AURORA SOLAR TECHNOLOGIES INC.

REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED 31 MARCH 2017

Stated in Canadian Funds

DATE: 24 JULY 2017

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AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds
For the Year Ended 31 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

TO OUR SHAREHOLDERS

The following information, should be read in conjunction with the consolidated financial statements of Aurora Solar Technologies Inc. ("the Company", or "Aurora") for the year ended 31 March 2017 (fiscal 2017) and 2016 (fiscal 2016) and the related notes attached thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information about the Company, including the audited consolidated financial statements, and the notes thereto, for the year ended 31 March 2017, prepared in accordance with IFRS, can be found on SEDAR at www.sedar.com.

Discussion of the Company, its operations and associated risks are further described in the Company's filings, available for viewing at www.sedar.com. A copy of this Management Discussion and Analysis ("MD&A") will be provided to any applicant upon request.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may be deemed to be "forward-looking statements". All statements in this discussion other than statements of historical facts, that address future events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, regulatory approvals, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of the MD&A. Such information: involves significant risks and uncertainties; should not be read as guarantees of future performance or results; and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the risks related to; general economic and business conditions and competition for, among other things, capital.

Forward-Looking Information	**Key Assumptions**	**Most Relevant Risk Factors**
Future funding for ongoing operations	The Company will be able to raise these funds	The Company has disclosed that this may be difficult and failure to raise these funds will materially impact the Company's ability to continue as a going concern
Favourable economic conditions	The economy in Canada, the United States, Europe, and Asia will move in a direction that will support the worldwide PV solar market	The economic conditions move in a negative direction causing changes to the landscape affecting future pricing and inventory

GENERAL

Aurora Control Technologies Inc. ("ACT"), a company incorporated on 14 May 2009 under the Canada Business Corporations Act and extra-provincially in British Columbia on 24 May 2011, develops, manufactures and markets Production Measurement and Control systems ("PMC™") to the solar wafer, cell and panel manufacturing industry. Headquartered in North Vancouver, Canada, and founded by experienced leaders in process measurement, semiconductor manufacturing and industrial automation. ACT's inline, real-time measurement and control products provide photovoltaic cell manufacturers with the means to lower production costs and increase profitability. ACT has developed an in-line metrology device and associated controller for direct use in PV manufacturing lines to measure and improve the efficiency and quality of the cells. ACT is directly marketing its products to manufactures.

Pulse Capital Corp. was incorporated on 26 October 2006 under the Business Corporations Act of British Columbia as a capital pool company. On 3 November 2011, Pulse Capital Corporation completed its qualifying transaction ("QT") by acquiring ACT. On 28 May 2015, the consolidated entity announced a name change to Aurora Solar Technologies Inc. ("Company") to better reflect its business focus.

The address of the Company's corporate and administrative office and principal place of business is #223 – 980 West 1st Street, North Vancouver, BC, V7P 3N4.

Manufacturers of solar products experience significant variations in product quality that result in the downgrading of 25-50% of their production which significantly reduces their profitability. Aurora's mission is to produce measurement and control solutions which allow solar cell producers to improve manufacturing yield, lower costs, decrease waste and attain higher margins. By measuring the cell after the diffusion furnace and reducing variability by controlling the furnace, significant improvements in final cell efficiency are possible.

With its Decima™ and Veritas™ product lines, Aurora provides solar cell manufacturers with the most accurate and repeatable products to characterize and control the emitter formation process. This is the most important process step in determining solar cell efficiency. Aurora's objective is to markedly reduce the costly and excessively wide spread of final product quality classes that are common in the solar cell manufacturing industry.

Aurora's initial customers are Crystalline Silicon (c-Si) photovoltaic cell manufacturers. Aurora markets and sells directly to these customers located in North America, Europe and Asia. Aurora's products integrate in-line measurement, process control and production flow management. Aurora is not aware of any other companies selling such a coordinated set of products designed to work together for in-line measurement and real-time control of each stage of the cell manufacturing process.

HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS

OVERVIEW

With recent volume purchases from two global leaders in solar cell manufacturing, Aurora's Decima and Veritas products are building significant market momentum and traction. The top-tier manufacturers using our products have built their reputations on delivering high-efficiency products with superior quality, and our products are now an important part of their operations. They use the Decima and Veritas systems to rapidly bring new production capacity to full capacity and to quickly and accurately identify production variations that can significantly impact the electrical properties of the wafers long before they become finished solar cells. By reducing such variation and avoiding the production of low power cells, manufacturers save significant costs in managing excessive module power ratings, inventory and warranty provisions as well as saving downstream materials/labour costs (silver electrode paste, antireflective coating, etc.).

Using Aurora's patented, infrared characterization system in the Decima products, Aurora's customers can measure the critical properties of 100% of the wafers early in the manufacturing process while making no contact with the sensitive wafers. A typical batch of 400 to 800 wafers can be measured in a matter of minutes. This contrasts with the traditional practice of removing three or four wafers from each batch for a manual test that is labour intensive, takes hours to perform, can damage the wafers and does not provide sufficient information to reduce production variations. Other automated methods available in the market offer limited and less accurate performance and have been unable to help operators identify where the poor wafers are coming from in real time.

With the rich data available from the Decima characterization system, Aurora's Veritas visualization software then pinpoints the areas within the manufacturing equipment that are causing variation, thus enabling operators and engineers to make real time adjustments to mitigate this variation.

Independent Customer Validation

Aurora recently completed an independent validation by a confidential customer in Asia who measured the value of Aurora's Decima hardware and Veritas software on one operating line over a full calendar year. The results indicate a significant improvement in average cell power by correcting poor furnace operation and bringing new production equipment on line faster resulting in a payback of their investment in Aurora's solutions in a matter of months.

These results support Aurora's effort to expand its product line to include a higher-value, integrated Quality Control System that group similar cells into batches and control the downstream processes to produce consistent cells of the highest possible power output.

New Product Development - Veritas Quality Control System

Aurora has initiated development and testing of an enhanced Veritas Quality Control System with a key customer in Asia. This system will provide significantly more power to reveal and control production variations, thereby enhancing the payback on our systems and will broaden our product portfolio. We expect to place this first system into operation in the fall of 2017 and we have initiated activity with a second major player in the industry. This product, when launched later this year, is expected to provide higher value hardware and software revenue along with the opportunity to sign longer term service agreements, supporting customers to measure and control the solar cell quality in real time from the beginning to the end of the process.

Growing Momentum and Volume Orders

The company announced that it has reached an agreement with one of the world's largest solar panel manufacturers to examine capabilities and applications for the use of Aurora's Decima™ Gemini measurement system and Veritas™ process visualization system for their bifacial cell technology.

During the project, Aurora's Decima and Veritas products will be installed at this manufacturer's bifacial production facility and various aspects of production line ramp-up, monitoring and control will be investigated by Aurora and the manufacturer's R&D and production personnel. Aurora's infrared-based measurement technology and process visualization software will provide the manufacturer with real-time data needed to identify and solve problems with process variability. The project is expected to commence in September 2017.

The company also announced that is received a **volume order** from a confidential customer in the People's Republic of China for multiple DecimaTM Gemini systems and VeritasTM wafer and process mapping software. The Decima and Veritas products will be integrated into new high-efficiency bifacial cell production lines, and the output from these lines will compete at the top end of the market. Aurora's products will be used to facilitate their line ramp-up and ongoing production with the highest possible yield. Aurora was awarded this order because of the capability of our products to deliver real-time and accurate high-resolution measurements spanning the full front and rear surfaces of the cells.

On 17 April 2017, the company announced that it received a **volume order** from an industry leader in Asia. This customer previously qualified Aurora's products in October 2013 and bought four Decima 3Ts with Veritas Software in 2016. The order for 10 Decima 3Ts with multiple Veritas Servers spans several lines and is expected to ship in June and July, 2017.

This order together with the order from LG Electronics clearly demonstrates that Aurora's products are essential for manufacturers focused on producing the highest quality and efficiency cells possible.

