AURORA SOLAR TECHNOLOGIES INC.

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

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2017

Stated in Canadian Funds

DATE: 16 FEBRUARY 2018

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AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

FOR THE NINE MONTHS ENDED 31 DECEMBER 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 nine months ended 31 December 2017 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 Solar Technologies Inc. ("Aurora" or the "Company"), 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. Aurora's inline, real-time measurement and control products provide photovoltaic cell manufacturers with the means to lower production costs and increase profitability. Aurora 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. Aurora is directly marketing its products to manufactures.

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 customers are Crystalline Silicon (c-Si) photovoltaic cell manufacturers focused on building the most efficient solar cells possible. These customers are building more sophisticated cell structures with doping layers on both sides of the solar cell. These cell structures include monocrystalline PERC cells which have a passivation layer on the back side of the cell, bifacial cells which have an active emitter on both sides of the cell and heterojunction cells which have multiple layers on both sides. These cell structures are difficult to measure using traditional sampling techniques and are ideally suited to be measured on both sides simultaneously using Aurora's proprietary, patented infrared measurement technique. Producers manufacturing these higher power cells get a premium in the market over the commodity-grade multicrystalline solar cells and use Aurora's products to maximize the yield and minimize variation at the end of the line.

HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS

OVERVIEW

Aurora continued to see considerable success in the first nine months of the current fiscal year, delivering volume shipments of 10 systems to the largest solar cell producer in the world and shipping the first volume order in China for seven bifacial systems. We also received an order for two bifacial systems from a major equipment supplier and an order for one system on the first bifacial line being built by the largest solar panel manufacturer in the world based in China. All of these systems were built, tested and shipped in the second quarter of the current fiscal year with the exception of the two bifacial systems which were recognized this quarter. In addition, the Company received an order from REC Group based in Norway for two Decima™ 3T and Veritas™ products, with a letter of intent for up to 6 additional units for deployment in Singapore.

BIFACIAL CELL TRACTION

Aurora's bifacial cell measurement, visualization and control products, marketed as Decima Gemini continue to receive outstanding market acceptance. ISC Konstanz, a leading global licensor of bifacial technology, has certified the Decima Gemini system as the only viable means of inline measurement and yield optimization on the BiSoN formula used to produce bifacial cells. Bifacial cells generate 10 to 30 percent more power than traditional one-sided cells by using both direct and reflected light incident on both their upper and lower surfaces. Aurora spoke at the 4th annual bifi PV workshop in Konstanz, Germany on 25-26 October 2017 where a number of prospective customers learned about bifacial cell production and are considering projects to produce cells in volume. In addition, Aurora has installed 27 systems on bifacial production lines with producers in Korea, China and SE Asia where Aurora's unique measurement capabilities are proving to be uncontested for this growing application.

MONOCRYSTALLINE PERC CELL TRACTION

Aurora has now delivered 22 systems for monocrystalline PERC cell applications which produce higher efficiency cells that are sold at a premium in the solar panel market. These cells have a dielectric passivation layer added to the back of the cell which reduces electron recombination, increases the light absorbed and increases the internal reflectivity of the cells meaning more power output without a significant increase in cost. The resulting panels have a higher energy density per square meter which means less panels to accomplish total output power when the footprint is limited or more energy per solar farm where space is not limited. Aurora's Decima 3T accurately profiles the wafers before they become finished cells to optimize the diffusion process and maximize the yield of the highest power cells. This profitable and growing niche in the solar cell manufacturing sector recognizes the benefits of inline measurement and control and continues to be a significant contributor to Aurora's growing sales pipeline.

HETEROJUNCTION CELL MEASUREMENT INNOVATION

Heterojunction solar cells are ultra high-efficiency cell design pioneered by Japan's Panasonic Corp., who is now also partnered with Tesla Inc. for solar products. These cells deposit, using plasma enhanced chemical vapor deposition, thin layers of amorphous silicon on both sides of a crystalline silicon wafer as well as transparent, conductive oxide layers (TCO) to absorb the generated power. The TCOs are the conduits allowing electrical current to flow from the active portion of the cell to the metal contacts. Optimizing and controlling the uniformity of the TCO layers during cell manufacturing is crucial to maximizing the power and yield of the HJT Cells. Aurora has innovated the infrared measurement technique of its Decima Gemini to measure critical parameters of TCO layers that can vary during production. This capability, combined with Aurora's Veritas software, can assist in design verification, production line ramp-up and characterizing the sources of variation in the TCO layer that impact the final performance of the cell. According to Solar Media Ltd., heterojunction production capacity is expected to increase by 20 percent this year and this innovation positions Aurora as the only solution provider for in-line layer measurement and optimization.

