

**NATCORE TECHNOLOGY INC.**

**MANAGEMENT DISCUSSION & ANALYSIS**

For the Year Ended December 31, 2017

# **NATCORE TECHNOLOGY INC.**

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Year Ended December 31, 2017

### **1.1 Date**

This Management Discussion and Analysis (“MD&A”) of Natcore Technology Inc. (“Natcore” or the “Company”) should be read in conjunction with the financial statements of the Company for the years ended December 31, 2017 and 2016 and related notes. The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The Company’s Board of Directors have reviewed and approved this MD&A. This discussion has been prepared by management as of May 2, 2018.

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect” and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

The Company’s reporting currency is the United States (“US”) dollar and all amounts in this MD&A are expressed in US dollars unless otherwise noted.

### **1.2 Overall Performance Overview**

Natcore Technology Inc. (“Natcore”) is a corporation organized under the laws of British Columbia, Canada organized on August 9, 2007 for the purpose of commercializing technology which enables the controlled deposition of silicon dioxide and mixed silicon oxides from an aqueous solution at ambient temperatures and pressures. The technology was developed at Rice University (“Rice”) and has been licensed to Natcore pursuant to an exclusive license agreement. In connection with the license agreement, Rice became a Natcore shareholder and continues to hold a stake in the company.

Natcore is a research and development company pioneering solar cells with improved efficiency and reduced cost. By combining expertise of our scientists – who are among the most renowned in the solar community – with a well-equipped research facility, we are developing approaches that will define the next generation of cells. Our output is technology: our intellectual property is currently protected by 62 patents granted or pending. Natcore plans to move our technologies into manufacturing through partnerships that ultimately yield licensing and royalty revenue streams. See “Appendix A. Revenue” for details.

#### **Primary Technology: Dopant Free Carrier Selective Foil Cells**

The vast majority of solar cells produced today employ front contacts. One of the typical cell’s electrical contacts is the familiar grid of metal lines on the front of a cell. Even though the grid lines are thin, they block light and thus reduce efficiency. These standard solar cells are also made using a thermally diffused emitter, requiring very high process temperatures (>800C). The combination of front contacts and thermally diffused emitters limits current cell efficiency.

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### **1.2 Overall Performance Overview (continued)**

#### **Primary Technology: Dopant Free Carrier Selective Foil Cells (continued)**

Recently, a 25.6% efficiency was reported – the highest efficiency ever reached for a silicon solar cell. The cell in question used only back contacts, thus blocking no light. It also used a silicon heterojunction (SHJ) emitter, eliminating high temperature diffusion steps. While this achievement showed the value of these approaches, the cell was produced using a complicated, high cost process. The goal then is to produce a similar cell at a much lower cost.

Our design involves highly defined regions of doped silicon in order to form the base contact of the solar cell. By using this dopant free carrier selective process, Natcore scientists have discovered a method to advance the process without disrupting the high quality emitter already present on the solar cell. This process is rapid and can be performed with low-capital equipment at atmospheric conditions.

Our approach to metallization is game changing. Silver is a staple of current solar cells, being used for its high conductivity and easy processing. However, it can represent from 30% to 50% of the fabrication cost of a solar cell. Our unique metallization approach relies upon a simple multilayer structure, with a focus on inexpensive aluminum as the main conductor. This permits substantial cost savings. However, there are two additional areas of potential cost saving with our approach.

First, our metallization process could have a very low capital cost and footprint.

Second, the resulting cell architecture is ideal for subsequent incorporation into modules cheaply and with low cell-to-module (CTM) losses. The typical CTM loss is 8%–10%. Natcore has a joint development agreement with a company that manufactures automated equipment for the production of photovoltaic modules. Research indicates that the combination of our cell with their module would have a 0% cell-to-module loss.

Natcore has protected its back-contact cell approach with a number of patent filings covering the architecture, carrier selective process, and general processing characteristics.

#### **Our History and Development**

Natcore was a Capital Pool Company until it completed a Qualifying Transaction on May 8, 2009. The Qualified Transaction involved a reverse takeover of Syracuse Capital Corp by Natcore Technology, Inc., a private Delaware company that is now a wholly owned subsidiary of the Company. Syracuse Capital Corp. was a company incorporated under the British Columbia Business Corporations Act as a Capital Pool Company, having its common shares listed on the Exchange.

On May 8, 2009, Natcore completed its ‘Qualifying Transaction’ by acquiring all of the issued and outstanding securities of Natcore Technology, Inc. in consideration of the issuance of 12,960,686 common shares of the Company having a deemed price of CDN\$0.40 per share and the issuance of 2,145,000 share purchase warrants, each warrant exercisable into one additional common share at a price of CDN\$0.40 per share for a period of five years expiring May 9, 2014.

The Common Shares of the Company are listed for trading on the TSX Venture Exchange under the symbol “NXT” and traded on the OTCQB market under the symbol “NTCXF”. Effective May 26, 2015, the Company became a fully-reporting issuer in the United States.

In March 2012, the Company opened its Research and Development Center in Rochester, NY. The R&D Center is enabling Natcore to develop applications based on the company’s proprietary Liquid Phase Deposition (LPD) technology.

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## **1.2 Overall Performance Overview (continued)**

### **Our History and Development (continued)**

On October 25, 2012, the Company announced that its scientists had created the world's first Black Silicon solar cell using processes amenable to low-cost mass production. After having previously treating a wafer to make it the "blackest" silicon solar cell surface ever recorded, Natcore's technicians used their scalable liquid phase deposition (LPD) process to create the Black Silicon solar cell, from wafer to finished cell, in their R&D Center in Rochester, NY.

