



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019

This Management's Discussion and Analysis ("MD&A") for Eguana Technologies Inc. ("Eguana", or the "Company") is dated August 29, 2019 and should be read in conjunction with Eguana's condensed interim consolidated financial statements for the three and nine months ended June 30, 2019 ("Q3 2019" and "YTD 2019") and for the three and nine months ended June 30, 2018 ("Q3 2018" and "YTD 2018") and the annual consolidated financial statements for the years ended September 30, 2018 and 2017.

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

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

OVERVIEW AND UPDATE

A detailed overview of the Company's core business, its products, the market for Eguana's products, and the Company's business strategy is provided in the MD&A for the financial year ended September 30, 2018, published on January 28, 2019.

Eguana's vision is to become a global leader in residential and small commercial grid tied energy storage systems. Strategically, the Company remains focused on providing an array of fully integrated, feature rich, advanced energy storage devices in modular capacity sizes that meet our customers' needs around the world.

The company continues to focus its global sales efforts on key geographies where it offers certified grid tied product solutions to local residential and small commercial markets. The Company believes this approach will help diversify against regulatory and market risks associated with emerging renewable energy market segments, including energy storage.

Throughout the third quarter, the Company continued supporting the launch of the Q.HOME⁺ product with partner Hanwha Q CELLS in Europe. Installations in Germany have proceeded regularly since the first units were received by Q CELLS to support confirmed sales from the Intersolar Munich launch in May. Installations are expected to continue increasing in September, following the European summer period seasonal slowdown, and as QCELLS ramps up its sales initiatives associated with Q.HOME⁺

Aligned with the Q CELLS expansion strategy, the Company has completed additional product certifications allowing Q CELLS to announce the Q.HOME⁺ roll out into the United Kingdom, Ireland,

and Scandinavia. In order to meet our contractual volume obligations, and improve gross margins, future monthly shipments to Q CELLS will be produced and shipped from our contract manufacturing partner in Italy.

Beyond the traditional seasonal trend in Europe, the growing awareness of the product across the Q.Partner network, additional factors expected to drive installations are planned roadshows across Germany beginning in September. The Company will attend and promote the Q.HOME+ product more broadly within the Q.Partner network.

In North America, demand has been steady for the Evolve product in Georgia and California with dealer demand driving adoption of Evolve through traditional distributor channels. The Company has begun negotiating a Master Supply Agreement with one of the largest national renewable energy distributors in the USA to continue to build out product availability across the United States mainland.

In Hawaii, market conditions saw a favorable shift during the third quarter away from solar leasing models as new tariffs restricting solar exports were implemented. A key component of solar leasing is consistent PV output and export to the power grid, the tariffs, which restrict PV output, have brought uncertainty to the model opening additional sales channels for our Evolve solution. Eguana partner Hawaii Energy Connection has been able to secure additional market share as the leasing offers are minimized. In Hawaii, all PV installations are now paired with an energy storage system.

The Puerto Rican solar market, particularly the solar+storage segment, was flat in the first half of calendar 2019. The hurricanes of 2017, and the infrastructure damage caused, drove high demand for backup power in 2018, however, also made supply and installation very challenging on the island. Through this period, new interconnection regulations were also imposed by the island's utility PREPA that constrained new installations of residential energy storage. These factors, combined with an uneventful 2018 hurricane season, resulted in the market correction in early 2019. The Company has met the new regulations and expects to see growth through the second half of the calendar year.

The market in Australia has been slower to develop than analysts had expected. While clear demand for storage systems remains in the market, South Australia's Home Battery Scheme has been slow in driving sales and installations at the previously announced market rate. The Company is optimistic that program changes under discussion will reinvigorate the Home Battery Scheme and start to drive volume growth consistent with original expectations.

The Company has, however, been successful in building steady business with several key dealers in Australia who are looking to extend their leadership position as the solar business transitions into solar+storage. Early growth has been primarily driven through the Simply Energy Virtual Power Plant (VPP) program Simply Extra. VPP's, which are currently subsidized in Australia, are expected to drive additional growth alongside South Australia's HBS and other state level programs throughout the country. The Evolve product was designed with a full suite of grid services applications to support virtual power plants. The Company will continue working with the government to help define changes to the program that will make it more attractive to the base of solar installers in South Australia and unlock latent demand in the region.

