FAMILY MEMORIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the quarter ended June 30, 2017

Date of this Report – August 29, 2017

The following discussion and analysis of financial condition, results of operations of Family Memorials Inc. (FAM) should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 and the Corporation's interim condensed consolidated financial statements for the six months ended June 30, 2017. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Forward – looking Statements

Certain information and statements contained in this document contain forward-looking statements that involve a number of known and unknown risks, uncertainties and other factors including but not limited to, population demographics, mortality rates and seasonality. These factors may cause actual results to differ from those anticipated in the companies forward looking statements.

Overview and Going Concern

The Corporation is a Canadian public company operating in the death care industry retailing monuments and memorials through its wholly owned subsidiaries and with agency and sales agreements with funeral homes. The Corporation currently operates in western Canada, and is fulfilling orders held prior to the sale of its southern Ontario subsidiaries. The Corporation trades on the TSX venture exchange under the symbol "FAM".

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes that the Corporation will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The ability of the Corporation to continue operations is dependent upon its ability to successfully realize on operational efficiencies with its on-going operations, raise new financing, address debenture debt currently in default, and increase its retail network to achieve a critical mass that will sustain positive cash flow. The outcome of these matters cannot be predicted at this time.

Overall Performance

During the quarter ended June 30, 2017, the Corporation's sales from on-going operations, had a year over year decrease by 8.3% to $3,196,820 from $3,484,986. Net loss from on-going operations decreased by 4.1% to $957,523 from $998,649. Loss per share decreased by 9.6% to $0.0235 from $0.026. During the same period, the Corporation had cash flow from operations of $53,471, which represents decrease of 92% compared to the same period last year.

On April 25, 2017, the Corporation finalized the sale of the operating assets of its subsidiaries, R.H. Verduyn Granite Co. Ltd., Barber Monuments Limited, Stratford Cemetery Memorials (1993) Limited and Stratford Memorials Limited, , for cash proceeds of $975,000. On May 16, 2017, the Corporation sold the operating assets of its Grajack Investments Ltd. for cash proceeds of $100,000. Pursuant to the written consent of the debenture holders, 85% of the sale proceeds were transferred to Computershare, the debenture trustee.

In respect to its 15% Convertible Secured Debentures (the "Debentures"), with a Maturity Date of March 31, 2017 issued pursuant to a Debenture Indenture dated July 7, 2011 entered into with Computershare Trust Company of Canada (the "Debenture Trustee"), as amended pursuant to the First Supplemental Debenture Indenture dated October 31, 2013, the Second Supplemental Debenture Indenture dated June 10, 2016 and the Third Supplemental Debenture Indenture dated December 14, 2016 (collectively called the "Debenture Indenture"), the Corporation was not able to repay the Dentures as of the maturity date and is currently in default.

The Debentures are secured by all of the assets of the Corporation and its subsidiaries. Due to lack of sufficient funds, the Corporation failed to deposit with the Debenture Trustee such sums of money required for payment of the principal amount of the Debentures and accrued interest, and accordingly the principal and interest was not paid on the Maturity Date, as required under the Debenture Indenture. The amount of the funds required to be deposited by the Corporation with the Debenture Trustee to fully pay the principal and accrued interest of the Debentures on the Maturity Date was $5,864,577. In late March, 2017, as the Corporation was taking steps to raise the funds referred to above, the Corporation became aware that it would not have the full amount of the funds to deposit with the Debenture Trustee. On April 26, 2017 and May 16, 2017 the Corporation deposited the amount of $820,534 and $77,509, respectively, with the Debenture Trustee, which funds represented 85% of the proceeds from the sale of the operating assets of some of the Corporation's subsidiaries. From the date of maturity forward, the debentures are accruing interest at 15%. The Corporation is currently negotiating the terms of a secured loan to be obtained for the purpose of settling payment of the Debentures and once the terms of the loan have been finalized, a further press release will be issued.

In the case of non-repayment of the Debenture, the Debenture holders holding at least 25% of the principal amount of the Debentures can request the Debenture Trustee to declare the principal amount and accrued interest and all other monies outstanding to be due and payable and, subject to being funded and indemnified to its reasonable satisfaction, the Debenture Trustee shall take proceedings to collect the outstanding amount, including by sale of the assets of the Corporation and its subsidiaries.

