SMARTCOOL™

Smartcool Systems Inc. (TSX-V: SSC)
Management's Discussion and Analysis

2018 First Quarter (ending March 31)

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SMARTCOOL™

Management's Discussion and Analysis

The following is management's discussion and analysis ("MD&A") of the operating and financial results of Smartcool Systems Inc. for the quarter ended March 31, 2018. This information is provided as of May 30, 2018.

This MD&A should be read in conjunction with our unaudited condensed consolidated interim financial statements for the quarter ended March 31, 2018 and audited consolidated financial statements for the year ended December 31, 2017, together with accompanying notes. These documents and additional information about Smartcool can be located on the SEDAR website at www.sedar.com or the Company's website at www.smartcool.net .

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SMARTCOOL™

Business Overview

Smartcool Systems Inc. is a clean technology company specializing in the development and distribution of energy efficiency solutions for air conditioning, refrigeration and heat pump systems (HVACR).

Smartcool was established in 2004, beginning as the North American distributor for the Energy Saving Module (ESM) ™, a unique energy efficiency retrofit developed by Abbotly Technologies Pty Ltd of Australia. In 2006, Smartcool purchased the assets of Abbotly, including the intellectual property of the ESM™, and became the sole manufacturer and master distributor. In 2009, Smartcool's research and development culminated in the delivery of the ECO^3™ to market, a new product specifically designed to bring unprecedented energy efficiency to small scale HVACR systems. Product development is underway to add communications as part of an overall upgrade to the existing line of products.

2017 was an exciting year for Smartcool as many new initiatives were commenced and their impact are starting to be felt. This momentum continued and accelerated during the 1st quarter of 2018 with further new intiatives, including the addition of a new exclusive agent in the United Kingdom, an Agreement with Restovate Ltd. (representing Mike Holmes) and the successful negotiation of a Letter of Intent to purchase Total Energy Concepts Inc. ("TEC").

An Agency Agreement was negotiated during the latter half of the first quarter with Cool Save Limited ("Cool Save") and announced on March 20, 2018. The Agreement calls for Cool Save to represent Smartcool in the United Kingdom, excluding Ireland, on an exclusive basis and the rest of Europe on a non-exclusive basis. The team at Cool Save, represented by its two principals Matt Sandell and Colin Higgs, have had successful careers with major multinational firms in the energy space. Their depth of contacts should lead to a significant increase in sales activity in their geographic area. It is anticipated to substantially add to the sales activity of the Company sales staff which will now operate under Cool Save's direction.

The Letter of Intent ("LOI") with TEC was also negotiated during the 1st quarter. The LOI was announced on March 13, 2018. TEC has been a distributor of Smartcool products since 2010 and is well known to the Company. Damian Smith, CEO and President of TEC, is a mechanical engineer with an electrical engineering background and has developed or co-developed 3 proprietary energy efficiency products in the area of power correction and voltage conditioning. The acquisition is contemplated to be completed during the 2nd quarter pending the completion of due diligence and regulatory approval. TEC has proven revenues and profitability and will be a significant addition to Smartcool's operations. It is anticipated that TEC's proprietary products, which will be part of the assets acquired by the Company, should have sales opportunities throughout the Smartcool sales networks, both direct sales and through international distribution.

Smartcool's US residential market initiative also progressed during the quarter and is expected to launch during the 2nd quarter of 2018. Don Iannucci, who heads up the division, was successful in negotiating an agreement with Restovate LTD., representing Mike Holmes. The Agreement was announced on April 4, 2018. The License Agreement provides for the use of certain Mike Holmes licensed marks and for Mike Holmes to act as a Smartcool Ambassador providing video and social media content and distribution. Mike Holmes is an extremely well known television personality focused on home construction and renovation. Don completed the initial analysis of the market and developed a business plan with the intention of launching a digital marketing campaign in the late spring 2018 in certain select markets in the US. The US has over 100 million homes with air conditioners that are generally viewed as one of the largest consumers of energy in the household. The Residential product is to be marketed as ECOHome and will have an internet presence at www.ecohome.cool. ECOhome will initially be marketed through digital media with a geographic focus Smartcool is establishing an installation and servicing network for this initiative. Smartcool has also entered into an agreement both in US (Evolution Mechanical) and in Canada (CCS Climate Control Systems Inc.) to assist the company with installations.

