

NEUTRISCI INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

August 29, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This interim 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, 2018 and is prepared as at August 29, 2018. This interim MD&A serves as an update from the Company's annual MD&A as at and for the year ended December 31, 2017. Additionally, this interim MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"), together with the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2018, which were prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting (collectively referred to as 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 CDN 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's neuenergy® product is a new and innovative energy tab designed to deliver enhanced focus and mental clarity with no sugar, no calories and no crash that is 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, 2018, the Company has an accumulated deficit of \$29,371,747 (December 2017 - \$28,179,651). Continuing business as a going concern is dependent upon the success of the neuenergy® products 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®. During the year, the Company's primary focus was 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 period ended June 30, 2018 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. During the period, the Company issued 162,936 common shares with a fair value of \$16,294 to Lexaria in satisfaction of an initial fee for the first twelve months of an intellectual property license.
- 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.
- As announced on May 30, 2018, the Company began a collaborative effort with Nutritional High for the formulation and development of a cannabinoid infused sublingual tablet.
- As a marketing initiative and in conjunction with the sponsorship of Genie Bouchard, the Company became a major sponsor for the Rogers Cup Tennis tournament held in Montreal.

OUTLOOK

As the Company completes the second quarter of 2018, it has successfully completed planned neuenergy® marketing initiatives set out late in 2017 and in early 2018. It has expanded its social media reach by adding more than five (5) new brand and product ambassadors, increased online sales, participated in a number of events which provided a product sampling opportunity to thousands of new customers, completed sponsorship and preparations for the Rogers Cup in Montreal which is a key showcasing opportunity for the Company to represent neuenergy® to potential distributors and retailers in the Quebec market place.

Through its partnerships, the Company hopes to complete formulation, development, production and begin distribution of its cannabinoid infused sublingual tablet later in 2018.

SUMMARY OF QUARTERLY RESULTS¹

	2 nd Quarter Ended June 30, 2018	1 st Quarter Ended Mar 31, 2018	4 th Quarter Ended Dec 31, 2017	3 rd Quarter Ended Sept 30, 2017
Total revenue	\$8,592	\$26,832	\$48,819	\$39,837
Net loss and comprehensive loss	\$(595,998)	\$(596,098)	\$(438,377)	\$(471,679)
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)

	2 nd Quarter Ended June 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)

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

During 2017 and the first two quarters of 2018, the Company continues to focus its efforts on developing and growing the market for its retail product, neuenergy®. During 2017, the Company added several retail distribution partners in Canada.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2018

The following is an analysis of the Company's operating results for the three months ended June 30, 2018 and includes a comparison against the three months ended June 30, 2017.

Sales revenue, which consisted primarily of sales of the neuenergy® product line for the three months ended June 30, 2018 was \$8,592, as compared to \$27,983, for the three months ended June 30, 2017. Sales revenue for the period declined as the result of product returns from a previous quarter's sales, due to an issue with packaging. Only a portion of these returns were redelivered to the customer during the period.

Cost of sales for the three months ended June 30, 2018 was \$12,266, as compared to \$29,887 for the three months ended June 30, 2017. The decrease in cost of sales is consistent with the reduction in revenue for the period, however, due to the additional shipping and repackaging costs has resulted an increase cost of sales and a negative gross margin for the period.

Operating expenses for the three months ended June 30, 2018 were \$443,917, as compared to \$346,801 for the three months ended June 30, 2017. This increase in operating expenses was mainly due to higher expenditures on advertising and promotion in tandem with increased travel and automobile expenses as the Company focuses on promoting and developing its brand.

General and administrative costs for the three months ended June 30, 2018 were \$145,169 as compared to \$165,565 for the three months ended June 30, 2017. The decrease in general and administrative expenses is primarily the result of a decrease in professional fees from the comparative period.

Finance expenses for the three months ended June 30, 2018 were \$nil as compared to \$13,125 for the three months ended June 30, 2017. During the period the Company repaid its outstanding loan.

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, 2018 of \$595,998 as compared to comprehensive loss of \$523,672 for the three months ended June 30, 2017.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2018

The following is an analysis of the Company's operating results for the six months ended June 30, 2018 and includes a comparison against the six months ended June 30, 2017.

