Eguana Technologies Inc.

Annual Information Form

For the year ended September 30, 2014

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GLOSSARY

When used in this Annual Information Form (**"AIF"**), the following terms have the meanings ascribed thereto:

"**Alternating current" or "AC"** means a type of electrical current, the direction of which is reversed at regular intervals or cycles. In North America, the standard is 120 reversals or 60 cycles per second; whereas in Europe the standard is 100 reversals or 50 cycles per second.

"Common Shares" means common shares in the capital of the Corporation.

"Current" means the flow of electrical energy in a conductor measured in amperes. Current can be direct current ("**DC**") or alternating current (**"AC"**).

"Demand Charge" means the fee that an electrical utility charges its customers for the right to connect to the utility power grid and to take power measured in kilowatts at a specified point in time.

"Direct current" or **"DC"** means a type of electricity transmission and distribution by which electricity flows in one direction through the conductor, usually relatively low voltage and high current.

"Energy Storage" means any device which stores electrical energy also referred to as battery storage.

"Grid Interactive Energy Storage" means batteries or other storage devices which are connected to the utility power grid and which can dispatch to or receive power from the utility power grid.

"Kilowatt" or **"kW"** means one thousand watts of electrical power.

"Kilowatt hour" or **"kWh"** means an hour during which one kW of electrical power has been continuously produced.

"Load" is a shorthand term referring to electrical load which is an electrical component or portion of a circuit that consumes electric power.

"Megawatt" or **"MW"** means one thousand kW of electrical power.

"Megawatt hour" or **"MWh"** means an hour during which 1 MW of electrical power has been continuously produced.

"OEM" means original equipment manufacturer and refers to containment-based re-branding, where a company uses a component of another company in its product, or sells the product of another company under its own brand.

"TSX-V" means the TSX Venture Exchange

"Voltage" is the difference of electrical potential between two points of an electrical or electronic circuit. It measures the potential energy of an electric field to cause an electric current in an electrical conductor. Depending on the difference of electrical potential and the risk of electrical shock, it is called extra low voltage (less than 120 volts dc) low voltage (120 volts dc to 1500 volts dc) and high voltage (more than 1,500 volts dc). Using extra-low voltage (**"ELV"**) is one of several means to protect against electrical shock.

"Watt" means the rate of energy transfer equivalent to one ampere under an electrical pressure of one volt. One watt equals 1/746 horsepower, or one joule per second. It is the product of voltage and current (amperage).

Financial Information

The Corporation's fiscal year end is September 30. FY in relation to a Quarter means the fiscal quarter of the year and in relation to a year means the fiscal year ending September 30 in that year.

FORWARD LOOKING INFORMATION

Certain information included in this AIF is forward-looking. Forward-looking information includes statements that are not statements of historical fact and address activities, events or developments that the Corporation expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the development plans, the Corporation'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 timetable, extent of solar resources and future growth and performance. When used in this AIF, statements to the effect that the Corporation or its management "believes", "expected", "plans", "may", "will", "estimates", "would", "could", "should", "predicts" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Corporation. The Corporation believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

With respect to forward-looking information contained in this AIF, we have made statements regarding, among other things: the growth in the solar power industry; the growth of the distributed energy storage industry; characteristics of the markets for distributed energy in Europe and North America; the value of our technology in enabling battery technologies to be used in lower power ratings; the competition for those segments of the market which we are targeting; the barriers to entry or lack thereof that we face in entering those markets; our ability to sell products on favorable terms and our ability to obtain financing on reasonable terms.

Forward-looking statements reflect the Corporation's current expectations as to future events and are based on information presently available. Forward-looking statements are not guarantees of the Corporation's future performance and involve known and unknown risks, uncertainties and assumptions that may cause actual results, performance or achievements, or developments in our industry, to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and assumptions include, but are not limited to: risks associated with international operations such as political, economic and other uncertainties; the ability of the Corporation to raise additional capital on acceptable terms or at all; fluctuations in market value for energy storage power conversion; uncertainty in the Corporation's ability to develop relationships with other companies; and uncertainty with regards to a strategic transaction.

Consequently, no representation can be, or is being, made with respect to accuracy of the projections or the ability of the Corporation to achieve the projected results. You should not place undue reliance on the forward-looking statements contained in this presentation.
The Corporation undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

GENERAL MATTERS

CERTAIN REFERENCES

References in this AIF to "Eguana", the "Corporation," "us" "we" or "our" mean Eguana Technologies Inc and its subsidiaries unless otherwise specified or the context otherwise requires. See *Corporate Structure*.

This AIF contains various corporate names, product names, trade names, trademarks and service marks, all of which are the properties of their respective owners. In this AIF, all dollar figures are in Canadian dollars, unless otherwise indicated.

MARKET AND INDUSTRY DATA

This AIF includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by management on the basis of its knowledge of and experience in the industry in which the Corporation operates (including management's estimates and assumptions relating to such industry based on that knowledge). Management's knowledge of such industry has been developed through its experience and participation in such industry. Although management believes such information to be reliable neither the Corporation, nor management, has independently verified any of the data from third party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources. Furthermore, references in this AIF to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey, or article. The information in any such publication, report, survey or article is not incorporated by reference in this AIF.

CORPORATE STRUCTURE

Eguana was originally incorporated under the Business Corporations Act (*Alberta*) on November 4, 1996 as RTM Holdings Inc. ("**RTM**"). On September 30, 1999 we acquired all of the issued and outstanding shares of Sustainable Energy Systems Inc. (**"SES"**) a privately owned Alberta corporation organized to develop and manufacture generation systems for remote micro-grid markets and changed our name to Sustainable Energy Technologies Ltd. On February 29, 2000 we acquired all of the issued and outstanding shares of CWT Technologies Inc. which was subsequently renamed Sustainable Energy Laboratories Ltd. ("**SET Labs**") a Washington state corporation which had conceived and undertaken the initial development of a power

conversion technology which allowed power generation and storage systems with high current/low voltage operating characteristics to be connected to the power grid with high conversion efficiencies. The original power conversion concepts are the subject of multiple patents issued by the US Patent Office which have been assigned to a wholly owned subsidiary of SET Labs, International Power Systems Inc. ("**IPS**"), a Washington corporation.

