal Q3 compared to 3.6% on a GAAP basis. Management believes adjusted product gross margins will continue to trend upward as volumes increase and cost reduction activities continue.

Sales

Eguana sales channel development remains on track with current contracted partners increasing to 285 between the United States and Australia, with approximately 60% focused on California. A steady supply of shipments to CED branches opened discussions for a U.S. nationwide agreement between the two companies. This agreement was recently completed and allows for all US-based CED locations to list and sell Eguana products. The Company has also begun redefining its Dealer/Installer training programs for scale, which include a simplified installation process and a more robust remote commissioning process. These are geared to improve both installer and customer experience.

Virtual power plant (VPP) activity continues to increase in residential storage markets, and the Company remains in active discussions in all key geographies. The Company is currently shipping into Hawaii's Emergency Demand Response Program (EDRP), which has a phase one roll out of approximately 10,000 5kW residential energy storage systems, delivering the renewable infrastructure required to retire the AES coal generating station in September 2022. By the end of August 2021, the Company will have shipped its first 0.5MW into the program with shipments continuing to ramp month over month.

Field trials related to ITOCHU and the Moixa-based Evolve are continuing with Sunnova. Management expects to move to phase two when Moixa completes its energy management system (EMS) development for California rule 21 certification. At this time, Eguana has completed all required integration work.

The Company has entered into discussions to white label the Evolve and the Evolve 10kW Max for a tier one multi-national battery company, to be named upon completion of the partnership. Management expects immediate uptake given the brand recognition. Additionally, the Company has completed a request for proposal with a leading US-based solar installation company and is currently waiting feedback. Management expects to be accepted into the approved vendor list and begin shipping into the network in the first half of 2022.

Raw material positioning for the Enduro as previously planned was encumbered by an unexpected delay to one key component through the quarter. This situation has been resolved, and increased production commenced in August. As a result, the Company expects to see steady growth in the European market through the balance of the calendar year.

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

Development

Research and Development played a critical role in providing component flexibility and substitution through the quarter, which provided for a significant increase in revenue in the month of June. Maintaining this flexibility will be a key milestone for the team while global supply chains remain unpredictable.

Management contends that battery module availability will be the defining success factor for residential and commercial energy storage manufacturers. Accordingly, the Company is continuing next generation battery module development with Freyr and 24M as part of its vertical integration strategy based on 24M's semi solid lithium technology. 24M, an MIT technology spin-out of which Eguana partner ITOCHU is an investor, has developed a semi solid electrode with better performance and cost profiles for lithium-based batteries. Eguana has also begun working with multiple 24M licensees for future module development and manufacturing.

Battery Management System (BMS) development planning was completed in the quarter along with Eguana BMS system architecture. The Eguana standard BMS will be utilized with new module designs for use in Eguana based products, as well as opening additional channels with module manufacturers. Laboratory trials will commence following cell availability from the 24M licensees that are partnered with Eguana.

10kW Evolve Max Certification has experienced a short delay in response to the release of the latest supplement of California Fire Code 2019 in July, and review of the interpretation of UL9540A certification reports by local permitting authorities in California. The publication of the Fire Code has clarified details of safety constraints on installation, and experience to date demonstrates that local authorities are not willing to relax these constraints based on UL9540A reports submitted by other manufacturers. Accordingly, the 10kW installation concept has been reviewed to provide more flexibility to installers to meet the new local permitting requirements. Due to the flexibility and modular design of Eguana's 10kW product, this effort is limited to offering multiple mounting and cabling options

and does not require any redesign of major components. Product certification is expected to continue in the second half of September.

Balance Sheet

During the first half of the year, the Company put considerable focus on strengthening its balance sheet, which continues to be in a positive working capital position. Debt load has been reduced, excluding preferred shares, to less than \$0.5M at the end of the third quarter. ITOCHU also elected to convert their convertible debentures in early April, removing all remaining convertible debenture debt. Currently there remains less than a year in payments to our Senior lender, at which time the Company would become debt free.

2021 OPERATING RESULTS

The following table sets forth a summary of the results of operations for the three and nine-months ended June 30, 2021 and 2020.