Operational objectives in the fourth quarter will be focused on supply chain activities and recovery from the battery module shortage, and the resulting working capital deficiencies that were related to the second quarter battery delays. The Company has commenced transition to contract manufacturing and will begin shipments from the manufacturing partner during the current quarter. This transition is required to achieve global growth expectations, beginning with the European Q.CELLS exclusivity deal and expanding into other markets in fiscal 2020.

The current business model involves manufacturing the product at the Company's Canadian corporate headquarters. The shift to the contract manufacturer, which will result in Eguana manufacturing locations in Europe and the United States, will include having the contractor purchase components on our behalf, manufacture our systems and distribute directly to our customers. Due to the expanding global customer base in Europe and Australia, this change will reduce shipping and expediting costs and also improve inventory turn time. Additionally, the Company will see larger supplier volume discounts, improved

manufacturing efficiencies, and rapidly expandable manufacturing capacity. The Company believes that the transition to contract manufacturing will drive increasing gross margins and improve its ability to meet growing customer demand with less working capital requirements.

Q3 2019 OPERATING RESULTS

The following table sets forth a summary of the results of operations for the three and nine months ended June 30, 2019 and 2018.

	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Sales and engineering services	774,670	1,355,668	2,602,457	3,778,169
Cost of goods sold	834,804	499,167	2,497,803	2,561,631
Gross margin	(60,134)	856,501	104,654	1,216,538
Expenses				
General and administrative	547,878	346,214	1,950,038	1,574,338
Selling and marketing	686,538	349,091	2,169,412	943,703
Product research and development	336,485	78,791	850,731	874,177
Operations	198,977	134,643	579,642	445,681
	1,769,878	908,739	5,549,823	3,837,899
Loss before undernoted items	(1,830,012)	(52,238)	(5,445,169)	(2,621,361)
Financing costs	(400,136)	(168,061)	(1,069,188)	(526,808)
Other income	1,938	76	3,242	320
Net loss	(2,228,210)	(220,223)	(6,511,115)	(3,147,849)

Sales and engineering services

The Company's revenue is derived from the sale of energy storage systems. The systems come in multiple size configurations to meet individual customer and regional requirements and are made up of the Evolve, Enduro, and Elevate. Each system maintains approximately 90% bill of material consistency through the electronics topology, which is where many of the Company's proprietary patents reside. Each system is capable of performing customer and grid related services including solar self-consumption and back-up power functionality along with a suite of grid services including frequency and voltage control, and virtual power plant (VPP) functions (the aggregation of systems to function as a utility or grid operator asset). The Company's customer base is primarily through global distributors and large installers, who in turn market and sell systems to their customer base. Through a series of online and in person training programs Eguana ensures that its customers are appropriately educated and trained on product values and installation good 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, 2019, product sales were \$774,670, representing a 162% increase over the product sales of \$295,483 for the same period in 2018. However, revenue was negatively impacted from the Company's previously forecasted amounts by a working capital deficiency during the quarter as a result of a short delay in financing activities. Financing was completed in June and August through two convertible debenture tranches, the Company also confirms it is a working on obtaining non-dilutive working capital support which is expected to be in position for additional procurement activities in the current quarter. Increased revenue from the additional working capital is expected to be realized over the next two quarters with increased sales coming primarily from the

shipment of back ordered product to Hawaii and newly received orders from our European partner Hanwha QCELLS.

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

Gross margin

For the three months ended June 30, 2019, product sales resulted in a negative gross margin of 7.8% or \$60,134 as compared to a positive gross margin on product sales of 3.6% or \$10,548 in Q3 2018. Margins were negatively affected by the additional costs associated with expediting materials as a result of the second quarter battery module delay, as well as a mix change with the addition of European shipments of the Enduro product. The Enduro currently carries a lower margin than the Evolve and Elevate solutions.

The Company expects to see gross margins improve with the completion of the transition to contract manufacturing and cost reduction activities targeted to roll out in first fiscal quarter of 2020. Engineering services contributed \$nil to the margin in Q3 2019 and were \$845,953, or 79.8%, in Q3 2018, due to the fee from Mercedes Benz Energy (MBE), netted by the customer specific engineering and material costs.