<u>Selected Annual Information</u>

	2016	2015	2014
	$	$	$
Sales	**11,241,657**	11,939,389	12,694,668
Gross profit	**4,923,584**	5,484,914	5,641,539
Gross margin %	**43.79%**	45.94%	44.44%
Expenses	**6,125,227**	6,818,654	7,415,156
Loss from operations for the year	**(1,201,643)**	(1,333,740)	(1,773,620)
Interest income	**4,337**	7,801	1,536
Impairment charge	**(761,000)**	(498,000)	(280,000)
Loss for the year before taxes	**(2,011,106)**	(1,875,319)	(2,018,778)
Income taxes	**-**	-	-
Deferred income tax recovery	**-**	-	685,908
Total comprehensive loss	**(2,011,106)**	(1,875,319)	(1,332,870)
Basic loss per share	**(0.043)**	(0.046)	(0.033)
Diluted earnings per share*	**-**	-	-
Total assets	**7,350,494**	8,689,045	9,552,857
Long Term liabilities	**434,209**	440,891	5,469,885
Cash Dividends paid	**Nil**	Nil	Nil

*Diluted per share figures are not presented as the effect on loss per share would be anti-dilutive

Year over year changes in sales can be attributed mainly to temporary closure of sales location in Edmonton, during which time sales staff operated out of a trailer at construction site. The new facilities were opened in February 2017 and the company aggressively pursues sales opportunities that were lost during the 16 month re-construction period. Management continues to seek specialized projects to enhance sales from regular channels. Management also continues to look for ways to manage expenses without compromising service to its customers at their time of need.

Discussion of Operations

Operating results from on-going operations, for the first half of 2017 are summarized below on a comparative basis, followed by the quarterly results for the past seven quarters. It is important to recognize that the Corporation's revenue recognition policy (Note 3(j) in the Corporation's 2016 consolidated financial statements) preclude the recognition of sales revenue until the requirements of the contract have been substantially completed or the monument has been installed in the cemetery.

	six months ended June 30		Variance	%
	2017	2016		Change
Sales from on-going operations	**$ 3,196,820**	$ 3,484,986	$ (288,166)	(8.2)
Cost of Sales	**$ 1,639,076**	$ 1,844,219	$ (208,143)	11.3
Gross Profit	**$ 1,557,542**	$ 1,640,767	$ (83,225)	(5.07)
Gross Margin %	**48.7%**	47.0%	1.7%	3.6
Expenses	**$ 2,515,065**	$ 2,639,416	$ (124,351)	(4.7)
Net loss from operations	**$ (957,523)**	$ (998,649)	$ 41,126	4.1
Basic loss per share	**$ (0.0235)**	$ (0.026)	$ -	-

Variance in sales is attributed to decrease sales from Edmonton location during the construction of new facilities. Cost of sales and gross profit are affected by increased raw materials due to fluctuation of the Canadian dollar as well as increased freight costs. Expense reductions resulted from changes in financing costs as debenture interest rate increased, offset by decreases in advertising and employee costs.

	Six months ended June 30		**Variance**	**% change**
	2017	2016		
Sales, from discontinued operations	**$ 553,293**	725,929	**$ (172,636)**	40.4
Cost of sales	**371,886**	442,312	**(70,426)**	15.9
Gross profit	**$ 181,407**	283,617	**$ (102,210)**	36.0
Expenses	**285,008**	180,908	**(104,100)**	57.5
Profit (Loss) from discontinued operations	**$ (261,320)**	102,709	**$ (261,320)**	
Loss per share- discontinued operations	**0.0050**	0.0024	**0.0050**	

During Q2, 2017 certain operating assets of eastern subsidiaries were sold. The Corporation continues to fulfill sales up to the date of the sale of the subsidiaries and reports as discontinued operations.

Sales

Sales from on-going operations for Q2 2017 was **$3,119,581** which is **$264,895 or 7.8%** less than the **$3,384,476** reported in Q2 2016. Variance is mainly due to lower sales at Edmonton location during re-construction of building store is located in as well as decrease in special contracts year over year.