### **Competitive Landscape**

Given the complex nature and cost of the systems now in use by the solar cell industry, Natcore expects to offer its customers an extremely attractive value proposition. Natcore's black silicon technology could replace an expensive, energy and manpower intensive, thermal vacuum process with a simple wet chemistry process that will make an improved antireflection surface on silicon solar cells. An independent engineering study comparing Natcore's technology to that now used by the solar cell industry shows conclusively that solar cell manufacturing costs could be reduced by up to 23.5%. The study included both capital and lifecycle costs when making the comparison. Other studies completed by the Company have shown that Natcore's LPD technology can be tailored to solar cell technologies other than silicon, and while costs savings have not been quantified, preliminary results indicate they will result in at least single digit percentage cost reductions.

As stated earlier, the Company is unaware of any competing room temperature antireflective coating technology in commercial use or in development. While current thermal/vacuum systems are adequate for Generation 1 and 2 cells, Natcore's technology will enable those cell producers to improve their profit margins by offering lower cost and higher throughput rates.

Substantial global growth in the mono-silicon usage in the solar industry is expected. This is particularly important since Natcore's technologies are particularly suited and maximized the efficiencies of this mono-silicon n-type solar cells.

### **Competitive Strengths**

Natcore is a research and development company utilizing nanotechnology with a variety of applications in the solar industry. Although there are many potential applications of its research, the Company has focused on three opportunities that are the closest to commercialization and revenue.

### **Black Silicon**

Firstly, the Company's black silicon process stands to revolutionize solar energy production. For example, its black silicon has demonstrated the least amount of reflectance ever recorded, with 99.7% absorption. The Company has also demonstrated, in conjunction with CETC in China, that its black silicon process is perhaps the only such process suited for a commercial production line.

Methods for making black silicon can be divided into two broad categories: dry processes and wet processes. The dry processes can be further subdivided into two types: reactive ion etching (RIE) and laser ablation (L-A). The wet process is a metal assisted chemical etch, or MACE, process. A variety of research organizations and companies are actively working in each of the three principle areas. Natcore has licensed the MACE process developed and patented by NREL and has moved it from a laboratory process for making small area solar cells (typically 1cm x 1cm or 2cm x 2cm) to a commercially scalable process on full size (15.6cm x 15.6cm) solar cells.

The principle reasons for the lack of scale-up using reactive ion etching or laser ablation are that the equipment for either one is costly and can process only a few wafers at a time. The Natcore-scaled MACE process, on the other hand, is inherently capable of standard solar cell wet chemical processing rates using much simpler and lower cost equipment.

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### 1.2 Overall Performance Overview (continued)

Using black silicon will move an 18% standard cell to the 18.5% range while at the same time potentially lowering its cost by as much as 10%, a very significant result in a large competitive market.

The benefit of black silicon is that it is projected to reduce the cost of solar cell manufacturing by approximately 20%. This is done by replacing the antireflective step in manufacturing and by eliminating one of the high- temperature furnaces currently involved in the process.

#### **HIT™ Cell — Back Contact**

With its black silicon processing technology now in hand, Natcore has turned its attention to coupling that technology with a process for eliminating the top contacts on solar cells. Doing so will eliminate the reflectance losses from the metal fingers and bus bars that usually sit on the top of the cell. That in turn will increase cell efficiency by 3 to 4 percentage points. The company's carrier selective processing program is focused on a certain style of solar cell known as the silicon heterojunction (SHJ) solar cell, often referred to as a HIT™ cell. The highest efficiency solar cells require high levels of surface passivation to eliminate unwanted loss of electrical current. This requirement for passivation is often at odds with the fact that electrical contacts, needed to extract electricity from the cell, are regions that are very poorly passivated. In the SHJ cell, the contacts to the cell involve a heterojunction between crystalline and amorphous silicon, and this heterojunction can simultaneously function as an excellent passivation and an electrical contact.

Recently, an all-back-contact SHJ-structure with a 26.5% conversion efficiency was reported — the highest efficiency ever reached for a silicon solar cell. That cell, however, was produced using a relatively complicated, higher-cost process. Natcore believes that its development of a foil-based SHJ structure will allow for low-cost production methods for this type of solar cell.

In recent developments, the use of laser processing to create Natcore's innovative, all-back-contact cell structure has been eliminated and replaced by a carrier selective contact process. This is combined with a foil metallization that can be cheaply made with high-speed roll-processing methods.

These advances have maintained, and in fact enhance, the two key advantages of Natcore's Foil Cell:

*1) The elimination of high-cost silver.* Natcore's Foil Cell replaces silver, and its high material costs and complicated production processes, with aluminum foils.

At approximately 1/300<sup>th</sup> the cost of silver, aluminum allows for more metal to be used to maintain conductivity, while also enabling high-speed, high-volume materials handling and processing.

*2) The potential for ultra-high efficiencies in an affordable production cell.* The silicon heterojunction (SHJ) structure of Natcore's Foil Cell is the same basic structure used to achieve world-record silicon cell efficiencies of over 26% by major manufacturers in experimental solar cells.

But Natcore's innovative use of pre-fabricated foils to produce this structure could allow, for the first time, the low-cost mass manufacturing of these ultra-high efficiency, all-back-contact solar cells.