On 07 February 2017, the Company has received an order from Nexxergy for a portable Decima 3T with Veritas software for solar cell production characterization after diffusion and process optimization. This order creates a new channel for the company in China to deliver value-added services to the major players in the photovoltaic industry.

On 12 January 2017, the Company introduced a bifacial solar cell optimization system. The system is an enhanced version of the Decima in-line measurement system for quality control of bifacial solar cells during production. Bifacial solar cells have an open and active backside, which enables collection of reflected light available from the earth, rooftops et cetera, generating up to 25 per cent more energy than traditional cells. Aurora's system, called Decima Gemini, consists of a specialized pair of Decima CD measurement heads. With this novel system, the sheet resistance of the wafers' back-surface field and emitter is measured accurately and simultaneously.

On 5 January 2017, the Company provided further insight into the follow-on order announced on October 21 2016 from another customer considered by management to be the quality leader in the industry. This was the second order of Decima and Veritas software delivered to this customer's high-efficiency, mono-crystalline solar cell production facility. The products from these two orders have shipped and were successfully put into production in December 2016. The Company expects to receive additional orders from this customer for a new solar cell production facility in the first half of 2017, amounting to at least another 20 units.

The growing demand for high-efficiency, monocrystalline PERC (passivated emitter rear cell) solar cells is exceeding the supply, and Aurora has established itself as the only reliable means of measuring and controlling the doping layers on these advanced cells during the diffusion process. The successful sale and installation of Decima and Veritas software to leading industry players have validated the technology and are creating new order opportunities. In the past six months, the Company has introduced its products to over eight potential new customers.

The market trend in Asia toward higher-efficiency cells, combined with increasing labour costs, is necessitating that solar cell producers add more automation, particularly in the quality management area. With Asia representing over 85 per cent of global solar cell production, Aurora plans to leverage its strategic partnerships to expand its sales and business development efforts in the region targeting the larger high-end producers.

The Company also continues to make progress with its end-to-end quality control system (QCS) design. On June 7, 2016, Aurora announced a lead customer for this product and the company expects to complete the installation and testing of the QCS by the fall of 2017, making the QCS product available to its growing customer base by the end of the calendar year. The QCS provides the company with the opportunity to create a higher-value, recurring revenue stream by measuring and controlling the solar cell quality in real time from the beginning to the end of the process, including after diffusion and at other key process steps. The QCS is being designed to provide the customer with a measurable and attractive ROI (return on investment) by improving process reliability and profit margins.

On December 13, 2016, the Company announced it received a **volume order** from LG Electronics for 12 Decima CDs and multiple Veritas Servers spans several production lines and will ship by the end of February 2017.

LG Electronics Inc. is a global leader and technology innovator in consumer electronics, mobile communications and home appliances. The –Company employs more than 87,000 people working in 113 operations, including 96 subsidiaries around the world, with global sales of $48.06 billion in 2015. LG consists of four business units – Home Entertainment, Mobile Communications, Home Appliance, Air Conditioning and Energy Solutions.

FINANCING AND INVESTOR RELATIONS

On 12 July 2017, the Company announced that it has received a grant for research into extended applications for its Decima™ Infrared Reflectometry measurement technology. The grant is through the Canadian National Research Council's Industrial Research Assistance Program (IRAP) and will provide a total of $380,000 over a period of two years.

Aurora's Decima technology currently measures a property of solar cell emitters and back-surface fields called "sheet resistance". The funding is expected to accelerate the extension of this capability to other critical-to-quality solar cell properties that will broaden the Company's market offering.

The grant will help us to speed the development of a family of measurements for our end-to-end Quality Control System and solutions for the next generation of high-efficiency solar cells. Infrared Reflectometry has potential well beyond the measurement of sheet resistance. As with the Decima's recently-developed and unique bifacial measurement capability, exploiting this potential with the assistance of this IRAP grant is important to help solar cell manufacturers to monitor and control their increasingly complex fabrication processes.