Gross Profit

Gross profit from on-going operations, for Q2 2017 was **$1,525,379** which is **$79,305 or 4.9%** less than the **$1,604,684** reported in Q2 2017. When expressed as a percentage of sales the gross margin for the quarter increased from **47.4%** to **48.8%** or **1.4%**. This change is attributed to timing of repairs and maintenance cost of production equipment between 2016 and 2017 as well as increased freight costs in 2017.

Expenses

Q2 expenses from on-going operations, decreased from **$1,315,186 to $1,298,624** a decrease of **$16,562** or **1.3%.** This cost decrease is due to lower financing and employee costs in 2017 offset by increased occupancy costs.

a) Administration – Expenses decreased from **$177,709** in 2016 to **$121,141** in 2017, a **decrease of $56,568.** This decrease is due to costs associated with debentures that were incurred in 2016 to seek debenture holder approval for changes to the debenture. Similar costs were not incurred in 2017.
b) Advertising & Promotion – Expenses decreased from **$27,610** in 2016 to **$18,704** in 2017**,** a **decrease of $8,906**. This decrease is a result of changes in advertising focus in 2017.
c) Employee costs – Expenses decreased from **$559,337** in 2016 to **$534,411** in 2017 a **decrease of $24,926.** This decrease is a result of changes in staffing.
d) In 2016, **$205,434** was recorded as financing costs as compared to **$225,565** in 2017, an **increase of $20,131**. This was a result of changes in debentures.
e) Occupancy costs – Expenses for 2016 were **$154,051** as compared to **$222,944** for 2017, an **increase of $68,893**. This can be attributed to occupancy of rebuilt store in Edmonton as well as rent increases at other locations.
f) Professional fees – Expenditures for professional fees decreased from **$106,423** in 2016 to **$88,620** in 2017 a **decrease of $17,803.** This decrease is due to fees associated with debenture holder approval incurred in 2016, but no similar fees in 2017.
g) Other – amortization expenses increased from **$84,622** in 2016 to **$87,239** in 2017, **an increase of $2,617.**

Net Income

The Corporation reported net income from on-going operations of **$226,758** for Q2 2017 compared to **$289,499** in Q2 2016, and net loss from discontinued operations of $67,554). The decrease in net income is due to the reduced sales and gross profit, offset slightly by reduction in operating expenses.

Profit from Discontinued Operations

During Q2, 2017, certain operating assets of subsidiaries in Ontario were sold. These operations provided net income in Q2, 2016 of $102,709 as compared to $90,165 in Q2, 2017. The decrease in net income is due to the winding up of operations. The Corporation continues to complete customer sales that were on hand prior to the asset sales.

Other Intangibles

The intangible assets represent the Corporation's investment in imonument, a web based application that provides provide funeral homes with access to customized software that will enable them to become full service providers and retail monuments directly to their customers. Due to the innovative functionality of the software, the project qualified for two development grants. As of June 30, 2017 the Corporation recorded a net development cost of **$223,450**. However, the value of imonument has been adjusted due to the asset sale of it's eastern subsidiaries.

During 2014 a detailed analysis of intangible assets acquired with the purchase of Remco Memorials established a customer relationship valued at $1,496,000 and a brand value of $593,821. The customer relationship intangible is being amortized over a ten year period, using the straight-line method. As at June 30, 2017 the net intangible assets related to the Remco Memorials acquisition is $**1,541,278**.

Summary of Operating Results

	2017	2017	2016	2016	**2016**	2016	2015	2015
	Q2	Q1	Q4	Q3	**Q2**	Q1	Q4	Q3
					***restated**			
Sales	**3,119,581**	111,773	2,494,037	4,498,086	**3,384,476**	139,128	2,677,453	4,932,765
Gross Profit	**1,594,202**	33,166	794,996	2,190,112	**1,779,792**	50,174	968,252	2,434,336
Gross Margin %	**48.8**	29.7	31.8	48.7	**48.7**	36.1	36.1	49.4
Gain (Loss) from operations	**226,755**	(1,378,045)	(862,989)	745,454	**289,499**	(1,476,313)	(708,181)	828,396
Other income	**3**	230	2,208	303	**1**	1,208	7,608	60
Income (loss) from discontinued operations*	**(67,554)**	-	-	-	**102,709**	-	-	-
Goodwill impairment	-	-	(761,000)	-	-	-	(498,000)	-
Gain (Loss) on sale of property, plant & equipment	-	-	(52,800)	-	-	-	(70,380)	-
Comprehensive Income (Loss)	**316,923**	(1,377,815)	(1,674,581)	745,757	**392,208**	(1,475,105)	(1,268,953)	828,456
Earnings (loss) per share	**0.0031**	(0.0266)	(0.032)	0.014	**0.0091**	(0.0367)	(0.038)	0.021
Diluted earnings per share	-	-	-	-	-	-	-	-