Sales revenue, which consisted primarily of sales of the neuenergy® product line for the six months ended June 30, 2018 was \$35,424, as compared to \$62,416 for the six months ended June 30, 2017. Sales revenue for the period declined as the result of product returns, due to an issue with packaging. Only a portion of these returns were redelivered to the customer during the period.

Cost of sales for the six months ended June 30, 2018 was \$35,617, as compared to \$65,947 for the six months ended June 30, 2017. The decrease in cost of sales is consistent with the reduction in revenue for the period, however, due to the additional shipping and repackaging costs has resulted an increase cost of sales and a negative gross margin for the period.

Operating expenses for the six months ended June 30, 2018 were \$918,269, as compared to \$878,675 for the six months ended June 30, 2017. This increase in operating expenses was mainly due to higher expenditures on advertising and promotion in tandem with increased travel and automobile expenses as the Company focuses on promoting and developing its brand along with higher expenses recognized on share-based payments.

General and administrative costs for the six months ended June 30, 2018 were \$267,513 as compared to \$306,198 for the six months ended June 30, 2017. The decrease in general and administrative expenses is primarily the result of a decrease in professional fees.

Finance expenses for the six months ended June 30, 2018 were \$nil as compared to \$26,446 for the six months ended June 30, 2017. During the period the Company repaid its outstanding loan.

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, 2018 of \$1,192,096 as compared to comprehensive loss of \$1,212,213 for the six months ended June 30, 2017.

RISKS AND UNCERTAINTIES

Ongoing Need for Financing/Possible Dilution to Present and Prospective Shareholders

It is intended that the Company will continue to make investments to support business growth and may require additional funds to respond to business challenges, including the need to develop new services or enhance existing services, enhance operating infrastructure and acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If

additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Company's shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to them, when they require it, their ability to continue to support business growth and to respond to business challenges could be significantly limited.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

Lack of Trading

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price

Market prices for shares of companies on the TSX Venture Exchange are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's shares.

Lack of Dividend Policy

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

Limited operating history

The Company's business and prospects must be considered in light of the risk, expenses and difficulties frequently encountered by companies in the early stage of product development. Such risks include the unpredictable nature of the Company's business, its ability to anticipate and adapt to a dynamic market and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Company will be successful in addressing these risks.

History of losses

The Company has a history of net losses, may incur net losses in the future and may not achieve or maintain profitability. The Company may not be able to achieve or maintain profitability and may continue to incur losses in the future. In addition, it is expected that the Company will continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. If the Company is unable to attract new customers or to sell additional products to its existing customers, the Company's revenue growth will be adversely affected.

Customers

To increase the Company's revenues, it must regularly add new customers, sell additional products and / or services to existing customers and encourage existing customers to increase their minimum commitment levels. If the Company's existing and prospective customers do not perceive the Company's products to be of sufficiently high value and quality, the Company may not be able to attract new customers or increase sales to existing customers and its operating results will be adversely affected.

Business Related Regulatory Matters

The operations carried on by the Company are subject to government legislation, policies and controls. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the industry are beyond the control of the Company and could have a material adverse impact on the Company and its business.

Competition

The Company will compete in a rapidly evolving and highly competitive market. Some of the Company's potential competitors have longer operating histories, greater name recognition, access to larger customer bases and substantially greater resources, including sales and marketing, financial and other resources. As a result, these competitors may be able to:

- absorb costs associated with providing their products at a lower price;
- devote more resources to new customer acquisitions;
- respond to evolving market needs more quickly than the Company; and
- finance more research and development activities to develop better products.

In addition, many of these companies may have pre-existing relationships with the Company's current and potential customers. If the Company is not able to compete successfully against its current and future competitors, it will be difficult to acquire and retain customers, and the Company may experience limited revenue growth, reduced revenues and operating margins and loss of market share.