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### 1.2 Overall Performance Overview (continued)

#### **“Best-Of-Breed” Consulting Function**

The best-of-breed business model entails Natcore contracting as a consultant on the design and construction of solar cell/solar panel fabrication facilities and power plants, with compensation on a “cost-plus” basis as well as unencumbered equity in the project.

Natcore will guide clients in procuring components of the highest available quality at highly competitive prices, taking advantage of the Company’s preferential status in the industry. Because the Company has no biases as to which components to buy or which vendors to employ, it believes it has a competitive advantage in providing best-of-breed products with appropriate warranties and efficiencies.

The Company is entering this arena due to numerous requests by companies and countries to aid them in developing solar cell facilities. These requests have come as Natcore’s technology has moved dramatically closer to commercialization and gained a high profile in the industry.

This is why the Company developed its best-of-breed business model — to give companies and countries an opportunity to have, as a worst case scenario, the best and most efficient solar cells and modules that exist with current technology. Additionally, its partners will enjoy some level of exclusive access to the Companies technologies as they are commercialized.

Here are some of the unique advantages Natcore offers potential best-of-breed clients:

First and foremost, its technology, which is recognized throughout the industry as being among the most advanced in photovoltaics.

Natcore’s relationships are worldwide, so it is not restricted to certain geographical regions.

Because of Natcore’s leading-edge technology, many cell and module equipment manufacturers give Natcore preferential treatment in order to have access to its applications as they become available commercially.

The Natcore’s team has vast experience in designing and building turn-key solar cell fabs as well as solar plants.

Natcore’s scientists are prolific contributors to solar technology journals, and they follow every new development in the industry.

Because of these advantages, Natcore has entertained many inquiries from groups looking to develop solar cell facilities, and is in advanced discussions with a number of well-positioned potential partners.

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### **1.2 Overall Performance Overview (continued)**

#### **Tandem Quantum Dot Solar Cell**

In addition to its three near-term opportunities, Natcore is pursuing research into tandem, quantum-dot solar cells that, while longer term, holds the potential to be a disruptive application for solar energy.

In addition to its three near-term opportunities, Natcore is pursuing research into tandem, quantum-dot solar cells that, while longer term, holds the potential to be a disruptive application for solar energy.

Multiple depositions of Liquid Phase Deposition layers with appropriate quantum dots distributed in them to form two p-n junctions will create a structure called a tandem solar cell. Such cells were first proposed shortly after the first commercially useful solar cell was invented in 1956. Solid theoretical understanding of how such solar cells work and how to construct them was developed by the early 1970s, and they are now commercial products for earth-orbiting satellite power systems.

Predictions are that two junction tandem cells can be as much as 35% efficient in terrestrial sunlight and three junction tandem cells can reach the lower 40% range. Creating a two-junction tandem cell by adding a quantum dot upper cell to the top of a standard silicon cell can theoretically increase the efficiency of the structure to the 30% range. Allowing for real-world losses in such a structure, the output of a quantum-dot-on-silicon, two-junction device should be in the 27% to 28% range and will be at least 50% higher than a conventional silicon cell at today's average commercial efficiencies (about 18% in production). Adding a two-junction quantum dot tandem cell to a standard silicon cell should create a three-junction device with efficiencies up to twice that of a standard silicon cell by itself.

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### **1.2 Overall Performance Overview (continued)**

#### Revenue Sources

The Company anticipates the following potential sources of revenue from the implementation of its solar cell manufacturing processes:

##### *License Agreements & Royalties*

Customers will be required to execute non-exclusive license agreement or exclusive license agreement unique to specified jurisdictions. Royalty rights will entitle the company to benefit from residual income on each product that utilizes the company's technology.

##### *Equipment Sales*

Natcore will sub-contract the manufacturing of the equipment necessary to apply the black silicon process and the laser equipment for the all back contact HIT cell. There will be a royalty payable to Natcore on each piece of equipment.

##### *Chemical and Material Sales*

The Company will produce recurring revenue by engaging third-parties to manufacture and ship the patented chemical mixtures and other materials for the various applications.

The company understands that there may be situations where all four sources of revenue may not be available given market conditions and the appetite of different customers.

#### Financial Performance and Results of Operations:

##### *For the Three Months Ended December 31, 2017 and 2016*

As the Company is in the development stage, it is expected the Company will continue to generate losses for this fiscal year.

During the three months ended December 31, 2017 and 2016, the Company did not generate any revenue. The principal activity of the Company was that of research giving rise to normal recurring costs.



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## MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended December 31, 2017

### 1.2 Overall Performance Overview (continued)

#### Financial Performance and Results of Operations: (continued)

Our operational expenses for the current three months ended were \$420,740 compared to \$866,427 for the prior year's three months ended. Significant expense changes in the three months ended compared to prior three months ended are as follows:

#### Expenses:

|                               | 2017           | 2016           | \$ Change        | % Change    |
|-------------------------------|----------------|----------------|------------------|-------------|
| Consulting                    | \$ 17,405      | \$ 31,000      | \$ (13,595)      | -44%        |
| Depreciation and amortization | 18,592         | 28,163         | (9,571)          | -34%        |
| Filing fees                   | 11,373         | 13,262         | (1,889)          | -14%        |
| Foreign exchange (gain) loss  | 7,046          | (190,114)      | 197,160          | -104%       |
| Interest and bank charges     | (2,553)        | (5,189)        | 2,636            | -51%        |
| Marketing                     | 13,285         | 93,262         | (79,977)         | -86%        |
| Office and miscellaneous      | 79,198         | 86,059         | (6,861)          | -8%         |
| Professional fees             | (54,435)       | (93,405)       | 38,970           | -42%        |
| Research and development      | 296,739        | 426,021        | (29,282)         | -7%         |
| Stock-based compensation      | 3,511          | 305,013        | (301,502)        | -99%        |
| Travel                        | 7,216          | (510)          | 7,726            | 1514%       |
| Wages and salaries            | 23,363         | 172,865        | (49,502)         | -29%        |
|                               | <u>420,740</u> | <u>866,427</u> | <u>(245,687)</u> | <u>-28%</u> |

#### Other Income

|                                   |                     |                     |                    |              |
|-----------------------------------|---------------------|---------------------|--------------------|--------------|
| Fair value adjustment on warrants | 292,838             | 447,940             | (155,102)          | -35%         |
| Other income                      | 122                 | 1,932               | (1,810)            | -94%         |
| Interest income                   | -                   | 16                  | (16)               | -100%        |
|                                   | <u>-</u>            | <u>16</u>           | <u>(16)</u>        | <u>-100%</u> |
| Net loss                          | \$ <u>(127,780)</u> | \$ <u>(416,539)</u> | \$ <u>(88,759)</u> | <u>-21%</u>  |

As a result of the acquisitions of Natcore US and the Company's operations in the United States, the Company and its financial results are exposed to fluctuations between the Canadian and United States dollars.

Stock-based compensation relates to options granted under the Company's stock option plan to directors, officers, employees and consultants. Compensation expense is recorded using the fair value method over the vesting periods of the options. The fair value of each option granted is estimated as at the date of grant using the Black-Scholes option pricing model.

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### 1.2 Overall Performance Overview (continued)

*For the Years Ended December 31, 2017 and 2016*

As the Company is in the development stage, it is expected the Company will continue to generate losses for this fiscal year.

During the years ended December 31, 2017 and 2016, the Company did not generate any revenue. The principal activity of the Company was that of research giving rise to normal recurring costs.

The Company reported a net loss of \$1,274,996 for the current year ended compared to a net loss of \$2,021,700 for the prior year ended.

Our operational expenses for the current year ended were \$2,160,792 compared to \$3,905,028 for the prior year ended. Significant expense changes in the current year ended compared to prior year ended are as follows:

Expenses:

|                               | 2017             | 2016             | \$ Change          | % Change    |
|-------------------------------|------------------|------------------|--------------------|-------------|
| Consulting                    | \$ 132,936       | \$ 124,652       | \$ 8,284           | 7%          |
| Depreciation and amortization | 75,272           | 146,946          | (71,674)           | -49%        |
| Filing fees                   | 26,278           | 45,172           | (18,894)           | -42%        |
| Foreign exchange (gain) loss  | 1,457            | 16,457           | (15,000)           | -91%        |
| Interest and bank charges     | 7,804            | 2,698            | 5,106              | 189%        |
| Marketing                     | 76,582           | 341,104          | (264,522)          | -78%        |
| Office and miscellaneous      | 191,766          | 201,736          | (9,970)            | -5%         |
| Professional fees             | 81,589           | 219,016          | (137,427)          | -63%        |
| Research and development      | 861,947          | 1,137,422        | (175,475)          | -15%        |
| Stock-based compensation      | 67,599           | 869,130          | (801,531)          | -92%        |
| Travel                        | 22,231           | 37,472           | (15,241)           | -41%        |
| Wages and salaries            | 615,331          | 763,223          | (47,892)           | -6%         |
|                               | <u>2,160,792</u> | <u>3,905,028</u> | <u>(1,544,236)</u> | <u>-39%</u> |

Other Income (Expense)

|                                   |                       |                       |                   |              |
|-----------------------------------|-----------------------|-----------------------|-------------------|--------------|
| Fair value adjustment on warrants | 885,673               | 1,880,587             | (994,914)         | -53%         |
| Other income                      | 123                   | 1,932                 | (1,809)           | -94%         |
| Interest income                   | <u>-</u>              | <u>809</u>            | <u>(809)</u>      | <u>-100%</u> |
| Net income (loss)                 | <u>\$ (1,274,996)</u> | <u>\$ (2,021,700)</u> | <u>\$ 546,704</u> | <u>-27%</u>  |

As a result of the acquisitions of Natcore US and the Company's operations in the United States, the Company and its financial results are exposed to fluctuations between the Canadian and United States dollars.

Stock-based compensation relates to options granted under the Company's stock option plan to directors, officers, employees and consultants. Compensation expense is recorded using the fair value method over the vesting periods of the options. The fair value of each option granted is estimated as at the date of grant using the Black-Scholes option pricing model.

