AURORA SOLAR TECHNOLOGIES INC.

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

FOR THE THREE MONTHS PERIOD ENDED 30 JUNE 2017

Stated in Canadian Funds

DATE: 24 AUGUST 2017

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AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

FOR THE THREE MONTHS ENDED 30 JUNE 2017

MANAGEMENT DISCUSSION AND ANALYSIS

TO OUR SHAREHOLDERS

The following information, should be read in conjunction with the consolidated financial statements of Aurora Solar Technologies Inc. ("the Company", or "Aurora") for the three months ended 30 June 2017 and the related notes attached thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information about the Company, including the audited consolidated financial statements, and the notes thereto, for the year ended 31 March 2017, prepared in accordance with IFRS, can be found on SEDAR at www.sedar.com.

Discussion of the Company, its operations and associated risks are further described in the Company's filings, available for viewing at www.sedar.com. A copy of this Management Discussion and Analysis ("MD&A") will be provided to any applicant upon request.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may be deemed to be "forward-looking statements". All statements in this discussion other than statements of historical facts, that address future events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, regulatory approvals, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of the MD&A. Such information: involves significant risks and uncertainties; should not be read as guarantees of future performance or results; and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the risks related to; general economic and business conditions and competition for, among other things, capital.

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
Future funding for ongoing operations	The Company will be able to raise these funds	The Company has disclosed that this may be difficult and failure to raise these funds will materially impact the Company's ability to continue as a going concern
Favourable economic conditions	The economy in Canada, the United States, Europe, and Asia will move in a direction that will support the worldwide PV solar market	The economic conditions move in a negative direction causing changes to the landscape affecting future pricing and inventory

GENERAL

Aurora Solar Technologies Inc. ("Aurora" or the "Company"), a company incorporated on 14 May 2009 under the Canada Business Corporations Act and extra-provincially in British Columbia on 24 May 2011, develops, manufactures and markets Production Measurement and Control systems ("PMC™") to the solar wafer, cell and panel manufacturing industry. Headquartered in North Vancouver, Canada, and founded by experienced leaders in process measurement, semiconductor manufacturing and industrial automation. Aurora's inline, real-time measurement and control products provide photovoltaic cell manufacturers with the means to lower production costs and increase profitability. Aurora has developed an in-line metrology device and associated controller for direct use in PV manufacturing lines to measure and improve the efficiency and quality of the cells. Aurora is directly marketing its products to manufactures.

The address of the Company's corporate and administrative office and principal place of business is #223 – 930 West 1st Street, North Vancouver, BC, V7P 3N4.

Manufacturers of solar products experience significant variations in product quality that result in the downgrading of 25-50% of their production which significantly reduces their profitability. Aurora's mission is to produce measurement and control solutions which allow solar cell producers to improve manufacturing yield, lower costs, decrease waste and attain higher margins. By measuring the cell after the diffusion furnace and reducing variability by controlling the furnace, significant improvements in final cell efficiency are possible.

With its Decima™ and Veritas™ product lines, Aurora provides solar cell manufacturers with the most accurate and repeatable products to characterize and control the emitter formation process. This is the most important process step in determining solar cell efficiency. Aurora's objective is to markedly reduce the costly and excessively wide spread of final product quality classes that are common in the solar cell manufacturing industry.

Aurora's initial customers are Crystalline Silicon (c-Si) photovoltaic cell manufacturers. Aurora markets and sells directly to these customers located in North America, Europe and Asia. Aurora's products integrate in-line measurement, process control and production flow management. Aurora is not aware of any other companies selling such a coordinated set of products designed to work together for in-line measurement and real-time control of each stage of the cell manufacturing process.

HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS

OVERVIEW

With recent volume purchases from both LG Electronic as well as the largest producer of solar cells in the world, Aurora's Decima and Veritas products are building significant market momentum and traction. The top-tier manufacturers using our products have built their reputations on delivering high-efficiency products with superior quality, and Aurora's products are now an integral part of their operations. They use the Decima and Veritas systems to rapidly bring new production capacity to full capacity and to quickly and accurately identify production variations that can significantly impact the electrical properties of the wafers long before they become finished solar cells. By reducing such variation and avoiding the production of low power cells, manufacturers avoid producing lower power modules that they sell at reduced margins and avoid the costs of managing excessive module power ratings, inventory and warranty provisions as well as saving downstream materials/labour costs (silver electrode paste, antireflective coating, etc.).

