

NEUTRISCI INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2017

August 25, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of NeutriSci International Inc. ("NeutriSci" or the "Company") for the six months ended June 30, 2017 and is prepared as at August 25, 2017. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended June 30, 2017 and audited financial statements for the year ended December 31, 2016 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") (the "Financial Statements"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statements of a 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 was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings 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 periods presented in this MD&A. The Board of Directors' approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward looking statements include but are not limited to statements concerning:

- The Company's outstanding indebtedness, and the Company's intentions with respect to the repayment or refinancing of that indebtedness
- The Company's success at completing future financings
- The Company's sales and marketing strategies and objectives

- The Company's cost reductions and other financial operating objectives
- The availability of qualified employees for business operations
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The positive cash flows and financial viability of its new product lines
- The Company's ability to manage growth with respect to its business
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements. The forward-looking statements contained in this document are made as of the date hereof.

OVERVIEW

NeutriSci International Inc. (the "Company" or "NeutriSci") was incorporated under the laws of the Province of Alberta on September 9, 2009 and was continued into British Columbia under the BCBCA on November 26, 2014 in conjunction with the reverse take-over of Disani Capital Corp. The Company's shares are listed on Tier 2 of the TSX Venture Exchange (the "Exchange") under the symbol "NU". The Company's head office is at 4015 - 1st Street SE, Calgary, Alberta T2G 4X7 and the Company's registered office is 2200 – 885 West Georgia Street, Vancouver BC, Canada, V6C 3E8.

NeutriSci is focused on the market development for its nutraceutical products.

NeutriSci's products utilize a unique and patented form of Pterostilbene called pTeroPure®. pTeroPure® Pterostilbene is a form of all-trans Pterostilbene that is found naturally in blueberries, and is manufactured for NeutriSci by ChromaDex Corp. ("ChromaDex") in the US. NeutriSci has recently launched neuenergy®, a new and innovative energy tab designed to deliver enhanced focus and mental clarity with no sugar, no calories and no crash associated with typical energy products. The efficacy of neuenergy® is based on a molecular combination of pTeroPure® Pterostilbene and a low dose of caffeine, called PurEnergy® (also manufactured by ChromaDex). The resulting co-crystal provides a novel, next-generation alternative to high-dose caffeine products and is the base ingredient of neuenergy®. In clinical studies, the co-crystal ingredient demonstrated a significantly more efficient cellular uptake when compared with standard caffeine alone. neuenergy® offers consumers a great-tasting, safe and very effective alternative to today's high-caffeine energy products.

The Company has a history of losses and anticipates further losses in the development of its business. As at June 30, 2017, the Company has an accumulated deficit of \$27,269,595 (December 31, 2016 - \$26,057,382). Continuing business as a going concern is dependent upon the success of the neuenergy® product in the retail storefront and online markets, the existing cash flows, and the ability of the Company to obtain additional debt or equity financing all of which are uncertain. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

DEVELOPMENTS

The Company has been focusing its efforts on developing and growing the market for neuenergy®. The Company's primary focus is on establishing and setting up distribution within Chain and Drug/Mass retailers such as Meijer; Convenience stores such as 7-Eleven, Mac's, Gateway and Winks; Grocery – Buy-Low and Save-On-Foods; as well as online distribution such as Amazon, and through the Company's own product website.

Key and strategic milestones met during the year of 2017 include:

- Secured a distribution agreement with Sobeys Inc. and Safeway Canada both of which are wholly owned subsidiaries of Empire Co. Ltd. Empire is one of the largest food retailers in Canada, with over 260 Sobeys and 183 Safeway supermarkets operating in Canada.
- Signed a distribution agreement with Gateway Newstands. neuenergy® is now available at Gateway Newstands across Canada and the United States.
- NeutriSci's common shares are now dual-listed on the TSX Venture Exchange and the Frankfurt Stock Exchange, one of the largest stock exchanges in the world. Additionally, the Company successfully commenced trading on the OTCQB Marketplace under the symbol NRXCF.
- Completed redesign of external packaging for neuenergy® based on distributor and consumer feedback. External packaging has been significantly reduced to make the product easier for retailers to display at check-outs. This redesign has resulted in a 24% reduction in packaging and manufacturing costs.
- Announced the signing of a Memorandum of Understanding to form a 50/50 Joint Venture with Lexaria Bioscience Corp. ("Lexaria") to develop and produce a line of healthy edible cannabinoid products using Lexaria's patented technology and NeutriSci's proprietary Pterostilbene tablet formula and to distribute the products through NeutriSci's international distribution network.
- The Company received the successful approval and registration of certain trademarks, specifically – neuenergy®, Powered by Blueberries, neuenergy® design, the neuenergy® logo and an Industrial Design Registration for the neuenergy® orange stick.