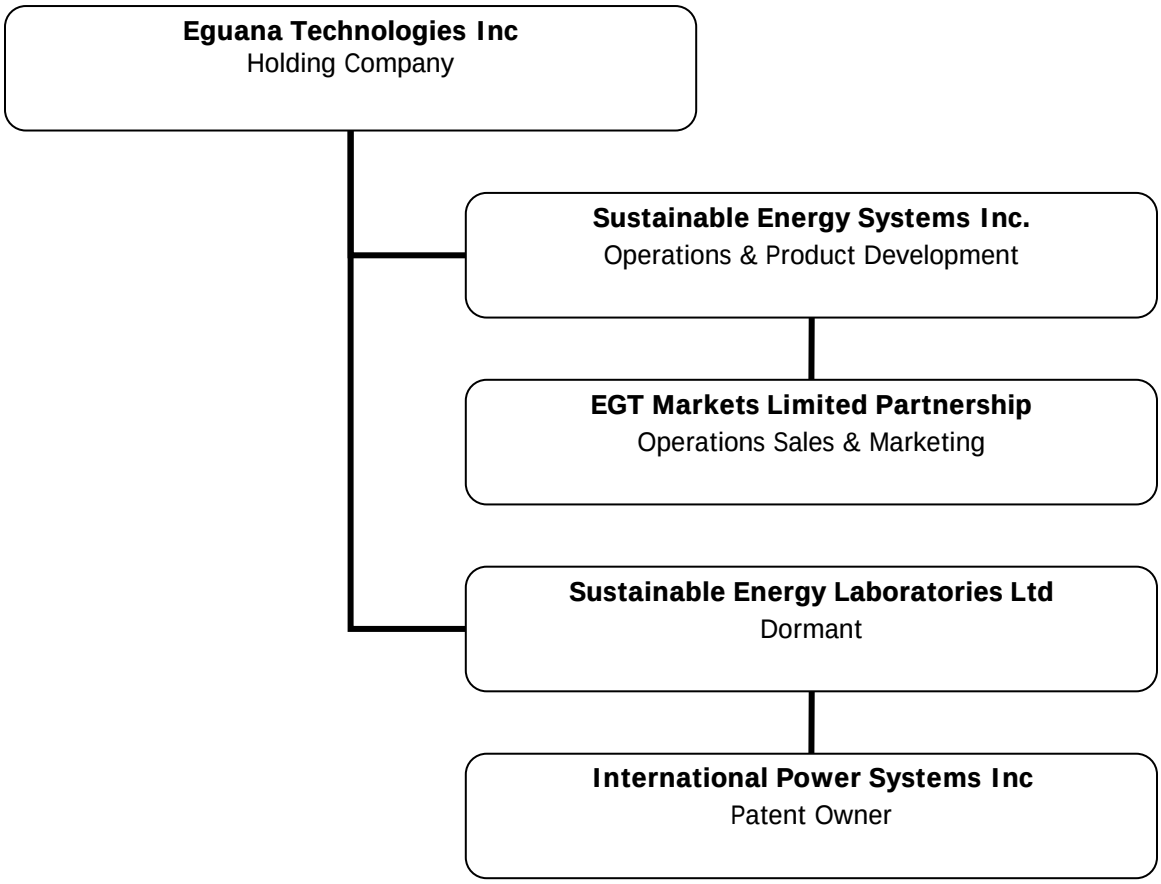
SET Labs and IPS have licensed the intellectual property developed by SET Labs and the patents held by IPS to Eguana and to SES in exchange for a royalty payable to SET Labs and IPS equal to 4% of the value of products sold by SES or Eguana incorporating the technologies. These concepts have, however, since been replaced by new concepts conceived and developed by SES and Eguana and are the subject of another patent issued by the US Patent Office in 2007 and held in the name of Eguana.

Eguana has organized its business to operate as an Alberta limited partnership under the name EGT Markets Limited Partnership ("**EGT LP**"). The partnership structure has allowed capital to be raised from time to time from individual investors to fund operating losses of the business. All of the interests in the EGT LP are currently owned by SES as general partner and by Eguana as the sole limited partner.

Eguana's head office is located at Unit 3, 6143 - 4th Street SE, Calgary, Alberta T2H 2H9. Eguana also has a branch office at 900 - 45 Sheppard Ave, Toronto, Ontario M2N 5W9.

Eguana is a reporting issuer in Alberta, British Columbia, Ontario, and Nova Scotia. The Common Shares are listed and posted for trading on the TSX Venture Exchange under the trading symbol EGT.

CORPORATE CHART



Eguana is the 100% owner of SES and SET Labs and 100% owner of the EGT LP limited partnership units. Eguana is also the sole Limited Partner of EGT LP. SES controls EGT LP as general partner of EGT LP with a net 1% interest in EGT LP S. SES is the 100% owner of SET Labs which is the 100% owner of International Powers Systems Inc.

GENERAL DEVELOPMENT OF THE BUSINESS

BACKGROUND

Eguana developed its first commercial products for stationary fuel cells in power ratings from 1kW to 5kW. Fuel cell technologies were then viewed as a disruptive distributed generation technology and required the use of advance power electronics to connect systems to the utility power grid. Our first products were developed for fuel cell based combined heat and power systems in collaboration with the Pillar GmbH power supply subsidiary of RWE AG, a large German electrical utility. The product design combined fuel cells and batteries to provide firm reliable power for residential applications. In exchange for funding joint product development by Eguana and Pillar GmbH and a prepayment of royalties, RWE AG acquired a non–exclusive license for fuel cell based energy storage systems that might be developed by it. Fuel cells in lower power ratings are characterized by very high current to voltage ratios and require a power conversion device connecting the fuel cells to the power grid and capable of converting low voltage DC power outputs into grid quality AC power with high conversion efficiencies.

Grid interactive fuel cell systems also require seamless bi-directional (DC-AC and AC-DC) power conversion to enable start up from the power grid and are often used in tandem with batteries to provide load following capability when disconnected from the power grid.

The fuel cell industry did not evolve as expected and we moved to adapt our power conversion platform developed with Pillar GmbH for use in the emerging solar PV industry. In this market we believed our low voltage platform had value for solar concentrator technologies, thin film solar PV technologies, and as an enabler of factory assembled systems. In 2007, we introduced our first solar inverter under the SUNERGY brand name using the same power electronic circuits developed with Pillar GmbH based on our proprietary low voltage technology targeting solar PV concentrator systems and thin film solar PV systems for which the low voltage capabilities were well suited. Approximately 1,800 SUNERGY inverters were manufactured and installed in Spain, the Czech Republic, and Greece between 2007 and 2010.

During this period we continued to develop our product platform to improve performance and reduce cost leading to the introduction of a 2nd generation product under the PARALEX brand name. We launched PARALEX in Ontario during 2010 focusing on rural applications which had received generous pricing incentives under the Province of Ontario's Green Energy Program. Our strategy in Ontario was to demonstrate the value of PARALEX in this market, in particular the value of PARALEX in supporting factory assembled systems before taking PARALEX to market in the U.S.

During 2011 we began shipping PARALEX inverters to Minnesota based tenKsolar Inc.("**tenKsolar**"), a manufacturer of a unique solar concentrator, which had a strategic marketing partnership with Korea's Hanwha Solar.

THREE YEAR HISTORY

Period from October 1, 2011 to September 30, 2012

Entering our 2012 fiscal year ("**FY 2012**"), we were cautiously optimistic about the recovery of the Ontario market. The majority Liberal party had been returned to government on October 6, 2011, campaigning on a renewed commitment to the Green Energy Program. We had built a strong market presence in the Province and were expecting strong demand for our products in the rural markets. During this period we released a structurally integrated solar PV system under the brand name ProFab Solar which levered the technology advantages of PARALEX to deliver positive investment returns in the Ontario agricultural market by eliminating site specific electrical engineering and materially reducing installation costs. The market response to ProFab Solar was positive.

Within weeks of election, the new government imposed a moratorium on new solar PV projects while it developed comprehensive new policies designed to slow growth in solar installations, especially in the rural micro-FIT market which was the only high growth market sector and where we were well positioned. The moratorium was only partly lifted in July 2012 and

continued to be plagued by uncertainty and a slow moving government apparatus. During this period Hydro One, the Crown owned electrical distributor in rural markets, changed interconnection standards to the most restrictive in North America and the Ontario Power Authority introduced increasingly restrictive land use regulations designed to limit growth of ground based solar in rural markets. Demand for ProFab Solar and PARALEX in this market collapsed as a result of the combined effect of these regulations. While the unexpected Government action was a material setback for Eguana, it forced management to reconsider its direction and to refocus its resources on developing the emerging opportunity in Germany for residential energy storage. Ontario's domestic content requirements in the Green Energy Program also led us to redesign and restructure our manufacturing model to outsource interchangeable subassemblies, enabling final assembly of the finished product close to the customer with very little investment on tooling. In particular, the model enables Eguana to quickly respond to changes in product mix even in relatively low volumes with a flexible labour driven final assembly process which can be easily replicated in multiple venues to meet domestic content requirements and reduce logistics and/or to allow final assembly by multiple OEM partners using the same supply chain.

During 2012 we completed development of the STX platform based on a patented breakthrough in transformer technology originally conceived and developed by us in collaboration with the University of Alberta to eliminate the need for multiple transformers which were part of the original design. The result is lower manufactured cost, lower weight and mass and higher conversion efficiencies. A key part of the design was a power electronics module, designed to be built in power ratings from 3 kW to 6.2 kW. The engines can be combined in a single enclosure to power three phase products ranging from 10kW to 20kW. The STX platform was fully software configurable enabling it to be used for a wide range of applications including solar PV, advanced battery technologies, and fuel cells with no change in the basic product design or manufacturing process. The STX platform was also designed to allow us to sell a power electronics sub-assembly as part of a finished product manufactured by us or as a discrete product which could be cost effectively integrated into partner developed product solutions. The STX development created the opportunity to quickly enter the emerging German energy storage market and during FY 2012 Q4 we made the decision to shift away from solar PV which was becoming increasingly competitive and which required significant capital for marketing and focus on energy storage for which STX was market ready and had a competitive advantage.