	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Sales and engineering services ⁽¹⁾	1,381,504	2,179,891	4,052,873	6,620,830
Cost of goods sold	1,304,229	1,908,224	3,771,831	5,728,098
Gross margin	77,275	271,667	281,042	892,732
Expenses				
General and administrative	1,079,995	463,847	2,987,896	1,443,392
Selling and marketing	475,689	503,024	1,403,873	1,568,427
Product research and development	451,366	223,668	1,301,626	631,743
Operations	380,183	206,079	817,034	641,674
	2,387,233	1,396,618	6,510,429	4,285,236
Operating loss	(2,309,958)	(1,124,951)	(6,229,387)	(3,392,504)
Financing costs	(330,668)	(768,998)	(1,785,968)	(2,090,897)
Loss on debt extinguishment	-	-	-	(491,692)
Unrealized foreign exchange gain (loss)	(95,950)	130,404	88,542	(287,815)
Other income	7,130	2,310	7,130	2,313
Net loss	(2,729,446)	(1,761,235)	(7,919,683)	(6,260,595)

Sales and engineering services

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

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

practices prior to sales, as all installation, maintenance and subscriptions are the responsibility of the distributor or installer.

For the three-month period ended June 30, 2021, product sales were \$1,335,952 (153 units comprised of Evolve, Enduro, and Elevate) a decrease of 28.5% compared to prior year product sales of \$1,867,835 for the same period (234 units comprised of Evolve, Enduro, and Elevate). For the nine-month period ended June 30, 2021, product sales were \$4,007,321 (458 units comprised of Evolve, Enduro, and Elevate), a 28.1% decrease from \$5,572,415 (729 units comprised of Evolve, Enduro, and Elevate) of the same period in the previous year. The decrease was a result of continued supply chain disruption and raw material delivery delays due to COVID-19.

Engineering revenue was \$45,552 for both the three and nine month periods ending June 30, 2021, respectfully, for pre work with FREYR AS related to defining battery module and battery management system design related to next generation semi solid state lithium technology. Comparably, for the three and nine month period ending June 30, 2020 engineering revenue was \$312,056 and \$1,048,415 for services provided to the ITOCHU Corporation to develop and certify a proprietary residential storage system.

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 variability associated with the timing of customer purchase decisions, market growth rates, and continued global impacts of the COVID-19 pandemic on global supply chains. To mitigate risks associated with the quarterly fluctuations, the Company has begun to utilize a portion of the proceeds from the recent Q2 2021 \$20M private placement to strategically position inventory for the transition from batch manufacturing to flow manufacturing, enabling consistent product availability.

Gross margin

Gross margins for energy storage systems were 3.6% or \$48,128 for the three months ended June 30, 2021 compared to gross margins for the same period in 2020 of \$21,864 or 1.2%. YTD 2021 gross margins for energy storage systems were 6.3% or \$251,895. Energy storage system gross margins for the same period in 2020 were \$59,312 or 1.1%. Although gross margins continued to increase versus prior year, they were negatively offset by increases in freight costs associated with shipping container shortages and reduced international freight lane capacity.

Engineering services contributed \$29,147, or 64.0% to the margin in Q3 2021 compared to gross margins of \$249,803, or 80.1%, for the same period in 2020. YTD 2021 engineering margins were 29,147 or 64.0%, compared to YTD 2020 of \$833,420, or 79.5%.

Expenses

Operating costs for the three months ended June 30, 2021 were \$2,387,233, up \$990,615 from \$1,396,618 in the same period in 2020.

- General and administrative expenses ("G&A") increased by \$616,148 in Q3 2021 as compared to Q3 2020. The increase in G&A cost can primarily be attributed to an increase of \$638,138 in share-based payments. Q3 2021 had 16,842,316 (12,108,988 vested) options outstanding, as compared to 8,952,316 (8,092,325 vested) for the same period in 2020. The primary driver in the third quarter for the large increase was due to 1.5 million in options which were granted to a capital markets advisory firm, all of which vested immediately, which had a non-cash impact on G&A of \$429,006. In addition, 6.0 million options were granted in the first half of the fiscal year, whose vesting was the remainder of the increase.

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

- Selling and marketing costs in Q3 2021 decreased by \$27,335 as compared to Q3 2020. This decrease is a result of \$61,000 in wage subsidies received in Australia, which is partially offset with increases in North American sales personnel and associated recruiting costs with the anticipation of global travel restrictions easing.