Gross margins for energy storage systems were 4.0% or \$104,654 for the nine months ended June 30, 2019. Energy storage system gross margins for the same period in 2018 were \$370,585, or 13.6%. Year to date engineering service margins were \$nil in 2019 and \$845,953, or 79.8% in 2018, relating to the aforementioned MBE transaction.

Expenses

Operating costs for the three months ended June 30, 2019 were \$1,769,878, up \$861,139 from the same period in 2018.

- General and administrative expenses ("G&A") increased by \$201,664 in Q3 2019 as compared to Q3 2018. The increase in G&A cost can primarily be attributed to legal fees associated with the ongoing German legal dispute as litigation continues. Additionally, this quarter has seen an increase of investor relations costs due to a new investor relations agreement entered into in 2019.

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

- Selling and marketing costs in Q3 2019 increased \$337,447 as compared to Q3 2018. More than three-quarters of the increase is due to the addition of the Germany office in the fourth quarter of 2018 and the Australian office in the first quarter of 2019. Specifically, increased salary and benefit costs for the additional staffing requirements. Similarly, due to the addition of the new locations, overall travel costs have increased to appropriately support growth objectives in the each new market.

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

- Product research and development costs in Q3 2019 increased \$257,694 as compared to Q3 2018. The increase was largely due to the prior year having an allocation of the engineering services and the related material cost to cost of goods sold that were required for the white labeled product for the German Automotive partner.

Included 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 2019 was up slightly by \$64,334 from the same period in Q3 2018. This increase is due to the added operational staff salary allocations, as well as the addition of an inventory storage facility to support North American growth.

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

Operating costs for the nine months ended June 30, 2019 were \$5,549,823, up from \$3,837,899 for the nine months ended June 30, 2018.

- General and administrative expenses increased by \$375,700 for the nine months ended 2019. The increase in G&A cost is primarily due to higher investor relations costs for a new investor relations agreement, there was no investor relations costs in the nine months ended June 30, 2018. Additionally, legal costs were higher in the current period as litigation continues in Germany with a prior customer related to the cancellation of a supply agreement. Consulting costs also saw an increase in the nine month period ended June 30, 2019 due to higher costs associated with the interim Chief Financial Officer.
- Selling and marketing costs for the nine months ended June 30, 2019 increased by \$1,225,709 as compared to the nine months ended June 30, 2018. More than half of the increase is due to salary costs from the addition of the European and Australian offices, which did not exist in the same period of 2018. In line with this market expansion, costs associated with travel, branding and trade shows increased to support growth objectives.
- Product research and development costs for the nine months ended June 30, 2019 remained consistent with the same period in 2019.
- Operating costs increased by \$133,961 for the nine months ended June 30, 2019 due to slightly higher costs for inventory storage as well as salary overhead allocations due to increased production activity and staffing requirements.

Financing Costs

Financing costs in Q3 2019 were up \$232,075 as compared to Q3 2018. Approximately \$160,000 of the increase is due to the accretion of the preferred shares financing in Q2 2019. Remaining difference is due to the accretion of long-term debt and change in fair value on the derivative liability arising from the funding of the Senior Loan, as the Company drew the remaining \$1.5M USD of the loan in Q4 2018 and Q1 2019.

Financing cost for the nine-month period ended June 30, 2019 were \$542,380 higher than the same period in 2019. \$276 thousand of the increase is due accretion for the Senior Loan and its recent additional draws. Remaining difference in the amount of approximately \$252 thousand is due to the accretion associated with the preferred share financing in the second quarter of 2019.

MANAGEMENT DISCUSSION OF FINANCIAL RESULTS

Operating activities	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Net loss	(2,228,210)	(220,223)	(6,511,115)	(3,147,849)
Share-based payments	51,441	38,480	284,754	278,561
Finance costs	400,135	168,061	1,069,187	526,808
Amortization of capital assets	45,228	29,563	120,078	94,236
Warranty provision	37,166	1,407	89,589	47,373
Amortization of deferred lease inducement	-	-	-	(7,800)
Bad debt expense	397	-	397	-
Unrealized foreign exchange (gain) loss	(73,363)	(16,472)	20,330	90,887
	(1,767,206)	816	(4,926,780)	(2,117,784)
Net change in non-cash working	769,828	166,887	71,339	(990,960)
Cash flow used in operations	(997,378)	167,703	(4,855,441)	(3,108,744)

Net Loss

Net loss for Q3 2019 increased \$2,007,987 over the net loss in Q3 2018. The increase in net loss can be attributed to the facilities expansion in Australia and Germany along with the increased personnel in sales and technical sales. Additionally, the third quarter of 2018 included onetime revenue of \$1,060,185 from the termination of a sales contract, which did not exist in 2019. Higher finance costs due to the addition of Senior Debt and preferred share financing, as well as reduced gross margin make up the balance of the difference.