GROWTH STRATEGY

Aurora recently completed an independent validation by a confidential customer in Asia who measured the value of Aurora's Decima hardware and Veritas software on one operating line over a full calendar year. The results indicate a significant improvement in average cell power by correcting poor furnace operation and bringing new production equipment on line faster resulting in a payback of their investment in Aurora's solutions in a matter of months.

These economic results have led to significant orders from industry leaders such as LG Electronics who are implementing higher value cell structures such as Monocrystalline PERC and bifacial cells which are more complicated to manufacture and require measurement on both sides using Aurora's unique, patented infrared technology.

Bifacial cells generate 8 to 25 percent more power than traditional one-sided cells by using both direct and reflected light incident on both their upper and lower surfaces. The industry predicts significant growth in the production of bifacial cells over the next 10 years with global production increasing to 30-40% by 2027 (ITRPV 2017). Because of certain material properties inherent to bifacial cell designs, **Aurora's patented Decima infrared measurement technology is the only non-destructive method capable of characterizing and monitoring the bifacial production process.** When combined with the Veritas visualization software, Aurora's systems provide process engineers and operators with real-time data that can help shorten the start-up time for new bifacial lines and maximize ongoing yield and throughput.

Monocrystalline PERC cells combine the efficiency advantages of single-crystal silicon wafers with a rear-side chemical coating that reduces "surface recombination" – an unwanted effect that impairs the power-generating capability of the cell. Because monocrystalline wafers are expensive and supply-constrained, manufacturers of PERC cells are motivated to ensure that their production processes have minimal variation and low-efficiency cells are not produced. Each cell must perform well and sell at a price commensurate with the higher material costs. **Aurora's products are the most accurate and repeatable tools used to optimize and maintain PERC production equipment performance.**

ASIAN FOCUS

With the significant reduction of solar energy prices and the challenges of fossil fuel pollution facing countries like China and India, a transition to renewable energy sources is a strategic focus of these governments. In 2016, the global production of solar modules was approximately 77 gigawatts and Solar Media Ltd., is predicting the demand will continue to grow to 95 gigawatts in 2017 and over 110 gigawatts in 2018, with 35% of this supply being monocrystalline PERC by 2018. Approximately 85 percent of this production is in Asia with China driving almost half of the global demand for solar modules.

Over the past year, Aurora has significantly ramped up its Asian presence. The Company has established a dynamic agent network, added a Director of Sales and an office in Beijing, and has built a superior application engineering team to drive adoption of Aurora's technology with quality-conscious manufacturers. In April, the Company demonstrated its technology to several of the top Asian solar cell manufacturers at the International Photovoltaic Power Generation Conference and Exhibition in Shanghai, China and the Company is actively pursuing a number of sales opportunities as a result of these demonstrations.

QUALITY CONTROL SYSTEM DEVELOPMENT

A key element of Aurora's business strategy is to provide its customers with end-to-end quality control using its unique in-line measurement products. Aurora has initiated development and testing of an enhanced Veritas Quality Control System with a key customer in Asia. This system will provide significantly more power to reveal and control production variations, thereby enhancing the payback on Aurora's systems and will broaden the Company's product portfolio. The first system is expected to be completed in the fall of 2017 and the Company has initiated activity with a second major player in the industry. This product, when launched later this year, is expected to provide higher value hardware and software revenue along with the opportunity to sign longer term service agreements, supporting customers to measure and control the solar cell quality in real time from the beginning to the end of the process.

GROWING ORDER MOMENTUM

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

The Company also announced on 28 June, 2017 that it has reached an agreement with the world's largest solar panel manufacturer to examine capabilities and applications for the use of Aurora's Decima™ Gemini measurement system and Veritas™ process visualization system for their bifacial cell technology.

During the project, Aurora's Decima and Veritas products will be installed at this manufacturer's bifacial production facility and various aspects of production line ramp-up, monitoring and control will be investigated by Aurora and the manufacturer's R&D and production personnel. Aurora's infrared-based measurement technology and process visualization software will provide the manufacturer with real-time data needed to identify and solve problems with process variability. The project is expected to commence in September 2017.

The Company also announced that is received a volume order from a confidential customer in the People's Republic of China for multiple Decima™ Gemini systems and Veritas™ wafer and process mapping software. The Decima and Veritas products will be integrated into new high-efficiency bifacial cell production lines, and the output from these lines will compete at the top end of the market. Aurora's products will be used to facilitate their line ramp-up and ongoing production with the highest possible yield. Aurora was awarded this order because of the capability of our products to deliver real-time and accurate high-resolution measurements spanning the full front and rear surfaces of the cells.

