Introduction

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operation of CHAR Technologies Ltd. (the "Company" or "CHAR") should be read in conjunction with CHAR's audited consolidated financial statements and notes thereto as at and for the years ended September 30, 2019 and 2018.

The Company's consolidated financial statements and the financial information contained in this 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. Results are reported in Canadian dollars, unless otherwise noted.

Information contained herein is presented as of January 28, 2020, unless otherwise indicated.

For the purposes of preparing this 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 789 Don Mills Road, Suite 403, Toronto, Ontario, M3C 1T5.

Operations

CHAR's acquisition of the Altech Group has expanded the operations of the Company. Altech Environmental Consulting Ltd. ("Altech Environmental") 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, also services clients with site investigation and remediation work. Altech Technology Systems Inc., which has been rebranded as CharTech Solutions 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 pyrolysis process, used to produce various biocarbons, including SulfaCHAR. The Company has received the three tranches of funding from the SD Natural Gas Fund (supported by Sustainable Development Technology Canada ("SDTC") and the Canadian Gas Association ("CGA") to execute on a project to build and operate a 1-tonne per day pyrolysis system to produce biocarbon, which allowed the company to produce commercial quantities of SulfaCHAR. Commissioning was completed and operation began in the first quarter of fiscal 2019. The SD Natural Gas Fund is providing a

$750,000 non-repayable grant toward the project from SDTC and the CGA. In addition, the Ontario Centres of Excellence is providing a $1,000,000 non-repayable grant toward the project following the same milestones and payment schedules as the SD Natural Gas Fund.

On October 22, 2018, the Company announced that it had successfully commissioned the pyrolysis equipment used to produce biocarbons, including SulfaCHAR. The commissioning of the equipment signified the commencement of milestone 3 of the Company's SD Natural Gas Fund (supported by SDTC and the CGA) project. The system is now operational and is producing commercial quantities of SulfaCHAR and pilot quantities of CleanFyre.

Corporate Highlights

Release from Escrow

The following common shares were released from escrow:

	October 7, 2018 release	April 7, 2019 release
CPC Escrow Agreement	903,750	903,751
Qualifying Transaction Escrow Agreement	1,310,802	3,495,473
Value Escrow Agreement	633,334	633,334
Total	**2,847,886**	**5,032,558**

Private placement – flow-through shares

On December 31, 2018, CHAR closed 1,147,619 flow-through shares at a price of $0.21 per share for gross proceeds of $241,000. The net proceeds from the non-brokered private placement are intended to be used for continued technology development.

Stock option grants

On February 7, 2019, the Company granted 961,000 stock options to directors, officers, employees and consultants of the Company. The stock options may be exercised for a period of five years at a price of $0.20 per share. These stock options vest as follows: 505,000 stock options vested immediately and 456,000 stock options vest based on the achievement of specific performance criteria.

On August 16, 2019, the Company granted 78,125 stock options to an officer of the Company. The stock options may be exercised for a period of five years at a price of $0.16 per share. These stock options vested immediately.

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.

Selected Annual Financial Information

	Year ended September 30, 2019 ($)	Year ended September 30, 2018 ($)	Year ended September 30, 2017 ($)
Revenue	**1,622,667**	**1,041,788**	**140,033**
Net loss	**(821,209)**	**(1,392,031)**	**(1,711,161)**
Net loss per share – basic and diluted	**(0.02)**	**(0.03)**	**(0.05)**
	As at September 30, 2019 ($)	**As at September 30, 2018 ($)**	**As at September 30, 2017 ($)**
Total assets	**4,274,249**	**5,395,109**	**3,026,035**
Total long-term liabilities	**1,472,864**	**1,347,638**	**1,285,880**

Summary of Quarterly Result

Period	Revenue ($)	Net income or (loss)		Total assets ($)
		Total ($)	Basic and diluted income (loss) per share (9)(10) ($)	
September 30, 2019	424,442	(466,351)(1)	(0.01)	4,274,249
June 30, 2019	464,824	237,372(2)	0.01	4,187,343
March 31, 2019	298,003	(313,312)(3)	(0.01)	4,893,986
December 31, 2018	435,398	(278,918)(4)	(0.01)	5,201,117
September 30, 2018	328,880	(502,184)(5)	(0.01)	5,395,109
June 30, 2018	324,201	(249,673)(6)	(0.01)	5,244,426
March 31, 2018	388,707	(379,735)(7)	(0.01)	4,716,969
December 31, 2017	Nil	(260,439)(8)	(0.01)	3,727,053

(1) Net loss of $466,351 consisted of $119,008 of professional fees, $410,734 of office expenses and other general working capital expenses offset by gross profit of $112,647.