Period from October 1, 2012 to September 30, 2013

To fund the change in strategic direction we entered into negotiations to sell a license of our technology to tenKsolar which itself had a strategic relationship with Korea's Hanwha Solar in exchange for US $2.5 million payable with the option to buy down our royalty by paying US $3 million before the end of FY 2013. We also entered into an agreement to sell PARALEX inverters to tenKsolar valued at approximately $3 million primarily to liquidate surplus inventory from the 2nd generation PARALEX inverter. The sale agreement was originally scheduled to close on

December 19, 2012 but was delayed several times until tenKsolar defaulted in February 2013 for financial reasons ultimately forfeiting $585,000 in deposits during FY 2013 Q2.

During FY 2014 Q2 we secured an agreement to supply our STX platform as a subassembly for energy storage systems designed and manufactured by Sonnenbatterie GmbH (then Prosol Invest Deutschland GmbH) under an OEM model. Due to the competitive value of the bi-directional capability of our platform the STX sub-assembly was renamed Bi-Direx. A License Agreement and Supply Contract were entered into during FY 2014 Q3 and the first Bi-Direx sub-assemblies were shipped to Sonnenbatterie at the end of that quarter. Sonnenbatterie has since become a leader in the German solar self-consumption market creating a network of distributors across Germany, as well as selling its products under private label agreements with two large utilities, a large industrial company, and a leading German solar integrator.

During this period we also recorded notable design wins with Raytheon selecting Bi-Direx to power a high performance zinc bromide flow battery and Germany's Fraunhofer ISE selecting Bi-Direx as the control platform to demonstrate the capability of distributed energy storage to participate in supplying primary (spinning) reserve markets for the power grid.

Period from October 1, 2013 to September 30, 2014

During FY 2014 we devoted most of our operational and engineering resources towards supporting Sonnenbatterie in bringing its suite of products to the German residential solar self consumption market. This included support for integration of our Bi-Direx sub-assemblies into the finished Sonnenbatterie products, developing product enhancements to simplify and de-risk field installation and developing an integrated supply chain. During FY 2014 Q4 Sonnenbatterie introduced the ECO, a lower cost 3.8kW product targeting middle income homes in Germany.

In FY 2014 Q3, we shifted production of Bi-Direx subassemblies to a contract manufacturer located in Durach, Germany, significantly reducing logistics costs. Revenues for 2014 were $2.1 million most of which was from sales to Sonnenbatterie. During FY 2014, we also increased the level of resources dedicated to gaining intelligence on where demand for our products would emerge in the US and to evangelizing the value of the Bi-Direx platform based on our success in Germany. We initially targeted our efforts on micro-grid applications based on our experience with Raytheon and our assessment of market demand. We also targeted product development relationships with multiple battery technology developers with the goal of validating the capability of Bi-Direx to work with all the leading battery technologies and with the goal of positioning Bi-Direx as the preferred power control and conversion solution as these technologies became commercial.

We believe that these efforts were successful in demonstrating the universality of the Bi-Direx platform for micro-grid markets and its value for micro-grids. Our analysis also identified two leading markets in the US: (i) grid power quality services, and (ii) utility demand charge reduction. Both markets are described in greater detail below.

Period from September 30, 2014 to Present

Production volumes of the Bi-Direx sub-assembly in Germany increased significantly in the first two Quarters of fiscal 2015. During this period we also began joint development of AC Batteries with 2 large Asian lithium battery manufacturers for the US residential and commercial demand charge markets. On April 22, 2015 we announced a multi-year agreement with LG Chem to combine the LG battery technology with the Eguana Bi-Direx platform to deliver a residential AC battery to the US market. During FY Q1 we announced a multi-year agreement to supply AC Batteries to a leading solar integrator in Hawaii which is experiencing the power quality issues associated with high rooftop solar penetration levels. During FY Q1 2015, we restructured and strengthened our balance sheet. First Preferred Shares representing a total value $14,066,138 million were converted to Common Shares at an average value of $0.50 per Common Share. At the end of FY Q1 we also completed an issue of Common Shares and common share warrants to raise gross proceeds of $5.1 million.

DESCRIPTION OF OUR BUSINESS

OVERVIEW

Eguana designs manufactures and sells products which provide the power control and power conversion functionality needed for grid interactive energy storage systems using advanced batteries in the lower power ratings needed for residential and small commercial applications. Typically these power ratings range from 1.8 kW to 30kW.

Our products charge and discharge batteries converting alternating current to direct current to charge the battery and converting DC to AC to discharge batteries in a seamless bi-directional conversion process. Our products are also the point of connectivity of an energy storage system with the power grid and the consumer or "load" and are the primary focus of regulatory control over the interconnection of the energy storage system to the power grid.

Our focus is on decentralized (often referred to as "**distributed**") energy storage located at the point of consumption rather than the point of generation. There are multiple potential applications for our products including the storage of renewable energy especially solar energy produced at low demand periods to meet peak demand at other times of day, providing peak shaving capacity for businesses to reduce utility demand charges, providing voltage control and frequency regulation to the power grid and providing back up power to quick charge an electric vehicle.

Our core differentiators lie in our ability to provide bi-directional power conversion for larger cell battery technologies in the lower power ratings that are needed in many distributed energy storage applications without compromising efficiency or cost and the ease with which the operating parameters of our products can be adapted to optimize the operating parameters of multiple battery technologies.

Our competitive advantages are based on proprietary and patented power electronics concepts which manage the power conversion of DC to AC and AC to DC with very high efficiencies.

Our business is global. Our primary markets today are in Europe, the United States, and Japan. We have manufactured and shipped more than 4,000 systems in the past 2 years, primarily to markets in Germany, Austria, and Switzerland, but also, for specialty applications in the U.S.

Our Markets

At this juncture we believe demand for our products will be driven by the following factors:

Solar Self Consumption or Time Shifting:
Energy storage systems enable the owners of solar PV systems to store electricity produced during the day and to use it to reduce the amount of electricity purchased from the power grid in the evening. Demand for solar self-consumption or time shifting has emerged in larger scale in the past two years as a result of the combination of rapidly declining costs of solar electricity and lower battery costs and steadily increasing costs of utility supplied electricity which makes storing solar power an economic alternative to utility supplied power. Solar self-consumption has its greatest value in markets where the homeowner's alternative cost of power from the utility is high and where there are limited incentives to generate solar power for sale to the power grid. This is the case in many European countries, especially Germany and Italy, where we expect demand for solar self consumption or time shifting to grow significantly.

Grid Quality Services
Increased levels of distributed solar PV systems, especially on residential feeders, negatively impact the ability of the utility to balance loads, control voltages within the prescribed ranges, and maintain frequency control. These power quality issues have the potential to limit the growth of residential solar PV systems, which are valued by the community for the lower cost power and for the beneficial impact on the environment. Energy storage installed alongside residential solar PV systems mitigates these issues, allowing much higher levels of solar penetration on the feeders. The same energy storage system also provides back up power to the homeowner, which can be used to support home energy management systems or to provide quick charge capabilities for electric vehicles. We believe that these values will drive increased demand for distributed energy storage systems from companies which are actively marketing residential solar PV systems and which have the capacity to create "fleets" of storage systems that can be accessed at scale by the electric utility and from electrical utilities which will distribute storage systems throughout the power grid to address power quality issues.

Utility Demand Charges:
Increasingly, utilities are moving from a simple price per kilowatt hour of electricity consumed to a fixed charge per billing cycle for the right to demand power from the grid in addition to the per hour billing. This "**demand charge**" is based on the peak demand measured in watts at any period of time during the billing period. Depending on the level of demand charge this can create a strong economic incentive for customers with high volatility in power demands to

reduce or eliminate the peak to a point that is closer to the average demand. We believe that these markets will be served mainly by energy service companies, which will also provide equipment financing as part of a broader energy management package. We believe that these companies will likely also move towards creating fleets of behind-the-meter energy storage that can participate in supplying energy storage capacity and other ancillary values to the power grid.