On 30 June 2017, the Company announced that it has entered into an investor relations agreement (the "Agreement") with Paradox Public Relations Inc. ("Paradox"), pursuant to which Paradox shall provide investor relations services to the Company. The Agreement is for a term of 24 months, during which time Paradox will facilitate communications between the Company, its shareholders, and prospective investors; and develop an investor relations program designed to raise awareness of the Company's business among prospective investors and the investment community.

Under the terms of the Agreement, the Company will compensate Paradox $7,000 per month for the 24-month term of the Agreement, with the right to cancel the Agreement after the first 6 months of service by providing 30 days written notice. The Company will also issue Paradox, subject to TSX-V approval, 300,000 options at the 30 June 2017 closing price.

On 18 June 2017, the Company announced that it has closed a non-brokered private placement of 3,028,666 units ("Units") at a price of $0.18 per Unit for gross proceeds of $545,160. Each Unit consists of one common share (a "Share") and one half share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one additional Share (a "Warrant Share") for a period of 24 months at a price of $0.30 per Warrant Share. The Warrants are subject to acceleration, at the option of the Issuer, in the event the trading price, on the Exchange, of the common shares of the Issuer closes at or above CDN$0.40 per common share for 10 consecutive trading days at any time after four months from closing date.

The Company paid a finder's fee consisting of $36,371.99 and 202,066 warrants with each warrant entitling the holder to purchase one Share for a period of 24 months at a price of $0.30 per Share.

On 8 June 2017, the Company announced that it will undertake a non-brokered private placement of 2,777,778 units ("Units") at a price of $0.18 per Unit for gross proceeds of $500,000. Each Unit will consist of one common share (a "Share") and one half share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one additional Share (a "Warrant Share") for a period of 24 months at a price of $0.30 per Warrant Share. The Warrants will be subject to acceleration, at the option of the Issuer, in the event the trading price, on the Exchange, of the common shares of the Issuer closes at or above CDN$0.40 per common share for 10 consecutive trading days at any time after four months from closing of the Offering.

The Company will be paying a finder's fee consisting of cash fee equal to 7% of the proceeds raised and warrants to purchase that number of Shares equal to 7%

On 31 March 2017, the Company closed a non-brokered private placement of 8,839,556 units ("Units") at a price of $0.18 per Unit for gross proceeds of $1,591,120. Each Unit consists of one common share (a "Share") and one half share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one additional Share (a "Warrant Share") for a period of 24 months at a price of $0.30 per Warrant Share. The Warrants are subject to acceleration, at the option of the Issuer, in the event the trading price, on the Exchange, of the common shares of the Issuer closes at or above CDN$0.40 per common share for 10 consecutive trading days at any time after four months from closing date.

The Company paid a finder's fee consisting of $102,445 and 569,138 warrants with each warrant entitling the holder to purchase one Share for a period of 24 months at a price of $0.30 per Share.

All securities will be subject to a 4-month hold period which expires July 31, 2017. The funds will be used for working capital to expand delivery and support operations as well as for general corporate purposes.

The Company will issue 300,000 shares in lieu of accrued salary to employees of the Company as well as issue 1,550,000 options to employees and directors of the Company exercisable at $0.21 for a period of five years.

On 02 March 2017, the Company announced that it will undertake a non-brokered private placement of 5,000,000 units ("Units") at a price of $0.20 per Unit for gross proceeds of $1,000,000. Each Unit will consist of one common share (a "Share") and one half share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one additional Share (a "Warrant Share") for a period of 24 months at a price of $0.30 per Warrant Share. The Warrants will be subject to acceleration, at the option of the Issuer, in the event the trading price, on the Exchange, of the common shares of the Issuer closes at or above CDN$0.40 per common share for 10 consecutive trading days at any time after four months from closing of the Offering.

The Company will be paying a finder's fee consisting of cash fee equal to 7% of the proceeds raised and warrants to purchase that number of Shares equal to 7% of the Units sold.

All securities will be subject to a 4-month hold period. The funds will be used for working capital to expand delivery and support operations as well as for general corporate purposes.