Share-based Payments

Share-based payments were \$284,754 in the nine-month period ended June 30, 2019, which is fairly consistent with \$278,561 in share-based payments for the same period in 2018.

Finance Costs

Financing cost for the nine-month period ended June 30, 2019 were higher than the same period in 2018 primarily due to the accretion of long-term debt, as the remaining \$1,500,000 USD was drawn from the Senior Lender in Q4 2018 and Q1 2019. Additionally, accretion also increased due to the preferred share financing of \$3,000,000 in Q2 2019.

Unrealized Foreign Exchange (Gain) Loss

Unrealized foreign exchange gain in Q3 2019 resulted from a favourable shift in foreign exchange rates during the period. However, for the nine-month period ended June 30, 2019 there was an overall loss on unrealized foreign exchange due to an unfavorable shift in rates. In 2018, the change in foreign exchange rates were unfavourable and resulted in the recognition of a loss for the nine month period, which included a slight gain for the third quarter of 2018 due to favorable rates.

Summary of Quarterly Results

	2019				2018			2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	774,670	973,140	854,647	119,069	1,355,668	1,103,774	1,318,727	75,169
Net (loss)	(2,228,210)	(2,160,438)	(2,122,467)	(1,638,569)	(220,223)	(1,725,937)	(1,201,689)	(1,212,696)
Per share (1)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)

(1) Basic and diluted

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

Eguana received \$2,234,939 from financing activities in Q3 2019 (Q3 2018 - \$334,402) and used \$997,378 in operations during Q3 2019 (Q3 2018 – generated \$167,703).

Working capital represents the Company's current assets less its current liabilities. The Company's liquidity, as measured by the Company's working capital deficit at the end of Q3 2019 was \$1,490,627 (September 30, 2018 – \$1,906,356).

As at June 30, 2019 the Company had net liabilities of \$8,663,701, which increased from \$4,428,831 at September 30, 2018. This can be attributed to the receipt of the final tranche of long-term debt from the Senior Lender (\$750,000 USD) in Q1 2019, the preferred share loan settlement and conversion in Q2 2019, and the convertible debenture private placement in the third quarter of 2019.

The Company has recorded \$3,775,775 in accounts payables and accrued liabilities, of which \$1,246,282 is in dispute. In addition, the Company has \$1,816,377 in long-term debt, \$310,277 in debentures, \$196,298 in other liabilities, and \$149,000 in lease obligations 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 as a result of the cancellation of a supply contract. A claim has been prepared to recover 1,479,332 Euros (\$2,307,465 CAD) for unpaid invoices and interest, along with the option to claim an additional 903,584 Euros (\$1,409,412 CAD) for European inventories purchased to fulfil this contract. Litigation is inherently uncertain and while legal counsel advises that the Company has a strong case, the receivable is being carried on the books at near zero. A favorable outcome in the dispute would increase the current assets of the Company.

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

The Company's former contract manufacturer submitted a claim in the Court of Queen's Bench in Alberta against Eguana for 1,534,000 Euros (\$2,392,736 CAD) related to the cancellation of the above noted

supply contract. The Company is disputing 799,000 Euros (\$1,246,282 CAD) of the amount the contract manufacturer has claimed. The Company has recorded in its financial statements the undisputed amount, therefore a successful defense of the claim submitted by the former contract manufacturer would have no impact on the Company's liquidity. The Company has counter claimed the contract manufacturer for 6.8 million Euros (\$10.6 million CAD).

