MANAGEMENT'S DISCUSSION AND ANALYSIS

INTERIM MD&A - QUARTERLY HIGHLIGHTS

SIX MONTHS ENDED - June 30, 2018

August 28, 2018

This Interim Management's Discussion and Analysis – Quarterly Highlights (MD&A) contains management's interpretation of Starrex International Ltd.'s performance for the six-month period ended June 30, 2018. While the financial statements reflect actual financial results, the Interim MD&A – Quarterly Highlights explains these results from management's perspective and provides the Company's plans for subsequent periods ahead. This Interim MD&A – Quarterly Highlights is dated August 28, 2018.

This Interim MD&A – Quarterly Highlights should be read in conjunction with the Company's condensed interim consolidated financial statements as at and for the periods ended June 30, 2018 and 2017 and related notes. Together, the Interim MD&A – Quarterly Highlights and financial statements provide key information about the Company's performance and ability to meet its objectives.

Important information about this MD&A

- The information in this MD&A is prepared as of August 28, 2018.
- The terms "we", "us," "our," and "Company" refer to Starrex International Ltd.
- This MD&A contains forward-looking information and statements regarding strategies, objectives, expected operations and financial results, which are based on the Company's current views of future events and financial performance. Key risks and uncertainties are discussed in the Risks and risk management section of this MD&A. However, some risks and uncertainties are beyond the control of the Company and are difficult to predict. Actual future outcomes may substantially differ from the expectations stated or implied in this MD&A.
- The words "believe," "plan," "intend," "estimate," "expect," "anticipate," and similar expressions, as well as future conditional verbs, such as "will," "should," "would," and "could" often identify forward-looking statements.
- The words "plan" and "budget" are synonymous in the MD&A and are used interchangeably. Both describe the planned budget revenue and expenses for the related fiscal year.
- Unless otherwise specified, references to a year refer to the Company's fiscal year ended December 31, 2017.
- All financial information related to 2018 and 2017 has been prepared in accordance with International Financial Reporting Standards (IFRS). For more information, see the notes to the annual financial statements of the Company for the year ended December 31, 2017, in particular, Note 2 *Significant Accounting Policies.*
- Amounts shown in this MD&A are expressed in United States Dollars, unless otherwise specified.
- Due to rounding, some variances may not reconcile and analysis of components may not sum to the analysis for the grouped components.

About Starrex International Ltd.

A summary of our business, core values and goals

Starrex International Ltd. ("Starrex") is an emerging financial services company, sitting inactive for many years until the end of November 2013. The Company completed its initial business acquisition in the third quarter of 2014.

Business operations are conducted through our wholly-owned subsidiaries, Property Interlink, LLC, a United States Colorado limited liability company ("Property Interlink") and MFI Credit Solutions, LLC ("MFI"), a United States Wyoming limited liability company.

Property Interlink is a licensed appraisal management company ("AMC") providing objective and comprehensive evaluations of residential real estate. An appraisal management company is defined as an independent entity through which mortgage lenders order residential real estate valuation services for properties on which they are considering extending loans to homebuyers.

As of June 30, 2018, Property Interlink is active in thirty-one jurisdictions in the United States. Property Interlink provides residential appraisals to third parties in the United States. In exchange for these contractual services, the Company charges a specific rate, with additional premiums charged for extenuating circumstances with respect to geographic location of the property and size of the property under review. Property Interlink also performs review services for repairs and new construction.

Property Interlink contributes to correlating industry-specific affiliations by actively participating in the Appraisal Institute and other U.S. appraisal organizations.

MFI Credit Solutions, LLC is a licensed credit reporting agency acquired during the first quarter of 2018. MFI provides consumer credit reports to mortgage lenders for homebuyers considering a purchase of a new home. MFI Credit Solutions, LLC is governed by the Fair Credit Reporting Act (FCRA), is domiciled in California and has the ability to provide credit reports to borrowers in all states.

From time to time, the mortgage industry will pass new regulations or amend existing regulations that impact the appraisal industry with respect to pricing. When this occurs, the Company's compliance personnel provide guidance relative to company-wide rate changes that may be needed to ensure financial viability and shareholder value. These changes are discussed and approved by Senior Management, then implemented accordingly.

Company management continues to regularly review and evaluate unsolicited merger and/or acquisition ("M&A") transactions – in diverse financial business sectors.