On 17 April 2017, the Company announced that it received a volume order from an industry leader in Asia. This customer previously qualified Aurora's products in October 2013 and bought four Decima 3Ts with Veritas Software in 2016. The order for 10 Decima 3Ts with multiple Veritas Servers spans several lines and is expected to ship in June and July, 2017.

This order together with the order from LG Electronics clearly demonstrates that Aurora's products are essential for manufacturers focused on producing the highest quality and efficiency cells possible.

ORDER BACKLOG, REVENUE RECOGNITION AND FORECAST

With the orders booked this fiscal year , the Company has a backlog of approximately $3 million dollars which is more than double the revenue Aurora recognized for all of the previous fiscal year. The backlog will mostly ship in the second quarter of the current fiscal year and a significant portion of the revenue will be recognized when the products ship. The balance of the revenue will be recognized as the products are installed and brought on line this fall.

FINANCING AND INVESTOR RELATIONS

On 12 July 2017, the Company announced that it has received a grant for research into extended applications for its Decima™ Infrared Reflectometry measurement technology. The grant is through the Canadian National Research Council's Industrial Research Assistance Program (IRAP) and will provide a total of $380,000 over a period of two years.

Aurora's Decima technology currently measures a property of solar cell emitters and back-surface fields called "sheet resistance". The funding is expected to accelerate the extension of this capability to other critical-to-quality solar cell properties that will broaden the Company's market offering.

The grant will help the Company speed up the development of a family of measurements for our end-to-end Quality Control System and solutions for the next generation of high-efficiency solar cells. Infrared Reflectometry has potential well beyond the measurement of sheet resistance. As with the Decima's recently-developed and unique bifacial measurement capability, exploiting this potential with the assistance of this IRAP grant is important to help solar cell manufacturers to monitor and control their increasingly complex fabrication processes.

On 30 June 2017, the Company announced that it has entered into an investor relations agreement (the "Agreement") with Paradox Public Relations Inc. ("Paradox"), pursuant to which Paradox shall provide investor relations services to the Company. The Agreement is for a term of 24 months, during which time Paradox will facilitate communications between the Company, its shareholders, and prospective investors; and develop an investor relations program designed to raise awareness of the Company's business among prospective investors and the investment community.

Under the terms of the Agreement, the Company will compensate Paradox $7,000 per month for the 24-month term of the Agreement, with the right to cancel the Agreement after the first 6 months of service by providing 30 days written notice. The Company will also issue Paradox, subject to TSX-V approval, 300,000 options at the 30 June 2017 closing price.

On 18 June 2017, the Company closed a non-brokered private placement of 3,028,666 units ("Units") at a price of $0.18 per Unit for gross proceeds of $545,160. Each Unit consists of one common share (a "Share") and one half share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one additional Share (a "Warrant Share") for a period of 24 months at a price of $0.30 per Warrant Share. The Warrants are subject to acceleration, at the option of the Issuer, in the event the trading price, on the Exchange, of the common shares of the Issuer closes at or above CDN$0.40 per common share for 10 consecutive trading days at any time after four months from closing date.

The Company paid fees of $56,401 including finder's fee consisting of $44,401 and 202,066 warrants valued at $12,000 with each warrant entitling the holder to purchase one Share for a period of 24 months at a price of $0.30 per Share.

PATENTS

On 17 May 2017, the Company announced that the Taiwan Intellectual Property Office has allowed its infrared-based measurement patent entitled "Non-Contacting System and Method for Measuring the Dopant Content of Semiconductor Material and Method of Determining the Impact of a Semiconductor Material Fabrication Line upon Semiconductor Wafer." Although the Company is currently focused on the photovoltaic industry, other applications covered under this patent include any process where impurities are added to semiconductor material for the purpose of modifying its electrical properties, such as light emitting diodes ("LEDs"), integrated circuits and flat panel displays.

This is the sixth national patent granted or allowed from several of the Company's Patent Cooperation Treaty applications which continue to progress through patent offices around the world. Other major markets where patents have been allowed include China, Japan, Korea, the United States and the European Union.