Our Opportunity

Distributed energy storage systems typically have lower power ratings reflecting the requirements of their environments. For example, residential systems in Europe are typically about 3kW whereas residential systems in the USA are typically about 5kW. In commercial and light industrial applications, power ratings will be higher, although, based on market feedback, we believe that a meaningful portion of the demand market will be for power ratings below 60kW. Moreover, in these markets, reliability on demand is more important in this application and asset redundancy is emerging as a critical factor. We believe that this will lead to demand for systems comprised of two or more energy storage modules with lower power ratings to meet a given peak demand instead of a single high power energy storage systems matched to peak demand.

Batteries are typically high current devices and the power ratings of the batteries are reduced by lowering the voltage output. In order to cost effectively deploy these devices in lower power ratings needed for residential and small commercial system it is necessary to reduce the operating voltage of the energy storage system. The result is that the energy storage system in low power ratings typically has a high current to voltage ratio.

Conventional grid interactive power inverters developed for the solar industry need low current to voltage ratios in order to provide the power conversion at high efficiencies and are generally not suitable for these systems. Also, most solar inverters are simply DC to AC inverters and do not have the needed bi-directional power conversion functionality to allow the battery to be charged from the power grid. The mismatch in current to voltage ratios is exacerbated with new lower cost battery technologies which rely on higher current to voltage ratio battery cells to achieve their lower cost structure.

We believe that there is a gap in the distributed energy storage market for a high efficiency low voltage power control and conversion system in power ratings ranging from 2kW to 3kW to as high as 30kW. We believe that our power control and conversion technologies bridge this gap enabling low voltage batteries to be connected directly to the power grid and the load without compromising cost or conversion efficiencies. Unlike most inverter designs, our Bi-Direx design has an open industry standard control that allows the Bi-Direx platform to be easily configured to work with a wide range of battery technologies in power ratings from 1 kW to 60 kW.

How We Conduct Our Operations

Our preferred model is to sell our products under longer term customer relationships where we have the opportunity to plan production and deliveries to meet forecast demand from the customer. Our goal is to minimize the amount of product and component inventory in the supply chain and to thereby minimize our working capital required during a production ramp. Our model also enables us to optimize our manufacturing model which outsources manufacturing of interchangeable sub-assemblies to multiple vendors around the world, locating final assembly and testing of the finished product close to our customers.

Such an operating model requires a highly integrated supply chain which responds flexibly and very quickly to changes in demand forecasts from our customers. To optimize our supply chain we manage our operations through a Sales and Operations ("**S&OP**") planning process which (i) updates our assessment of market conditions monthly, (ii) measures and aligns our operations across the same period, (iii) adjusts our production and capacity plans to match anticipated changes to the demand mix. We believe that our S&OP process enables us to maintain optimal inventory positions, manage capacity and working capital, while minimizing financial risk to Eguana. We are able to do this effectively because all our products are based on the same power electronics sub-assembly which can be easily adapted through software changes and changes to the windings on our transformers. The only differentiator from jurisdiction to jurisdiction is a single "filter" board which manages the interface with the power grid.

We supply our Bi-Direx PCS functionality under three product models described below.

OEM Sales:
Our OEM business encompasses sales of the core power electronics sub-assemblies needed to provide the power conversion and control functionality of our Bi-Direx technology to a manufacturer of integrated energy storage systems. The principal components of the sub-assemblies are the power electronics circuits and embedded firmware, which are delivered as a sub-assembly, and the magnetic components. Each is typically manufactured in different locations by us or by our contract manufacturers or suppliers and delivered separately to our customer for integration by the customer at its site.

In these applications, we take no responsibility for integration of the Bi-Direx PCS into the energy storage system, although we will typically provide engineering support services for a fee. This model also requires a higher level of engineering capacity on the part of the customer and continuous support from our engineering group especially for new product development. During the 2013 and 2014 fiscal years more than 90% of total revenues were derived from OEM sales to customers outside the consolidated entity.

Bi-Direx PCS Sales:
Our Bi-Direx PCS business encompasses sales of integrated power control and conversion functionality in a certified enclosure which can be deployed by our customer as a discrete component in the customer designed energy storage system. Customers for this product are

more likely to be independent integrators of custom designed energy storage systems. because of the high level of engineering required for integration of an energy storage system we do not currently anticipate high levels of demand for this product During FY 2014 most Bi-Direx PCS sales were to developers of advanced battery technologies to support development and demonstration of their products.

AC Battery Sales:
We define an AC Battery as an integrated and certified combination of our Bi-Direx PCS and a specific battery that requires only a grid connection and a dispatch signal to provide a fully functional and durable energy storage system. Our model is to assemble, test, and deliver the AC Battery to our customers incorporating the Bi-Direx PCS and the specific battery selected and sourced by the customer. To execute on this model we develop software controls for each AC Battery design that integrate the Bi-Direx PCS control software with the battery management software controls for each battery type.

We collaborate with the battery manufacturer to fully integrate and certify the combination to meet regulatory standards so that no further inspection is required on installation of the AC Battery. Our model allows customers to select the best battery for their application and to negotiate pricing for the batteries.

Our Growth Strategy

Our goal is to become the #1 provider of power control and power conversion functionality for smart grid energy storage in power ratings from 2kW to 60kW. We measure success as a 30% market share in each of the target markets. Our strategy to achieve this goal is to work through non-exclusive strategic relationships with companies which have the capability in terms of technology, market presence, and channels to move our Bi-Direx products in high volume.

Our goal is to position our Bi-Direx platform as a “universal” power control and conversion system that will allow our customers to move easily between the different battery technologies selecting the best combination of cost and performance for the application without changing their basic power control strategies. We believe that our customers will be companies that have developed or sourced their own proprietary energy management and supervisory control software which will brand and define their position with their end customers. We believe that these customers will also source batteries based on their individual choice of performance criteria for the various applications which they serve.

In Germany, we deliver the Bi-Direx functionality under an OEM model with Sonnenbatterie GmbH, Under this model we deliver only the Bi-Direx power electronics sub-assembly to the customer which is responsible for final assembly and testing of the integrated product solution sold directly to end consumers. We expect to follow this model with Sonnenbatterie GmbH in the U.S. In the US our preferred model is to collaborate closely with the leading suppliers of batteries to tightly integrate the power controls with the battery management controls and enable an AC Battery which will easily interface with customer proprietary energy management

and supervisory controls. Our plan is that final assembly and testing of the AC Battery will be carried out under our control by a global contract manufacturer close to the customer demand. We will be responsible for final assembly and testing of the AC Battery and for performance of the integrated system with a direct pass through of the battery warranty to the customer. Each product will be a factory assembled UL certified solution which can be easily installed on site with minimal on site engineering. Our plan is to deliver AC Batteries for residential applications typically in the 3kW to 5kW power rating range and for commercial applications in the 10kW to 30kW power rating range. We expect to earn revenues from the sale of the AC Battery, and all its components, exclusive of the batteries themselves which will be sold directly by the battery supplier to the customer.
In the US our strategy is to engage engaged with leading developers of new battery technologies and integrators of energy storage systems to make Bi-Direx part of their product development process.

COMPETITIVE PRODUCTS AND TECHNOLOGIES

There are relatively few competitive products in the market which can also connect batteries to the power grid in our target power ratings with acceptable power conversion efficiencies and cost. Based on data from the California Energy Commission, we believe we have a significant efficiency advantage in North America. There is no comparable data for European solutions but we believe that we have the same advantages in that market. Customer feedback indicates our Bi-Direx platform is superior to other products in terms of grid connectivity and the ease with which customers are able to adapt the Bi-Direx platform to optimize battery performance.