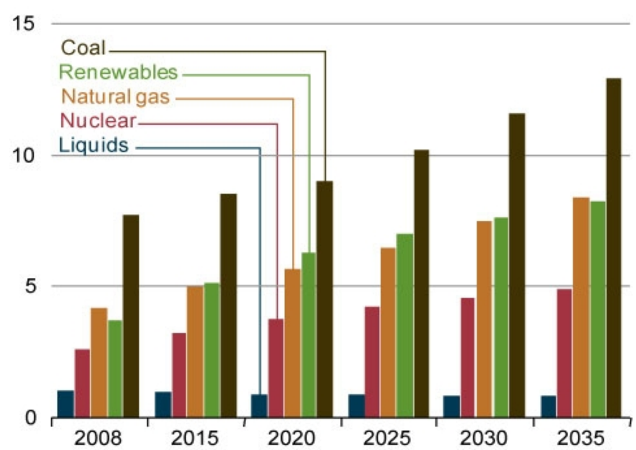
Generally, the company has a greater chance of success where efficiency economics are the best. Primarily this means where utility rates are highest and the climate is warmest. With the ongoing worldwide switch away from coal fired power generation and the retraction of nuclear power in some countries such as Japan and Germany, utility rates have been rising steadily. Adoption of heat pumps in many areas of the world have also started to provide new opportunities for sales. Heat pumps utilize the refrigeration cycle to provide both cooling in the summer and heating in the winter months. These systems, both commercial and residential, which are being deployed for cooling and heating interior spaces are also being used to heat hot water in many applications. Although it might seem counterintuitive that these systems, which have more efficiency than the traditional HVAC systems, might not be candidates for the Company's technology, the opposite has been observed. On heat pump installations performed in 2017 for both air and water heating, Smartcool technology generated above normal energy savings with one case yielding a reduction of 60%. Management believes that this will continue to generate greater opportunities for the company.

Other complimentary products and services are currently under review with some very promising possibilities. Management is continuing to evaluate some of these that could generate add on revenues and profitability from the existing client base.

Energy Issues

Smartcool has focused on developing energy efficiency solutions to address the critical energy issues facing the world today and in the future. Electricity is a crucial part of the global economy and our communities. The worldwide demand for electricity has increased by 5.4% since 2010, with developing countries averaging a 9.5% growth in demand. Coal continues to be the most widely used fuel for electricity generation, followed by natural gas. Electricity generated by these fossil fuels releases vast amounts of greenhouse gases into the atmosphere, contributing to climate change and general air pollution.

EIA World Net Electricity Generation by Fuel 2008-2035
(in trillion kWh)



An instinctive solution is to switch to renewable energy sources, not only for environmental reasons but also due to issues of energy security. Electricity generation by renewable resources such as hydro, wind, waves and solar is increasing by an average of 3% each year thanks to government incentives. However, as the Energy Information Administration explains, "Although renewable energy sources have positive environmental and energy security attributes, most renewable technologies other than hydroelectricity are not able to compete economically with fossil fuels during the projection period except in a few regions or in niche markets."[1]

On average, residential electricity rates around the globe have increased by 150% from 2005 to 2008.[2] Combined with environmental concerns surrounding fossil fuel generated electricity, it is clear that a solution to high energy consumption is urgently needed. Energy efficiency is the only option which is both cost effective and can be implemented rapidly.

Smartcool's Energy Efficiency Solutions

Smartcool focuses on reducing the electricity used by refrigeration, air conditioning and heat pumps (HVAC). For target customer industries, such as supermarkets, these systems consume well over 50% of their total energy usage. Even for customers less dependent on HVAC, the systems still account for roughly 20% of their energy bill. The ability to save energy with Smartcool's energy efficiency technology represents a major opportunity to cut operating expenses for any customer, typically giving them a return on their investment averaging 18 to 36 months. Electricity generated for buildings produces more greenhouse gases than any other source, so cutting HVAC energy consumption can also have a significant impact on the environment.

Smartcool's ECO^3™ and ESM™ are retrofit products, meaning that they are installed by wiring in between the existing thermostat and the compressor in the HVAC system, rather than replacing any expensive equipment. Once installed, the products immediately begin monitoring the cooling cycle of the compressor to identify inefficiencies and opportunities for saving energy. Even the most modern systems have pre-existing inefficiencies that can only be resolved by the intellectual property provided in Smartcool's products. The ECO^3™ and ESM™ dynamically adjust the cooling cycle to save customers energy without any impact to the temperature performance of the HVAC system.

The ECO^3™

The ESM™

With the ECO^3™ and ESM™, customers see all the benefits of energy efficiency, without any risks. The technology has undergone extensive independent third party testing by highly reputable organizations such as Oak Ridge National Laboratories, the University of Miami for Florida Power & Light, and the Los Angeles Department of Power & Water. These tests have proven unequivocally that the technology provides energy savings with no risks, as do over 30,000 installations worldwide.