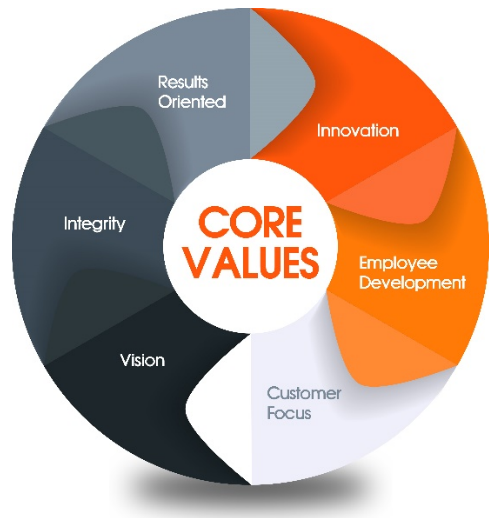
Starrex is traded on the Canadian Securities Exchange under symbol STX and on the OTC QB in the United States under symbol STXMF.

Copies of all relevant financial documents, including the annual and interim Company filings to date, may be referenced on the regulatory filings website **www.sedar.com.**

Core Values

Starrex is committed to its shareholders by consistently focusing on continued growth in volume, as well as positive net income per share. This is achieved by well managed operations and executing strategic operations.

Our primary focus in both Property Interlink and MFI is results oriented customer service, with employee development a cornerstone to the success of the subsidiary.



Vision & Goals

- To acquire and invest in well managed, profitable businesses in a manner that creates value for all parties.
- To deliver the highest level of service available in the appraisal management, credit reporting and real estate business sector.
- To provide business and financial transparency to our shareholders and investors.

For more information about Starrex, please see our website at **www.starrexintl.com.**

Operating Results

A summary of our financial results and discussion of revenue and expenses

The operations and revenue of Property Interlink and MFI Credit Solutions are directly affected by United States housing market condition and trends.

Selected two-year quarterly information	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3* 2016
Income	2,684,514	2,109,949	1,815,566	2,069,582	2,129,528	1,651,863	1,733,693	1,839,948
Loss from continuing operations	(90,145)	(156,107)	(67,887)	(31,052)	(43,757)	(684,438)	(128,921)	(164,853)
Loss from discontinued operations	-	-	-	-	-	-	-	-
Loss and comprehensive loss	(90,145)	(156,107)	(67,887)	(31,052)	(43,757)	(684,438)	(128,921)	(164,853)
Total assets	3,572,684	3,605,670	2,756,367	3,074,285	3,289,123	3,273,265	3,915,057	4,047,008
Total liabilities	1,954,630	1,846,409	929,499	1,196,560	1,380,342	1,320,731	1,278,085	1,278,364
Shareholders' Equity	1,618,054	1,759,261	1,826,868	1,877,725	1,908,781	1,952,534	2,636,972	2,768,644
Net loss per share for continuing operations	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.05)	(0.01)	(0.01)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.05)	(0.01)	(0.01)

Financial Statements for this period have been Amended and Restated

The total consolidated revenue (operating income plus investment income) was higher by $1,050,813 during the first six months of 2018 ($4,784,819) compared to the same period in 2017 ($3,734,006). This is primarily due to the acquisition of MFI Credit Solutions, which reported $1,060,970 in revenue, while the revenue in Property Interlink decreased by $10,157 compared to the same period in 2017. Starrex reported a reduction in interest income by $37,741 over the same period in 2017. A cessation of interest income was realized in Starrex during the first quarter of 2018 as the note receivable was settled, with no further outstanding notes for which interest accrues.

Overall expenses for the six-month period ended June 30, 2018 were $5,044,626 – slightly higher than the same period in 2017 ($4,499,136).

Payroll associated with new staff in MFI Credit Solutions, acquired during the first quarter of 2018, along with general and administrative expenses were reported during the first and second quarters in 2018 and, as expected, created an aggregate increase in overall expenses of $541,580. (**See Segment Revenue and Key Performance Metrics**).

About our fees

Appraisal fees are charged to customers for each appraisal completed. These fees are dependent upon the state in which the property is located, as well as size of property and whether the property is rural or non-rural and other factors common in the industry.

Final review fees are charged to customers when repairs or new construction is involved. Similar to appraisal fees, these are dependent upon the state in which the property is located, as well as other factors common in the industry.

Credit Reporting fees are charged to customers for each credit report provided. The fees are dependent upon published pricing structures and are governed by the Fair Credit Reporting Act.

	% of 2018 Expenses	Three months Ended June 30, 2018	Three months Ended June 30, 2017	Change	% Change
Salaries and benefits	61.74%	1,713,088	1,670,944	42,144	2.52%
Administrative & interest expense	35.02%	971,548	397,177	574,371	144.61%
Professional services	0.41%	11,380	51,365	(39,985)	-77.85%
Depreciation and amortization	2.83%	78,644	53,799	24,845	46.18%
Total expenses	100.00%	$ 2,774,659	$ 2,173,285	$ 601,374	27.67%

Segment Revenue, Expenses and Key Performance Metrics

Starrex International, Ltd.

