Introduction

The following interim Management's Discussion & Analysis ("Interim MD&A") of CHAR Technologies Ltd. (the "Company" or "CHAR") for the three months ended June 30, 2018 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, 2017. 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, 2017 and 2016, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and nine months ended June 30, 2018, 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 27, 2018, 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.

Description of Business

CHAR is a cleantech development and services company, specializing in biocarbon development (activated charcoal "SulfaCHAR" and solid biofuel "CleanFyre"), custom equipment for industrial air and water treatment, and providing services in environmental management, site investigation and remediation, engineering, and resource efficiency.

The Company continues to be listed on the Exchange trading under the symbol YES.V. The Company's head office address is 12 Banigan Drive, Toronto, Ontario, M4H 1E9.

Operational Highlights

Corporate

Release from Escrow

On October 7, 2017, the following common shares were released from escrow:

	October 7, 2017 release	April 7, 2018 release
CPC Escrow Agreement	903,750	903,750
Qualifying Transaction Escrow Agreement	873,868	1,310,802
Value Escrow Agreement	633,333	633,333
Total	**2,410,951**	**2,847,885**

Private placement oversubscribes and closes $1,055,358

On December 20, 2017, CHAR closed 3,513,609 non flow-through shares at a price of $0.21 per share for gross proceeds of $737,858 and 1,270,000 flow-through shares at a price of $0.25 per flow-through share for gross proceeds of $317,500. The Company closed total gross proceeds of $1,055,358. The net proceeds from the non-brokered private placement are intended to be used for general working capital and continued technology development.

Acquisition of the Altech Group

On January 1, 2018, the Company acquired the Altech Group ("Altech"), which is comprised of Altech Environmental Consulting Ltd. and Altech Technologies Systems Inc. Altech provides solutions to environmental engineering challenges. Founded in 1986, Altech has 12 employees and a diverse and stable client base. CHAR acquired all of the outstanding shares in both Altech Environmental Consulting Ltd. and Altech Technology Systems Inc. (the "Purchased Shares"). Altech shareholders received an aggregate of 4,523,810 in common shares of CHAR plus $150,000 cash in exchange for the Purchased Shares.

Grant of stock options

On January 18, 2018, the Company granted 650,000 stock options to directors, officers and consultants of the Company, which are exercisable into common shares of the Company at a price of $0.22 per common share. The options have a term of five years and will expire on January 18, 2023.

Cancellation of shares

On February 1, 2018, the Company announced that a shareholder agreed to surrender for cancellation an aggregate of 100,000 common shares (the "Shares") of CHAR. The Shares are currently held in escrow pursuant to a Form 2F CPC Escrow Agreement dated December 11, 2013. Upon release from escrow the Shares will be returned to CHAR for cancellation.

Grant approval

On March 29, 2018, the Company announced it has been approved for a grant totalling $1,062,385 provided by the Government of Ontario through the Low Carbon Innovation Fund ("LCIF"). The grant is in support of CHAR's CleanFyre biocoal project, with participation from ArcelorMittal Dofasco, Canada's largest flat roll steel producer and a lead user of CleanFyre within the project, Walker Environmental as a feedstock supplier and BioLine Corporation as a feedstock pre-processor. Project funding of $531,192 was disbursed in April, which will be followed by four additional payments on successful milestone completion.

Operations

CHAR's acquisition of the Altech Group has expanded the operations of the Company. Altech Environmental Consulting Ltd. continues to service its clients through engineering, energy and audit consulting services, which includes resource efficiency services as well as emissions review and reduction strategies. Altech Environmental Consulting Ltd., also services clients with site investigation and remediation work. Altech Technology Systems Inc., continues to provide innovative, custom equipment to help clients reduce their air and water emissions, with a particular focus on food & beverage manufacturers, the mining industry, organics and other waste processors, as well as clients in varied industrial areas.

CHAR also continues to focus 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 2018. The SD Natural Gas Fund is providing a $750,000 non-repayable grant toward the project from Sustainable Development Technology Canada and a $1,000,000 non-repayable grant toward the project from the Ontario Centres of Excellence.

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 system installation work has been completed, and the Company expects the system commissioning work to be completed in September 2018.

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.

Commitment

The Company is obligated to spend $317,500 by December 31, 2018. As at June 30, 2018, $50,500 remains to be spent as part of the flow-through funding agreement for shares issued in December 2017. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's renewable energy and energy efficiency projects to flow-through participants. The Company indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments.

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, 2018	Three months ended June 30, 2017
Marrelli Support Services Inc. ("MSSI")(i)	$6,000	$6,000
DSA Corporate Services ("DSA")(ii)	$2,546	$2,498
1456087 Ontario Inc. ("1456087")(iii)	$15,000	$15,000
Merko-Nicholson Inc. ("Merko-Nicholson")(iv)	$17,500	$15,000
Lyle Clarke & Associates ("L. Clarke & Assoc.") (v)	$nil	$nil

	Nine months ended June 30, 2018	Nine months ended June 30, 2017
MSSI (i)	$18,000	$18,000
DSA (ii)	$8,053	$7,467
1456087 (iii)	$55,000	$45,000
Merko-Nicholson (iv)	$52,500	$45,000
L. Clarke & Assoc. (v)	$5,000	$nil

(i) The Chief Financial Officer of the Company is a senior employee of MSSI. As at June 30, 2018, MSSI was owed $2,311 (September 30, 2017 - $nil). These amounts are included in accounts payable and accrued liabilities.