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### 1.3 Selected Financial Information

The following financial data represents selected information of the Company:

#### *Selected Statement of Operations Data*

|                                                            |    | December 31,<br>2017 | December 31,<br>2016 |
|------------------------------------------------------------|----|----------------------|----------------------|
| For the three months ended                                 |    |                      |                      |
| Net Loss                                                   | \$ | 127,780              | \$ 415,759           |
| Loss per share – basic and diluted                         | \$ | 0.00                 | \$ 0.01              |
| Weighted average of shares outstanding – basic and diluted | \$ | 75,714,622           | \$ 61,057,780        |

  

|                                                            | December 31,<br>2017 | December 31, 2016 | December 31, 2015 |
|------------------------------------------------------------|----------------------|-------------------|-------------------|
| For the years ended                                        |                      |                   |                   |
| Net Loss                                                   | \$ 1,274,996         | \$ 2,021,700      | \$ 3,488,129      |
| Loss per share – basic and diluted                         | \$ 0.02              | \$ 0.03           | \$ 0.07           |
| Weighted average of shares outstanding – basic and diluted | \$ 71,014,878        | \$ 60,007,618     | \$ 51,329,138     |

#### *Selected Balance Sheet Data*

|                           | December 31,<br>2017 | December 31,<br>2016 |
|---------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 56,391            | \$ 23,252            |
| Working capital deficit   | \$ (1,776,517)       | \$ (1,469,472)       |
| Total assets              | \$ 217,644           | \$ 313,835           |
| Total deficit             | \$ (1,626,916)       | \$ (1,246,147)       |

As of December 31, 2017 and 2016, the Company had a derivative liability of \$267,077 and \$367,346, respectively included in current liabilities. The derivative liability is a non-cash liability and the Company is not required to expend any cash to settle this liability.

### 1.4 Recent Financial Events

#### Stock Options

On January 31, 2016, the Company granted 1,975,000 stock options to employees. The options vested immediately. The options are exercisable at CDN\$0.40 and expire January 13, 2021. The options had a grant date fair value of \$395,116 (CDN\$562,580) determined using the Black-Scholes Option Pricing Model with the following assumptions: Risk free rate of 0.92%; Expected life of 5.00 years; Volatility of 94%; and a Dividend yield of 0%.

On February 15, 2016, the Company granted 120,000 stock options to an employee. The options vest accordingly: 80,000 after 6 months, and 40,000 after 1 year. The options are exercisable at CDN\$0.51 and expire February 15, 2021. The options had a grant date fair value of \$31,489 (CDN\$43,622) determined using the Black-Scholes Option Pricing Model with the following assumptions: Risk free rate of 0.92%; Expected life of 5.00 years; Volatility of 94%; and a Dividend yield of 0%.

On December 9, 2016, the Company granted 1,830,000 stock options to employees. The options vested immediately. The options are exercisable at CDN\$0.20 and expire December 9, 2021. The options had a grant date fair value of \$197,874 (CDN\$260,531) determined using the Black-Scholes Option Pricing Model with the following assumptions:

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**1.5 Recent Financial Events (continue)**

Stock Options (continued)

Risk free rate of 1.08%; Expected life of 5.00 years; Volatility of 93%; and a Dividend yield of 0%.

On December 30, 2016, the Company granted 1,830,000 stock options to employees. The options vested immediately. The options are exercisable at CDN\$0.18 and expire December 30, 2021. The options had a grant date fair value of \$54,561 (CDN\$73,250) determined using the Black-Scholes Option Pricing Model with the following assumptions: Risk free rate of 1.11%; Expected life of 5.00 years; Volatility of 94%; and a Dividend yield of 0%.

On June 22, 2017, the Company granted 120,000 stock options to employees. The options vested immediately. The options are exercisable at CDN\$0.22 and expire June 22, 2022. The options had a granted date fair value of \$13,018 (CDN\$17,238) determined using the Black-Scholes Option Pricing Model with the following assumptions: Risk free rate of 0.65%; Expected life of 5.00 years; Volatility of 98%; and a Dividend yield of 0%.

On September 20, 2017, the Company granted 200,000 stock options to employees. The options vested immediately. The options are exercisable at CDN\$0.17 and expire September 20, 2022. The options had a grant date fair value of \$13,129 (CDN\$16,369) determined using the Black-Scholes Option Pricing Model with the following assumptions: Risk free rate of 0.65%; Expected life of 5.00 years; Volatility of 98%; and a Dividend yield of 0%.

Private Placements

In February 2016, the Company completed a non-brokered private placement and issued 273,058 units at a price of CDN\$0.36 per unit for gross proceeds of \$70,908 (CDN\$98,301). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.55 per share for a period of three years from the date of closing. The Company had received subscriptions of \$31,102 at December 31, 2015 that related to this private placement. On issue the fair value of the warrants was determined to be \$26,464 and included in derivative liability (Note 8).

In March 2016, the Company completed a non-brokered private placement and issued 2,244,497 units at a price of CDN\$0.36 per unit for gross proceeds of \$622,166 (CDN\$808,019). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.55 per share for a period of three years from the date of closing. On issue the fair value of the warrants was determined to be \$489,252 and included in derivative liability (Note 8). The Company paid finders' fees of \$6,150 and incurred other share issue costs of \$3,276. The Company also issued 23,450 finders' warrants with a fair value of \$5,112 in connection with this private placement exercisable at a price of CAD\$0.55 per share for a period of three years from the date of closing.

In June 2016, the Company completed a non-brokered private placement and issued 1,000,000 units at a price of CDN\$0.40 per unit for gross proceeds of \$305,421 (CDN\$400,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.55 per share for a period of three years from the date of closing. On issue the fair value of the warrants was determined to be \$167,222 and included in derivative liability (Note 8). The Company paid finders' fees of \$10,000. The Company also issued 70,000 finders' warrants with a fair value of \$10,940 in connection with this private placement exercisable at a price of CAD\$0.55 per share for a period of three years from the date of closing.