Revenue in Starrex, the parent company, is comprised of interest income only. During the three-months ended June 30, 2018, interest income was $Nil compared to $23,590 during the same period in 2017. Interest income for the six-months ended June 30, 2018 was $9,644 compared to $47,385 for the six-months ended June 30, 2017. The note receivable was settled during the first quarter of 2018, resulting in a cessation of interest income in the parent company effective February 6, 2018.

Total expenses in Starrex for the six months ended June 30, 2018, were $388,478 compared to $964,399 during the same period last year. An impairment expense of $516,383 was reported during the first quarter of 2017.

MFI Credit Solutions, LLC

Starrex is strategically aligned to provide ancillary mortgage services to mortgage banks and brokers, such as appraisal services provided by Property Interlink. The addition of MFI, a credit reporting agency, expands the core services Starrex now offers and is an ideal acquisition in support of the Company's vision and long-term acquisition strategy in the real estate sector. MFI is approved and licensed by the three largest credit reporting bureaus in the United States – TransUnion, Equifax and Experian. No further licensing is required. MFI delivers credit reports as contracted for each state and/or jurisdiction in the United States.

During the six-months ended June 30, 2018, MFI Credit Solutions provided 74,145 credit reports to customers (three-months ended June 30, 2018 – 39,284), along with additional support services to mortgage banks. Revenue for the three-months ended June 30, 2018, was $700,137; six-months ended June 30, 2018 - $1,060,970. The Company expects a significant amount of organic growth as business negotiations with two large mortgage companies are in progress, although there is no certainty that such negotiations will be successful. Total expenses for the three and six-months ended June 30, 2018, were $721,898 and $1,075,524, respectively.

On February 9, 2018, the Company completed the acquisition of MFI Credit Solutions, LLC, a Wyoming limited liability company. The Company acquired all of the assets of MFI Credit Solutions, LLC in exchange for cash consideration of $1,500,000. The following sets forth the final allocation of the purchase price to assets acquired, based on estimates of fair value, including a summary of major classes of consideration transferred, and the recognized amounts of assets acquired at the acquisition date:

The value allocated to the credit bureau repository contracts has an indefinite useful life and will be tested annually, along with goodwill, for impairment. The Company amortizes customer relationships and non-competition agreements over 5 years.

Consideration Paid:		
Cash	**$**	**1,500,000**
Allocation of purchase price:		
Property, plant and equipment		47,846
Credit bureau repository contracts		647,269
Customer relationships		342,826
Non-competition agreements		167,903
Goodwill		294,156
	$	**1,500,000**