We are aware of attempts have been made to stack battery packs in series to increase the operating voltages to a level that mid level power inverters can accept the higher voltage inputs – typically around 200 volts. This has been successful in lower power ratings (1kW – 2kW) in Japan, but to our knowledge these systems have not been successful in the higher power ratings needed for European and North American systems. We believe that battery developers face significant technological challenges in designing systems that will operate safely and effectively at the higher voltages.

In the solar self consumption market and, potentially, in the grid power quality application, a theoretical alternative to our approach and a high voltage battery is to combine a bi-directional DC to DC power converter which will bridge the gap between the low battery voltage outputs and the high voltage input specifications of conventional grid interactive inverters. Commonly referred to as a DC coupled system the approach is challenging. First creating a bi-directional DC to DC converter which can bridge a gap of several hundred volts is technologically challenging and there is no commercial product in the market at this time. Second, our estimates of manufactured cost are that it will be at least as high as the cost of another inverter and requires a bi-directional solar inverter with added functionality and likely, added cost. Third the approach requires twice the power conversion steps as our approach which increases system losses. DC to DC coupled systems are also limited to new systems and cannot be used to retrofit systems already in place except by replacing the in-place solar inverter and do not

operate with micro-inverters which represent a significant portion of power conversion devices for the US residential market

TECHNOLOGY DIFFERENCES

Grid Interactive Inverters

Grid-interactive inverters use modern solid-state power electronics technology to convert direct current from an electrical generator or storage device into the high quality alternating current power required by the power grid and by most electronic and electrical equipment. Grid-interactive inverters require a much higher level of real time control over the power conversion process since they must precisely match the AC wave shape (the sinusoidal wave shape that characterizes AC power) to the AC wave shape of the power grid in real time, meet a variety of power quality standards (harmonic distortion, power factor etc), and detect grid outages, and disconnect the energy source from the power grid for safety and grid control reasons.

A key challenge for grid interactive inverters is to limit energy losses as the DC energy is converted into AC energy while maintaining power quality required by the power grid. This is impacted by the resistance of the power electronics to the current level. As the current passing through the electronics circuits increases the conversion, efficiency of the inverter declines with the square of the increase in the current. Referred to sometimes as the "I^2R" phenomenon it means that power ratings of conventional inverters can only be increased without impacting efficiencies by increasing the DC voltage inputs while maintaining low current inputs.

This is a serious issue wherever the generation or storage technology produces high currents (with correspondingly lower voltages) since it is impossible to increase the power ratings of the systems with conventional high voltage inverters without compromising electrical conversion efficiencies of the system. In fact, all cellular generation and storage technologies including solar PV cells are inherently more efficient where the cells are larger and the voltage is maintained at a low level while the power ratings is increased by increasing current output relative to the voltage.

OUR DIFFERENCES

Our inverter design reduces the impact of the "I^2R" phenomenon on conversion efficiencies through a variety of connected mechanisms. Most inverter topologies combine a DC to DC converter which stabilizes the input voltage (and in the case of solar inverters is responsible for maximum power point tracking the PV system) with a DC to AC converter where the DC power is converted into AC power by passing it through power semiconductor switches. The switches control large amounts of power which are operated at comparatively high switching frequencies and using a single "H" bridge to step up the voltage to the voltage output required by the power grid. The high current passing through the "H" bridge is the source of the "I^2R" problem for high-voltage inverters.

Our inverter platform eliminates the DC-DC converter and directly splits the DC input into four streams by using four “H” bridges, which are then linked in series on the secondary side. Advanced and patented software controls then sum the output of each transformer to create the high quality AC wave share. By sharing the current between the bridges the current through each component is reduced resulting in lower overall conducted losses. Because the output is created by summing the transformer output, the switching frequency of each H-bridge is only one quarter of what is usually required so there are no additional switching losses. The ability to control the switching of each transformer independently also enables the inverter to accept a wide input voltage range with minimal impact on efficiency, eliminating the need for a DC/DC pre-converter as used in most other grid tied solar inverters. This, in turn, allows for much faster and more stable control loops than competitive products leading to faster more effective maximum power point tracking.

Our approach enables much higher DC input current to be converted to higher voltage AC outputs without compromising power quality and conversion efficiencies. This allows the inverter to convert the low voltage DC output of energy and storage devices at very high efficiencies. Instead of stepping up the voltages through a series to achieve higher power outputs the DC current outputs are summed while the voltage is maintained at a lower level. This is achieved by wiring the DC generators or storage devices in “parallel.”

In the context of grid-interactive energy storage systems, our high efficiency bi-directional conversion of DC to AC or conversely AC to DC enables a very simple power electronics topology and, we believe, the highest roundtrip power conversion efficiencies in the industry.

BARRIERS TO ENTRY

Like all electronics, our products are subject to various product safety and electromagnetic compatibility ("**EMC**") regulations in the different geographical regions in which our products are sold. EMC compliance ensures that electronic products operate without causing or suffering from radio-frequency interference. In general, with Europe being a notable exception, regulations for product safety require third party agency certification and are mandated by national or regional electrical codes. Certification is usually available only from nationally or regionally accredited agencies and must be done to standards in force in the applicable region. Testing and evaluation of samples leads to certification, which is followed up with regular inspections at manufacturing locations to ensure ongoing compliance.

Each country or region has its requirements, which we design and test to and maintain the results on file. Ongoing compliance is left to the manufacturer to control, according to engineering, manufacturing and quality assurance processes, with re-testing required if changes are made to the design that could affect compliance.

In the European Union, product safety is covered under a self-declaration process, with compliance of the design and of ongoing production left to the manufacturer to control

according to engineering, manufacturing and quality assurance processes, with re-testing required if changes are made to the design that could affect compliance.

Within the Europe Union, there is also a Restriction on Hazardous Substances which restricts the use of hazardous substances in electrical and electronic equipment and the environmentally sound recovery and disposal of waste electrical and electronic equipment.
Non-technical barriers to entry vary from market to market. The most significant non-technical barrier is that the market is generally accustomed to high voltage inverters and the solar PV module industry has developed wiring solutions to accommodate the high voltage inverters which result in additional wiring being required to arrange the modules in parallel. There is also a perception among new entrants to the industry that the additional wiring is problematic in terms of installation time and cost, with little knowledge or appreciation of the value of the parallel alignment.

Another significant non-technical barrier is our newcomer status and comparatively weak balance sheet which can present issues with customers concerned about the staying power of Eguana.

INTELLECTUAL PROPERTY

The following are patents issued by the US Patent Office and owned by the Corporation:

- U.S. Patent Nos.6,198,178 6,08,404 6,978,916 describe the step wave power conversion process used by Eguana to allow low voltage DC power to be more efficiently converted into AC power using the controlling step wave voltages output from multiple different bridge circuits so that in combination the voltages create an AC output voltage.
- U.S. Patent Nos. are 6,628,011 6,882,063 describe how power transfer is managed between a plurality of different DC power sources and a DC bus using a rechargeable DC power source.
- U.S. Patent No. 6,765,315 describes a fuzzy logic power conversion concept whereby a control circuit monitors voltage levels and power demands on opposite sides of the inverter and then controls the operations of the converter or inverter according to the monitored voltage levels and power demands.
- U.S. Patent No. 6,738,692 describes a process where a plurality of modules configured to perform power conversion and power management operations are connected together through a common backplane.
- U.S. Patent No. 7,087,332 describes a power slope targeting process for optimizing the performance of fuel cells by identifying in real time a maximum allowable power output and adjusting the electrical parameters of the fuel cell to output power at approximately the identified maximum allowable power level.
- US Patent No 8,026,639 describes a control scheme for backup power and off grid applications.
- US patent No. 8,031,495 describes a robust controller and the single transformer topology.

In addition to our patents, we rely on copyrights, trademarks, trade secrets, and contracts to protect our technologies, products, and brands. We have registered the Bi-Direx $_{TM}$ trademark in the United States and Europe, and we assert copyright ownership for our published materials and for the software embedded in our products. We use technical means to prevent unauthorized copying of the software embedded in our products.

