

DXSTORM.COM INC.

Management Discussion and Analysis

For the Year Ended June 30, 2016

(Form 51-102F1)

This management discussion and analysis ("MD&A") has been prepared based on information available to DXStorm.com Inc. (the "Company") as at October 28, 2016. The MD&A of the operating results and financial condition of the Company for the year ended June 30, 2016, should be read in conjunction with the Company's audited consolidated financial statements, including the related notes thereto, for the years ended June 30, 2016 and 2015 which are prepared in accordance with International Financial Reporting Standards ("IFRS") for audited financial statements, and the annual MD&A for the year ended June 30, 2016. Additional information relating to the Company may be found under its profile on SEDAR at www.sedar.com.

The technical information of this MD&A has been reviewed and approved by the Company's Board of Directors.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

As the Company is a Venture Issuer (as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109.

FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below under "Risk and Uncertainties". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

OVERALL PERFORMANCE

Nature of Operations and Going Concern

DXStorm.com Inc. (the "Company") was created on June 16, 2000 as a result of the reverse takeover of West Park Resources Inc. by DXStorm Inc. and continued under the laws of Ontario on June 19, 2000 as DXStorm.com Inc. The Company is a public company for which the common shares are listed on the TSX Venture Exchange (trading symbol

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"DXX") and is located at 824 Winston Churchill Blvd, Oakville ON L6J 7X2. Its principal business is providing services relating to medical application software development, e-commerce and internet based solutions to clients in Canada and the United States of America.

These audited consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from June 30, 2016. At June 30, 2016, the Company has an accumulated deficit of \$11,460,890 (June 30, 2015 - deficit of \$11,172,996) and has working capital of \$706,009 (June 30, 2015 - \$993,401). The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient funds and continue to obtain sufficient capital from investors to meet its current and future obligations. The Company is subject to risks and challenges similar to companies in a comparable stage of software development, e-commerce services and internet based solutions. As a result of these risks, a material uncertainty exists which casts significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these audited financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

Activities

DXStorm.com Inc. has been hard at work rebuilding our product offerings for today's markets. In the "brick and mortar" space, the big box corporate behemoths such as Walmart, Home Depot, and Best Buy dominate when it comes to price. Why haven't the "little guys" all died out as well? The answer is that many of them have. The ones who remain and thrive in today's market are the ones who have learned to compete not on price, but on service. The Company has spent the last two years developing a suite of integrated and interchangeable tools to bring this same focus on service to online retailers.

This new line of boutique e-commerce solutions brings forth exciting and innovative ways not just for retailers, but for service focused entities such as Governments, Organizations, and Foundations as well.

This year marks a monumental year for the rebuilding of the Company, and we are excited to be reentering the market in these exciting and dynamic times.

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Selected Annual Information

The following table sets forth a summary of the financial results for the years ended June 30, 2016, 2015 and 2014:

Years ended June 30 (CDN \$)	2016	2015	2014
Total Revenues	704,464	739,243	838,473
(Loss) Income and Comprehensive (Loss) Income for the year	(287,894)	1,427,939	(319,689)
(Loss) Income Basic, Diluted share	(0.014)	0.069	(0.015)
Total Assets	848,544	1,184,573	606,488
Dividends Declared	Nil	Nil	Nil

Loss per share is calculated on the basis of net loss divided by the weighted average number of common shares outstanding for the year. Diluted loss per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive instruments. The weighted average number of common shares was 20,729,508.

RESULTS OF OPERATIONS

For the year ended June 30, 2016, the Company incurred a net loss of \$287,894, compared to a net income of \$1,427,939 for the year ended June 30, 2015.

The Company routinely monitors its operations and costs associated with those operations, in order to better plan and implement its activities, taking into consideration the current economic climate and industry outlook. For the year ended June 30, 2016, the Company reported total operating expenses of \$1,002,395 compared to \$1,113,346 for the year ended June 30, 2015. This included general and administrative expenses ("G&A") \$768,809 compared to \$857,605 for the year ended June 30, 2015. The following schedule describes the main components of G&A for the years ended June 30, 2016 and 2015:

Years ended June 30 (CDN \$)	2016 \$	2015 \$
Administrative	215,818	264,068
Management expenses	323,676	333,594
Rent	168,000	138,000
Selling	52,801	57,310
Foreign exchange loss (gain)	4,994	(10,960)
Amortization	3,365	3,740
Bad debts expense	155	71,853
	<u>768,809</u>	<u>857,605</u>

Overall general and administrative expenses decreased \$88,796 compared to the year ended June 30, 2015.

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FOURTH QUARTER RESULTS

For the fourth quarter ended June 30, 2016, the Company recorded net loss of \$58,413, compared to a net loss of \$197,600 for the same quarter the previous year.