For more information on Smartcool's technology, visit www.smartcool.net or for information specific to the ECO^3™, visit www.smartcooleco3.com

[1] Energy Information Administration, *International Energy Outlook 2011*, Published Sept. 19, 2011 http://www.eia.gov/forecasts/ieo/electricity.cfm

[2] Energy Information Administration, *Electricity Prices for Households*, Updated June 10, 2010 http://www.eia.gov/emeu/international/elecprih.html

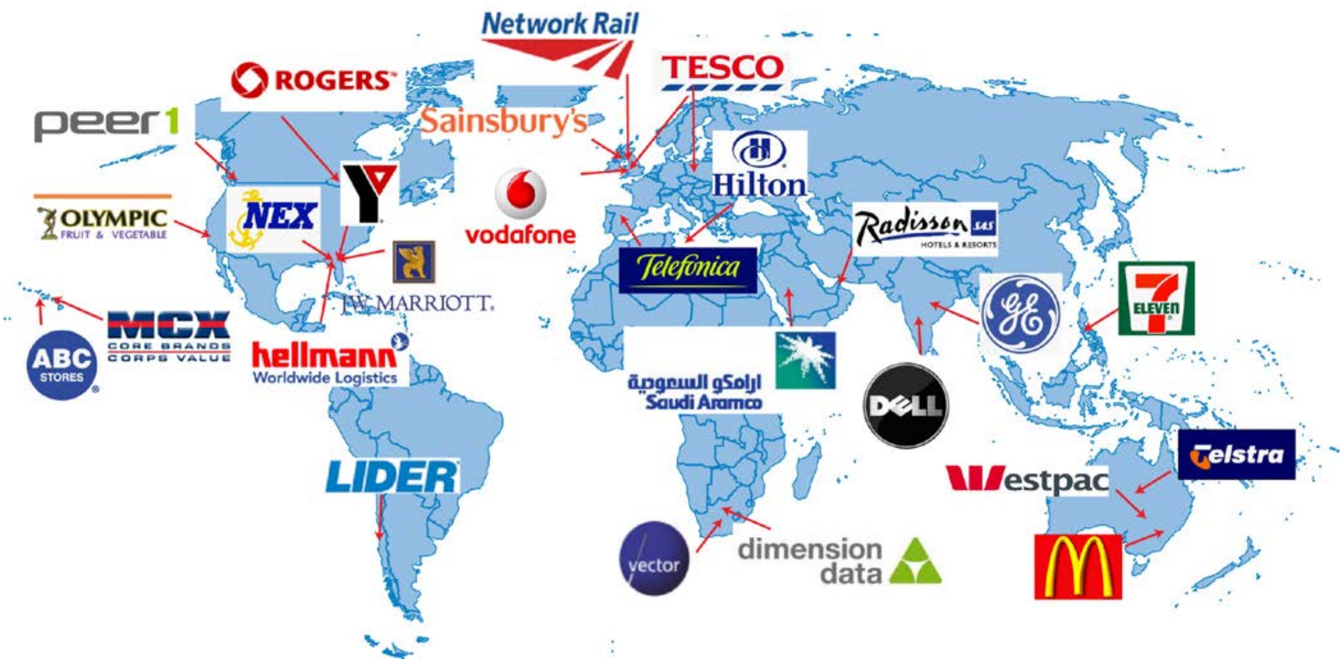
The Market Strategy

Smartcool's ECO^{3}™ and ESM™ are cost effective energy efficiency solutions for any air conditioning, refrigeration or heat pump system. The few other energy efficiency products geared towards the HVAC market, do not offer the full package of benefits that the ECO^{3}™ and ESM™ provide. Other products on the market do not provide the same degree of safety, and can cause temperature and humidity performance to be affected. They all lack the wide range of compatibility held by the ECO^{3}™ and ESM™, which can be installed on any HVAC system. Perhaps most significantly, other products cannot easily prove consistent energy savings. Smartcool's energy savings can be instantly verified on the product display screens, letting customers monitor energy savings as they happen. This is a critical feature for utility rebate qualification, which Smartcool has already received from major utilities like Florida Power & Light, Southern California Edison and Con Edison. These factors give Smartcool exclusive access to an immense market.

Direct Sales

The company distributes its products directly to major clients, providing them with superior project management and service as they roll out Smartcool products to their facilities. For direct sales, Smartcool targets specific industries such as food retailers, telecommunications, commercial real estate and hospitality, where HVAC energy usage tends to represent a very high percentage of a client's operating budget. In Europe, Smartcool has built a strong portfolio of direct sales through major electrical wholesalers like Rexel, utilities like EON and facilities management companies like Matrix and EMCOR. They have introduced Smartcool to their customers for energy efficiency solutions such as Scottish and Southern Energy and Transport for London.