CORPORATION, OFFICES AND PEOPLE

We have offices in Toronto, Ontario and Calgary, Alberta in Canada. We have 19 full time personnel, of which 4 are engaged in engineering and product development, 6 are engaged full time in sales and marketing, 5 are in operations and 4 are in administration.

CAPITAL STRUCTURE

The following is a summary of the material attributes and characteristics of the securities of Eguana. The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of First Preferred Shares, issuable in series.

COMMON SHARES

Holders of Common Shares are entitled to receive notice of and to attend all meetings of shareholders of the Corporation, except meetings at which holders of another specified class of shares are exclusively entitled to vote, and are entitled to one vote for each Common Share held on all votes taken at such meetings. Holders of Common Shares are entitled to dividends as and when declared by the board of directors of the Corporation. In the event of the liquidation, dissolution or winding up of the Corporation, the holders of Common Shares are entitled to receive, subject to the prior rights of the holders of other classes of shares, any remaining assets of the Corporation. As of the date hereof, there are 84,005,323 Common Shares issued and outstanding as fully paid Common Shares.

First Preferred Shares

The Corporation is authorized to issue an unlimited number of convertible $10, 8% redeemable First Preferred shares, in series. As of September 30, 2014 there were 671,850 First Preferred Shares, Series 7, 53,236 First Preferred Shares, Series 9 and 62,000 First Preferred Shares, Series 15 issued and outstanding. The Corporation has also issued First Preferred Shares, Series 10 of which 80,000 shares are issued and outstanding and First Preferred Shares, Series 11, Series 12, Series 13 and Series 14 of which 50,000 shares of each such series, respectively, are issued and outstanding. DHCT II Luxembourg S.à.r.l. ("**DHCT**") is the holder of 100% of the First Preferred Shares, Series 10, Series 11, Series 12, Series 13 and Series 14 of the Corporation. DHCT is the holder of the one First Preferred, Series 8 share issued and outstanding.

Effective December 8, 2014, affiliates of Doughty Hanson Technology Ventures ("**DHTV**") caused the automatic conversion of all the Series of First Preferred Shares of which DHTV was the majority holder into Common Shares. The automatic conversion resulted in First Preferred Shares being converted into 22,559,288 Common Shares.

Effective December 22, 2014, the majority holder of the Series 15 First Preferred Shares caused the automatic conversion of all the First Preferred Shares, Series 15. The automatic conversion resulted in First Preferred Shares being converted into 5,427,310 Common Shares.

DHCT, holder of the First Preferred, Series 8 share, is entitled to receive notice of and to attend all meetings of the shareholders and, except for the right to designate one director to the Board of Directors or as otherwise required by the *Business Corporations Act* (Alberta), DHCT is not entitled to vote at any meeting of the shareholders. Subject to the foregoing, as long as DHCT, together with its affiliates, own in the aggregate more than 10% of the issued and outstanding Common Shares and any non-voting common shares on a fully-diluted basis, DHCT, voting separately as a class, shall have the right to designate and elect one director from time to time, at the meetings of the shareholders and/or between meetings of the shareholders, and shall not, only in its capacity as holder of the First Preferred, Series 8 share, be entitled to vote in the election of the remaining directors of the Corporation.

MARKET FOR SECURITIES

The Common Shares of the Corporation are listed for trading on the TSX-V under the symbol "ETG". The following table sets the high, low and closing trading prices and the volume of Common Shares traded on the TSX-V for each of the months during FY 2014:

Month	High	Low	Closing	Volume
2013				
October	0.45	0.33	0.45	256,429
November	0.96	0.37	0.58	1,107,425
December	0.58	0.35	0.40	583,030
2014				
January	0.65	0.39	0.44	461,799
February	0.52	0.385	0.40	286,729
March	0.61	0.40	0.52	472,546
April	0.54	0.43	0.475	186,854
May	0.50	0.41	0.46	419,439
June	0.62	0.45	0.56	967,732

Month	High	Low	Closing	Volume
July	0.61	0.51	0.51	392,586
August	0.56	0.475	0.50	555,421
September	0.37	0.42	0.37	596,971

DIVIDENDS

The Board has not established a policy of declaring cash dividends on the Common Shares or the First Preferred Shares. The declaration and payment of dividends are subject to the discretion of the Board and depend on, among other things, the Corporation's financial condition, general business conditions and other factors that the Board may in the future consider to be relevant.

ESCROWED SECURITIES

The Corporation does not have any securities subject to an escrow agreement.

DIRECTORS AND OFFICERS

The name, municipality of residence, office and principal occupation of each of the directors and executive officers of the Corporation are set out below:

BOARD OF DIRECTORS

Name	Principal Occupation and Residence
Michael Carten[1] Director since Sept 1999	Chief Executive Officer and President of the Corporation Alberta, Canada
Robert Penner CA[1] Director since July 2004	Corporate Director Alberta, Canada
Andrew K Gustajtis Director since 2009	D & D Securities Inc. Investment Banking Ontario Canada
Gregory H Nelson Director since April 2008	Consultant of the Corporation Arizona, USA
George Powlick[1] Director since May 2009	Managing Director, Doughty Hanson Technology Ventures California, USA

Note:
[1]Member of Audit Committee

EXECUTIVE OFFICERS OF EGUANA AND ITS SUBSIDIARIES

Name	Principal Occupation and Residence
Michael Carten	Chief Executive Officer and President, Alberta, Canada
Justin Holland	Vice President of Operations Ontario, Canada
Brent Harris	Vice President & Chief Technology Officer Alberta, Canada
Mike Dalton	Vice President of Finance and Chief Financial Officer Alberta, Canada

As of the date hereof, the directors and executive officers of the Corporation own as a group, directly or indirectly, or exercise control or direction over a total of 4,107,852 Common Shares representing 4.88% of the outstanding Common Shares. Mr. Powlick is the designated appointee of Doughty Hanson Technology Ventures which holds an aggregate of 25,697,492 Common Shares and one First Preferred Share, Series 8.

Biographies of each director and senior executive officer, including his principal occupations for the last five years, are set forth below:

Michael A Carten, LLB: Michael Carten founded Eguana in 1999 with the mission to create, build and export innovative renewable energy technologies and products. He has shepherded the Corporation since 2000 from the first conceptual stages of the inverter technology, through product development and the commercialization process, as well as arranging financing for the Corporation through its development. Prior to founding the Corporation, Mr. Carten had a successful career in law and corporate and government finance as a senior partner of Bennett Jones LLP and as a Director and Senior Vice President and Director of Corporate and Government Finance for BMO Nesbitt Burns, both based in Calgary, Alberta. Through his career he has represented some of Canada's largest companies and often served as an advisor to Federal and several Provincial governments on energy and fiscal policy matters.

Gregory H. Nelson: Greg Nelson was formerly Executive Vice President and Chief Operating Officer of First Solar, the world's largest manufacturer of thin film PV modules, and Executive Vice President and Chief Operating Officer of ZBB Inc., a battery manufacturer. Mr. Nelson has more than 20 years of experience in high volume manufacturing and in managing the transition of technology companies from product development to production and commercial success.

Robert D. Penner, CA: Mr. Penner has 40 years of accounting experience and was formerly a partner with KPMG Canada in Calgary. At KPMG, Mr. Penner held senior positions within the tax practice, served on the Canada Partnership Board and was also Chairman of the Compensation Committee. His community service work is well recognized and he has often lectured and been published on taxation related issues. Mr. Penner is also a director of Corridor Resources Ltd., Terra Energy Ltd. and Gastar Exploration Ltd.

George Powlick, MBA: Mr. Powlick is currently a managing director of Doughty Hanson Technology Ventures. Mr. Powlick has been an active venture capitalist since 1995, initially in Silicon Valley and for the past decade in Europe. Before co-founding Doughty Hanson Technology Ventures in 2000, Mr. Powlick was head of the Strategic Investments and Acquisitions Group for Intel Corporation in Europe and the Middle East.

K Andrew Gustajtis: Mr. Gustajtis is an employee of D&D Securities Inc., Investment Banking since 2006.