- * During Q2, 2017 certain assets of eastern subsidiaries were sold for gross proceeds of $1,075,000. The operating results have been restated to show results from on-going operations in comparative quarters.

Historically, the Corporation's operations have experienced certain seasonal patterns. Generally, net sales have been highest in the second or third quarter and lowest in the first quarter of each year due primarily to weather. Cemeteries generally do not accept memorials during winter months when the ground is frozen because they cannot be properly set under those conditions.

Fluctuation in sales and revenue in the past four quarters can be attributed to the renovation of showroom in Edmonton. During this time, sales location was a trailer located on property near the construction site, which negatively impacted sales. Additionally, discounts were offered to customers at this location.
Variation in sales from one quarter to the next also results due to timing of sales in the final month of the quarter. Generally the sales cycle from date of sales order to installation and sales recognition is 6-8 weeks.

Liquidity and Capital Resources

During the quarter ended June 30, 2017, the Corporation generated cash flow of $53,471 from its operations. The Corporation has not reached the critical mass necessary to fund acquisitions through operations and its growth is contingent on organic growth.

As at June 30, 2017, the Corporation had a working capital deficiency of $9,756,576, comprised of current assets of $3,963,609 and current liabilities of $13,720,185. The Corporation is unlikely to generate sufficient capital in the short term to satisfy its short term obligations and will need to raise additional capital to maintain its capacity and to fund development activities. The Corporation is currently negotiating the terms of a secured loan to be obtained for the purpose of settling payment of the Debentures. The Corporation is in direct contact with debenture trustee holding providing updates on a regular basis. In the event that acceptable financing is not obtained, the Corporation will continue to liquidate assets.

The breakdown of working capital components is as follows:

Comparable working capital components

		Jun 30, 2017		Dec 31, 2016		Increase/(decrease) in working capital
Cash	$	**153,817**	$	194,495	$	(40,678)
Cash not available for use	$	**22,107**	$	23,988	$	(1,881)
Funds held with debenture Trustee	$	**898,043**	$	-	$	898,043
Trade and other receivables	$	**375,546**	$	369,182	$	6,364
Inventory	$	**1,709,427**	$	2,122,696	$	(413,269)
Income taxes receivable	$	**15,798**	$	15,643	$	155
Prepaid expenses	$	**341,085**	$	287,351	$	53,734
Assets held in discontinued operations	$	**447,786**	$	-	$	447,786
Trade and other payables	$	**(4,302,725)**	$	(4,763,029)	$	460,304
Customer deposits	$	**(2,650,941)**	$	(1,994,603)	$	(656,338)
Deferred revenue	$	**(118,315)**	$	(118,315)	$	-
Current portion capital lease	$	**(16,076)**	$	(19,136)	$	3,060
Current portion of debenture	$	**(5,242,000)**	$	(5,242,000)	$	-
Debenture interest payable	$	**(804,307)**	$	(384,861)	$	(419,446)
Liabilities held in discontinued operations	$	**(585,821)**	$	-	$	(585,821)
	$	**(9,756,576)**	$	(9,508,589)	$	(247,987)

Cash and cash equivalents

As at June 30, 2017 the Corporation's cash and cash equivalents totaled **$153,817** compared to $194,495 at December 31, 2016.