In July 2016, the Company completed a non-brokered private placement and issued 1,000,000 units at a price of CDN\$0.40 per unit for gross proceeds of \$303,630 (CDN\$400,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.55 per share for a period of three years from the date of closing. The Company also issued 70,000 finders' warrants with a fair value of \$9,841 in connection with this private placement exercisable at a price of CAD\$0.55 per share for a period of three years from the date of closing.

**NATCORE TECHNOLOGY INC.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2017

**1.4 Recent Financial Events (continued)**

Private Placements (continued)

In September 2016, the Company completed a non-brokered private placement and issued 650,000 units at a price of CDN\$0.36 per unit for gross proceeds of \$177,048 (CDN\$234,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.55 per share for a period of three years from the date of closing. The Company also issued 45,500 finders' warrants with a fair value of \$5,333 in connection with this private placement exercisable at a price of CAD\$0.55 per share for a period of three years from the date of closing.

In November 2016, the Company completed a non-brokered private placement and issued 1,427,500 units at a price of CDN\$0.23 per unit for gross proceeds of \$244,966 (CDN\$328,325). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.30 per share for a period of three years from the date of closing. The Company also issued 70,000 finders' warrants with a fair value of \$7,801 in connection with this private placement exercisable at a price of CAD\$0.30 per share for a period of three years from the date of closing.

In December 2016, the Company completed a non-brokered private placement and issued 1,500,000 units at a price of CDN\$0.21 per unit for gross proceeds of \$238,373 (CDN\$315,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.30 per share for a period of three years from the date of closing. The Company also issued 70,000 finders' warrants with a fair value of \$5,569 in connection with this private placement exercisable at a price of CAD\$0.30 per share for a period of three years from the date of closing.

In January 2017, the Company completed a non-brokered private placement and issued 1,021,800 units at a price of CDN\$0.21 per unit for gross proceeds of \$162,030 (CDN\$214,578). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.25 per share for a period of three years from the date of closing. The Company also issued 70,000 finders' warrants with a fair value of \$7,139 in connection with this private placement exercisable at a price of CAD\$0.25 per share for a period of three years from the date of closing.

In February 2017, the Company completed a non-brokered private placement and issued 650,000 units at a price of CDN\$0.34 per unit for gross proceeds of \$169,195 (CDN\$221,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.40 per share for a period of three years from the date of closing. The Company also issued 45,500 finders' warrants with a fair value of \$4,894 in connection with this private placement exercisable at a price of CAD\$0.40 per share for a period of three years from the date of closing.

In March 2017, the Company completed a non-brokered private placement and issued 900,000 units at a price of CDN\$0.19 per unit for gross proceeds of \$128,077 (CDN\$171,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.25 per share for a period of three years from the date of closing. The Company also issued 63,000 finders' warrants with a fair value of \$5,714 in connection with this private placement exercisable at a price of CAD\$0.25 per share for a period of three years from the date of closing.

In April 2017, the Company completed a non-brokered private placement and issued 1,030,000 units at a price of CDN\$0.19 per unit for gross proceeds of \$146,186 (CDN\$195,700). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.25 per share for a period of three years from the date of closing. The Company also issued 72,100 finders' warrants with a fair value of \$4,543 in connection with this private placement exercisable at a price of CAD\$0.25 per share for a period of three years from the date of closing.

In May 2017, the Company completed a non-brokered private placement and issued 500,000 units at a price of CDN\$0.21 per unit for gross proceeds of \$76,603 (CDN\$105,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.27 per share for a period of three years from the date of closing. The Company also issued 35,000 finders' warrants with a fair value of \$3,414 in connection with this private placement exercisable at a price of CAD\$0.27 per share for a period of three years from the date of closing.

**NATCORE TECHNOLOGY INC.**  
MANAGEMENT DISCUSSION & ANALYSIS  
For the Year Ended December 31, 2017

**1.4 Recent Financial Events (continued)**

Private Placements (continued)

In June 2017, the Company completed a non-brokered private placement and issued 1,250,000 units at a price of CDN\$0.19 per unit for gross proceeds of \$179,955 (CDN\$237,500). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.24 per share for a period of three years from the date of closing. The Company also issued 87,500 finders' warrants with a fair value of \$6,505 in connection with this private placement exercisable at a price of CAD\$0.24 per share for a period of three years from the date of closing.

In July 2017, the Company completed a non-brokered private placement and issued 650,000 and 900,000 units at a price of CDN\$0.19 per unit for gross proceeds of \$95,565 (CDN\$123,500) and \$136,732 (CDN\$171,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.24 per share for a period of three years from the date of closing. The Company also issued 45,500 and 63,000 finders' warrants with a fair value of \$3,472 and \$4,260 in connection with this private placement exercisable at a price of CAD\$0.24 per share for a period of three years from the date of closing.

In August 2017, the Company completed a non-brokered private placement and issued 1,000,000 units at a price of CDN\$0.15 per unit for gross proceeds of \$118,007 (CDN\$150,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.19 per share for a period of three years from the date of closing. The Company also issued 70,000 finders' warrants with a fair value of \$5,192 in connection with this private placement exercisable at a price of CAD\$0.19 per share for a period of three years from the date of closing.

In September 2017, the Company completed a non-brokered private placement and issued 500,000 units at a price of CDN\$0.15 per unit for gross proceeds of \$61,687 (CDN\$75,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.19 per share for a period of three years from the date of closing. The Company also issued 35,000 finders' warrants with a fair value of \$1,898 in connection with this private placement exercisable at a price of CAD\$0.24 per share for a period of three years from the date of closing.