OUTLOOK

As the Company moves into 2017; it will continue its expansion of the neuenergy® distribution network in Canada, the USA and International markets. The Company is focused on driving sales and growing product awareness through its expanded marketing and branding initiatives; programs that have already started to demonstrate success. In addition to the mass media marketing programs the Company has already begun, NeutriSci has committed to launch an online ambassador program as well as an aggressive instore marketing strategy with key retailers both in Canada and the US to compliment the overall strategy.

The popularity of neuenergy® has started to become evident by the amount of third party groups inquiring about their desire to obtain international distribution rights for neuenergy®. These inquiries align directly with the Company's long-term strategic plan to market neuenergy® to a global audience thus increasing shareholder value and global brand awareness. The Company is currently working towards establishing distribution and licensing agreements in Southeast Asia, India and China.

In January 2017, NeutriSci and Lexaria successfully developed and completed the initial trial of the industry's first cannabinoid (CBD)/pterostilbene edible tablet, utilizing NeutriSci's and Lexaria's proprietary and patented technologies. NeutriSci's proprietary Pterostilbene tablet formula and Lexaria's technology were combined to produce the first market-ready Pterostilbene/cannabidiol rapid-melt edible product. The pretrial hypothesis focused on whether the combination of NeutriSci's patented Pterostilbene formula and Lexaria's patented CBD conjugation would prove effective in rapidity of onset, and strength of effect, while delivering improvements in

taste. Initial trial results demonstrated that the consumer experiences positive effects that occur more immediately, and last longer, while utilizing dose-controlled amounts of CBD. Based on these positive results, NeutriSci and Lexaria have formalized the JV agreement to market and commercialize a line of edible products using CBD derived from full-spectrum hemp oil, which is legal throughout the United States, along with several tetrahydrocannabinol versions, through distribution programs with both existing and new strategic partners. The new company, Ambarii Trade Corporation, is owned 50/50 with Lexaria.

SUMMARY OF QUARTERLY RESULTS¹

	2 nd Quarter Ended Jun 30, 2017	1 st Quarter Ended Mar 31, 2017	4 th Quarter Ended Dec 31, 2016	3 rd Quarter Ended Sept 30, 2016
Total revenue	\$27,983	\$34,433	\$32,154	\$40,392
Net loss and comprehensive loss	\$(523,672)	\$(688,541)	\$(816,960)	\$(600,910)
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)

	2 nd Quarter Ended Jun 30, 2016	1 st Quarter Ended Mar 31, 2016	4 th Quarter Ended Dec 31, 2015	3 rd Quarter Ended Sept 30, 2015
Total revenue	\$34,944	\$17,861	\$(2,617)	\$2,726
Net loss and comprehensive loss	\$(439,127)	\$(707,833)	\$(2,347,882)	\$(334,697)
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.05)	\$(0.01)

1 Financial information prepared using accounting policies consistent with IFRS as issued by the International Accounting Standard Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting

The Company is focusing its efforts on developing and growing the market for its newest product, neuenergy®. During the first half of 2015, the Company's primary focus was on setting up retail distributors and it continued this focus into its third and fourth quarter of 2015. The results during 2015 reflect minimal sales through distributors established during the year. During 2016, the retail distributors established in 2015 started to load in product into their retail chains. The Company's sales increased through the fourth quarter of 2016 and with additional increases anticipated for 2017.

During the three months ended December 31, 2015, on the basis that the Company was not actively marketing its BluScience™ product line, the Company recorded an impairment write-down for the BluScience™ product inventory of \$1,614,388.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2017

The following is an analysis of the Company's operating results for the three months ended June 30, 2017, and includes a comparison against the three months ended June 30, 2016.

