

Introduction

The following interim Management's Discussion & Analysis ("Interim MD&A") of CHAR Technologies Ltd. (formerly Cleantech Capital Inc.) (the "Company" or "CHAR") for the three and nine months ended June 30, 2017 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management's discussion & analysis, being the Management's Discussion & Analysis ("Annual MD&A") for the fiscal year ended September 30, 2016. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended September 30, 2016 and 2015, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and nine months ended June 30, 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of August 28, 2017, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or on SEDAR at www.sedar.com.

Caution Note Regarding Forward-Looking Statements

Certain statements contained in this Interim MD&A and in certain documents incorporated by reference in this Interim MD&A, contain "forward-looking information" for the purposes of applicable Canadian securities laws (the "forward-looking statements"). All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements, including those risk factors identified below in the section "Risk Factors". The forward-looking statements in this Interim MD&A speak only as of the date of this Interim MD&A unless an alternative date is specified in such statement. Certain forward-looking statements contained in this Interim MD&A relate

to the Company’s ability to continue its business activities and to execute on its business plan as currently anticipated. These forward look-statements as well as the other forward-looking statements contained herein, are based upon certain material assumptions, including the Company’s expectation that its costs will remain consistent with the costs currently anticipated and that financing through equity raises, debt financing or a combination thereof will continue to be available to the Company and on terms anticipated and reasonably acceptable to the Company. The risk factors identified in the “Risk Factors” section below may cause such assumptions and/or the forward-looking statements to be untrue.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company’s ability to predict or control. Please see the “Risk Factors” section included in this Interim MD&A. Readers are cautioned that actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

CHAR is a technology company that specializes in the production of an activated charcoal like material (SulfaCHAR), which can be used to remove hydrogen sulfide from various gas streams (focusing on methane-rich and odourous air).

The Company continues to be listed on the Exchange trading under the symbol YES.V. The Company’s head office address is 2425 Matheson Boulevard East, 8th floor, Mississauga, Ontario, L4W 5K4.

Operational Highlights

Corporate

Release from Escrow

On October 7, 2016, the following common shares were release from escrow:

	<u>October 7, 2016 release</u>
CPC Escrow Agreement	903,750
Qualifying Transaction Escrow Agreement	436,934
Value Escrow Agreement	633,333
Total	<u>1,974,017</u>

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On April 7, 2017, the following common shares were release from escrow:

	<u>April 7, 2017 release</u>
CPC Escrow Agreement	903,750
Qualifying Transaction Escrow Agreement	873,868
Value Escrow Agreement	633,333
Total	<u>2,410,951</u>

Grant of stock options

On January 27, 2017, the Company granted 720,000 stock options to directors, officers and consultants of the Company. The stock options may be exercised for a period of five years at a price of \$0.18 per share. An aggregate of 220,000 of the options granted will vest with a consultant of the Company on, and are subject to, the successful completion of specific business development milestones.

Grant funding

On August 29, 2017, the Company announced that it has been approved for a grant totalling \$1 million provided by the Government of Ontario. Funding will be disbursed on completion of three milestones. Subsequent to June 30, 2017, CHAR received initial funding of \$237,759, and will receive three additional payments on milestone and project completion.

Operations

CHAR has focused on developing and commercializing CHAR's principal product, SulfaCHAR. The Company has received the first tranche of funding from the SD Natural Gas Fund (supported by Sustainable Development Technology Canada and the Canadian Gas Association) to execute on a project to build a 1-tonne per day SulfaCHAR production system, which will allow the company to produce commercial quantities of SulfaCHAR to begin production in the fourth quarter of fiscal 2017. The SD Natural Gas Fund is providing a \$750,000 non-repayable grant toward the project.

On January 27, 2017, the Company announced that it completed its final demonstration shipment of SulfaCHAR for Sulfatech Chile SpA ("**Sulfatech**"), a key milestone in the development of a joint venture between the Company and Sulfatech.

On June 6, 2017, the Company announced that it received an initial shipment of SulfaCHAR produced under contract. The shipment consists of 18 metric tonnes of SulfaCHAR, produced by a contractor, under the process conditions prescribed by the Corporation. The SulfaCHAR was tested by a third-party laboratory to ensure product quality and efficacy. The initial scope is for the contractor to produce up to 20 tonnes per month of SulfaCHAR. The contract production will supply customers until the Company's SulfaCHAR production unit is operating later this year, and will then supplement the plant production to support further growth.