(2) Net income of $237,372 consisted of gross profit of $302,873 and grant income of $644,204 offset by $84,903 of professional fees, $184,690 of depreciation $351,531 of office expenses and other general working capital expenses.

(3) Net loss of $313,312 consisted of $84,631 of consulting fees, $184,720 of depreciation $303,538 of office expenses and other general working capital expenses offset by gross profit of $189,200 and grant income of $308,179.

(4) Net loss of $278,918 consisted of $72,131 of consulting fees, $184,720 of depreciation $354,237 of office expenses and other general working capital expenses offset by gross profit of $265,612 and grant income of $150,428.

(5) Net loss of $502,184 consisted of $82,388 of consulting fees, $157,375 of professional fees, $218,392 of office expenses, $38,517 of amortization and other general working capital expenses offset by gross profit of $82,066 and deferred tax recovery of $50,800.

(6) Net loss of $249,673 consisted of $52,298 of professional fees, $395,448 of office expenses, $34,650 of consulting fees and $29,500 of amortization offset by $266,094 of gross profit.

(7) Net loss of $379,735 consisted of $304,364 of office expenses, $95,404 of consulting fees, $82,245 of professional fees, $108,259 of share-based payments, $29,500 of amortization and other general working capital expenses offset by gross profit of $252,661 and grant income of $30,920.

(8) Net loss of $260,439 consisted of $104,783 of consulting fees, $45,539 of professional fees, $45,438 of office expenses and $$29,500 of amortization.

(9) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

(10) As the Company has reported a net loss, it has not calculated the diluted loss per common share as its effect would be anti-dilutive.

Discussion of Operations

Year ended September 30, 2019 compared with the year ended September 30, 2018

The Company's net loss totaled $821,209 for the year ended September 30, 2019, with basic and diluted loss per share of $0.02. This compares with a net loss of $1,392,031 with basic and diluted loss per share of $0.03 for the year ended September 30, 2018. The decrease in net loss of $570,822 was principally because:

- During the year ended September 30, 2019, the Company recognized $863,779 of grant income commensurate with the commissioning of the kiln and achieving the first milestone of the Low Carbon Innovation Fund.
- During the year ended September 30, 2019, the Company realized gross profit of $870,332 compared to $600,821 for the year ended September 30, 2018. The increase in gross profit is mainly derived from growth in consulting services, as well as an increase in air and water treatment systems.
- Depreciation increased by $344,743 for the year ended September 30, 2019 compared to the year ended September 30, 2018. The increase is attributable to depreciation on the kiln and building following its commissioning in October 2018.
- During the year ended September 30, 2019, office expenses increased by $456,398 over the 2018 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.
- During the year ended September 30, 2019, the Company incurred $47,200 on research and development compared to $161,699 for the year ended September 30, 2018. During the 2019 year, the Company completed the research and development phase to construct the production system.
- During the year ended September 30, 2019, the Company recognized a recovery of $18,379 from the reversal of flow-through liability compared to $50,800 during the year ended September 30, 2018. The flow-through liability is reversed on a pro-rata basis as eligible expenditures are incurred.
- All other expenses related to general working capital.

<u>Three months ended September 30, 2019 compared with the three months ended September 30, 2018</u>

The Company's net loss totaled $466,351 for the three months ended September 30, 2019, with basic and diluted loss per share of $0.01. This compares with a net loss of $502,184 with basic and diluted loss per share of $0.01 for the three months ended September 30, 2018. The decrease in net loss of $35,833 was principally because:

- During the three months ended September 30, 2019, the Company recorded gross profit of $112,647 compared to $82,066 for the three months ended September 30, 2018. The increase in gross profit is mainly derived from growth in consulting services, as well as an increase in air and water treatment systems.
- During the three months ended September 30, 2019, the Company recognized $239,032 of grant income commensurate with the commissioning of the kiln and achieving the first milestone of the Low Carbon Innovation Fund.
- During the three months ended September 30, 2019, office expenses increased by $192,342 over the 2018 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.
- During the three months ended September 30, 2019, the Company incurred $12,200 on research and development compared to $116,610 for the three months ended September 30, 2018. During early 2019, the Company completed the research and development phase to construct the production system.
- During the three months ended September 30, 2019, the Company recognized a recovery of $15,864 from the reversal of flow-through liability compared to $50,800 during the three months ended September 30, 2018. The flow-through liability is reversed on a pro-rata basis as eligible expenditures are incurred.
- All other expenses related to general working capital.