Sales revenue, which consisted primarily of sales of the neuenergy® product line for the three months ended June 30, 2017 was \$27,983, as compared to \$34,944 for the three months ended June 30, 2016. The Company has been working to gain traction through distribution partners of its neuenergy® product, and as such, has

been working with its customers to introduce sales and promotion programs, which have had the effect of reducing sales and gross margins during the period.

Cost of sales for the three months ended June 30, 2017 was \$29,887, as compared to \$16,988 for the three months ended June 30, 2016. Costs during the period were higher due to costs associated with repackaging of the neuenergy® product.

Operating expenses for the three months ended June 30, 2017 were \$346,801, as compared to \$320,758 for the three months ended June 30, 2016. This increase in operating expenses was mainly due to higher storage and handling and advertising and promotion costs during the period. This increase is partially offset by a decrease in consulting fees.

General and administrative costs for the three months ended June 30, 2017 were \$165,565 as compared to \$149,733 for the three months ended June 30, 2016. The increase in general and administrative expenses is the result of an increase in professional fees during the period.

Finance expenses for the three months ended June 30, 2017 were \$13,125 as compared to \$90 for the three months ended June 30, 2016. The increase is due to the interest accrued on the note payable outstanding.

Comprehensive loss for the period

As a result of the activities discussed above, the Company experienced a comprehensive loss for the three months ended June 30, 2017 of \$523,672 as compared to comprehensive loss of \$439,127 for the three months ended June 30, 2016.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2017

The following is an analysis of the Company's operating results for the six months ended June 30, 2017, and includes a comparison against the six months ended June 30, 2016.

Sales revenue, which consisted primarily of sales of the neuenergy® product line for the six months ended June 30, 2017 was \$62,416, as compared to \$52,805 for the six months ended June 30, 2016. The Company has been working to gain traction through distribution partners of its neuenergy® product, and as such, has been working with its customers to introduce sales and promotion programs, which have had the effect of reducing sales and gross margins during the period.

Cost of sales for the six months ended June 30, 2017 was \$65,947, as compared to \$37,934 for the six months ended June 30, 2016. Costs during the current period were higher due to costs associated with repackaging of the neuenergy® product and the Company incurring approximately \$15,000 in one-time costs, which are not expected to recur going forward.

Operating expenses for the six months ended June 30, 2017 were \$878,675, as compared to \$932,416 for the six months ended June 30, 2016. This decrease in operating expenses mainly due to lower advertising and promotions costs and consulting fees. This decrease is partially offset by an increase in salaries and share based payments as the Company ramps up its operations in connection with expanding distribution of neuenergy®.

General and administrative costs for the six months ended June 30, 2017 were \$306,198 as compared to \$301,546 for the six months ended June 30, 2016. This increase is primarily the result of an increase in professional and filing, which was partially offset by a reduction in office and miscellaneous fees.

Finance expenses for the six months ended June 30, 2017 were \$26,446 as compared to \$9,124 for the six months ended June 30, 2016. The increase is due to the interest accrued on the note payable outstanding.

Comprehensive loss for the period

As a result of the activities discussed above, the Company experienced a comprehensive loss for the six months ended June 30, 2017 of \$1,212,213 as compared to comprehensive loss of \$1,146,960 for the six months ended June 30, 2016.

RISKS AND UNCERTAINTIES

The significant risks and uncertainties of the Company are detailed in management's discussion and analysis for the year ended December 31, 2016. There have been no material changes in the period.

LIQUIDITY AND CAPITAL RESOURCES

The Company defines capital as consisting of shareholder's equity. The Company's objectives when managing capital are to support the identification and acquisition of a new business opportunity, and thus the creation of shareholder value, as well as to ensure that the Company is able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at June 30, 2017, the Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the six months ended June 30, 2017.

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements at any point in time. The Company has historically financed its operations primarily through debt and the sale of share capital by way of private placements.

The Company has a history of losses. The future success of the Company is dependent on the success of its nutraceutical products in the market together with the ability to finance the necessary funding, at agreeable terms, to support the growth of the business. As at June 30, 2017, the Company had an accumulated deficit of \$27,269,595 (December 31, 2016 - \$26,057,382) and current assets of \$315,391, including a cash balance of \$2,075, to settle current liabilities of \$397,408.