In October 2017, the Company completed a non-brokered private placement and issued 1,250,000 units at a price of CDN\$0.12 per unit for gross proceeds of \$119,736 (CDN\$150,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.15 per share for a period of three years from the date of closing. The Company also issued 87,500 finders' warrants with a fair value of \$3,392 in connection with this private placement exercisable at a price of CAD\$0.15 per share for a period of three years from the date of closing.

In November 2017, the Company completed a non-brokered private placement and issued 1,449,833 units at a price of CDN\$0.12 per unit for gross proceeds of \$136,996 (CDN\$173,980). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.15 per share for a period of three years from the date of closing. The Company also issued 87,500 finders' warrants with a fair value of \$2,913 in connection with this private placement exercisable at a price of CAD\$0.15 per share for a period of three years from the date of closing.

In December 2017, the Company completed a non-brokered private placement and issued 1,550,000 units at a price of CDN\$0.10 per unit for gross proceeds of \$114,688 (CDN\$147,250). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.12 per share for a period of three years from the date of closing. The Company also issued 108,500 finders' warrants with a fair value of \$3,031 in connection with this private placement exercisable at a price of CAD\$0.12 per share for a period of three years from the date of closing.

The Company incurred cash shares issuance costs of \$174,721 in connection with the private placements completed during the year ended December 31, 2017.

In January 2018, the Company completed a non-brokered private placement and issued 1,500,000 units at a price of CDN\$0.09 per unit for gross proceeds of \$109,221 (CDN\$135,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.11 per share for a period of three years from the date of closing. The Company also issued 105,000 finders warrants with an exercise price of CDN\$0.11.

# NATCORE TECHNOLOGY INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended December 31, 2017

### 1.4 Recent Financial Events (continued)

#### Share Issuances on Exercise of Warrants and Options

In January 2017, an option holder exercised 130,000 options for proceeds of \$39,610 (CDN\$52,000).

In February 2018, the Company completed a non-brokered private placement and issued 1,250,000 units at a price of CDN\$0.07 per unit for gross proceeds of \$68,632 (CDN\$87,500). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.09 per share for a period of three years from the date of closing. The Company also issued 87,500 finders warrants with an exercise price of CDN\$0.09.

In March 2018, the Company extended the expiry date of an aggregate of 1,597,050 outstanding share purchase warrants. The warrants were originally had expiry dates of April 14, 2018 and April 27, 2018. The expiry date has been extended by two years.

In April 2018, the Company completed a non-brokered private placement and issued 7,000,000 units at a price of CDN\$0.14 per unit for gross proceeds of \$762,224 (CDN\$980,000). Each unit comprised one common share and one purchase warrant, with each warrant exercisable at a price of CDN\$0.21 per share for a period of three years from the date of closing. The Company also issued 226,065 finders' warrants with an exercise price of CDN\$0.21.

#### Other

In July 2016, the Company issued 400,000 shares for services at a value of CDN\$0.44 per share for a total cost of \$135,312 (CDN\$176,000).

In February 2017, the Company issued 140,000 shares for services at a value of \$32,155.

### 1.6 Summary of Quarterly Results

The Company has provided summary results for the most recent eight quarters.

|                                         | <b>Q4<br/>2017</b> | <b>Q3<br/>2017</b> | <b>Q2<br/>2017</b> | <b>Q1<br/>2017</b> | <b>Q4<br/>2016</b> | <b>Q3<br/>2016</b> | <b>Q2<br/>2016</b> | <b>Q1<br/>2016</b> |
|-----------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Net<br>income<br>(loss)<br>for<br>year  | \$(127,780)        | \$(161,394)        | \$(434,139)        | \$(551,683)        | \$(416,539)        | \$337,248          | \$(538,786)        | \$(2,481,975)      |
| Income<br>(loss)pe<br>r share-<br>basic | \$(0.00)           | \$(0.00)           | \$(0.01)           | \$(0.01)           | \$(0.01)           | \$0.01             | \$(0.01)           | \$(0.04)           |

**NATCORE TECHNOLOGY INC.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2017

**1.7 / 1.7 Liquidity and Capital Resources**

The following table summarizes the Company's cash flows by activity and cash on hand:

| Activity                                  | Years Ended December 31, |                |
|-------------------------------------------|--------------------------|----------------|
|                                           | 2017                     | 2016           |
| Net cash used in operating activities     | \$ (1,545,191)           | \$ (2,346,474) |
| Net cash used in investing activities     | \$ (1,548)               | \$ (3,542)     |
| Net cash provided by financing activities | \$ 1,579,878             | \$ 1,851,747   |
| Net increase (decrease) in cash           | \$ 33,139                | \$ (498,269)   |
| Cash at the beginning of the period       | \$ 23,252                | \$ 521,521     |
| Cash at the end of the period             | \$ 56,391                | \$ 23,252      |

The Company reported working capital (deficit) of (\$1,776,517) as of December 31, 2017 and (\$1,469,472) at December 31, 2016. At December 31, 2017, the Company had cash of \$56,391 compared to cash of \$23,252 as of December 31, 2016. The increase in the deficit is the result of a net loss for operational expenses which is offset by proceeds of issuances of common stock shares. The Company is currently pursuing additional financing alternatives, including completing another private placement, to fund operations.

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company raised money from the previously discussed private placements in 2017 through the issuance of this report, however; as mentioned above, the below amounts are not enough to fully fund operations in the current year.