Cash Flow

At September 30, 2019, the Company had cash of $225,396 compared to $283,200 at September 30, 2018. The decrease in cash of $57,804 from September 30, 2018 resulted from the following:

Operating activities were affected by non-cash items of share-based payments of $120,226, depreciation of $355,515, amortization of $127,966, accretion of $1,320, deferred grant income of $863,779, reversal of flow-through liability of $18,379 and income tax recovery of $4,728. The net change in non-cash working capital balances of $78,054 because of a decrease in amounts receivable of $127,771, an increase in work-in-progress of $16,357, an increase in inventory of $15,227, an increase in prepaid expenses of $67,059, an increase in deferred income of $135,600 and a decrease in accounts payable and accrued liabilities of $86,674.

The Company spent $199,625 for the purchase of property and equipment for its production facility and received $850,000 from the redemption of a term deposit.

The Company received $253,500 from the issuance of common shares, grant proceeds of $757,577 and offset by $89,242 for the repayment of the bank overdraft and $605,000 for the repayment of its line of credit.

Liquidity and Financial Position

The Company's total assets at September 30, 2019 were $4,274,249 (September 30, 2018 - $5,395,109) against total liabilities of $2,361,229 (September 30, 2018 - $3,005,916). The decrease in total assets of $1,120,860 resulted from the use of funds during the day to day operations offset by proceeds from the private placement and grant income. The Company has sufficient current assets to cover its existing current liabilities of $888,365 at September 30, 2019.

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 SDTC 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 biocarbon (including SulfaCHAR) production system is completed. The second milestone, which is the commissioning and initial operation of the 1-tonne per day biocarbon (including SulfaCHAR) production system is completed. The third and final milestone, which is testing of the use of SulfaCHAR for gas cleaning and agricultural applications, is budgeted to require capital expenditures by CHAR of $50,000. The completion of phase 2 of this project now allows the Company to produce commercial quantities of SulfaCHAR, and is an important next step in the commercialization of SulfaCHAR. The Company also received approval for approximately $1 million from the Government of Ontario through LCIF for the commercialization of CleanFyre. The Company has received payments of $903,028. The first milestone has been successfully completed. The second milestone, which consists of a 20 tonne industrial trial of CleanFyre, is anticipated to be completed by the end of the second quarter of 2020.

During fiscal 2020, the Company's corporate head office costs are estimated to average approximately $370,000 per quarter. Head office costs include professional fees, reporting issuer costs, consulting fees, salaries and general and administrative costs. The Company's cash at September 30, 2019 is sufficient to fund its remaining development budget of $50,000 and corporate head office costs of $370,000 for fiscal 2020. The Company is estimated to earn revenue of $2,500,000 for fiscal 2020.

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

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of CHAR.

Proposed Transactions

There were no proposed transactions as of the date of this MD&A.

Commitment

The Company is obligated to spend $241,000 by December 31, 2019. As at June 30, 2019, $86,609 remains to be spent as part of the flow-through funding agreement for shares issued in December 2018. 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.

The Company has entered into an operating lease agreement for its kiln building location expiring on December 11, 2020. These lease payments have been prepaid in full.

The Company's minimum rental payments for its office space is as follows:

Fiscal year	Amount
2020	$24,875
2021	27,136
2022	27,136
2023	27,136
2024	2,261
	$108,544

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. The transactions with related parties are as follows:

	Year ended September 30, 2019 ($)	Year ended September 30, 2018 ($)
Marrelli Support Services Inc. ("MSSI")(i)	24,000	24,000
DSA Corporate Services ("DSA")(ii)	9,576	10,368
1456087 Ontario Inc. ("1456087")(iii)	60,000	70,000
Merko-Nicholson Inc. ("Merko-Nicholson")(iv)	25,000	75,000
Lyle Clarke & Associates ("L. Clarke & Assoc.") (v)	nil	5,000
Numbers & Co. (vi)	52,500	nil

(i) The Chief Financial Officer of the Company is a senior employee of MSSI. As at September 30, 2019, MSSI was owed $nil (September 30, 20187 - $2,311). 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 September 30, 2019, DSA was owed $849 (September 30, 2018 - $907). 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 former Chief Operations Officer ("COO") of the Company. Merko-Nicholson provides consulting services to the Company. Mr. Nicholson ceased to be the COO in February 2019.