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

- Product research and development costs increased by \$227,698 in Q3 2021 compared to the same period in 2020. This increase is due to prior year staff salary allocated to costs of goods sold in Q3 2020 for time spent on a new engineering development contract. There has been no similar allocation in Q3 2021. Additionally, as with the previous quarter, Q3 2021 saw an increase in costs related to R&D associated with battery integration projects and additional product cost reduction activities.

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

- Operations costs in Q3 2021 increased by \$174,104 as compared to Q3 2020. This increase is due to an increase in consultant costs, third party partner after sales service costs as well as additional inventory storage rental requirements due to inventory positioning strategies to stabilize production output and reduce COVID-19 related disruptions. Operations costs include salaries and benefits of employees directly allocated to this function, overhead cost allocations to support the operations personnel and portions of the EVP's compensation (from fiscal 2021 onward).

Operating costs for the nine months ended June 30, 2021 were \$6,510,429, an increase of \$2,225,193 from \$4,285,236 for the nine months ended June 30, 2020.

- G&A expenses increased by \$1,544,504 for the nine months ended 2021. \$1,401,623 of the increase in G&A cost is attributed to a non-cash increase in share-based payments associated with option grants in the second half of 2020, as well as year to date 2021. Specifically, in December 2020, the Company entered into an agreement with a capital markets advisory firm ("capital markets firm") wherein services were compensated with incentive stock options. The Company granted 4.5M options in Q1 2021, with accelerated six-month vesting, as well as an additional fully vested 1.5M options in Q3 2021 upon the conversion of all debentures. Additionally, 1.5M options were granted in January 2021. Additional increases are due to professional service fees associated with the special warrants private placement, the company transitioning to quarterly financial statement reviews, as well as an increase in consultant fees.
- Selling and marketing for the nine months ended June 30, 2021 decreased by \$164,554 as compared to the nine months ended June 30, 2020. This decrease is due to reduced travel and trade-show costs associated with the global COVID-19 restrictions, as well as wage subsidies and assistance program income in Australia offsetting the salaries and wages. Offsetting these decreases are the addition of sales personnel in the United States and associated recruiting costs to match the company's growth objectives. In addition, sales and marketing efforts have been

increased with the expectation of stable product supply balance of the calendar year as a result the raw material inventory positioning and increase production capacity.

- Product research and development costs increased by \$669,883 for the nine months ended 2021. This is due to staff salary allocation to costs of goods sold in fiscal 2020 for time spent on a new engineering development contract. There was no similar allocated in the current YTD 2021 as the Company's R&D focus has been on growth for battery integration projects, additional product cost reduction activities, and new product introductions and certification. In addition, salaries and wages have increased for the R&D team as the Company expanded personnel in preparation for new developments related to battery, battery management system, and energy management software advancement.

Operations costs increased by \$175,360, compared to the same nine-month period in 2020. This increase is due to a number of factors, including third party after sales partner costs, the addition of additional warehousing locations for inventory positioning and personnel growth and recruitment costs associated with team expansion required to meet expected growth targets.

Financing Costs

Financing costs in Q3 2021 were down \$438,330 as compared to Q3 2020. As all convertible debentures were converted throughout the year, with the remainder in Q3 2021, the main driver of the decrease was \$359,499 associated with debenture accretion. A decrease of \$112,062 is associated with the reduction in the Senior loan accretion as the loan nears its final payments with the Company's first tranche being fully repaid.

Financing costs for the nine-month period ended June 30, 2021 were \$304,929 lower than the same period in 2020. \$296,351 of this decrease is due to the reduction in long term debt accretion as the loan nears the end of its total term, as well as a \$136,064 reduction in the derivative liability. This is offset with an increase of \$75,706 for a non-cash loss on debt prepayment of a settlement with a third party in the second quarter of 2021, which was done to align with the Company's efforts to strengthen its balance sheet and work towards debt elimination.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	Q3 2021	Q3 2020	YTD 2021	YTD 2020 ⁽¹⁾
Net loss	(2,729,446)	(1,761,235)	(7,919,683)	(6,260,595)
Share-based payments	660,558	22,420	1,477,100	75,477
Financing costs	330,668	768,998	1,785,968	2,090,897
Loss on debt extinguishment	-	-	-	491,692
Amortization of capital assets and leased assets	74,621	89,515	243,740	265,645
Write down (up) of inventory	792	-	(31,853)	-
Warranty provision	19,929	44,439	32,938	134,592
Unrealized foreign exchange loss (gain)	95,950	(130,404)	(88,542)	287,815
	(1,546,928)	(966,267)	(4,500,332)	(2,914,477)
Net change in non-cash working capital	(5,075,160)	(689,948)	(7,787,488)	(381,393)
Cash flow used in operations	(6,622,088)	(1,656,215)	(12,287,820)	(3,295,870)

(1) Restated. Refer to note 2(b) of the Q3 2021 condensed interim financial statements.