The Company had an opening cash position of \$805,789. During the six months ended June 30, 2017, operating activities consumed cash of \$968,892. During the period, the Company repaid US\$155,904 (Cdn\$206,789) on the US\$500,000 note payable of which US\$38,192 remains outstanding. As a result of these activities, the Company experienced a net decrease in cash for the six months ended June 30, 2017 of \$803,714; leaving the Company with a June 30, 2017 cash balance of \$2,075.

The Company expects to incur further losses in the development of its business over the next twelve months and will require additional cash to support these operations. As such the Company is subject to significant liquidity risk.

Consequently, the Company will require additional financing to accomplish its long term strategic objectives. Future funding may be obtained by means of issuing share capital, the exercise of the Company's stock options, the exercise of warrants, the exercise of broker warrants, and/or debt financing.

There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. These factors raise significant doubt as to the ability of the Company to continue as a going concern.

The Company's condensed consolidated interim financial statements have been prepared in accordance with IFRS under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVES

- (a) **Authorized** Unlimited number of common shares without par value.
 Unlimited number of preferred shares without par value.

(b) **Common Share Issuances**

As of the date of this MD&A, the Company has 82,420,228 common shares issued and outstanding.

(c) **Stock Options**

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2015	2,533,446	\$ 0.46
Granted	3,175,000	0.22
Cancelled	(540,000)	0.75
Balance, December 31, 2016	5,168,446	\$ 0.28
Cancelled	(600,000)	0.20
Balance, June 30, 2017 and the date of this MD&A	4,568,446	\$ 0.29

A summary of the Company's stock options at the date of this MD&A are as follows:

Grant Date	Number of Options outstanding	Number of Options exercisable	Weighted Average Exercise Price	Expiry date
July 15, 2013	216,666	216,666	\$ 0.30	July 15, 2018
November 26, 2014	610,000	610,000	\$ 0.75	November 26, 2019
November 24, 2015	416,000	416,000	\$ 0.18	November 25, 2020

November 24, 2015	375,390	375,390	\$ 0.18	November 25, 2017
November 24, 2015	375,390	375,390	\$ 0.25	November 25, 2017
September 8, 2016	2,575,000	1,287,500	\$ 0.22	September 8, 2021
Total	4,568,446	3,280,946	\$ 0.29	

During the six months ended June 30, 2017, the Company recorded share-based payments of \$96,671 (2016 - \$38,174) as a result of stock options vesting during the period. The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	2017	2016
Risk-free interest rate	-	1.25%
Expected dividend yield	-	0%
Expected forfeiture	-	0%
Expected life	-	3 years
Expected volatility	-	100%
Fair value per option granted	-	\$0.07

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions may have a material effect on the fair value of the Company's stock options and results of operations.

(d) Warrants

The following summarizes the warrant activity:

	Number of Warrants	Weighted average exercise price
Total warrants outstanding, December 31, 2016	33,733,533	\$ 0.21
Granted	3,333,000	0.12
Total warrants outstanding, June 30, 2017	37,066,533	\$ 0.21
Expired	(2,220,000)	0.18
Exercised	(1,250,000)	0.10
Total warrants outstanding at the date of this MD&A	33,596,533	\$ 0.21

A summary of warrants outstanding at the date of this MD&A are as follows:

Number of Warrants outstanding	Weighted Average Exercise Price	Expiry date
1,722,333	\$0.25	September 30, 2017
11,874,200	\$0.25	November 25, 2017 ⁽¹⁾
1,667,000	\$0.25	September 30, 2021
15,000,000	\$0.18	May 7, 2018
3,333,000	\$0.20	November 2, 2018
33,596,533	\$0.21	

(1) Assigned a residual value of \$0.02 per warrant from a private placement unit of \$0.18.

(e) Finders' Warrants

A summary of the Company's finders' warrants activity is as follows:

	Number of Options	Weighted Average Exercise Price
Total warrants outstanding, December 31, 2016	1,442,640	\$ 0.38
Granted	233,310	0.20
Total warrants outstanding, June 30, 2017 and at the date of this MD&A	1,675,950	\$ 0.18

A summary of finders' warrants outstanding at the date of this MD&A are as follows:

Number of Warrants outstanding	Weighted Average Exercise Prices	Expiry date
596,640 ⁽¹⁾	\$0.18	November 25, 2017
846,000	\$0.18	May 18, 2018
233,310	\$0.20	November 2, 2018

⁽¹⁾ These warrants are exercisable into units. Each unit consists of one common share and one common share purchase warrant exercisable at a price of \$0.25 for a period of two years.