RESULTS OF OPERATIONS

The comprehensive loss attributable to the shareholders for the period ended 30 June 2017 was $454,191, which compares to a comprehensive loss of $310,527 during the period ended 30 June 2016. The main fluctuations in costs are as follows:

Product sales		**3 Months**		3 Months
(Rounded '000)		**2018**		2017
	$	**148,000**	$	224,000
Variance (decrease)	**$**	**(76,000)**		

Aurora is seeing growth in sales on a general trend but this is not readily apparent in the first quarter both because the revenue recognition milestones mean there is a substantial balance in deferred revenue and there is expected further sales in the second quarter.

Cost of sales		**3 Months**		3 Months
(Rounded '000)		**2018**		2017
	$	**106,000**	$	204,000
Variance (decrease)	**$**	**(98,000)**		

As the Company began the recognition of sales, product development costs and manufacturing costs were a bit of a blurred line. As sales have continued the distinction becomes clearer and this results in cost of sales becoming more stable. As a Company we have reinvigorated focus on refining this key metric.

Salaries and wages		**3 Months**		3 Months
(Rounded '000)		**2018**		2017
	$	**231,000**	$	151,000
Variance increase	**$**	**80,000**		

As the demand in operation increased, the Company hired more people for administrative roles and increased salaries in the efforts of talent retention. The Company has also recognized some one-time costs for recruitment.

Management (Rounded '000)		**3 Months 2018**		3 Months 2017
	$	**60,000**	$	45,000
Variance increase	**$**	**15,000**		

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

Directors fees (Rounded '000)		**3 Months 2018**		3 Months 2017
	$	**15,000**	$	-
Variance increase	**$**	**15,000**		

The Company incurred director fees starting from 2018 Fiscal year, thus the increase.

FINANCIAL DATA FOR LAST EIGHT QUARTERS

The following table sets out selected unaudited quarterly financial information of the Company and is derived from the unaudited condensed interim consolidated financial statements prepared by management. The Company's interim financial statements are prepared in accordance with International Financial Reporting Standards and are expressed in Canadian dollars.

Three Months Ended	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15
Total Revenues	147,519	852,228	319,688	18,849	223,810	160,765	-	78,246
Loss from continuing operations	454,191	292,335	382,502	381,808	310,527	272,172	493,690	432,266
Loss for the period	454,191	292,335	382,502	381,808	310,527	272,172	493,690	432,266
Loss per share (Basic and diluted)	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.01
Total assets	2,780,603	2,291,202	950,811	800,141	908,276	756,075	1,112,186	1,612,119
Working capital	1,960,042	1,893,539	426,668	492,015	547,494	482,973	728,073	1,225,575

Variances between quarters from March 2017 back through to September 2015 are primarily a result of the business life cycle and its stage of research and development. During these periods, expenses incurred are largely driven by the development of the Company's product and vary based on timing of testing and the availability of required inputs. None of the changes between the above quarters are outside the expectation of management.

Revenues have shown a marked increase in the previous eight quarters and the most recent quarter shows both the largest amount of working capital.

OUTSTANDING SHARES

As at 30 June 2017 and as at the date of this report, the Company had 52,166,541 common shares issued and outstanding (31 March 2017 – 48,627,875). As at 30 June 2017, the fully diluted amount of 71,939,235 represents warrants of 15,242,694 and options of 4,530,000.

FINANCIAL POSITION AND LIQUIDITY

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, inventory, accounts payable and accrued liabilities. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

Currency & Credit Risk – All of the Company's Canadian cash is held at a major bank and such balances earn interest at market rates. The Company also maintains cash in US dollars. The cash balances and payables that are denominated in foreign currencies are subject to currency risk due to fluctuations in the exchange rate between the currencies. To manage this risk, the Company maintains only the minimum amount of foreign cash required to fund its on-going operational activity.

Fair Value – As at 30 June 2017 and 31 March 2017, the carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

It is management's opinion that the Company is not exposed to significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the period.

LIQUIDITY AND FINANCIAL CONDITION OF THE COMPANY

The Company's working capital surplus at 30 June 2017 was $1,960,042 compared with $1,893,539 at 31 March 2017.

Cash used in operating activities during the three months ended 30 June 2017 totalled $440,667 (30 June 2016 - $122,700).

Cash used in investing activities during the three months ended 30 June 2017 totalled $839,911 (30 June 2016 - $2,551).

Cash raised in financing activities during the three months ended 30 June 2017 was $556,199 (30 June 2016 - $373,000).