Net Loss

Net loss for Q3 2021 increased by \$968,211 over the net loss in Q3 2020. The increase in net loss can be attributed to decreased gross margins as Q3 2020 included a much higher amount in engineering revenue, which yield higher percentage margins. Additionally, operating costs overall increased, primarily due to growth in share-based expense as well as general operations expense increases associated primarily with increased personnel and facilities to support the Company's Q3 2021 inventory positioning efforts to transition to flow manufacturing and stabilize production output.

Share-based Payments

Share-based payments were \$1,477,100 in the nine-month period ended June 30, 2021, up from \$75,477 from the same period in 2020. This is due to an increase in options from 8,952,316 for YTD 2020 to 16,842,316 for YTD 2021. Of this increase in options, 1.5 million vested immediately and 4.5 million have accelerated vesting terms of 6 months and a life of 3 years, this is in comparison to the standard employee 2-year vesting term and a life of 10 years. Each tranche is recognized on a graded vesting basis over the period in which the option vests.

Financing Costs

Financing cost for the nine-month period ended June 30, 2021 were \$304,929 lower than the same period in 2020 primarily due to the reduction in accretion associated with the Company's senior loan as the first draw has been paid in full and it nears the end of its principal as well as a reduction in its associated derivative liability. This was partially offset with a non-cash loss on debt prepayment, which was done to align with the Company's efforts to eliminate debt.

Unrealized Foreign Exchange Gain

Unrealized foreign exchange loss in Q3 2021 resulted from a slight weakening of the US dollar, which had a negative effect on Q2 USD based AR received in the current quarter as well as prepaid deposits on USD based inventory from Q2. This is slightly offset with foreign exchange gains on the Company's Senior debt, which is denominated in USD.

Summary of Quarterly Results

	2021				2020			2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales ⁽²⁾	1,381,504	347,582	2,323,787	1,330,848	2,179,891	1,805,778	2,635,161	825,492
Net (loss) ⁽²⁾	(2,729,446)	(2,834,935)	(2,355,302)	(1,978,057)	(1,761,235)	(2,746,259)	(1,753,101)	(2,629,525)
Per share ⁽¹⁾	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

(1) Basic and diluted

(2) As previously disclosed, management identified an overstatement of \$167,000 in the revenue recorded in the comparative period ended December 31, 2019. This revenue should instead have been allocated to the second quarter ended March 31, 2020. Refer to note 2(b) of the Q1 2021 condensed interim financial statements for further details. Items have been adjusted in the chart above

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company manages its capital with the prime objectives of safeguarding the business as a going concern, creating investor confidence, maximizing long-term returns and maintaining an optimal structure to meet its financial commitments and to strengthen its working capital position. At present, the capital structure of the Company is primarily composed of shareholders' equity and debt. The Company's strategy is to access capital primarily through equity issuances, asset based lending, and other alternative forms of debt financing. The Company actively manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile.

Eguana used \$646,104 in financing activities in Q3 2021 (Q3 2020 - \$906,088) and used \$6,622,088 in operations during Q3 2021 (Q3 2020 -\$1,656,215).

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 June 30, 2021 was \$9,922,332 (September 30, 2020 – deficit of \$5,232,430).

As at June 30, 2021 the Company had net assets of \$5,533,339, which increased from net liabilities of \$17,456,834 at September 30, 2020. This can be primarily be attributed to the private placement in February 2021 and the total conversion of convertible debenture debt into common shares.

The Company has recorded \$3,465,439 in accounts payables and accrued liabilities. In addition, the Company has \$501,791 in long-term debt, \$315,538 in lease obligations, and \$779,712 in other liabilities payable over the next 12 months.