The Company plans to have rapid growth in future periods

If the Company fails to manage its growth effectively, it may be unable to execute its business plan, maintain high levels of service or address competitive challenges adequately. The Company plans to substantially expand its overall business, customer base, employees and operations in future periods. In addition, the Company has and will make substantial investments in its overall operations as a result of its plans for growth. The Company will need to continue to expand its business. It is anticipated that this expansion will require substantial management effort and significant additional investment. In addition, the Company will be required to continue to improve its operational, financial and management controls and its reporting procedures. As such, the Company may be unable to manage its expenses effectively in the future, which may negatively impact gross margins or cause operating expenses to increase in any particular quarter. If the Company is unable to manage its growth successfully, its business will be harmed. Failure to effectively expand the Company's sales and marketing capabilities could harm its ability to increase its customer base and achieve broader market acceptance of products. Increasing the Company's customer base and achieving broader market acceptance of its products will depend to a significant extent on its ability to expand its sales and marketing operations. It is expected that the Company will be substantially dependent on its direct sales force to obtain new customers. There is significant competition for direct sales personnel with the sales skills that the Company requires. The Company's ability to achieve significant growth in revenues in the future will depend, in large part, on its success in recruiting, training and retaining sufficient numbers of direct sales personnel. New hires require significant training and, in most cases, take a significant period of time before they achieve full productivity. The Company's hires may not become as productive as it would like, and the Company may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where it does business. The Company's business will be seriously harmed if these expansion efforts do not generate a corresponding significant increase in revenues.

Limited Scientific Research and Clinical Studies Completed Relating to the Efficacy of the Company's Products

The field of nutraceuticals is relatively new and only limited clinical studies and peer reviews exist for the Company's products and therefore any claims relating to the potential efficacy of the Company's products may be uncertain.

Reliance on Intellectual Property

The Company will require continuous improvements in order to remain competitive. There can be no assurance that the Company will be successful in its efforts in this regard. While the Company anticipates that the research and development experience to date will allow it to explore additional business opportunities, there is no guarantee that such business opportunities will be presented or realized. The commercial advantage of the Company may depend to an extent on its intellectual property, its ability to prevent others from copying its products, and its continuing access to development support. In the future, the Company may seek patents or other similar protections in respect of a particular products or process; however, there can be no assurance that any future patent applications will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Moreover, the process of seeking patent protection can itself be long and expensive. In the meantime, competitors may develop products that are similar or superior to the products of the Company or design around the patents owned by the Company, thereby adversely affecting the Company's competitive advantage in one or more of its businesses. Despite the efforts of the Company, its intellectual property rights may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps it may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement of such technologies.

Infringement of Intellectual Property

From time to time the Company may receive notices from third parties alleging that it has infringed their intellectual property rights. Responding to any such claim, regardless of its merit, may be time consuming, result in costly litigation, divert management's attention and resources and cause the Company to incur significant expenses. Any meritorious claim of intellectual property infringement against the Company may potentially result in a temporary or permanent injunction, prohibiting it from marketing or selling certain products or requiring it to pay royalties to a third party. In the event of a meritorious claim, failure of the Company to develop or license substitute technology, its business and results of operations may be materially adversely affected.

Potential Conflicts of Interest

Certain directors or officers of the Company are also directors, officers, shareholders and/or Promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the BCBCA.

Reliance on Others and Key Personnel

The success of the Company will be largely dependent upon the performance of its management and key employees, as well as the talents of its outside consultants and suppliers. The Company may not have any "key man" insurance policies, and therefore there is a risk that the death or departure of any one or more members

of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

Litigation

All industries are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Regulatory Approval of Products

In order for any new ingredient contained in a product to be marketed by the Company, to be used in conventional food or beverage products in the US, the product would either have to be approved by the FDA as a food additive pursuant to a Food Additive Petition ("FAP"), or be Generally Recognized As Safe ("GRAS"). The FDA does not have to approve a company's determination that an ingredient is GRAS. However, a company can notify the FDA of its determination. There can be no assurance that the FDA will approve any FAP for any ingredient that Company may want to commercialize or agree with the Company's determination that an ingredient is GRAS, either of which could prevent the marketing of such ingredient.

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, 2018, 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 period ended June 30, 2018.

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 related party 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, 2018, the Company had an accumulated deficit of \$29,371,747 (December 31, 2017 - \$28,179,651) and working capital of \$277,176 (December 31, 2017 - \$131,387).

The Company had an opening cash position of \$356,472. During the period ended June 30, 2018, operating activities consumed cash of \$1,190,426. Investing activities required an outflow of \$14,534 relating to the purchase of equipment. Financing activities included the repayment of \$51,130 in outstanding notes payable and interest and proceeds from the exercise of warrants of \$1,113,198. As a result of these activities, the Company experienced a net decrease in cash for the six months ended June 30, 2018 of \$142,892; leaving the Company with a June 30, 2018 cash balance of \$213,580.