Actual future funding requirements may vary from those planned due to a number of factors, including changes in the pace of research and development with respect to current and future products.

Management believes it will be able to raise equity capital as required in the long-term, but recognizes the risks attached thereto. Historically the capital requirements of the Company have been met by equity subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable.

CAPITAL RESOURCES AND COMMITMENTS

On 26 June 2015, the Company engaged Euro pacific capital to broker a private placement. The company granted 376,850 warrants to purchase shares priced at $0.30.

On 16 October 2015, the Company entered into a contract with Nina Lafleur at a monthly rate of $5,000 and 150,000 stock options which have a term of 5 years.

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

On 8 July 2016 the Company closed a private placement in the amount of $776,275 with all securities having a holding period of 4 months.

On 7 March 2017, the Company signed a lease for its head office for a 36 month period, for a total contractual obligation of $146,000.

On 31 March 2017 the Company closed a private placement in the amount of $1,591,120 with all securities having a holding period of 4 months.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at 30 June 2016 and as at the date hereof.

RELATED PARTY TRANSACTIONS

Related party transactions and balances not disclosed elsewhere in the Financial Statements are as follows:

RELATED PARTY DISCLOSURE

Name and Principal Position	Period[(i)]	Remuneration or fees[(ii)]	Included in Accounts Payable
CEO – management fees	**2018**	**$ 45,000**	**$ 30,000**
	2017	$ 30,000	$ -
Associate counsel – legal services	**2018**	**$ 17,345**	**$ -**
	2017	$ 8,500	$ -
Clearline CPA, a company of which the CFO is a director – management fees	**2018**	**$ 15,000**	**$ 10,000**
	2017	$ 15,000	$ -
A company of which the CFO is a director – bookkeeping services	**2018**	**$ 12,695**	**$ 6,327**
	2017	$ 6,000	$ -

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

Share-based compensation awarded to directors and officers during the three month period ended 30 June 2017 totalled $Nil (31 March 2017 - $446,804).

These expenses were incurred in the normal course of operations and have been measured at the exchange amount, which is determined on a cost recovery basis.

FINANCIAL INSTRUMENTS

b) Financial instrument classification and measurement

Financial instruments of the Company carried on the Condensed Interim Consolidated Statement of Financial Position are carried at amortized cost with the exception of cash, which is carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 June 2017 due to the immediate or short-term maturities of the financial instruments.

The fair value of the Company's cash is quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy:

Level 1 – quoted prices in active markets for identical financial instruments.

Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's cash and cash equivalents have been assessed on the fair value hierarchy described above and classified as Level 1.

c) Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, amounts receivable, inventory, accounts payable and accrued liabilities. As at 30 June 2017, the carrying value of cash and term deposits is fair value. The remaining financial instruments approximate their fair value due to their short term nature.

d) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is made up of interest rate risk, currency risk, and other price risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its bank accounts and amounts receivable. The Company's cash and cash equivalents are held with major banks in Canada. The Company is not exposed to significant credit risk on these accounts.

The Company's amounts receivable consists of GST and trade receivables. GST is owed from the Government of Canada and is therefore not considered a credit risk. Trade receivables are owed from clients with a history of collections and are therefore not considered a credit risk.

f) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company holds no short or long term investments and a 5% shift in interest rates would not be material.

g) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its on-going expenditures. The Company is exposed to foreign currency risk, as it deals with customers and vendors in currencies other than its functional currency. A 5% shift in exchange would not be material. As at 31 March 2017 the Company held currency totalling the following:

Rounded (000's)			Impact		30 June 2017		31 March 2016
Canadian dollars	**5%**	**$**	**-**	**$**	**722,000**	$	202,000
United States dollars	**5%**	**$**	**29,000**	**$USD**	**430,000**	$	154,000
Amounts payable in United States dollars	**5%**	**$**	**6,000**	**$USD**	**95,000**	$	17,000

h) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing this is to maintain readily available reserves in order to meet its liquidity requirements at any point in time.

INVESTOR RELATIONS ACTIVITIES

With respect to public relations, the Company's policy is to provide information from its corporate offices to investors and brokers directly.

MANAGEMENT

The Company is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this Annual Management Discussion and Analysis.

A CAUTIONARY TALE

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of products, the timing and amount of estimated future production, costs of production, requirements for additional capital, government regulation operations, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Respectfully submitted,

On behalf of the Board of Directors,

"Michael Heaven"

Michael Heaven, CEO