(ii) DSA is affiliated with Marrelli Support through a common officer. DSA provides corporate secretarial services. As at June 30, 2018, DSA was owed $2,020 (September 30, 2017 - $3,117). These amounts are included in accounts payable and accrued liabilities.

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

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

(v) L. Clarke & Assoc. is a company controlled by Lyle Clarke, a director of the Company. L. Clarke & Assoc. provides consulting services to the Company.

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

	Three months ended June 30, 2018	Three months ended June 30, 2017	Nine months ended June 30, 2018	Nine months ended June 30, 2017
Salaries	$88,316	$21,875	$206,632	$59,375
Share based payments	$nil	$3,383	$104,340	$101,092

Directors of the Company purchased 859,763 common shares of the private placement that closed on December 20, 2017.

Financial Highlights

Financial Performance

The Company's net loss totaled $249,673 for the three months ended June 30, 2018, with basic and diluted loss per share of $0.01. This compares with a net loss of $269,146 with basic and diluted loss per share of $0.01 for the three months ended June 30, 2017. The decrease in net loss of $19,473 was primarily attributable to:

- During the three months ended June 30, 2018, the Company realized gross profit of $266,094 compared to $561 for the three months ended June 30, 2017. The increase in gross profit is mainly derived from the operations of Altech.
- During the three months ended June 30, 2017, the Company incurred $103,872 on research and development for the development of SulfaCHAR. In the 2018 comparative period there was no additional research and development as the Company was actively constructing the production system.
- Consulting fees decreased by $25,197 for the three months ended June 30, 2018 compared to the three months ended June 30, 2017. The decrease is attributable to the utilization of in-house resources rather than using external consultants.
- Professional fees increased by $38,161 for the three months ended June 30, 2018 compared to the three months ended June 30, 2017. The increase is attributable to the increase in the Company's corporate activities.
- During the three months ended June 30, 2018, office expenses increased by $336,562 over the 2017 comparative period due to the cost to relocate the new head office as well as increase corporate overhead from the acquisition of Altech. Office expenses include salaries, rent, insurance, travel and administrative services.

Cash Flow

At June 30, 2018, the Company had cash of $125,204 compared to $831,556 at September 30, 2017. The decrease in cash of $706,352 from September 30, 2017 resulted from the following:

Operating activities were affected by non-cash items of share-based payments of $110,738, depreciation of $6,157 and amortization of $88,500. The net change in non-cash working capital balances of $286,754 because of a decrease in amounts receivable of $63,608, an increase in work-in-progress of $105,259, an increase in prepaid expenses of $40,088, a decrease in accounts payable and accrued liabilities of $162,700 and an increase in deferred grant income of $531,193.

The Company spent $636,138 for the purchase of intangible assets and property and equipment for its production facility under construction and spent cash of $150,000 to acquire Altech offset by $25,444 of cash acquired from Altech.

The Company received $1,169,040 from the issuance of common shares net of costs offset by $147,000 used to repay the loan assumed from the acquisition of Altech and the purchase of a term deposit of $850,000 used to secure a credit facility of which $280,000 was utilized.

Liquidity and Financial Position

The Company's total assets at June 30, 2018 were $5,244,426 (September 30, 2017 - $2,960,592) against total liabilities of $1,728,981 (September 30, 2017 - $807,697). The increase in total assets of $2,283,834 resulted from the proceeds from the private placement and exercise of stock options as well as the assets received from the Altech acquisition offset by use of funds during the day to day operations. The Company has sufficient current assets to cover its existing liabilities of $1,728,981 at June 30, 2018.

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

The SD Natural Gas Fund project includes a $750,000 non-repayable grant from Sustainable Development Technology Canada and a $1,000,000 non-repayable grant from the Ontario Centres of Excellence. 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. The Company recently received approval for approximately $1 million from the Government of Ontario through LCIF for the commercialization of CleanFyre. The Company has received an initial payment of $531,193. The next payment will be disbursed on the successful completion of the next milestone, which is production and testing of CleanFyre.

During fiscal 2018, the Company's corporate head office costs are estimated to average approximately $400,000 per quarter. Head office costs include professional fees, reporting issuer costs, consulting fees, salaries and general and administrative costs.

The Company's cash at June 30, 2018 will not be sufficient to fund its remaining development budget of $235,000 and the remaining corporate head office costs of $400,000 for fiscal 2018. The Company is estimated to earn revenue of $800,000 for the remainder of fiscal 2018 and is able to access funds through its line of credit.

See "Risk Factors" and "Caution Note Regarding Forward-Looking Statements" below.

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
The 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.

Deferred taxes
The calculation of deferred taxes is based on assumptions which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future period could be material. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

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 September 30, 2017, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

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 consolidated statement of loss and comprehensive loss in the periods which they become known.

Share-based payments

The Company estimates the fair value of convertible securities such as warrants and options using the Black-Scholes option-pricing model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected dividends.

Future accounting pronouncements

Standards issued but not yet effective up to the date of issuance of these 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.

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.

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, 2017 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 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.

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.

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.