Property Interlink, LLC

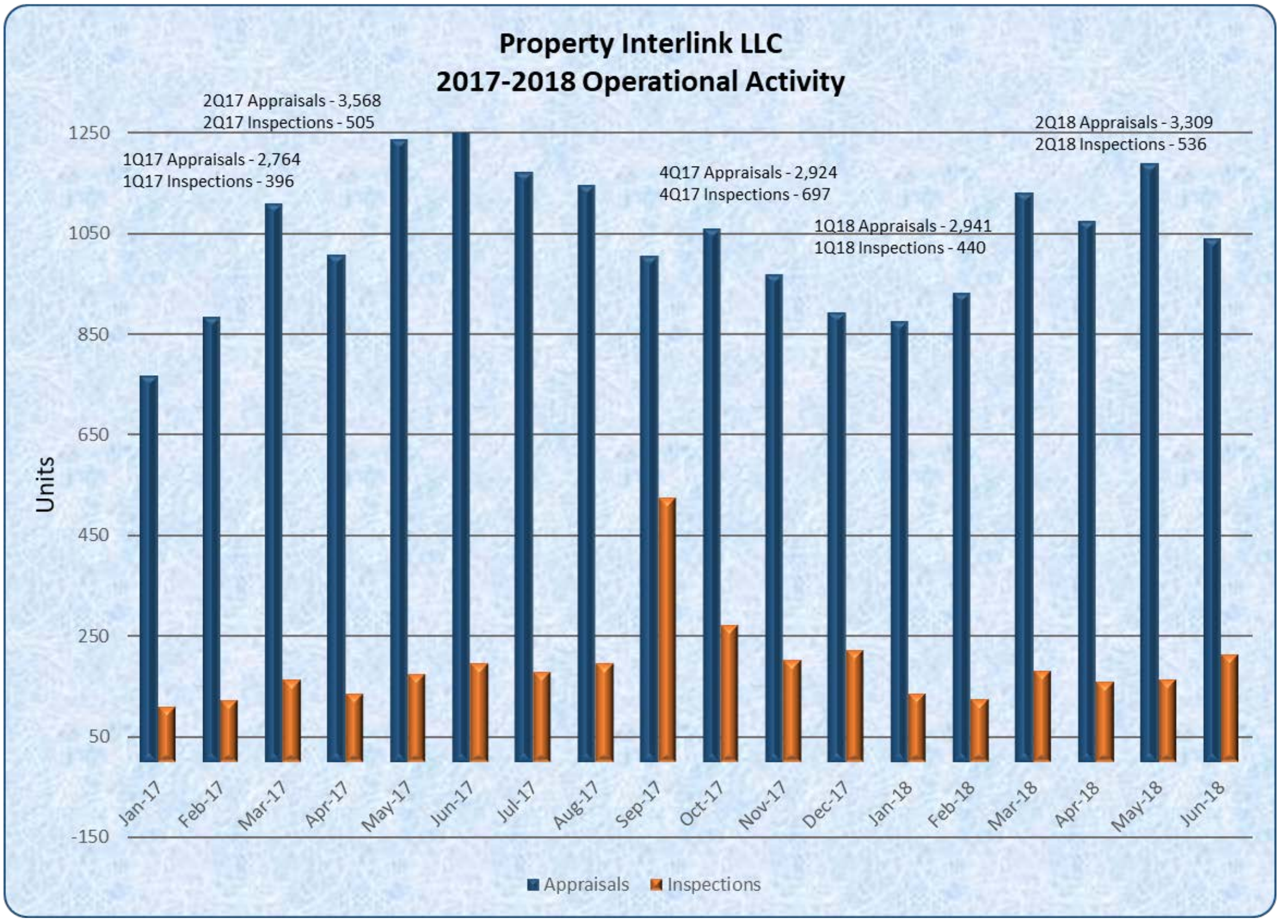
Revenue for Property Interlink for the three-months ended June 30, 2018, was $1,984,376 compared to $2,105,938 during the same period last year. For the six-month period ended June 30, 2018, revenue was $3,723,849. This is relatively unchanged from the same period in 2017 ($3,734,006). Property Interlink has experienced a slight downturn in volume as the U.S. Housing Market continues to reflect downward pressure due to higher interest rates. The following chart depicts changes in net appraisal revenue, as well as monthly appraisal volume for Property Interlink.

Overall expenses in Property Interlink for the second quarter of 2018 were $1,905,401. These expenses are comprised of $1,614,012 in salaries and commissions, $15,671 in professional expenses and $275,718 associated with occupancy and administrative expenses. Total net income for the second quarter of 2018 was $84,165 compared to $54,849 during the same period in 2017.

One of the Key Performance Indicators ("KPI") in Property Interlink is the calculation of revenue derived from each appraisal completed and their associated completion times. When monitoring this metric, the wages and independent contractor expenses are subtracted from the total revenue. As the dynamic business model shifts from assigning appraisals to independent contractors versus employees of the Company, this metric will increase, and subsequently, overall net income to the Company.

Since the acquisition of Property Interlink in July of 2014, average volume has increased from 730 to 1,162 appraisals per month (yearly average), reaching a peak of 1,533 in September of 2017. For the three months ended June 30, 2018, the average volume was 1,282. Seasonal cycles in the housing market historically trend lower from October through January and higher during the second and third quarters.

Property Interlink's monthly activity consists of both residential appraisals and inspections for residential construction properties, as well as final inspections required under specific mortgage guidelines in the United States. The chart below provides further subdivision of the Company's monthly appraisal and inspection activity for 2017 and year-to-date 2018.



For the three months ended June 30, 2018, Property Interlink completed 3,845 appraisals and inspections compared to 4,073 during the same period last year. During the six-months ended June 30, 2018, completed appraisals and inspections were 6,250 compared to 7,233 during the same period last year. The Company expects this to maintain this trend over the next few months as interest rates continue to increase.

Geographic Concentration

A summary of appraisal licenses and future planning

Property Interlink is currently licensed in thirty-one states and/or jurisdictions in the United States. The Company will evaluate licensing as needed to support the geographical footprint of its client base, as well as cross-marketing efforts to align with the latest acquisition of MFI Credit Solutions, LLC.