The fair value of the finders' warrants issued during the period ended June 30, 2017 was \$12,109 (2016 - \$Nil). The fair value is recorded as a share issue cost. The fair value of finders' warrants was estimated at the issuance date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.67%	-
Expected dividend yield	0%	-
Expected forfeiture	0%	-
Expected life	1.5 years	-
Expected volatility	122.8%	-
Fair value per finders' warrant granted	\$0.05	-

RELATED PARTY TRANSACTIONS

The Company had transactions with the following related parties:

Related party	Relationship
Anfield Sujir Kennedy Durno LLP ("ASKD LLP")	Director of the Company was formerly a partner at the law firm
Cassels Brock & Blackwell LLP	Director of the Company is a partner at the law firm
Emprise Capital Corp.	Directors and Officers in common with the Company
Lexaria Bioscience Corp.	Joint Venture partner
Ambarii Trade Corporation	Investment in associate

The Company incurred the following expenses with companies controlled by directors and officers of the Company.

Name of the related party	Nature of the Services	June 30, 2017	June 30, 2016
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Cassels Brock & Blackwell LLP	Legal	\$	7,972	\$	4,106
Emprise Capital Corp.	Management		90,000		90,000
		\$	97,972	\$	49,106

The following table comprises amounts due to related parties included within accounts payable and accrued liabilities:

	June 30, 2017	December 31, 2016
Directors of the Company	\$ 2,500	\$ 2,500
ASKD LLP	28,982	28,982
Cassels Brock & Blackwell LLP	8,302	-
Total	\$ 39,786	\$ 31,482

The following table comprises amounts due from related parties for expense advances:

	June 30, 2017	December 31, 2016
Officer/Director	\$ 36,469	\$ 33,458
Director	13,528	13,528
Related entity	4,758	-
	\$ 54,755	\$ 46,986

Key management personnel compensation:

Key management personnel include those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of the Company's executive and non-executive directors, officers and senior management.

	June 30, 2017	June 30, 2016
Salaries and benefits	\$ 81,735	\$ 81,881
Directors' fees	5,000	5,000
Share-based payments	82,361	-
	\$ 169,096	\$ 86,881

FINANCIAL INSTRUMENTS

(a) Fair Value

The fair values of cash, receivables, due from related parties, goods and services tax receivable, accounts payable and accrued liabilities, and notes payable approximate their carrying values due to their short term maturity.

(b) Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

I. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at June 30, 2017 the Company has a note payable due in the amount of US\$38,192 (Note 9 of the accompanying unaudited condensed consolidated interim financial statements). The balance is subject to foreign exchange fluctuation.

II. Interest rate risk

Interest risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in interest rates. The Company's sensitivity to interest rates is currently immaterial.

III. Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

IV. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

At June 30, 2017, the Company had current assets of \$315,391, including a cash balance of \$2,075, to settle current liabilities of \$397,408. The Company is currently subject to significant liquidity risks and remains dependant on the financial support of its debtors and shareholders. Refer to Note 1 in the financial statements for additional details.

V. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company places its cash with institutions of high credit worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances.

Receivables are due from customers. The credit risk with respect to these balances are influenced by the individual characteristics of each customer. The Company assesses the credit worthiness of each customer before standard payment and delivery terms are offered. Additionally, the Company monitors the aging accounts receivable and assesses risk of non-payment on an ongoing basis.

At June 30, 2017, the Company's goods and services tax receivable consists of amounts due from the Government of Canada. The Company believes the credit risk associated with this balance is minimal. Additionally, the Company has balances due from related parties. The Company anticipates that it will realize these balances through expenditures incurred on behalf of the Company by these related parties.

CHANGES IN ACCOUNTING POLICIES

New standards and interpretations applicable in future periods

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.
- IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

SUBSEQUENT EVENTS

Subsequent to June 30, 2017, the Company

- a) Implemented a warrant incentive program which resulted in the exercise of 1,250,000 warrants at \$0.10 for gross proceeds of \$125,000.
- b) On July 24, 2017, the Company settled \$65,000 of indebtedness through the issuance of 433,333 common shares at a price of \$0.15 per share. The common shares issued have a hold period expiring on November 24, 2017.

ADDITIONAL INFORMATION

Additional information relating to the Company is available at www.sedar.com.