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 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 (as at the date of this MD&A – 6,501,000 options with an average exercise price of \$0.24), the exercise of warrants (as at the date of this MD&A – 10,608,652 warrants with an average exercise price of \$0.17), the exercise of finders' warrants (as at the date of this MD&A – 792,766 finders' warrants having an average exercise price of \$0.16), 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 consolidated condensed 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 consolidated 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

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

(b) Common Share Issuances

For the period ended June 30, 2018:

- (i) A total of 7,060,356 warrants with exercise prices of \$0.12, \$0.15, and \$0.18 were exercised for gross proceeds of \$1,181,646, of which \$58,500 had been received as at December 31, 2017. \$9,948 relating to the fair value of finders' warrants exercised was reclassified from warrants reserve to share capital.

- (ii) On April 3, 2018, the Company issued 162,936 valued at \$16,294 to Lexaria Bioscience Corp. in satisfaction of an initial fee for the first twelve months of an Intellectual Property Licence and Supply Agreement.

(c) Stock Options

The Company has a stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Subject to a minimum exercise price of \$0.10 per share, the exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The stock options can be granted for a maximum term of 10 years, and vest as determined by the Board of Directors.

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

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2016	5,168,447	\$ 0.28
Granted	3,450,000	0.19
Cancelled	(1,438,280)	0.20
Balance, December 31, 2017	7,180,167	\$ 0.25
Cancelled	(462,500)	0.25
Balance, June 30, 2018	6,717,667	\$ 0.24
Expired	(216,667)	0.30
Balance at date of this MD&A	6,501,000	\$ 0.24

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
November 26, 2014	460,000	460,000	0.75	November 26, 2019
November 24, 2015	416,000	416,000	0.18	November 24, 2020
September 8, 2016	2,275,000	2,275,000	0.22	September 8, 2021
September 5, 2017	250,000	93,750	0.10	September 5, 2022
September 29, 2017	500,000	187,500	0.10	September 29, 2022
December 6, 2017	2,600,000	1,300,000	0.145	December 6, 2022
Total	6,501,000	4,732,250		

(d) Warrants

The following summarizes the warrant activity:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2016	33,733,533	\$ 0.21
Expired	(15,816,533)	0.24
Exercised	(1,300,000)	0.10
Issued	10,747,208	0.15
Balance, December 31, 2017	27,364,208	\$ 0.17
Expired	(9,815,200)	0.18
Exercised	(6,940,356)	0.17

Balance, June 30, 2018 and at the Date of this MD&A	10,608,652	\$ 0.18
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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
1,667,000	\$0.25	September 30, 2021
3,333,000	\$0.20	November 2, 2018
3,136,429	\$0.15	October 5, 2018
2,472,223	\$0.15	June 6, 2019
10,608,652		

(e) Finders' warrants

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2016	1,442,640	\$ 0.18
Expired	(596,640)	0.18
Granted	792,766	0.16
Balance, December 31, 2017	1,638,766	\$ 0.17
Expired	(726,000)	0.17
Exercised	(120,000)	0.18
Balance, June 30, 2018 and at the date of this MD&A	792,766	0.16

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

Number of Warrants outstanding	Weighted Average Exercise	
	Prices	Expiry date
233,310	\$0.20	November 2, 2018
213,500	\$0.12	October 5, 2018
345,956	\$0.15	June 6, 2019
792,766		

RELATED PARTY TRANSACTIONS

The Company had transactions with the following related parties:

Related party	Relationship
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

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	2018	2017
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Cassels Brock & Blackwell LLP	Legal (professional fees)	\$ -	\$ 7,972
Emprise Capital Corp.	Management	90,000	90,000
		\$ 90,000	\$ 97,972

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

	June 30, 2018	December 31, 2017
Officers of the Company	\$ 745	\$ 2,500
Due to Directors	28,984	28,984
Cassels Brock & Blackwell LLP	-	12,943
Total	\$ 29,729	\$ 44,427

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

	June 30, 2018	December 31, 2017
Director	\$ 16,948	13,325
	\$ 16,948	\$ 13,325

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, and officers.