PATENTS

On 17 May 2017, the Company announced that the Taiwan Intellectual Property Office has allowed its infrared-based measurement patent entitled "Non-Contacting System and Method for Measuring the Dopant Content of Semiconductor Material and Method of Determining the Impact of a Semiconductor Material Fabrication Line upon Semiconductor Wafer." Although the Company is currently focused on the photovoltaic industry, other applications covered under this patent include any process where impurities are added to semiconductor material for the purpose of modifying its electrical properties, such as light emitting diodes ("LEDs"), integrated circuits and flat panel displays.

This is the sixth national patent granted or allowed from several of the Company's Patent Cooperation Treaty applications which continue to progress through patent offices around the world. Other major markets where patents have been allowed include China, Japan, Korea, the United States and the European Union.

RESULTS OF OPERATIONS

The comprehensive loss attributable to the shareholders for the year ended 31 March 2017 (fiscal 2017) was $1,424,375, which compares to a comprehensive loss of $1,619,633 during the year ended 31 March 2016 (fiscal 2016). The main fluctuations in costs are as follows:

Product sales (rounded to the nearest '000)	**12 months** **2017**	12 months 2016	**3 months** **2017**	3 months 2016
	$ 1,415,000	$ 287,000	**$ 852,000**	$ 161,000
Variance increase (decrease)	**1,128,000**		**691,000**	

The Company's long stated strategy of developing relationships with major multinational clientele has achieved success in the last year with several major sales and shipments.

Cost of sales (rounded to the nearest '000)	**12 months** **2017**	12 months 2016	**3 months** **2017**	3 months 2016
	$ 799,000	$ 232,000	**$ 377,000**	$ 61,000
Variance increase (decrease)	**567,000**		**316,000**	

As sales volumes have increased in the preceding year management has seen the expected normalization of cost of sales as a function of total sales. Offsetting the move to production for Decima™ and Veritas™ systems is the research and development of new product lines such as the Gemini™ system will be the driver of future variations in cost of sales.

Wage expense (rounded to the nearest '000)	**12 months** **2017**	12 months 2016	**3 months** **2017**	3 months 2016
	$ 689,000	$ 604,000	**$ 232,000**	$ 159,000
Variance increase (decrease)	**85,000**		**73,000**	

The team assembled has stabilized into long term relationships while the Company prepares for increased volumes, variance in wage expense is primarily driven by increased staffing levels to support production.

Professional fees (rounded to the nearest '000)	**12 months** **2017**	12 months 2016	**3 months** **2017**	3 months 2016
	$ 113,000	$ 178,000	**$ 41,000**	$ 58,000
Variance increase (decrease)	**(65,000)**		**(17,000)**	

Professional fees expense is largely impacted by the Company's life cycle and development of products. The Company's fees are consistent with management's expectations and activity over the preceding year.

Consulting expense (rounded to the nearest '000)	**12 months** **2017**	12 months 2016	**3 months** **2017**	3 months 2016
	$ 414,000	$ 441,000	**$ 124,000**	$ 97,000
Variance increase (decrease)	**(27,000)**		**27,000**	

Consulting fees decreased during the year ended 31 March 2017 as a result of contracts with management consultants expiring. The increase in comparative fourth quarters is driven by the private placement that closed on 31 March 2017.

Operating expense (rounded to the nearest '000)	**12 months 2017**	12 months 2016	**3 months 2017**	3 months 2016
	$ 372,000	$ 423,000	**$ 146,000**	$ 54,000
Variance increase (decrease)	**(51,000)**		**92,000**	

Management has continued to focus on cost control and this is evident in the year over year decrease in operating expense account.

Share-based payments (rounded to the nearest '000)	**12 months 2017**	12 months 2016	**3 months 2017**	3 months 2016
	$ 446,000	$ 24,000	**$ 224,000**	$ 4,000
Variance increase (decrease)	**422,000**		**220,000**	

During the year, management has increased the use of share-based payments to align directors, contractors and employees with the long-term goals of the Company.

SELECTED ANNUAL INFORMATION

The following table sets out selected audited financial information of the Company and is derived from the audited consolidated financial statements prepared by management. The financial statements are prepared in accordance with International Financial Reporting Standards and are expressed in Canadian dollars.