**1.8 Off-Balance Sheet Arrangements and Contingencies**

The Company does not utilize off-balance sheet arrangements and has no contingencies of which the Company is aware.



# NATCORE TECHNOLOGY INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended December 31, 2017

### 1.9 Transactions with Related Parties

The Company has an agreement (the “Employment Agreement”) dated October 1, 2007, and amended July 31, 2008, with an officer of the Company under which the Company pays a fee for employee services at a base salary of \$220,000 per annum. On April 30, 2010, the Board of Directors passed a resolution to increase this to \$250,000 per annum and on May 13, 2011 passed a resolution to increase this to \$275,000 per annum. The employee is entitled to receive options under the terms and conditions of the Company’s stock option plan. The employee will serve as the President and Chief Executive Officer of the Company. On April 5, 2012, the employment agreement was extended for an additional two years under the same terms. On April 5, 2014, the employment agreement was extended for an additional three years under the same terms. On April 5, 2017, this agreement was extended again for another three years.

Pursuant to the Employment Agreement, the Company has committed to granting 500,000 stock options based on the Company achieving certain consolidated net revenue targets. The exercise price and term of the options will be set at time the targets are met.

The employee has the right, upon 30 days’ notice, to terminate the Employment Agreement. The Company may terminate the Employment Agreement on 10 days’ notice if for cause or on 60 days’ notice if without cause. Should the Company terminate the contract without cause, it is obligated to pay the employee an amount equal to three month’s base salary.

#### ***Related Party Balances***

As of December 31, 2017 and 2016 there was \$598,285 and \$318,685, respectively, owed to directors, officers, and companies controlled by directors that has been included in trade payables and accrued liabilities.

#### ***Key Management Personnel Compensation***

|                          | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|--------------------------|--------------------------|--------------------------|
| Administrative fees      | \$ 60,000                | \$ 60,000                |
| Consulting               | 48,000                   | 24,000                   |
| Wages and benefits       | 512,490                  | 427,999                  |
| Stock-based compensation | 40,211                   | 933,616                  |
|                          | <b>\$ 660,701</b>        | <b>\$ 1,445,615</b>      |

### 1.10 Critical Accounting Estimates

Not applicable to Venture Issuers.

### 1.11 Changes in Accounting Policies Including Initial Adoption

There were no changes in accounting policies or the initial adoption of accounting standards during the period. The Company’s significant accounting policies are described in Note 2 to the audit financial statements.

# NATCORE TECHNOLOGY INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended December 31, 2017

### 1.12 Financial Instruments and Other Instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### ***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 primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and the United States. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's exposure to credit risk on its receivables is considered minimal as the balances are not significant.

#### ***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

All of the Company's non-derivative financial liabilities are due within one year.

#### ***Foreign Exchange Risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of the United States dollar equivalent of financial assets and liabilities that are denominated in Canadian dollars:

|                                        | December 31, 2017 | December 31, 2016 |
|----------------------------------------|-------------------|-------------------|
| Cash and cash equivalents              | \$ -              | \$ 21,933         |
| Trade payables and accrued liabilities | (232,147)         | (140,756)         |
| Net                                    | \$ (232,147)      | \$ (118,823)      |

Based on the above net exposures, a 1% change in the Canadian dollar to United States dollar exchange rate would impact the Company's net loss by \$2,321 and \$1,188 at December 31, 2017 and December 31, 2016, respectively.

# **NATCORE TECHNOLOGY INC.**

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Year Ended December 31, 2017

### **1.12 Financial Instruments and Other Instruments (continued)**

#### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would not have a significant impact on the Company's net loss.

#### ***Fair Value***

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial liabilities measured at fair value at December 31, 2017 and 2016 consisted of the derivative financial liability, which is measured using level 3 inputs.

The fair value of the derivative liability is determined by the Black-Scholes option pricing model using the historical volatility as an estimate of future volatility. At December 31, 2017 if the volatility used was increased by 10% the impact would be an increase to the derivative liability of \$86,010, with a corresponding decrease to comprehensive loss.

### **1.13 Other Requirements**

#### **Outstanding Shares and Securities**

As of the date of this report, the Company had an unlimited number of authorized common shares of which 80,913,435 were issued and outstanding.

As of December 31, 2017, the Company had 6,105,000 options outstanding. Each option entitles the holder to purchase one additional common share at exercise prices ranging from CDN\$0.17 to CDN\$1.08 and expiring on dates ranging from December January 4, 2018 to September 20, 2022.

As of December 31, 2017, the Company had 36,003,203 warrants outstanding. Each warrant entitles the holder to purchase one additional common share at an exercise prices ranging from CDN\$0.12 to CDN\$0.95 and US\$0.62 and with expiration dates ranging from January 21, 2018 to December 27, 2020.

# NATCORE TECHNOLOGY INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended December 31, 2017

### 1.13 Other Requirements (continued)

#### **Risk Factors**

The primary risk factors affecting the Company are set forth in the Annual Report on Form 20-F dated June 23, 2017, which is available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com).

In addition, the Company has limited segregation of duties with respect to maintaining the Company's accounting records due to the limited number of employees, and if the Company fails to maintain an effective system of internal controls, it may not be able to accurately report its financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in the Company's financial reporting which could harm the trading price of the Company's stock.

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

On behalf of the Board of Directors,

"Chuck Provini"

CEO and President

May 2, 2018