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

Outstanding Debt and Equity

In November 2019, the Company entered into a short-term bridge financing transaction ("Bridge Loan") in the amount of \$280,000 with certain accredited investors, including the Company's Chief Executive Officer, bearing an interest rate of 12.0% per annum for the initial three-month period, and 24.0% per annum each month thereafter, and holds a maturity date of May 29, 2020. The Company retained the right to prepay at any time a partial or the entire balance of the Bridge Loan outstanding together with accrued interest, without notice, penalty, or bonus. An administrative fee of 10% is due and payable on maturity date. On April 7, 2020 the Company repaid the full amount outstanding on the Bridge Loan.

On March 13, 2020 the Company closed a strategic investment with the ITOCHU and issued 5,000 unsecured convertible debentures at a price of \$1,000 per debenture, for total gross proceeds of \$5,000,000. Each ITOCHU Debenture is convertible into Units of the Company, at a price of \$0.15 per

unit. Each Unit consists of one Common Share and one-half of one Warrant. Each whole Warrant shall enable the holder thereof to acquire an additional Common Share at a price of \$0.20 per share for a period of three years following the closing date of the issuance of the ITOCHU Debentures. The ITOCHU Debentures bear interest at 10% per annum, paid semi-annually in cash or additional common shares, and mature on March 13, 2023.

On November 2, 2020, the Company issued 1,150 EGTLF 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.

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. 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, where in \$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 expire 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.

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.

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.

Shareholders' Equity and Shares Outstanding

As at August 26, 2021 368,329,592 common shares are issued and outstanding, an increase of 1,250,928 from June 30, 2021 due to the conversion of 1,250,928 warrants, including 1,238,095 from DHCT II Luxembourg Sarl, the Company's largest shareholder.

As at August 26, 2021, there are common share purchase warrants representing the right to acquire 36,666,708 common shares, a decrease of 1,250,928 from June 30, 2021 due to the exercise of 1,250,928 warrants.

As at August 26, 2020 the Company has 16,842,316 stock options outstanding, no change from June 30, 2021. These options entitle the holders thereof to acquire up to 16,842,316 common shares. 12,858,994 stock options have vested as of today's date. The weighted average exercise price of the vested options is \$0.29 per share.

Off-Balance Sheet Items

As at June 30, 2021, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on Eguana's financial condition, results of operations, liquidity or capital expenditures.

CAPITAL EXPENDITURES

In Q3 2021, capital expenditures totaled \$57,098 (Q3 2020 - \$68,011) and were primarily incurred with respect to the purchase of lab equipment.

RISK FACTORS AND RISK MANAGEMENT

Going Concern

The condensed interim consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

At June 30, 2021, the Company had not achieved profitable operations since its inception and had accumulated a deficit of \$84,826,863 (September 30, 2020 - \$76,907,180), incurred a net loss for the nine-month period ended June 30, 2021 of \$7,919,683 (June 30, 2020 - \$6,260,595) and cash flow used in operating activities was \$12,287,820 (June 30, 2020 - \$3,295,870). Whether and when the Company can attain profitability from operations is uncertain. At June 30, 2021 the Company has a positive working capital of \$9,992,332 (September 30, 2020 – deficiency \$5,232,430). 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 completed a \$20 million private placement and may need to also seek additional financing through the issuance of common shares, first preferred shares, units of EGT Markets Limited Partnership and debentures to meet its continuing operating requirements. The outcome of these matters cannot be predicted at this time.

COVID-19 Based Risk

The COVID-19 global pandemic has created unprecedented risks in Eguana's business, some of which are detailed here. The global supply chain has been disrupted with lockdowns in many countries, some of whose industries are part of Eguana's supply chain. There is a risk of component shortage, increased material lead times, and cost increases due to supply constraints along with expected increases in shipping and logistics costs. The short- and medium-term impacts are unprecedented in modern history and remain difficult to estimate at this time. The extent of the global economic damage remains unknown but is expected to be severe with economic recession, market volatility and political uncertainty may last many months or years as global supply chains, labour forces and credit markets recover. This may impact companies' abilities to reach the targeted sales numbers, gross margin objectives, and safe and healthy workplaces. Eguana has taken precautionary steps to mitigate the associated risks.

Government Regulation

The operations of Eguana are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Of particular relevance to Eguana's business, the laws and regulations related to the interconnection of behind the meter energy resources and to the installation of lithium 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, CSA, IEC, EN and FCC. The specific standards that are actively maintained for compliance by Eguana are VDE 4105, G98, AS 4777, UL 1741, UL 9540, IEC 62109 and IEC 61000.

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.