On July 11, 2017, the Company announced that it received delivery of equipment used to produce SulfaCHAR. The equipment arrived in London, Ontario. The arrival of the equipment signifies the commencement of milestone 2 of the Company's SD Natural Gas Fund (supported by Sustainable Development Technology Canada and the Canadian Gas Association) project. The Company expects the system installation work to be complete in early October 2017, followed by commissioning.

Trends

Management regularly monitors economic conditions and estimates their impact on the Company’s operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. During the quarter, equity markets in Canada showed signs of improvement, with equities increasing significantly during this period. Strong equity markets are favourable conditions for completing a public merger or financing. Apart from these and the risk factors noted under the heading “Risk Factors”, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company’s business, financial condition or results of operations. See “Risk Factors” below.

Transactions with Related Parties

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Boyle & Co. LLP (“B & Co.”)(i)	\$nil	\$nil	\$nil	\$117,790
Marrelli Support Services Inc. (“MSSI”)(ii)	\$6,000	\$1,570	\$18,000	\$1,570
DSA Corporate Services (“DSA”)(iii)	\$2,498	\$751	\$7,467	\$751
1456087 Ontario Inc. (“1456087”)(iv)	\$15,000	\$10,000	\$45,000	\$10,000
Merko-Nicholson Inc. (“Merko-Nicholson”)(v)	\$15,000	\$nil	\$45,000	\$nil

(i) A former officer and director of the Company is a partner of B & Co. The transactions are for legal services provided by B & Co. to the Company.

(ii) The Chief Financial Officer of the Company is a senior employee of MSSI.

(iii) DSA is affiliated with Marrelli Support through a common officer. DSA provides corporate secretarial services. As at June 30, 2017, DSA was owed \$969 (September 30, 2016 - \$1,319). These amounts are included in accounts payable and accrued liabilities.

(iv) 1456087 is a company controlled by James Sbrolla, a director of the Company. 1456087 provides consulting services to the Company.

(v) Merko-Nicholson is a company controlled by the Chief Operations Officer of the Company. Merko-Nicholson provides consulting services to the Company.

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Remuneration of directors and key management of the Company was as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Salaries	\$21,875	\$18,750	\$59,375	\$18,750
Share based payments	\$3,383	\$nil	\$101,092	\$nil

As at June 30, 2017, the Company owed \$nil (September 30, 2016 - \$38,817) in accrued salaries to an executive officer of the Company and this amount was included in accounts payable and accrued liabilities.

As at June 30, 2017, an executive officer owed the Company \$nil (September 30, 2016 - \$15,000). As at June 30, 2017, there was \$3,000 (September 30, 2016 - \$3,000) due from a shareholder of Original CHAR, which was acquired on Amalgamation. These amounts were included in due from related parties.

To the knowledge of the directors and senior officers of the Company, as at June 30, 2017, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all of the common shares of the Company other than as set out below.

	Number of common shares	Percentage of outstanding shares (approx.)
James Sbrolla	4,896,606	14.6%
Andrew White	4,870,000	14.6%

The remaining 70.8% of the shares are widely held, which includes various small holdings which are owned by directors and officers of the Company. The holding can change at any time at the discretion of the owner, subject to Exchange escrow agreement.

Financial Highlights

Financial Performance

The Company's net loss totaled \$269,146 for the three months ended June 30, 2017, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$101,680 with basic and diluted income per share of \$0.00 for the three months ended June 30, 2016. The increase in net loss of \$167,466 was principally because:

- Research and development increased by \$48,563 for the three months ended June 30, 2017 compared to the three months ended June 30, 2016. The increase is attributable to the Company actively advancing its research and development.
- Consulting fees increased by \$59,847 for the three months ended June 30, 2017 compared to the three months ended June 30, 2016. The increase is attributable to the escalation of the Company's operational activities.
- During the three months ended June 30, 2017, the Company recorded amortization of intangible assets of \$29,500. This intangible asset was acquired from the Amalgamation and is being amortized over its estimated useful life.

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- During the three months ended June 30, 2017, share-based payments amounted to \$3,383 compared to \$nil for the three months ended June 30, 2016. The current expense resulted from the vesting of stock options during the period.
- During the three months ended June 30, 2017, office expenses increased by \$33,541 over the comparative period due to increased corporate activity in the current period. Office expenses include salaries, insurance, travel and administrative services.
- All other expenses related to general working capital.