The Corporation's cash position increased during the quarter by **$11,895** as disclosed on the Corporation's consolidated statement of cash flows for the quarter ended June 30, 2017 as follows:

Cash flows generated in operating activities	$	159,204
Items not requiring an outlay of cash	$	629,727
Changes in non-cash working capital	$	576,256
Cash provided by operating activities	$	53,471
Cash flows from financing activities (net)	$	(563)
Cash flows used by investing activities	$	(41,013)
Increase in cash during period	$	11,895
Cash and cash equivalents, beginning of quarter	$	153,762
Cash and cash equivalents, end of the quarter	$	165,657

Trade and other receivables

Trade and other receivables		**Jun 30/17**		Dec 31/16
Current	**$**	**199,749**	$	78,925
31-60 days		**111,074**		77,789
61-90 days		**14,115**		28,726
91-120 days		**0**		26,378
Over 120		**50,608**		157,364
Total	**$**	**375,546**	$	369,182

Due to the personal and emotional nature of a monument purchase, receivables are generally collectible and are only recorded as a bad debt, or written off once all attempts have been made to collect the account. Historically, accounts are paid due to the emotional aspect of the purchase of a monument for a loved one, and few accounts are written off as bad debts.

Trade and other payables

Funds generated from operations are used to settle accounts payable. Reported on the balance sheet, with Trade and other payables, is $2,600,000 advanced from a related party of the Corporation in the period from 2013 to 2016. This amount has no repayment terms or interest charges associated with the advance. As the company's cash position increases, this debt will be repaid.

Customer deposits

Customer deposits are advances from customers received at the time an order is placed. As orders are installed and sales revenue recognized, the customer deposit liability no longer exists. At Q2, 2017 customer deposits are $2,650,941 (Dec 31, 2016-$1,994,603).

Debentures

Due to a lack of sufficient funding, the Corporation has defaulted on the interest and principal payment on its debentures, which was due March 31, 2017.

To address this risk, the Corporation is currently negotiating the terms of a secured loan to be obtained for the purpose of settling payment of the Debentures. In the event that acceptable financing is not obtained, the Corporation will continue to liquidate assets.

In the case of non-repayment of the Debenture, the Debenture holders holding at least 25% of the principal amount of the Debentures can request the Debenture Trustee to declare the principal amount and accrued interest and all other monies outstanding to be due and payable and, subject to being funded and indemnified to its reasonable satisfaction, the Debenture Trustee shall take proceedings to collect the outstanding amount, including by sale of the assets of the Corporation and its subsidiaries.

Contractual Obligations and Indebtedness

The Corporation's consolidated contractual obligations relate to long-term-debt and lease payments as summarized below:

June 30, 2017	**In Default**	**Due within 1 year $**	**Due between 1 year and 5 years $**	**Due after 5 years $**
Operating leases	-	576,325	1,244,084	-
Capital leases	-	16,076	-	-
Debentures	5,242,000	-	-	-
Debenture interest	804,307	-	-	-
	6,046,307	592,401	1,244,084	-

The Corporation had no other indebtedness or off-balance sheet obligations as at June 30, 2017. Options to renew property leases beyond current expiration dates are not included in above table.

Capital disclosures

Financial assets and financial liabilities are recognized on the Consolidated Statement of Financial Position when the Corporation becomes a party to the contractual provisions of a financial instrument. All financial instruments are required to be measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added or deducted from the fair value of the financial assets or liabilities, as appropriate on initial recognition.

Management of capital

The Corporation's objectives when managing capital are:

- To safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders.
- To maintain flexibility in capital structure to ensure the ongoing ability to execute the Strategic Plan.

Capital components

As the following schedule depicts, presently 52.5% of the capital is derived from shareholder value and 47.5% from debt.

Capital components		**June 30, 2017**	% of total		Dec 31,2016	% of total
Debentures	$	**5,242,000**	44.81	$	5,242,000	48,96
Equity component debenture	$	**317,523**	2.71	$	317,523	2.69
Share capital	$	**5,208,159**	44.52	$	5,208,159	40.39
Contributed surplus	$	**930,556**	7.96	$	930,556	7.96
Net capital under management	$	**11,698,238**	100.00	$	11,698,238	100.00

Transactions with Related Parties

An Officer of the Corporation advanced $2,600,000 to the Corporation of which $50,000 has been repaid. The advance is recorded in trade and other payables; there are no repayment terms or interest charges associated with the advance.

Included in salaries and benefits expense is remuneration of the key management personnel of the Corporation, which includes directors and officers of the Corporation. For the quarter ended June 30, 2017 remuneration of $65,307 (2016 – $62,500) consisted of salaries and cash-based compensation.