	2018	2017
Salaries and benefits	\$ 81,795	\$ 81,735
Share-based payments	170,832	5,000
Consulting fees	-	82,361
	\$ 252,627	\$ 169,096

FINANCIAL INSTRUMENTS

(a) Fair Value

As at June 30, 2018 and December 31, 2017, the Company's financial instruments consist of cash, accounts receivable, due from related parties, tax credits receivable, accounts payable and accrued liabilities, and notes payable. Cash and receivables are classified as amortized cost. Accounts payable and accrued liabilities and notes payable are classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

(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, 2018, certain of the Company's accounts payable and accrued liabilities are denominated in US\$. The balance is subject to foreign exchange fluctuation. A 1% change in the foreign exchange rate would impact profit or loss by approximately \$1,318.

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, 2018, the Company had a cash balance of \$213,580 to settle current liabilities of \$277,719. 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 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, tax credits receivable, and due from related parties. As at June 30, 2018, accounts receivable of \$8,884 (December 31, 2017 - \$52,501) are from customers of the Company's neuenergy™ products. The customers represent a well-diversified group of individuals and small to mid-sized companies. There is moderate risk that some of these customers may fail to make payments, however each individual customer amount is not material and the Company actively monitors its monthly collections so as to mitigate the amount of a potential financial impact. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables are assessed primarily based on days past due.

The loss allowance provision as at June 30, 2018 is determined as follows:

	0 to 90 days past due	91 and more days past due	Total
Expected loss rate	2%	50%	
Gross carrying amount	\$ 5,577	\$ 34,658	\$ 40,235
Loss allowance provision	\$ 112	\$ 31,239	\$ 31,351

For the three months ended June 30, 2018, no significant changes were noted for the expected loss rates.

The loss allowance provision for trade receivables as at June 30, 2018 reconciles to the opening loss allowance provision as follows:

	June 30, 2018
Loss allowance provision	
December 31, 2017	\$ 27,822
Applied during the period	3,529
Amounts written off	-
June 30, 2018	\$ 31,351

RECENT ACCOUNTING PRONOUNCEMENTS

New Standards and interpretations adopted

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39").

The Company has adopted IFRS 9 retrospectively as of January 1, 2018. Changes in accounting policies resulting from the adoption of IFRS 9 do not have a material impact on the Company's consolidated financial statements.

Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the guidance in IAS 39, on the classification and measurement of financial assets. IFRS 9 eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- Financial assets measured at amortized cost; or
- Financial assets measured at fair value.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed on its contractual cash flow characteristics. A financial asset (unless it is a trade

receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortized cost, these assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Company's financial assets previously carried as loans and receivables are now classified as amortized cost without material impact to carrying values.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. Using the simplified approach for trade receivables, the Company will measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs. ECLs are a probability-weighted estimate of credit losses.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses on trade and other receivables are presented as bad debts expense in the statement of loss and comprehensive loss, similar to the presentation under IAS 39.

The Company has determined that the application of IFRS 9's impairment requirements as at January 1, 2018 does not result in any additional impairment allowances.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretation. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements.

The Company has adopted the modified retrospective approach which allows the cumulative impact of the adoption to be recognized in retained earnings as of January 1, 2018 and that the comparative figures will not be restated. Changes in accounting policies resulting from the adoption of IFRS 15 do not have a material impact on the Company's consolidated financial statements.

Revenue recognition

The Company's revenue is comprised of sales of its neuenergyTM product line. Revenues are recognized when the Company satisfies its performance obligation by transferring control of its product to a customer. Control is considered to be transferred at the time the customer receives the product. All transaction prices are determined through negotiations with customers based on market rates. Segment revenues by geographic region are disclosed in Note 13.

New standards and interpretations not yet adopted

The following standard, made mandatory by the IASB, has not yet been adopted by the Company and is being evaluated to determine its impact:

- IFRS 16 *Leases*: 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 *Leases* and instead introduces a single lease accounting model. The standard is effective for annual periods beginning on or after January 1, 2019.

SUBSEQUENT EVENTS

There were no material events subsequent to the period ended June 30, 2018.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

ADDITIONAL INFORMATION

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