The Company's total assets at June 30, 2017 were \$3,023,903 (September 30, 2016 - \$3,672,207) against total liabilities of \$75,087 (September 30, 2016 - \$165,643). The decrease in total assets of \$648,304 resulted from use of funds during the day to day operations. The Company has sufficient current assets to pay its existing liabilities of \$75,087 at June 30, 2017.

Cash Flow

At June 30, 2017, the Company had cash of \$317,300 compared to \$1,283,813 at September 30, 2016. The decrease in cash of \$966,513 from September 30, 2016 was primarily as a result of cash outflow in operating activities of \$963,700.

Operating activities were affected by non-cash items of share-based payments of \$105,112, depreciation of \$6,007 and amortization of \$88,500. The net change in non-cash working capital balances of \$500,459 because of an increase in amounts receivable of \$57,890, an increase in prepaid expenses of \$369,826, a decrease in due from related parties of \$15,000 and a decrease in accounts payable and accrued liabilities of \$87,743.

Financing activities used cash inflow of \$2,813 for the repayment of long-term loans payable.

Liquidity and Financial Position

The activities of the Company have been financed by private placements of securities, the exercise of warrants and its initial public offering.

The SD Natural Gas Fund project includes a \$750,000 non-repayable grant. The project builds on the previous research and development work conducted by CHAR. The project is split into 3 milestones. The first milestone, which is the design and fabrication of a 1-tonne per day SulfaCHAR production system is completed. The second milestone, which is the commissioning and initial operation of the 1-tonne per day SulfaCHAR production unit is budgeted to require capital expenditures by CHAR of \$310,000. The third and final milestone, which is testing of the used SulfaCHAR for gas cleaning and agricultural applications, is budgeted to require capital expenditures by CHAR of \$175,000. The completion of phase 2 of this project will allow the Company to produce commercial quantities of SulfaCHAR, and is an important next step in the commercialization of SulfaCHAR.

During fiscal 2017, the Company's corporate head office costs are estimated to average approximately \$90,000 per quarter. Head office costs include professional fees, reporting issuer costs, consulting fees and general and administrative costs.

The Company's cash at June 30, 2017 will be sufficient to complete the second milestone of the SD Natural Gas Fund project, which will allow the Company to produce commercial quantities of SulfaCHAR. The Company's cash at June 30, 2017 will be sufficient to fund the entirety of its remaining development budget of \$175,000 and the estimated remaining operating expenses of \$90,000 for fiscal 2017. The Company will have to raise additional equity capital in amounts sufficient

to continue to fund both development work and working capital requirements. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. See "Risk Factors" below and "Caution Note Regarding Forward-Looking Statements" above.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Investors in the Company's securities should consider each of the risks identified under the heading "Risk Factors" in the Company's Annual MD&A for the fiscal year ended September 30, 2016 available on SEDAR at www.sedar.com. In addition to the risks identified therein, additional risks not presently known to the Company may arise from time to time and may cause a material adverse effect on the Company and any investment in the Company. Investors are cautioned not to rely upon any forward-looking statements in this Interim MD&A as such statements are subject known and unknown risks.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements; and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed consolidated interim financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical areas of estimation and judgments in applying accounting policies include the following:

Going concern

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

Impairment of goodwill

At the year-end, the Company will assess whether there are any indicators of impairment of goodwill.

Useful lives of property and equipment and intangibles

The Company reviews the estimated useful lives of property and equipment and intangibles with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the period ended June 30, 2017, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Investment tax credits recoverable

Investment tax credits are recorded based on management's estimate that all conditions attached its receipt have been met. The Company has significant tax credits recoverable and expects to continue to apply for future tax credits as their research and development activities remain applicable. Therefore, the estimates related to the recoverability of these tax credits are important to the Company's financial position.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the unaudited condensed interim consolidated statement of loss and comprehensive loss in the periods which they become known.

Future accounting pronouncements

Standards issued but not yet effective up to the date of issuance of these unaudited condensed interim consolidated financial statements are listed below. This list is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). The Company will be required to adopt amendments to IFRS 7, requiring increased disclosure regarding derecognition of financial assets and the continuing involvement accounting for annual periods beginning on or after December 1, 2016. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 7 will have on the Company's financial statements.

IFRS 9, Financial Instruments, ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018.

IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, revenue, IAS 11, construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16, Leases ("IFRS16") was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on December 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on the Company's financial statements.