Starrex currently operates in:

Alabama
Arizona
Arkansas
California
Colorado
District of Columbia
Florida
Georgia
Idaho
Indiana
Kansas
Louisiana
Michigan
Missouri
Montana
Nebraska
Nevada
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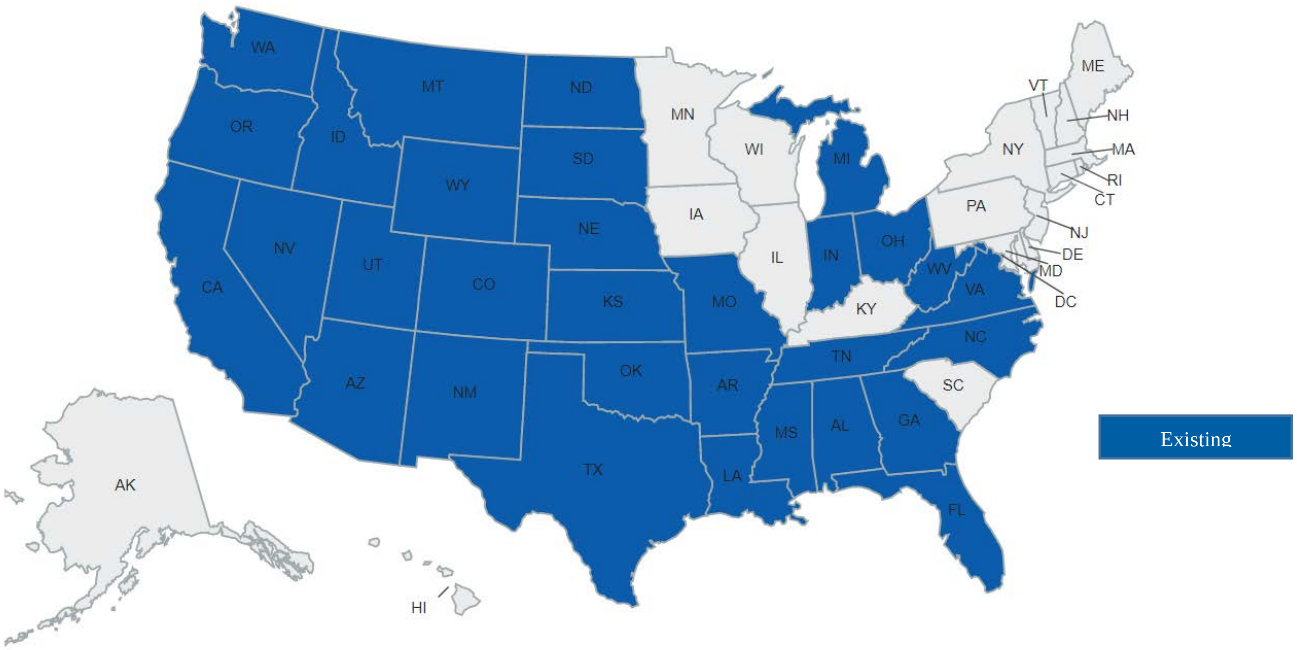
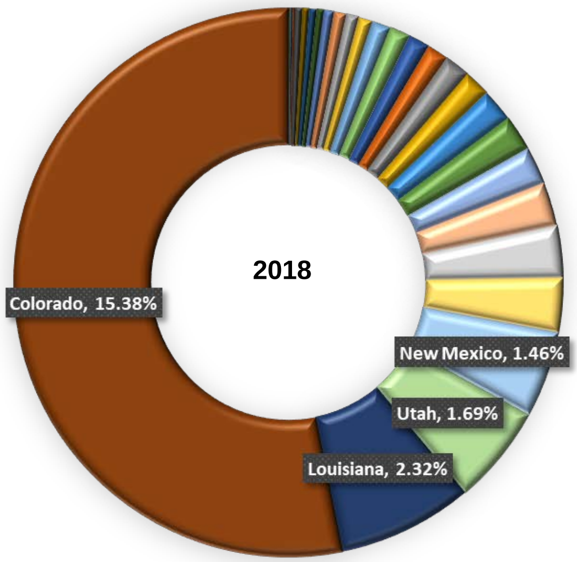
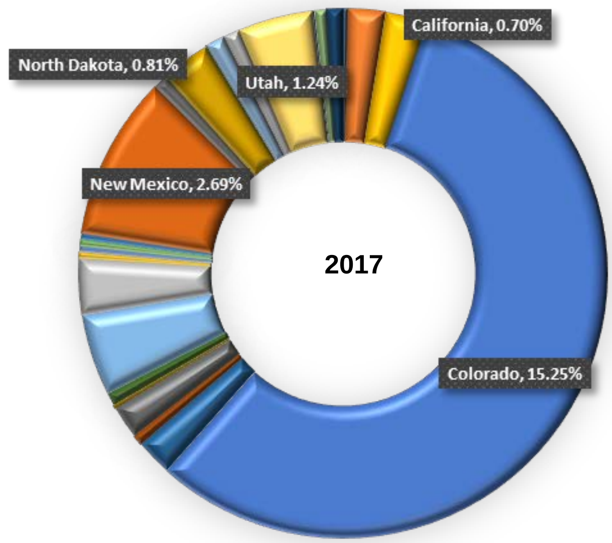
Tennessee
Texas
Utah
Virginia
Washington
West Virginia
Wyoming



The following pie charts illustrate revenue by state concentration, excluding Texas.