Expenses incurred during the period consist of:

- Administrative \$56,592(2015 - (\$502,803)) representing insurance, repair and maintenance, utilities, audit and legal fees, professional fees, telephone and office supplies.
- Research and development (\$3,081)(2015 - (\$403)) representing programming development expenses, contractors, internet connection, software purchases, hardware purchases.
- Management expenses \$88,282(2015 - \$85,958) representing the costs for providing comprehensive suite of services.
- Bad debts expense \$3,607(2015 - \$71,863).
- Rent \$42,000(2015 - \$42,000).
- Selling expense \$11,878(2015 - \$13,832).
- Amortization of property, plant and equipment \$823(2015 - \$949).
- Foreign exchange loss \$6,674(2015 - \$18,763).

The total amounts of expenses for current period were \$206,775 compared to (\$269,841) over the same period ended last year.

SELECTED QUARTERLY INFORMATION

	Quarter Ended			
	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
Total Assets	\$848,544	\$961,301	\$1,024,718	\$1,110,184
Capital Assets	10,064	10,322	10,657	9,837
Working Capital	706,009	764,164	846,790	958,709
Shareholders' Equity	716,073	774,486	857,447	968,546
Revenue	148,362	178,815	184,890	192,397
Net (Loss)	(58,413)	(82,961)	(111,099)	(35,421)
(Loss)/share	(0.003)	(0.004)	(0.005)	(0.002)

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Quarter Ended

	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014
Total Assets	\$1,184,573	\$1,342,959	\$1,387,770	\$2,394,256
Capital Assets	10,566	11,012	10,940	11,807
Working Capital	993,401	1,190,556	1,266,750	1,362,965
Shareholders' Equity	1,003,967	1,201,568	1,277,690	1,374,772
(Loss) Revenue	(477,478)	173,832	243,698	799,191
Net (Loss) Income	(197,600)	(76,122)	(97,082)	1,798,744
Earnings (Loss)/share	(0.010)	(0.004)	(0.005)	0.087

Earnings per share vary with the volume of client-specific work and custom programming. Therefore, earnings per share will continue to fluctuate in the future.

LIQUIDITY AND RESOURCES

The Company had a working capital of \$706,009 (June 30, 2015 - \$993,401) and cash balance of \$740,593 (June 30, 2015 - \$832,428).

SHARE CAPITAL

Issued and outstanding: June 30, 2016 - 20,729,508;
Issued and outstanding: October 28, 2016 - 20,729,508;

Warrants outstanding: June 30, 2016 - NIL;
Warrants outstanding: October 28, 2016 - NIL;

Options outstanding: June 30, 2016 - NIL;
Options outstanding: October 28, 2016 - NIL.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet arrangements.

COMPENSATION

No any compensation arrangements made directly or indirectly with Directors and Officers of the Company during the period.

RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

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During the year ended June 30, 2016, the Company incurred transactions with related parties:

- a. The Company incurred the following transactions with a corporation controlled by an officer and director:

	<u>2016</u>	<u>2015</u>
Rent	\$ 120,000	\$ 90,000

- b. For another corporation controlled by an officer and director, the Company has entered into a "Comprehensive Technology Services Agreement" to provide a comprehensive suite of services. The agreement calls for a monthly fee of \$35,000 per month subject to variation based upon the actual level of monthly services rendered. Included in revenue from management services is \$339,860 earned under this agreement for the current year (2015 - \$350,274).

In the current year management expenses incurred under this agreement are \$323,676 (2015 - \$333,594).

Included in accounts receivables is an amount of \$63,454 receivable to the Company(2015 - \$83,027).

- c. An amount of \$48,000 was incurred during the year and paid to a family member of an officer and director for rent expense (2015 - \$48,000).
- d. During the year a director borrowed \$200,000 under a demand promissory note for a 6 month term with interest payable in the form of a \$10,000 lump sum. This note was extended on December 29, 2015 for a further 6 month term payable on May 13, 2016. The loan has been repaid in full on March 21, 2016.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

These audited consolidated financial statements have been prepared in accordance with IFRS using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Company operates in one segment defined as the cash generating unit ("CGU") which is North America. These financial statements were authorized for issue by the Board of Directors on October 18, 2016.

The principal accounting policies applied in the preparation of the Company's audited consolidated financial statements are set out below:

(a) Basis of measurement

The Company's audited consolidated financial statements have been prepared on a historical cost basis (except for the revaluation of financial instruments to fair value), in accordance with International Financial Reporting Standards (IFRS), as

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issued by the International Accounting Standards Board that are published at the time of preparation and are effective on June 30, 2016.