Outstanding Debt

In December 2017, the Company issued \$1,500,000 USD of debt, bearing an interest rate of 12.5% per annum which will be repaid in equal instalments starting in July 2018 for 30 months. In August 2018, the Company drew an additional \$750,000 USD bearing an interest rate of 12.5% per annum which will be repaid in equal instalments starting in March 2019 for 30 months. In October 2018, the Company drew the remaining \$750,000 USD from its Senior Lender, bearing interest at 12.5% per annum, which will be repaid in equal instalments starting in May 2019 for 30 months. As part of the Senior Loan, the Company issued 2,951,733 warrants which convert into an equal number of shares with an exercise price of \$0.17 and an expiry date of December 20, 2022. The exercisable warrants are exchangeable for \$1,000,000 USD after the earlier of a liquidity event or September 30, 2021.

In August 2018, the Company entered into a loan agreement for general working capital for \$1,300,000 with its largest shareholder, DHCT II Luxembourg SARL. The loan is due one month after the final Senior Loan payment is made. The loan bears interest at a fixed annual rate of 8%. The interest is paid at the same time the loan is repaid. As consideration for the advance of the DHCT loan, which has a second priority lien on all the assets of Eguana and its material subsidiaries, the Company issued common shares purchase warrants, entitling the Lender to purchase an aggregate of up to 1,238,095 common shares at a price of \$0.21 per common share for a period of three (3) years from the date of the loan.

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

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

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

On June 21, 2019, the Company issued 3,012 unsecured convertible debentures ("debentures") by way of a private placement, at a price of \$1,000 per debenture, for total gross proceeds of \$3,012,000. Each debenture is convertible into 6,666.67 Units, which consist of one common share and one-half of one common share purchase warrant. The debentures bear interest at 10% per annum, paid semi-annually, and mature on June 21, 2022. As of June 30, 2019 the debenture held \$8,252 in accrued interest.

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

Shareholders' Equity and Shares Outstanding

As at August 29, 2019, 226,943,753 common shares are issued and outstanding, no change from June 30, 2019. As at August 29, 2019, there are common share purchase warrants representing the right to acquire 36,626,343 common shares, an increase of 4,050,000 from June 30, 2019 due to the second tranche of the convertible debenture private placement, at an average exercise price of \$0.25 per share outstanding.

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

The Company has 8,802,316 stock options outstanding entitling the holders thereof to acquire up to 8,802,316 common shares. 7,042,321 stock options have vested as of today's date. The weighted average exercise price of the vested options is \$0.28 per share.

Off-Balance Sheet Items

As at June 30, 2019, 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 2019, capital expenditures totaled \$29,176 (Q3 2018 - \$42,042) and were primarily with respect to the purchase of new lab equipment required for the Hanwha Q CELLS exclusivity partnership.

RELATED PARTY TRANSACTIONS

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

Salaries and benefits	Three months ended		Nine months ended	
	2019	2018	2019	2018
General and administrative	104,675	70,550	333,796	211,650
Product research and development	61,858	59,314	198,442	177,943
Selling and marketing	14,604	14,620	43,845	43,861
	181,137	144,484	576,083	433,454

Share based expenses to officers and a director was \$24,046 and \$111,140 for the three and nine months ended June 30, 2019 (June 30, 2018 - \$12,521 and \$175,471).

Included in accounts payable and accrued liabilities is \$514,949 (September 30, 2018 - \$324,418) due to directors and key management personnel.

During the nine-month period ended June 30, 2019 the Company paid \$115,008 (2018 - \$115,008) to its former CEO as part of a settlement agreement and incurred \$60,077 (2018 - \$71,063) of accretion as the obligation matures.

RISK FACTORS AND RISK MANAGEMENT

Our risk factors and risk management are detailed in the annual MD&A filed on SEDAR at www.sedar.com on January 29, 2018 and have not materially changed since that time.

Going Concern

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

At June 30, 2019, the Company had not achieved profitable operations since its inception and had an accumulated deficit of \$66,039,003 (September 30, 2018 - \$59,527,888) and recognized a cash flow deficiency from operations for the nine-month period ended June 30, 2019 of \$4,885,441 (2018 - \$3,108,744). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. The lack of profitable operations and cash flow deficiency may cast significant doubt on the Company's ability to continue as a going concern.

At June 30, 2019, the Company had a working capital deficit of \$1,490,627 (September 30, 2018 - \$1,906,356).