ASIAN FOCUS

Aurora has had considerable success in Korea with over 25 systems delivered to date on both bifacial and monocrystalline PERC applications. Aurora is now building out from Korea into the rest of the Asian market , with growing traction in China and initial traction occurring in India. During the quarter, the Company installed two high-profile bifacial projects in China (8 systems in total) and is in the process of documenting the benefits as a showcase for other Chinese producers. The Company is tracking a growing pipeline of opportunities in China and is adding resources to support the commercialization of these projects. In addition, the Company attended the Intersolar India show in December and has signed agreements with a local service and support company to facilitate the delivery of the first orders from India.

QUALITY CONTROL SYSTEM DEVELOPMENT

A key element of Aurora's business strategy is to provide its customers with end-to-end quality control using its unique in-line measurement products. Aurora has initiated development and testing of an enhanced Veritas Quality Control System with a key customer in Asia. This system uses measurements from Aurora's Decima products early in the process to predict the performance at the end of the line when the cells are connected electrically and illuminated, thereby providing a means to understand the relationships and optimize the yield of the highest power cells. . Aurora is in discussions with three significant customers interested in evaluating the Veritas Quality Control System being offered on a monthly subscription basis. The Company has a webinar scheduled on 6 March 2018 to communicate the features and benefits to customers and is also presenting the package to customers participating in PV CellTech in Penang, Malaysia on 13-14 March 2018.

STRENGTHENING TEAM AND ORDER MOMENTUM

On 19 December 2017, the Company announced the addition of Dr. Johnson Wong as Senior Physicist. Dr. Wong brings years of globally recognized capability to Aurora in the field of solar cell characterization, with the results of his work used extensively in scientific research and industrial applications throughout the photovoltaic industry. Dr. Wong has a key role in the technology strategy and roadmap for Aurora's Veritas™ Quality Control System and Decima™ measurement products. Dr. Wong is also responsible for defining and delivering projects with our partners at top-tier research and PV product organizations worldwide and is spearheading Aurora's work with heterojunction and other advanced cell structures.

On 1 November 2017, the Company announced that it had received an initial order from REC Group for two Decima™ 3T with Veritas™ software and a letter of intent for an additional six systems. The first two systems will ship in January 2018 with the balance of systems to follow in accordance with additional purchase orders.

On 1 August 2017, the Company announced that it has received an order for two DecimaTM Gemini measurement systems, and VeritasTM process visualization systems, for deployment on new bifacial cell fabrication lines. In addition to this purchase, this customer has agreed to a joint project with Aurora to define, document and publish the economic benefits of Aurora's bifacial cell measurement and visualization technology. The systems, ordered by a leading global supplier of production equipment used at several stages in solar cell and semiconductor fabrication, will be used to speed the ramp-up of the new production lines and assist in solar cell R&D and production equipment development. The systems are scheduled for delivery in December and October.

The Company also announced on 28 June, 2017, that it has reached an agreement with the world's largest solar panel manufacturer 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 products were delivered in December and the evaluation period commenced in January 2018. Aurora anticipates acceptance of the systems and a similar adoption curve as experienced in Korea as this super league producer moves more of their production over to bifacial cells.

The Company also announced that it received a volume order from a confidential customer in the People's Republic of China for multiple Decima™ Gemini systems and Veritas™ wafer and process mapping software. The Decima and Veritas products have been shipped and are being integrated into new high-efficiency bifacial cell production lines that are competing at the top end of the market. Aurora's products are being 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 who had previously validated the Aurora technology platform and purchased the first commercial order of four Decima™ 3T units with Veritas™ software in 2016. The new volume order for 10 Decima™ 3Ts with multiple Veritas™ Servers spans several lines and was shipped completely in the Company's second quarter.

These growing orders from leading global producers together with an order from LG Electronics shipped in early 2017 clearly demonstrates that Aurora's products are becoming a key quality measurement standard for manufacturers focused on producing the highest quality and efficiency cells possible.

REVENUE RECOGNITION, BACKLOG AND FORECAST

The Company recognizes revenue upon shipment when the title to the goods transfers to the customer. In the event that the purchase order or contract includes an acceptance milestone without a fixed completion date, the Company does not recognize the revenue until the customer has accepted the system.