Justin Holland: Mr. Holland has been an officer of the Corporation during the last five years

Brent Harris: Mr. Harris has been an officer of the Corporation during the last five years

Mike Dalton, CA: Mr. Dalton was appointed CFO for the Corporation on October 24, 2014. Previously, Mr. Dalton served as Director of Finance for Raytheon Canada Ltd. from 2011 to 2014.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or officer of the Corporation other than Robert Penner, nor a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, nor within the ten years prior to the date of this AIF, has been, a director or officer of any issuer that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, that (a) was the subject of a cease trade or similar order or an order that denied that issuer access to any exemptions for a period of more than 30 consecutive days; or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. Mr. Penner was a director of Storm Cat Energy Corporation ("Storm Cat"), all of the wholly owned subsidiaries of which filed a voluntary petition on November 10, 2008 for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Colorado. Storm Cat was not included in the U.S. bankruptcy filing, nor did it file an application for creditor protection under the Companies' Creditors Arrangement Act in Canada. Subsequently Storm Cat received a delisting notice from the NYSE Alternext US LLC and a notice from the Toronto Stock Exchange to suspend trading of its shares. In both cases the reasons given include, among others, the voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code on November 10, 2008, Storm Cat's financial performance, and the low per share trading price of Storm Cat's common stock for a substantial period of time.

As of the date hereof, no director or officer of the Corporation has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

CONFLICTS OF INTEREST

The directors and officers of the Corporation are engaged in, and will continue to engage in, other activities in the industries in which the Corporation operates and, as a result of these and other activities, the directors and officers of the Corporation may become subject to conflicts of interest. The *Business Corporations Act* (Alberta) ("**ABCA**") provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA. As at the date hereof and other than as described herein, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and a current director or officer of the Corporation.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors and executive officers of the Corporation and no associate or affiliate of any of them has a material interest in any transaction within the three most recently completed financial years involving the Corporation or in any proposed transaction which has materially affected or will materially affect the Corporation. Each of the directors has participated in one or more of the financings undertaken by the Corporation. In no case has any one director or officer acquired more than 10% of the securities issued.

RISK FACTORS

Prospective investors in a particular offering of securities by us should consider, in addition to information contained in the prospectus relating to that offering or in other documents incorporated by reference herein, the risks described below. The following information is a summary only of such risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the detailed information appearing elsewhere in this AIF. Such risk factors may have a material adverse effect on the financial position or results of operations of the Corporation or the value of its securities.

GOING CONCERN

Our audited consolidated financial statements for the fiscal year ended September 30, 2014, have been prepared on a "going concern basis", which is described more fully in note 1 of the

consolidated financial statements. In accordance with IFRS, and based upon key factors listed herein, we believe such a note in our consolidated financial statements is appropriate and our independent auditors agree. The application of "going concern" depends upon our ability to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future. To date, we have not recorded a profit from operations and have derived virtually all of our working capital from the sale of our securities. We have experienced erratic revenue trends over the course of our history and, at times, deficiencies in working capital. Our business also faces many known and unknown risks, including those described in this AIF that could hinder our ability to continue as a going concern.

OPERATING LOSSES

We have a limited operating history. We are in the growth phase of our business and are subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability, and the need to raise additional funding. As is common with companies at this stage of development it is likely that marketing and operating costs will exceed net sales revenues during the product launch period. Our business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development, particularly companies in relatively new and evolving markets.

NEED FOR ADDITIONAL CAPITAL

In order to accelerate our growth objectives, and realize the full potential of our market opportunities we will likely need to raise additional funds from lenders and/or equity markets in the future. The capital needed to execute on this strategy would be tied to increased investment in human resources for marketing and new product development and additional production test equipment needed to ramp production. If we are unable to raise the capital on reasonable terms, our growth could be limited. If we issue Common Shares, or securities convertible into Common Shares, in order to obtain additional financing, shareholders may suffer additional dilution.

MARKET ACCEPTANCE

Market acceptance of our Bi-DIREX platform is the most significant factor in achieving our strategic goals. A key risk in the minds of our customers is our financial stability and our continued ability to support our product offerings over a long period of time. We address this issue in the short term by marketing our products through strategic partnerships which provide our customers with an ability to manufacture our products in the event of significant interruptions of supply. In the long term we may be required to address this through strictly OEM relationships or technology licensing as the market grows.

EMERGING MARKET

Distributed energy storage is an emerging market that is highly dependent on growth in the solar power industry, regulatory policies affecting electrical utilities, and the use of grid interactive storage to address increased use of renewable energy. Growth in this market is also highly dependent on the cost of batteries. The result is that demand for our product and

technology is very difficult to forecast with any degree of reliability. Sudden changes in these factors can have very adverse impact on our financial condition and prospects for growth.

COMPETITION AND TECHNOLOGICAL CHANGE

Because we are a first mover in an emerging market there is a higher than normal risk that we will face unexpected competition in the form of new technologies and new competitors, many of whom are larger and have greater resources than us. Many of our potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, sales, marketing, technical and other resources than we do. Our competitors may enter into strategic or commercial relationships on terms that increase their competitiveness. These competitors may be able to respond more quickly to changing customer demand and devote greater resource to developing, marketing, and selling their products than we can.

MANUFACTURING COST TARGETS

Our business model assumes that we will be able to achieve manufactured cost targets that will enable industry standard margins. Delays in reaching adequate rates and efficiencies in production could impair the profitability of our products. Our ability to manufacture products that are cost effective depends on reaching efficient production levels. In addition, our production process results in the wasting of materials and supplies which must be minimized to produce cost effective products. The failure to reach adequate production levels and efficiencies would impair our ability to profitably market our products and would have a material adverse effect on our business, results of operation and financial condition. We cannot control the cost of our raw materials. Our principal raw materials are copper and steel. The prices for these raw materials are subject to market forces largely beyond our control and have varied significantly and may vary significantly in the future. We may not be able to adjust our product prices, especially in the short-term, to recover the cost of increases in these raw materials. Our future profitability may be adversely affected to the extent we are unable to pass on higher raw material or reduce our costs to compensate for such changes.

OPERATION AND SUPPLIER RISK

We intend to outsource production of core sub-assemblies to a series of contract manufacturers and there is a risk that one or more of these subcontractors will not perform its contractual obligations. There is also a risk that long lead times for critical components may affect production lead times. Where possible, we address these risks through contract frustration insurance. We also actively monitor critical component suppliers to the contract manufacturer and in some cases invest to secure longer lead time items. At this stage of our development we have greater exposure to financial loss due to a concentration of customers. This risk is exacerbated by our business strategy which is to develop multi-year contracts with a few leading market players. We have in the past obtained contract frustration insurance from Export Development Canada to protect against premature cancellation of the contract or failure to pay for product when due and we intend to continue to do so wherever possible. We also structure our supplier purchase contracts to ensure that we are not over committed to purchase products.

FOREIGN EXCHANGE RISK

Most of our product sales are and will for the foreseeable future be made in Euros or in US dollars. In Europe our sales are denominated in Euros. While we source the larger share of our components under Euro denominated contracts, key components are sourced in US dollars creating the potential for reduced margins on sales. In the US and in other markets, our sales are typically denominated in US dollars and we will source components and manufacturing services in US dollar contracts. More than 80% of our fixed operating costs are incurred in Canadian dollars. Changes in the Euro and the US dollar values relative to the Canadian dollar will impact our net contribution to cover these operating costs. To date we have not hedged these transactions except in the form of cash deposits on sales and for the cost of production, and we have no immediate plans to do so. As a result there is a risk that margins will be reduced due to adverse changes in these currencies relative to the Canadian dollar.

INTERNATIONAL OPERATIONS

Because we are a Canadian company, and because much of our business is done in Europe, there is a risk that the European Union or individual governments will implement protective measures which make it more difficult to export to these markets. While the risks of these actions are mitigated by our contract manufacturing strategy which enables us to easily change where we manufacture products, there can be no assurance that the various government licenses and approvals or amendments thereto that from time to time may be sought will be granted at all or with conditions satisfactory to the Corporation or, if granted, will not be cancelled or will be renewed upon expiry, or that income tax laws and government incentive programs relating to the Corporation's business, and the solar energy industry generally, will not be changed in a manner which may adversely affect the Corporation.