(b) Significant accounting judgments and estimates

The preparation of the audited consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future event that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the estimated fair value of non-financial assets which are included in the statement of financial position which are based on numerous assumptions may differ from actual fair values. These differences may have a material impact in the Company's financial position;
- the estimated fair value for accounts receivable that is determined by estimating the uncollectable amount which is recorded in the allowance for doubtful accounts based on the financial condition of its customers, the aging of the receivables, the current business environment and historical experience.
- the estimated useful lives and residual value of equipment which are included in the consolidated statement of financial position and the related depreciation included in profit or loss;
- the inputs used in accounting for share based payment transactions in profit or loss;

(c) Future Accounting Changes

IFRS 9 (Financial Instruments: Classification and Measurement), effective for annual Periods beginning on or after January 1, 2018, with early adoption permitted, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss.

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IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB in May 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Corporation is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, due to director, GST/HST/QST receivable/payable and deferred revenue. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, unless otherwise noted.

DIVIDEND POLICY

No dividends have been paid on any shares of the Company since the date of its incorporation, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the months presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the months presented by the consolidated financial statements.

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In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109); the Company utilizes the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of the Company will be subject in connection with the operations of the Company. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation, with a view to potential acquisition of interests in businesses and corporations on their own behalf and on behalf of other corporations and situations may arise where the directors and officers will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies under the Business Corporations Act (Ontario).

RISKS AND UNCERTAINTIES

The Company is selling and developing products and services for new and emerging markets and as a result faces a number of risks, some of which are outlined below.

Competition - it is possible that new competitors will enter the marketplace. Such competitors may be able to expand their services more quickly, adapt more swiftly to new or emerging technologies and changes in customer requirements. Accordingly, the entry of new competitors could have a material adverse effect on our business, financial conditions, and overall results of operations.

Emerging Markets and Technology - The market for the Company's products is still emerging and continued growth and demand for and acceptance of these products remains uncertain. In addition, other emerging technology and markets may impact the viability of the market for the Company's products. The Company's continued success will depend upon its ability to keep pace with technological and marketplace change

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and to introduce on a timely and cost effective basis, new and enhanced products that satisfy changing customer requirements and achieve market acceptance.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary from these statements.

FUNDING REQUIREMENTS

In order to move forward with its activities, the Company may require additional funding. There can be no guarantee that such funds will be available as and when required or, if available, be accessible on reasonable commercial terms.

The Company may issue shares in order to provide financing to existing projects, finance other projects, or provide working capital.

RELIANCE ON MANAGEMENT

The Company anticipates that it will be heavily reliant upon the experience and expertise of management with respect to the further development of digital medical software solutions and the business of providing online shopping carts. The loss of any one of their services or their inability to devote the time required to effectively manage the affairs of the Company could adversely affect the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are S&W LLP, Chartered Professional Accountants of Toronto, Ontario. The Transfer Agent and Registrar for the Common Shares of the Company is Computershare Investor Services Inc. of Vancouver, BC.

GAIN FROM SETTLEMENT

During fiscal 2007, TDL Group Corp. ("TDL") filed claim in Ontario Superior Court Against the Company and CEO Zoran Popovic, claiming some \$12 million in damages. On April 11, 2007, a counterclaim was filed in Ontario Superior Court by the Company against TDL and a consultant acting for them in the aggregate amount of \$67,670,612 for general damages, \$2,436,979 for special damages and \$1,500,000 for aggravated and punitive damages and other costs. In addition to categorically denying TDL's claims, the Company counterclaims against TDL and this consultant is also for breach of contract, international interference with contractual relations and the misappropriation of know-how and confidential information. In its Statement of Defense and Counterclaim, the Company denies TDL's claims and asserts claims against TDL for breach of a five-year TimCard agreement with the Company, under which the Company would provide a branded quick payment card to Tim Horton's locations across Canada. The Company also claims recovery of two years of expenses for installation and maintenance of a TimCard micro payment system in Tim Horton's locations in Oakville, Ontario.

On September 25, 2014 a settlement with TDL Group Corp. ("TDL") was reached and the Company received a net amount of \$1,792,005, net of \$350,000 legal expenses.

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OUTLOOK

In order to be successful in today's economy, every business needs to have an online presence. Whether exclusively selling online or running a retail shop, a presence on the web is essential to staying competitive. The pattern seen in the 80's and 90's with 'Big Box' retailers in the Brick and Mortar space is repeating itself online. 'Big Box' ecommerce sites are able to ship products to a consumer's door at low prices through efficiencies gained through automation and supply chain management. As in the brick and mortar space, the 'one size fits all', 'sell to the lowest common denominator' strategy taken by the Big Box retailers leaves room for niche marketers who have something the big boys do not, namely in-depth passion and knowledge about the products and services they offer. DXStorm is actively working towards developing products and services which allow smaller retailers access to some of the efficiencies in use by the big retailers, while simultaneously providing tools and technologies to allow them to accentuate and articulate their strengths related to knowledge and service.