With the third quarter shipments, the Company has recognized a record revenue of $1,903,020 for the nine months year to date, an increase of 238% from the revenue recognized for the nine months ended 31 December 2016. The loss from operations was ($674,983) for the nine months year to date, an improvement of 68% compared to the same period a year earlier. The Company has approximately $600,000 in backlog at the end of the third quarter.

Aurora continues to have discussions with a number of current and new customers offering significant potential for both Monocrystalline PERC and Bifacial applications representing a range of 40 to 80 systems. The Company anticipates decisions for these potential orders within the next 3 to 6 months. In addition, the Company has initiated discussions with several customers pursuing heterojunction cell technology and expects to commercialize products and solutions for these customers in the next 6 months.

FINANCING AND INVESTOR RELATIONS

The Company continues to have both its own in-house investor relations resource as well as an arrangement with Paradox Public Relations Inc. to 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. The Company presented at the Global Chinese Financial Form organized by NAI Interactive Ltd. on 30 December 2017, to raise the profile of the Company with Chinese investors. The Company also initiated a marketing program with InvestorIntel and with Media One Marketing in January 2018 to ensure investors receive regular news on the Solar Industry and Aurora's activities.

PATENTS

On 21 July 2017, the Company received notification that the Taiwan Intellectual Property Office had published the patent certificate in the Patent Gazette and issued Patent No. I592645 the patent "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.

In addition, the Company progressed its European patent application and made a number of national filings of its patent "System for measuring levels of radiation reflecting from Semiconductor material for use in measuring the dopant content thereof."

RESULTS OF OPERATIONS

The comprehensive loss attributable to the shareholders for the period ended 31 December 2017, was $674,983, which compares to a comprehensive loss of $1,132,040 during the period ended 31 December 2016. The main fluctuations in costs are as follows:

Product sales	**9 months 2017**	9 months 2016	**3 months 2017**	3 months 2016
(rounded to the nearest '000)				
	$ 1,903,000	$ 562,000	**$ 337,000**	$ 320,000
Variance increase (decrease)	**1,341,000**		**17,000**	

Refocused efforts on deepening existing sales channels has led to continued success on sales efforts. To-date, the Company has recorded more revenue in the nine months ended than all of 2016. Sales continue to arise from Europe and Asia, with a focus on the Chinese market. Revenues during the quarter ended 31 December 2017 have changed in their nature, reflecting site acceptance's from customers. Installed unites have been brought online in production environments, bringing new evidence to the Company's ability to execute on larger contracts.

Cost of sales	**9 months 2017**	9 months 2016	**3 months 2017**	3 months 2016
(rounded to the nearest '000)				
	$ 941,000	$ 422,000	**$ 125,000**	$ 217,000
Variance increase (decrease)	**519,000**		**(92,000)**	

Management has continued to monitor the cost of sales as a key performance indicator as a percentage of sales. The nine months ended realized 50% (25% - 2016) gross margin percentage which is an internal target.

Salaries and wages	**9 months 2017**	9 months 2016	**3 months 2017**	3 months 2016
(rounded to the nearest '000)				
	$ 731,000	$ 476,000	**$ 240,000**	$ 189,000
Variance increase (decrease)	**255,000**		**51,000**	

As operations have increased, the Company has proactively hired more people for administrative roles and increased salaries in the efforts of talent retention. Management has remained prudent in with respect to overall spend. Salaries and wages as a percentage of sales for the nine months ended is 38% compared with 84% in prior periods.

Management fees	**9 months 2017**	9 months 2016	**3 months 2017**	3 months 2016
(rounded to the nearest '000)				
	$ 196,000	$ 128,000	**$ 64,000**	$ 41,000
Variance increase (decrease)	**68,000**		**23,000**	

As the Company expands its operations it requires more oversight and involvement from the management.

Travel	**9 months 2017**	9 months 2016	**3 months 2017**	3 months 2016
(rounded to the nearest '000)				
	$ 112,000	$ 69,000	**$ 39,000**	$ 30,000
Variance increase (decrease)	**43,000**		**9,000**	

The Company's travel is primarily related to two core activities, promoting the Company's offerings at industry events and maintaining client relationships, frequently overseas. Management believes that these activities are complementary to the Company's core strategy and will fund them as personnel and financial resources permit.