ATTRACTING AND RETAINING KEY MANAGEMENT PERSONNEL

Our future prospects depend to a significant extent on the continued service of our key executives. Furthermore, the Corporation's continued growth and future success depends on its ability to identify, recruit and retain key management personnel. The competition for such employees is intense and there can be no assurance that the Corporation will be successful in identifying, recruiting or retaining such personnel. If any of these events occur, it may have a material adverse effect on the business, financial condition and results of operations of the Corporation or the value of the Common Shares.

SHARE PRICE FLUCTUATIONS

The Corporation’s market capitalization is small and the market price of the Common Shares is likely to be volatile, and investors may not be able to resell shares at, or above, the purchase price paid for such Common Shares due to fluctuations in the market price of the Common Shares, including changes in price caused by factors unrelated to its operating performance or prospects.

PROMOTERS

The Corporation has not had a promoter during the last two fiscal years.

LEGAL PROCEEDINGS

There are currently no legal proceedings material to the Corporation to which the Corporation or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the fiscal year ended September 30, 2014

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and for the First Preferred Shares, Series 8 is TMX Equity Transfer Services, Calgary, Alberta.

MATERIAL CONTRACTS

Except for contracts entered into the ordinary course of business, the Corporation has not entered into any material contracts within the most recently completed financial year, or before the most recently completed financial year, that are still in effect.

INTERESTS OF EXPERTS

BDO Canada LLP is the external auditor and is independent within the Rules of Professional Conduct of the Institute of Charted Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and options to purchase securities is contained in the Information Circular dated April 17, 2015. Also, additional financial information is included in the Consolidated Financial Statements and Management's Discussion & Analysis of Eguana for the year ended September 30, 2014, as filed with the applicable Canadian regulatory authorities. These documents are available on SEDAR at www.sedar.com and may also be obtained without charge by written request to the Corporation at Unit 3, 6143 - 4th Street SE, Calgary Alberta Canada T2H 2H9.

AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

The charter is attached as Appendix A.

COMPOSITION OF THE AUDIT COMMITTEE

The Committee consists of Michael Carten, Robert Penner and George Powlick. Messrs. Carten, Penner and Powlick are all considered financially literate however, only Mr. Penner and Mr. Powlick are considered independent. Michael Carten is the President and CEO and is not independent as defined by National Instrument 52-110 – *Audit Committees* ("**NI 52-110**").

RELEVANT EDUCATION AND EXPERIENCE

Michael Carten, LLB is co-founder, President, CEO and Chairman and has led the Corporation from proof of concept through the product development and commercialization process to full production. Mr Carten has more than 30 years experience in the conventional and alternative energy industry. Mr. Carten holds a BA from Loyola College (Université de Montréal) and a Bachelors of Law from Dalhousie Law School.

Robert Penner CA is a chartered accountant and businessman. Mr. Penner was a senior tax partner with KPMG LLP where he worked from 1979 to 2004. Mr. Penner is a graduate of the Institute of Corporate Directors.

George Powlick is Managing Director of Doughty Hanson Technology Ventures based in London, England. Mr. Powlick has been an active venture capitalist since 1995 in Silicon Valley and in Europe. He holds an MBA from Anderson School of Business at UCLA and a BSc in materials science and engineering from the University of California, Berkeley.

AUDIT COMMITTEE OVERSIGHT

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board.

RELIANCE ON CERTAIN EXEMPTIONS

Since the commencement of the Corporation's most recently completed financial year, it has not relied on the exemption in section 2.4 (*De Minimus Non-audit Services)* or an exemption granted under Part 8 *(Exemptions)* of NI 52-110 *Audit Committees*.

PRE-APPROVAL POLICIES AND PROCEDURES

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter.

EXTERNAL AUDITOR SERVICE FEES

The aggregate fees billed by the external auditors in each of the last two fiscal years for audit and other fees are as follows:

Financial Year Ending	Audit Fees[1]	Audit Related Fees[2]	Tax Fees[3]	All Other Fees
2014	$205,720	Nil	Nil	Nil
2013	$211,907	Nil	Nil	Nil

[1]Fees paid for the audit of the annual financial statements and other regulatory audits and fillings

[2]Fees paid for services related to the audit services

[3]Fees paid for tax compliance, tax advice, tax planning and advisory services

EXEMPTION

The Corporation is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Committee and its reporting obligations under NI 52-110.

Audit Committee Charter

Constitution

The Board of Directors of Sustainable Energy Technologies (the "Company") hereby resolves to establish an Audit Committee (the "Committee") which is formally constituted as a committee of the Board.

Membership

The Board shall appoint the members of the Committee:

- At least two members of the Committee including the Chair shall be non-executive members of the Board.
- The Chair shall not chair any other Board committee.
- The Board may co-opt additional members to the Committee as required; initially there will be three members of the Committee.
- A quorum shall be two members of whom at least one shall be a non-exec Board member. At least one member of the Committee should have a financial background.

Objective

The Audit Committee shall monitor on the Board's behalf the appropriate processes and controls resulting from policies set by the Board; this will include particular focus on:

- The scope, results and effectiveness of the external audit
- Careful review of any non-audit services provided by the external auditors
- Effectiveness of the processes of governance
- Effectiveness of spend/value for money
- Compliance with policy and statutory requirements
- Internal controls including adherence to policy
- Safeguarding of assets

The Committee will depend on reporting from the finance department, external audit and other reporting from management or from external advisors as appropriate in order to achieve this.

Scope of Duties

Corporate Governance:

To support the Board in reviewing the effectiveness of the corporate governance to enable the Company to implement best practice as set out in appropriate guidance

Internal Control:

To commission reviews of specific controls and procedures (financial or non-financial) where so requested by the Board.

Compliance with External Legislation and Internal Policies:

To ensure adherence to management policies and directives.

To verify that mechanisms are in place to ensure compliance with statutory requirements, financial and other.

Financial Statements:

To review the annual report and accounts before submissions to the Board, focusing particularly on:

- Any changes in accounting policies and practices
- Major judgmental areas
- Significant adjustments arising from the audit
- The going concern assumption
- Compliance with accounting standards
- Compliance with legal requirements
- Any presentational issues having particular significance to the public perception of the organization.
- To receive during the course of the year reports on any matters that may impact on the accounts and disclosure therein.

External Audit:

To consider the appointment and performance of the external auditor, the audit fee, and any questions of resignation or dismissal.

To discuss with the external auditor the long term approach to the audit of the Company. On an annual basis, before the audit commences approve the Audit Plan with particular reference to its nature and scope, emphasis and priorities.

To discuss any problems or reservations arising from the external auditors' work and any other matters that the external auditors may wish to bring to the attention of the Committee.

To review the external auditors' management letter together with management's written response before presentation to the Board.

To review the contents of any report issued by the external auditor along with management's written response, before its presentation to the Board and monitor the implementation of those external auditors' recommendations, which are accepted by the Committee.

Reporting:

The Chair will report to the Board as appropriate on the areas covered by the above terms of reference.
Specifically, the Committee is required:

- to recommend the approval of the audited report and accounts.
- to recommend to the Board the reappointment or change in appointment of external auditors

The minutes of the Committee meetings should be formally recorded and submitted to the Board at its next meeting.

Authority:

The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the committee.

The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Committee is authorized to approve the issuance of interim unaudited quarterly financial statements and to appoint any one of its members and the Chief Executive Officer to sign the statements on behalf of the Committee and the Board.

Frequency of Meetings:

Meetings shall be held at least four times per year (generally every quarter and ideally two weeks prior to a Board meeting).

Attendance at Meetings:

The Committee shall have the power to request Management to attend its meetings. The Chairman of the Committee to attend or to speak may also call upon other persons. The Controller and/or Director Finance shall normally attend meetings. A representative of the external auditors may be requested to attend meetings when appropriate.

Proceedings of Meetings:

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Committee.

All or any of the members of the Committee may participate in a meeting of the Committee by means of conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.