Top Ten States by Percentage of Revenue			
State	Q2 2018	Q2 2017	Variance
Texas	71.05%	72.98%	-2.64%
Colorado	15.38%	15.25%	0.87%
Louisiana	2.32%	1.33%	74.11%
Utah	1.69%	1.24%	36.59%
New Mexico	1.46%	2.69%	-45.62%
Idaho	0.93%	0.55%	69.86%
Florida	0.89%	0.60%	47.92%
Michigan	0.75%	0.00%	100.00%
Tennessee	0.64%	0.00%	100.00%
North Dakota	0.60%	0.81%	-25.49%

Appraisals in Texas comprised 71% of the total volume during the six months ended June 30, 2018 with a composition of 73% annualized for 2017. Property Interlink currently works most closely with a large mortgage origination company domiciled in Houston, Texas. Texas generated $2,645,864 in revenue during the first six months of 2018. Colorado follows with $578,825.

Louisiana, Utah and New Mexico round out the top five. This remains essentially unchanged. The most significant variances are in the states of New Mexico, Michigan and Tennessee, which is driven by interest rates and market depreciation/appreciation in specific areas.

Liquidity and financial position

A discussion of our liquidity, cash flows, financing activities and changes in our financial position

Liquidity

Cash

At June 30, 2018. Starrex held $181,685 in cash, a decrease of $390,863 over the previous year-end (December 31, 2017 - $572,548). This decrease was a result in utilization of operating capital for the three entities, especially for working capital for the MFI business acquired on February 9, 2018.

At June 30, 2018, the Company had current assets of $900,472 ($1,456,522 – December 31, 2017) and current liabilities of $1,853,526 ($828,397 – December 31, 2017). The company's current assets were $566,050 lower than year end as a result of the acquisition of MFI Credit Solutions, LLC.

Cash flows

During the six-month period ended June 30, 2018, the Company used $63,593 in operating activities. Utilization of cash from investing activities represented $967,443 for the six-month period for the acquisition of MFI, while the company entered into a note payable which provided $500,000 ($437,000 principal; $63,000 equity portion plus interest) in financing cash flows.

Financial position

The following is a discussion of the significant changes in our Statement of financial position.

Trade and other receivables

Trade and other receivables were $656,337 at June 30, 2018 ($862,802 – December 31, 2017). During ordinary course of business, balances in current accounts receivable remain steady with the necessary controls in place to ensure collectability. The large decrease since December is directly associated with the proceeds received from the Note Receivable in consideration of the divestiture of Olympia Capital Management Inc.

Current accounts receivable as at June 30, 2018 were $656,337 compared to $279,185 at December 31, 2017. As Property Interlink continues to grow in volume and revenue, we expect to realize an increase in outstanding current accounts receivable balances. Additionally, approximately 45% of the customer base for MFI Credit Solutions, LLC is on a term account. Average days aged for accounts receivable in MFI is currently 19 days.

For additional information on Notes Receivable, see Note 5 of the Condensed Interim Consolidated Financial Statements.

Segmented Information

The Company organizes its reporting structure into three reportable segments. For management purposes, the Company is organized into segments based on their products and services provided. Management monitors the operating results of each segment separately for making decisions about resource allocation and performance assessment.

Selected financial information as at June 30, 2018 is presented by segment as follows:

As of and for the six-month period ended June 30, 2018	Property Interlink, LLC	MFI Credit Solutions, LLC	Corporate	Total
Current assets	$ 428,778	$ 401,292	$ 70,402	$ 900,472
Note receivable	-	-	-	-
Property and equipment	176,760	44,408	-	193,107
Intangible assets	181,937	1,131,783	222,036	1,563,817
Goodwill	621,132	294,156	-	915,288
Total assets	$ 1,408,607	$ 1,871,639	$ 292,438	$ 3,572,684
Current liabilities	$ 557,220	$ 478,731	$ 817,578	$ 1,853,528
Long-term liabilities	101,102	-	-	$ 101,102
Total liabilities	$ 658,322	$ 478,731	$ 817,578	$ 1,954,630
Revenues	$ 3,723,849	$ 1,060,970	$ 9,644	$ 4,794,463
Expenses	$ 3,576,713	$ 1,075,524	$ 388,478	$ 5,040,715
Operating income (loss) from continuing operations before provision for income tax	$ 147,136	$ (14,554)	$ (378,834)	$ (246,252)

2018 Budget Approach

The Company is focused on increasing shareholder value, as well as fiscal responsibility while investing in the acquisition of real estate-based entities that complement Property Interlink and MFI Credit Solutions.