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	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16	Mar-16
Total Revenues	337,325	1,418,176	147,519	852,228	319,688	18,849	223,810	160,765
Gain (Loss) from continuing operations	(398,959)	178,167	(454,191)	(292,335)	(439,011)	(382,502)	(310,527)	(272,172)
Gain (Loss) for the period	(398,959)	178,167	(454,191)	(292,335)	(439,011)	(382,502)	(310,527)	(272,172)
Gain (Loss) per share (Basic and diluted)	(0.01)	0.00	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	2,239,268	2,618,716	2,780,603	2,291,202	950,811	800,141	908,276	756,075
Working capital	1,797,862	2,146,810	1,960,042	1,893,539	426,668	492,015	547,494	482,973

The previous eight quarters have shown a steady increase in revenue per quarter with the highest quarter ended on 30 September 2017, when the Company had the first operating income.

Prudent management has allowed working capital to remain greater than expected outflows in each quarter.

OUTSTANDING SHARES

As at 31 December 2017, and as at the date of this report, the Company had 52,411,541 common shares issued and outstanding (31 March 2017 – 48,627,875). As at 31 December 2017, the fully diluted amount of 72,564,235 represents warrants of 15,047,694 and options of 5,105,000.

FINANCIAL POSITION AND LIQUIDITY

The Company's financial instruments consist of cash and cash equivalents, restricted cash, 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 December 2017, and 31 March 2017, 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 December 2017, was $1,797,862 compared with $1,893,539 at 31 March 2017.

Cash used in operating activities during the three months ended 31 December 2017, totalled $315,231 (31 December 2016 - $120,978).

Cash (provided by) used in investing activities during the three months ended 31 December 2017, totalled $(610,929) (31 December 2016 - $3,309).

Cash raised in financing activities during the three months ended 31 December 2017, was $54,500 (31 December 2016 - $134,500).

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 19 February 2016, the Company renewed the lease for its head office for a 12 month period, for a total contractual obligation of $34,973.

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.

On 7 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 16 June 2017, the Company closed a private placement in the amount of $545,160 with all securities having a holding period of 4 months.

On 2 November 2017, the Company converted options to shares for gross proceeds of $5,750.

On 18 December 2017, the Company converted warrants to shares for gross proceeds of $48,750.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Key management personnel include the members of the Board of Directors and executive officers of the Company.

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)]	Share-based payments	Included in Accounts Payable
CEO – management fees	**2018**	**$ 151,150**	**$ 23,273**	**2,322**
	2017	$ 107,891	$ -	30,000
COO – salaries and wages	**2018**	**$ 132,166**	**$ -**	**-**
	2017	$ 55,000	$ -	-
Clearline CPA, a company of which the CFO is a director – management fees	**2018**	**$ 45,000**	**$ -**	**15,000**
	2017	$ 45,000	$ 4,000	10,000
A company of which the CFO is a director – bookkeeping services	**2018**	**$ 29,090**	**$ -**	**6,647**
	2017	$ 22,000	$ -	6,000
Director – director fees	**2018**	**$ 10,000**	**$ -**	**-**
	2017	$ -	$ **24,000**	-
A company of which the director is the legal counsel	**2018**	**$ 28,116**	**$ -**	**2,818**
	2017	$ 31,000	$ -	3,000
Director – director fees	**2018**	**$ 10,000**	**$ -**	-
	2017	$ -	$ -	-
Director – director fees	**2018**	**$ 10,000**	**$ 19,000**	-
	2017	$ -	$ -	-

(i) For the six months ended 30 September 2017 and 30 September 2016.
(ii) Amounts disclosed were paid or accrued to the related party.

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

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Condensed Interim Consolidated Statement of Financial Position are carried at amortized cost with the exception of cash and cash equivalents and restricted cash, which are carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 31 December 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, restricted cash, amounts receivable, and accounts payable and accrued liabilities. As at 31 December 2017, the carrying value of cash and term deposits 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 impact the financial statements by $53,000. As at 31 December 2017 the Company held currency totalling the following:

Rounded (000's)			Impact		31 December 2017		31 March 2017
United States dollars	**5%**	**$**	**64,000**	**$USD**	**1,019,000**	$	343,000
Accounts receivable	**5%**	**$**	**(11,000)**	**$USD**	**177,000**	$	-
Amounts payable in United States dollars	**5%**	**$**	**-**	**$USD**	**5,000**	$	80,000

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.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this 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