Fiscal Year Ended	Mar-17	Mar-16	Mar-15	Mar-14
Total Revenues	1,415,000	287,000	182,000	-
Profit/Loss from Continuing Operations	(1,424,000)	(1,620,000)	(1,816,000)	(1,636,000)
Loss and Comprehensive Loss for the Year	(1,424,000)	(1,620,000)	(1,816,000)	(1,636,000)
Loss per Share (Basic and Diluted)	(0.04)	(0.05)	(0.07)	(0.08)
Total Assets	2,291,000	756,000	753,000	831,000
Working Capital	1,894,000	483,000	424,000	727,000

FINANCIAL DATA FOR LAST EIGHT QUARTERS

The following table sets out selected unaudited quarterly financial information of the Company and is derived from the unaudited condensed interim consolidated financial statements prepared by management. The Company's interim financial statements are prepared in accordance with International Financial Reporting Standards and are expressed in Canadian dollars.

Three Months Ended	Mar-17	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Total Revenues	852,228	319,688	18,849	223,810	160,765	-	78,246	48,063
Loss from continuing operations	292,335	382,502	381,808	310,527	272,172	493,690	432,266	421,505
Loss for the period	292,335	382,502	381,808	310,527	272,172	493,690	432,266	421,505
Loss per share (Basic and diluted)	0.00	0.01	0.01	0.01	0.01	0.02	0.01	0.02
Total assets	2,291,202	950,811	800,141	908,276	756,075	1,112,186	1,612,119	2,016,491
Working capital	1,893,539	426,668	492,015	547,494	482,973	728,073	1,225,575	1,712,581

Variances between quarters from March 2017 back through to June 2015 are primarily a result of the business life cycle and its stage of research and development. During these periods, expenses incurred are largely driven by the development of the Company's product and vary based on timing of testing and the availability of required inputs. None of the changes between the above quarters are outside the expectation of management.

Revenues have shown a marked increase in the previous eight quarters and the most recent quarter shows both the largest single revenue stream but also the smallest loss and largest amount of working capital. The Company has never been in a better financial position than at 31 March 2017.

OUTSTANDING SHARES

As at 31 March 2017 the Company had 48,627,875 common shares issued and outstanding (31 March 2016 – 33,187,686). As at 31 March 2017, the fully diluted amount of 67,061,020 represents warrants of 13,903,145, and options of 4,530,000.

As of the date of this report Company had 48,927,875 of common shares issued and outstanding and the fully diluted amount of 69,077,419 represents warrants of 15,619,544 and options of 4,530,000.

FINANCIAL POSITION AND LIQUIDITY

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, inventory, accounts payable and accrued liabilities. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

Currency & Credit Risk – All of the Company's Canadian cash is held at a major bank and such balances earn interest at market rates. The Company also maintains cash in US dollars. The cash balances and payables that are denominated in foreign currencies are subject to currency risk due to fluctuations in the exchange rate between the currencies. To manage this risk, the Company maintains only the minimum amount of foreign cash required to fund its on-going operational activity.

Fair Value – As at 31 March 2017 and 2016, the carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

It is management's opinion that the Company is not exposed to significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the period

LIQUIDITY AND FINANCIAL CONDITION OF THE COMPANY

The Company's working capital surplus at 31 March 2017 was $1,894,000 compared with $483,000 at 31 March 2016.

Cash used in operating activities during the year ended 31 March 2017 totalled $650,200 (31 March 2016 – $1,789,000).

Cash used in investing activities during the year ended 31 March 2017 totalled $36,000 (31 March 2016 – $57,000).

Cash raised in financing activities during the year ended 31 March 2017 was $2,335,000 (31 March 2016 - $1,685,000).

Actual future funding requirements may vary from those planned due to a number of factors, including changes in the pace of research and development with respect to current and future products.

Management believes it will be able to raise equity capital as required in the long-term, but recognizes the risks attached thereto. Historically the capital requirements of the Company have been met by equity subscriptions.

Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable.