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

Government Regulation

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

ACCOUNTING POLICIES

There have been no changes to the Company's critical accounting estimates and policies in the fiscal year ending September 30, 2019 except for the adoption effective October 1, 2018 of IFRS 9, Financial Instruments ("IFRS 9") and IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). Significant accounting policies are disclosed in note 4 of the annual audited consolidated financial statements for the year ended September 30, 2018.

Recently issued accounting pronouncements

Adoption of new and amended standards

IFRS 9, Financial Instruments

The Company adopted IFRS 9, Financial Instruments, on October 1, 2018. This standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single "expected loss" impairment model and a substantially-reformed approach to hedge accounting. The adoption did not have any impact on the Company's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

The Company has also adopted IFRS 15, Revenue from Contracts with Customers, on October 1, 2018 using the modified retrospective method. IFRS 15 establishes a single comprehensive model to address how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures in order to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It replaces existing revenue recognition guidance including IAS 18 Revenue and IAS 11 Construction Contracts.

To determine revenue recognition for arrangements that an entity determines are within the scope of IFRS 15, the Company performs the following five steps: (i) identifies the contract(s) with a customer, (ii) identifies the performance obligations in the contract, (iii) determines the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognizes revenue when (or as) the entity satisfies a performance obligation. The Company applies the five-step model to arrangements that meet the definition of a contract under IFRS 15, including when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it provides to the customer. The Company satisfies its performance obligations and recognizes revenue during the reporting period based on delivery of its products or services. Revenue transactions do not contain significant financing components or variable considerations. Payment terms with customers are generally 30 days from invoice date; however, industry practice can extend these terms.

As a result of applying the requirements of IFRS 15, including the application of certain practical expedients, such as the right to invoice method of measuring the Company's progress towards complete satisfaction of its performance obligations, no changes or adjustments to the Company's comparative consolidated financial statements were required. There was no impact to the Company's financial position, results of operations, or cash flows as a result of the adoption.

Accounting Pronouncements Issued but Not Adopted

Recent accounting pronouncement that have been issued but are not yet effective are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2018, except for IFRS 9 and IFRS 15 as noted above.

IFRS 16, Leases ("IFRS 16")

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

The company is currently evaluating the impact of adopting IFRS 16.

ADVISORY SECTION

Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements (collectively, "forward-looking statements") within the meaning of applicable securities laws that and are based on certain assumptions and analysis made by the Company's management as of the date of this MD&A. Forward-looking statements include, without limitation, statements with respect to investment objectives and strategy, the development plans of the Company, regulatory changes, availability of customers, market penetration, the Company's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, construction timetables, extent of solar resource usage and future growth and performance opportunities. The words "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavours", "seeks", "predicts", "intends", "potential", "opportunity", "target" or variations of such words of similar expressions thereto and the negatives thereof, identify forward-looking statements. In particular, this MD&A includes forward-looking statements with respect to the future dynamics and size of the solar PV and energy storage market and segments thereof; statements concerning the Company's expectations of future relationships as well as the size of the market for power electronics; statements concerning the Company's sales; and statements concerning factors which management believes may be relevant in assessing whether the Company's plans are achievable.

Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by the Company as of the date of such statements, outside of the Company's control and are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being entirely or partially incorrect or untrue.

Certain forward-looking statements contained in this MD&A about prospective results of operations, financial position or cash flows may constitute "future oriented financial information", is based on assumptions about future events, is given as at the date hereof and including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Forward-looking statements contained in this MD&A are based on various assumptions, including, but not limited to the following: (i) the Company's ability to achieve its growth strategy; (ii) the demand for the Company's products and fluctuations in future revenues; (iii) the Company's business model and assumptions; (iv) expectations of growth in the industry in which the Company operates and the markets in which the Company's products are sold; (v) sufficiency of current working capital to support future operating and working capital requirements; (vi) the stability of general economic and market conditions; (vii) currency exchange rates and interest rates; (viii) equity and debt markets continuing to provide the Company with access to capital; (ix) the Company's continued compliance with third party intellectual property rights; and (x) that the risk factors noted above, collectively, do not have a material impact on the Company's business, operations, revenues and/or results. By their nature, forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond the Company's control, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. All of the forward-looking statements contained in this MD&A are qualified by these cautionary statements.