(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.

(vi) Numbers & Co. is a company controlled by the Chief Administration Officer of the Company. Numbers & Co. provides consulting services to the Company. As at September 30, 2019, Numbers & Co. was owed $5,650 (September 30, 2018 - $nil). These amounts are included in accounts payable and accrued liabilities.

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

	Year ended September 30, 2019 ($)	**Year ended September 30, 2018 ($)**
Salaries	244,452	209,698
Share based payment	95,627	107,250
Total	**340,079**	**316,948**

Outstanding Share Data

The number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of CHAR as at January 28, 2020 are as follows:

Securities	**As at January 28, 2020**
Common shares outstanding	45,137,314
Issuable under options	3,009,125
Total securities	**48,146,439**

Critical accounting judgments and key sources of estimation uncertainty

The preparation of these consolidated 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

As discussed above, these 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 finite 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 year ended September 30, 2019, 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.

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 16, Leases ("IFRS 16") 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 October 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. As at October 1, 2019, the Company will recognize a right-of-use asset and lease liability of approximately $89,160 in the consolidated statement of financial position for its current office lease.

Capital management

The Company includes equity, which is comprised of share capital, reserves and deficit, in its definition of capital. The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities. The Company has no externally imposed capital requirements. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

Financial instruments and risk management

Risk management
In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

Market risk
Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Company's cash include cash held in bank accounts that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

Interest rate risk
Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any significant interest bearing assets or liabilities.

Liquidity risk
Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Company's strategy is to satisfy its liquidity needs using cash on hand, and cash flow provided by financing activities. As at September 30, 2019, the Company had a cash of $225,396 to settle current liabilities of $888,365. The Company's accounts payable and accrued liabilities, line of credit and deferred grant income are due within one year from the date of the statement of financial position.

Foreign exchange risk
The Company is headquartered in Canada and its functional reporting currency is the Canadian dollar. A portion of Char Biocarbon Inc.'s revenues are denominated in US dollars. As such, the Company's results of operations are subject to foreign currency fluctuation risks and these fluctuations may adversely affect the financial position and operating results of the Company. As of September 30, 2019, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. 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 MD&A as such statements are subject known and unknown risks.

(1) **No History of Profits –** CHAR has not yet realized profitable operations and has incurred significant losses and there is no assurance that CHAR will earn profits in the future, or that profitability, if achieved, will be sustained. The success of CHAR ultimately depends upon its abilities to generate significant revenues to finance operations as opposed to external funding. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding. If CHAR does not have sufficient capital to fund its operations, it may be required to forego certain business opportunities;

(2) **Future Capital Requirements –** CHAR will require additional financing in order to grow and expand its operations. It is possible that required future financing will not be available, or if available, will not be available on favourable terms. There can be no assurances that CHAR will be able to raise additional capital if its capital resources are exhausted;

(3) **Management of Growth –** CHAR may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. Any expansion of CHAR's business may place a significant strain on its financial, operational and managerial resources. There can be no assurances that CHAR will be able to manage growth successfully;

(4) **Limited Operating History** – CHAR began carrying on business in February, 2011 and is therefore subject to many of the risks common to early-stage enterprises;

(5) **Reliance on Management** – The success of CHAR is dependent upon the ability, expertise, judgment, discretion and good faith of their respective senior management;

(6) **Additional Financing** – In order to execute the anticipated growth strategies, CHAR will likely require additional equity and/or debt financing beyond order to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions;

(7) **Competition** – There is potential that CHAR will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than CHAR;

(8) **Operating Risk and Insurance Coverage** – CHAR has insurance to protect its assets, operations and employees. While CHAR believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which CHAR is exposed;

(9) **Fluctuation of Market Price** – The market price of the Company's Shares may be subject to wide fluctuations in response to many factors;

(10) **Dividends** – The Company has no earnings or dividend record, and does not anticipate paying any dividends on the Common Shares in the foreseeable future;

(11) **Limited Market for Securities** – The Company's are listed on the Exchange, however, there can be no assurance that an active and liquid market for the Company's Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company; and

(12) **Environmental and Employee Health and Safety Regulations** – CHAR's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety.

Caution Note Regarding Forward-Looking Statements

Certain statements contained in this MD&A and in certain documents incorporated by reference in this 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 MD&A speak only as of the date of this MD&A unless an alternative date is specified in such statement. Certain forward-looking statements contained in this 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 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 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 consolidated 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 consolidated financial statements; and (ii) the consolidated 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 consolidated 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.