CAPITAL RESOURCES AND COMMITMENTS

On 07 March 2017, the Company signed a lease for its head office for a 36 month period, for a total contractual obligation of $146,000.

On 31 March 2017 the Company closed a private placement in the amount of $1,591,120 with all securities having a holding period of 4 months.

On 8 July 2016 the Company closed a private placement in the amount of $776,275 with all securities having a holding period of 4 months.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at 31 March 2017 and as at the date hereof.

RELATED PARTY TRANSACTIONS

Related party transactions and balances not disclosed elsewhere in the Financial Statements are as follows:

RELATED PARTY DISCLOSURE

Name and Principal Position	Period(i)	Remuneration or fees(ii)	Included in Accounts Payable
CEO – management fees(iii)	**2017**	**$ 163,000**	**$ 1,000**
	2016	$ 60,000	$ -
Associate counsel – legal services	**2017**	**$ 54,000**	**$ 11,000**
	2016	$ 84,000	$ 1,600
Clearline CPA, a company of which the CFO is a director – management fees	**2017**	**$ 60,000**	**$ 5,000**
	2016	$ 76,000	$ 8,000
A company of which the CFO is a director – bookkeeping services	**2017**	**$ 39,000**	**$ -**
	2016	$ 38,000	$ -
COO – management fees(iv)	**2017**	**$ 129,000**	**$ -**
	2016	$ 140,000	$ -
Director	**2017**	**$ 31,000**	**-**
	2016	$ -	**$**
Director	**2017**	**$ 14,000**	**$** -
	2016	$ -	$ **-**

(i) For the year ended 31 March 2017 (fiscal 2017) and 31 March 2016 (fiscal 2016).
(ii) Amounts disclosed were paid or accrued to the related party.
(iii) Included in remuneration are shares issued in lieu of salary with a fair value of $53,000
(iv) Included in remuneration are shares issued in lieu of salary with a fair value of $24,000

Share-based payments awarded to directors and officers during the year ended 31 March 2017 totalled $318,893 (31 March 2016 - $558).

These expenses were incurred in the normal course of operations and have been measured at the exchange amount, which is determined on a cost recovery basis.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial Instrument classification and measurement

Financial instruments of the Company carried on the Consolidated Statement of Financial Position are carried at amortized cost with the exception of cash, which is carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 31 March 2017 due to the immediate or short-term maturities of the financial instruments.

The fair value of the Company's cash is quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy:

Level 1 – quoted prices in active markets for identical financial instruments.

Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's cash and cash equivalents have been assessed on the fair value hierarchy described above and classified as Level 1.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. As at 31 March 2017, the carrying value of cash and cash equivalents is fair value. The remaining financial instruments approximate their fair value due to their short term nature.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its bank accounts. The Company's accounts are held with major banks in Canada. The Company is not exposed to significant credit risk.

e) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to interest rate risk.

f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its on-going expenditures. The Company is exposed to foreign currency risk, as it deals with customers and vendors in currencies other than its functional currency. A 5% shift in exchange would not be material. As at 31 March 2017 the Company held currency totalling the following:

Rounded (000's)		Impact		31 March 2017		31 March 2016
Canadian dollars	5% $	-	$	1,548,706	$	202,000
United States dollars	5% $	22,817	$USD	342,555	$	154,000
Amounts payable in United States dollars	5% $	5,321	$USD	79,888	$	17,000

g) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing this is to maintain readily available reserves in order to meet its liquidity requirements at any point in time.

INVESTOR RELATIONS ACTIVITIES

With respect to public relations, the Company's policy is to provide information from its corporate offices to investors and brokers directly.

MANAGEMENT

The Company is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties.

Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

MANAGEMENT DISCUSSION AND ANALYSIS

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this Annual Management Discussion and Analysis.

A CAUTIONARY TALE

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of products, the timing and amount of estimated future production, costs of production, requirements for additional capital, government regulation operations, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. 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. Accordingly, readers should not place undue reliance on forward-looking statements.

Respectfully submitted,

On behalf of the Board of Directors,

"Michael Heaven"

Michael Heaven, CEO