The Company is conserving capital for the possible use of funds in the eventuality of successful search for an acquisition target.

Financial Instruments

On January 23, 2018, the Company entered into a note purchase agreement. In return for an aggregate sum of $500,000, the Company issued to the lender a note convertible at the option of the holder into common shares at a conversion price of $0.73 per share. The note has a maturity date of January 22, 2019 and bears interest at 6% per annum. The principal of the note is convertible into 684,931 common shares and, if the note is held to maturity, all accrued and unpaid interest would be convertible into 41,095 common shares.

Capital Disclosures

The Company's objectives when managing capital are to maintain its ability to continue as a going concern to provide return for shareholders and benefits for other stakeholders and to ensure sufficient resources are available to meet day-to-day operating expenses.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and will adjust it, when necessary, to have funds available to support its corporate activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the modest current business and financial size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the year.

Related Party Transactions

The Company had the following transactions with officers and directors of the Company and private companies controlled by officers and directors of the Company for management consulting and other services required by the Company: Amcap Mortgage Ltd., a related customer (by Director) accounted for $2,304,400 (June 30, 2017 - $1,927,420) of revenue to the Company. As at June 30, 2018, $37,345 (June 30, 2017 - $23,605) is included in accounts receivable on the consolidated statements of financial position. The Company incurred $165,280 in management fees during the six-months ended June 30, 2018 (June 30, 2017 - $168,347) to the COO, CFO and CEO for services provided to the Company. All amounts have been paid accordingly. For the three-months ended June 30, 2018, the Company incurred $82,640 in management fees, which is unchanged from the three-months ended June 30, 2017.

Subsequent Events

None.

Critical accounting estimates

Judgments, estimates and assumptions related to preparing IFRS financial statements.

The preparation of financial statements consistent with IFRS requires that management make judgments, estimates and assumptions that affect reported amounts of assets and liabilities for the date of the financial statements, as well as the reported amounts of the revenues and expenses for the periods. Although the estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Areas where estimates are significant to these consolidated financial statements are as follows:

- Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangible assets with definite lives (software, trade name and customer relationships) and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair value requires the use of estimates and assumptions related to future operating performance and discount rates, differences in estimates and assumptions could have a significant impact on the financial statements.
- Significant judgment is involved in the determination of useful life for the computation of depreciation of equipment and amortization of intangible assets. No assurance can be given that actual useful lives will not differ significantly from current assumptions.

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer (the "Disclosure Committee") are responsible for establishing and maintaining the Company's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Company. The Disclosure Policy requires all staff employees to keep the Disclosure Committee fully apprised of all material information affecting the Company so that the Disclosure Committee may discuss and evaluate such information and determine the appropriateness and timing for public release, if so decided. Access to such material information by the Disclosure Committee is facilitated by the modest size of the Company's senior management group and the regular communications engaged in between them.

The Disclosure Committee, after evaluating the effectiveness of the Company's disclosure controls and procedures as of the end of the interim period ended June 30, 2018, concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company would have become known to them.

The Company's Disclosure Committee is also responsible for the design of internal controls over financial reporting. The fundamental issue has been determined to be ensuring that all transactions are properly authorized and identified and entered into a well-designed and clearly understood system on a timely basis to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with generally accepted accounting principles, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisition or dispositions of assets can be detected.

The relatively small size of the Company makes the described identification and authorization process reasonably efficient and is an effective process for reviewing internal controls over financial reporting. To the extent possible, given the Company's modest business operations, and utilizing professional outsourcing for part or most of the process, the internal control procedures provide for the clear separation of duties for receiving, approving, coding and handling of invoices, entering transactions into the accounts, writing checks and completing and recording wire requests. As of June 30, 2018, the Company's Disclosure Committee concluded that the Company's system of internal controls is adequate and reasonably comparable to those of issuers of a similar size and business nature.

Risks and risk management

Risks and uncertainties facing us, and how we manage these risks

Business Risk

Starrex has established policies and procedures to identify, manage and control operational and business risks that may impact our financial position and our ability to continue ordinary operations. Management is responsible for ongoing control and mitigation of operational risk by ensuring the appropriate policies, procedures and internal controls, as well as compliance measures are undertaken.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk. As at June 30, 2018, and December 31, 2017 no allowance for doubtful accounts was recorded. The Company is also subject to credit risk on its notes receivable.