Deferred Income Tax Assets

Income taxes recoverable are not recorded in the Corporation's consolidated financial statements as there is no current indication that they may be utilized to reduce future income tax. The Corporation's income tax losses carried forward to December 31, 2016 total $10,694,747. These income tax losses can be used to offset future income tax liabilities as disclosed in Note 15 to the Corporation's consolidated financial statements for the year ended December 31, 2016.

Future outlook

Management remains confident that the strategy of growth through the integration of acquisitions continue to be the means of increasing shareholder value and profitability of the corporation. Additionally, the repayment of debt by selling assets, and lowering financing costs is a priority. In Q2, 2017 , the Company sold certain operating assets of R.H. Verduyn, Barber and Stratford (comprised of display inventories, property, plant and equipment, and goodwill) for gross proceeds of $975,000, as well as, certain assets of Grajack Industries Ltd. (Lons Memorials) sold for gross proceeds of $100,000.

The Corporation continues to explore acquisition opportunities and perform its due diligence. Several properties have been reviewed that meet the selection criteria as evidenced by the purchase of Remco Memorials Ltd. on October 31, 2013. The acquisition of Remco

Memorials the largest monument retailer in western Canada is in keeping with our vision to be the largest monument retailer in Canada.

The risks associated with these potential acquisitions are the same as those listed with past acquisitions plus the additional risk associated with the requirement for the Corporation to raise the necessary capital to fund future acquisitions.

Changes in Accounting Policies

International Financial Reporting Standards – IFRS

These financial statements have been prepared in accordance with IFRS.

New standards, amendments and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2018 or later years and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Corporation except for the following:

IFRS 9, Financial Instruments

IFRS 9, ‘Financial Instruments’ is part of the IASB's wider project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost and fair value through profit and loss or fair value through OCI. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were not changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. The standard is effective for annual periods beginning on or after January 1, 2018. The Corporation is in the process of evaluating the impact of the new standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 will replace all of the revenue guidance that previously existed in IFRS. It is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The principle of revenue recognition has moved from a transfer of risks and rewards to the transfer of control of the goods or services to the customer. IFRS 15 focuses on the transfer of control. Risks and rewards may be an indicator of when control transfers, however it will no longer be the primary basis for revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018. The Corporation is in the process of evaluating the impact of the new standard.

IFRS 16, Leases

IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Under IFRS 16, leases are recorded on the balance sheet by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognized lease assets and financial liabilities.

There are some exemptions. IFRS 16 contains options which do not require a lessee to recognize assets and liabilities for a) short term leases (i.e. leases of 12 months or less, including the effect of any extension options) and b) leases of low-value assets (for example, a lease of a personal computer).

IFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components. IFRS 16 applies to annual periods commencing on or after January 1, 2019. The Corporation is in the process of evaluating the impact of the new standard.

Financial Instruments

The Corporation's financial instruments are comprised of cash and cash equivalents, trade and other receivables, trade and other payables, loan payable and customer deposits. Due to their short term nature or capacity of prompt liquidation, the carrying amounts of these financial instruments approximate their fair market value.

Other Matters

Legal

There are no legal matters outstanding as of the date of this management discussion and analysis.

Share Capital

As at June 30, 2017 the Corporation had issued 51,728,865 common shares. There were no outstanding stock options issued to directors, officers, management consultants and employees.

Cautionary Statements

This management's discussion and analysis is prepared as of August 29, 2017 and should be read in conjunction with the audited consolidated financial statements of the Corporation as at and for the year ended December 31, 2016 and the interim condensed consolidated statements for the quarter ended June 30, 2017, both of which have been approved by the Audit Committee and the Board of Directors.

Readers should be aware that historical results are not necessarily indicative of future performance. As well, this analysis and discussion contains forward-looking statements that reflect the Corporation's current expectations as well as projections about its future operations. These future expectations and projections are subject to substantial risks, uncertainties and other factors including, but not limited to: availability of financing, ability to identify and acquire profitable new locations, and ability to attract knowledgeable and capable location managers and staff. Readers are cautioned that actual performance may differ materially from estimated performance based upon the forward-looking statements. Readers are cautioned that forward-looking statements speak only as of the date of this management discussion and analysis. The Corporation has no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional information relevant to the Corporation's activities can be found on SEDAR at on SEDAR at www.sedar.com.