Financial Risk

The Company maintains strong internal controls, including management oversight at both the parent and subsidiary levels, to provide reasonable assurance of financial reporting reliability and preparation of financial statements for external purposes consistent with IFRS to provide reasonable assurance of financial reporting reliability and preparation of financial statements for external purposes consistent with IFRS.

Market Risk

The only significant market risk exposure to which the Company is currently exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on otherwise inactive cash balances at variable rates. The fair value of the Company's cash and cash equivalents are relatively unaffected by normal changes in short-term interest rates.

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 liquidity risk is to maintain sufficient readily available capital to meet its liquidity requirements. At June 30, 2018, the Company had cash and cash equivalents of $181,684 (December 31, 2017 - $572,548) available to settle current financial liabilities of $1,853,526 (December 31, 2017 - $828,397).

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The Company's note payable is at a fixed rate of interest and, as such, is not exposed to significant interest rate risk. The interest rate risks on cash and on the Company's obligations are not considered significant.

Foreign Currency Risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and stock options that are denominated in a foreign currency. The following table summarizes the Company's exposure to the CDN dollar:

		June 30, 2018		December 31, 2017
Cash and cash equivalents	$ CDN	776	$ CDN	772
Accounts receivable		-		394
Accounts payable and accrued liabilities		(280,324)		(289,675)
Total	$ CDN	(279,548)	$ CDN	(288,509)

See "Risks and risk management" in our MD&A for the year ended December 31, 2017.

Internal Control over financial reporting

A summary of our internal control review results

During the year, the Company's internal control processes are reviewed and updated as necessary. During the six-month period ended June 30, 2018, no significant deficiencies in internal control were identified.

Share Capital

As at June 30, 2018, the share capital of the Company continued to be comprised exclusively of common shares. No additional shares were issued in the six- month period ended June 30, 2018, the period under review pursuant to the exercise of stock options. There are minimal dilutive securities outstanding or committed for issue, including, without limitation, options issued requiring the future issuance of new share capital by the Company and the convertible feature of the note payable.

On January 23, 2018, the Company entered into a note purchase agreement. In return for an aggregate sum of $500,000, the Company issued to the lender a note convertible at the option of the holder into common shares at a conversion price of $0.73 per share. The note has a maturity date of January 22, 2019 and bears interest at 6% per annum. The principal of the note is convertible into 684,931 common shares and, if the note is held to maturity, all accrued and unpaid interest would be convertible into 41,095 common shares. The Company reported $63,000 as the residual equity component for the convertible note payable.

The Company is authorized to issue an unlimited number of common shares.

Issued	Number of common shares	Amount
Balance, December 31, 2016 and June 30, 2017	**14,480,827**	6,745,651
Shares Issued - exercise of options	100,000	34,060
Balance, December 31, 2017 and June 30, 2018	**14,580,827**	6,779,711

The Company has a stock option plan in respect of which it has granted options, generally with 5-year terms, on 700,000 shares (details of which are summarized in a table below). The Company's stock option plan (the "Plan") enables its directors, officers, employees, consultants, and advisors to acquire common shares of the Company from treasury at any time within a fixed period of time from the date on which the options are granted (usually 5 years) at an exercise price set at the time the options are granted. Under the terms of the Plan, the directors can grant options totaling up to 10% of the number of common shares outstanding. The following table shows the number of options currently outstanding and their respective exercise prices and expiry dates. All outstanding options are fully vested.

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2016	750,000	1.33
Exercise of options	(100,000)	0.17
Outstanding, December 31, 2017	650,000	0.47
Granted	50,000	0.41
Outstanding, June 30, 2018	**700,000**	**0.49**

	Common Shares Under Option	Number of Options Vested		Exercise Price	Expiry Date	Weighted Average Remaining Life
Granted April 17, 2014	550,000[(1)]	550,000	$	0.19[(4)]	April 17, 2019	1.02
Granted August 25, 2015	100,000[(2)]	100,000	$	1.31[(5)]	September 1, 2020	2.42
Granted February 9, 2018	50,000[(3)]	50,000	$	0.41[(6)]	February 9, 2023	4.87

(1) Directors of the Company hold these options. They are fully vested.
(2) An Executive Officer of the Company holds these options. They are fully vested.
(3) A consultant of the Company holds these options. They are fully vested.
(4) The exercise price is CAD $0.25.
(5) The exercise price is CAD $1.70.
(6) The exercise price is CAD $0.51.