With the success in the UK of developing sales directly to end users, often through intermediaries such as Facilities Managers and Utility Companies, it became clear to management that this model should be deployed in the North American market place. Direct sales activities in the Jamaican market through efforts of Frank Lawrence and in the California market through Stephen Fowler should generate sales for the company in the 2nd quarter of 2018. Additionally, the company successfully installed its system in an exclusive condominium complex in Hollywood, Florida. The complex, which is managed by Atlantic | Pacific Companies, measured significant savings for the 49 condos and common spaces. This new initiative in installing the Smartcool technology in Condominium complexes provides substantial additional sales potential.



Distribution Sales

Smartcool has developed an intricate network of distributors to target regional markets. Distributors are provided both technical and sales training by Smartcool and receive ongoing support. Distributors have the advantage of detailed regional knowledge, allowing them to build strong client portfolios across the residential sector as well as in industries like food retail, climate controlled storage, hospitality and commercial real estate. Smartcool's distributors have continued to expand their businesses in Australia, India, UAE, Saudi Arabia, Eastern Europe, France, South Africa, and the US (particularly Florida, California and the Mid-West). Distributors have also proven instrumental in launching key accounts for Smartcool, like Telefonica, GE Healthcare, Dell, Saudi Aramco, 7-Eleven, JW Marriott and more.

Corporate Structure

Smartcool has gone through several phases of growth to reach its current structure. Smartcool Systems Inc. is the publicly traded parent company, with three wholly owned subsidiaries: Smartcool International Inc., Smartcool Systems USA Inc. and Lenten Street Ltd. DBA Smartcool. Smartcool International holds the intellectual property and is the master distributor of Smartcool's product line. Smartcool Systems USA distributes the technology within the United States, using a network of local distributors to deliver the products to market. Lenten Street distributes the technology in Europe, the Middle East, Africa and the Indian Sub-Continent with a focus on direct sales.

Financial Overview

With new marketing initiatives launched this year, Smartcool products have been presented to and gained strong interest of numerous direct customers in North America and the United Kingdom. However, only a few installations were completed in the first quarter and projects with potential roll-outs are still going through customer's approval process.

Revenue increased to $314,363 in 2018 from $85,957 for the first quarter of 2017, an increase of $228,406. Operating expenses increased to $707,038 from $404,016 for the same quarter of 2017, an increase of $303,022.

Total assets decreased to $1,715,078 in 2018 from $1,878,180 at the end of 2017. The Company had $188,060 in cash and cash equivalents at the end of the quarter, compared to $477,000 at the end of 2017.

Current liabilities at the end of the quarter were $1,482,750 (March 31, 2017 - $1,812,762) which includes current portion of acquisition obligations and debentures totaling $562,957 (March 31, 2017 - $556,003). Long-term liabilities were $565,328 (March 31, 2017 - $209,742), consisting of acquisition obligations of $Nil (March 31, 2017 - $71,013), debentures of $477,383 (March 31, 2017 - $Nil) and deferred tax liability of $87,945 (March 31, 2017 - $138,729).

All the fiscal quarters below have been prepared using IFRS.

	Jun 2017 ($)	**Sep 2017 ($)**	**Dec 2017 ($)**	**Mar 2018 ($)**
Total revenues	261,784	307,538	119,000	314,363
Net income (loss)	(259,510)	(454,168)	(907,860)	(238,116)
Income (loss) per share – basic & diluted	(0.00)	(0.00)	(0.00)	(0.00)

	Jun 2016 ($)	**Sep 2016 ($)**	**Dec 2016 ($)**	**Mar 2017 ($)**
Total revenues	26,854	81,547	75,078	85,957
Net income (loss)	(403,029)	(373,180)	(578,100)	(360,949)
Income (loss) per share – basic & diluted	(0.00)	(0.00)	(0.00)	(0.00)

Selected Annual Information

The following is selected information on Smartcool's financial performance for the past three years. This financial information is derived from the audited financial statements of the Company and has been prepared using IFRS.

	Dec. 31, 2015* ($)	Dec. 31, 2016* ($)	Dec 31, 2017* ($)
Revenue	785,498	325,976	774,279
Selling, General & Administrative	1,449,091	1,277,676	1,747,057
Net Income (Loss)	(1,676,473)	(1,666,758)	(1,982,467)
Net income (loss) – per share (basic and diluted)	(0.00)	(0.00)	(0.01)
Total assets	2,437,023	1,561,024	1,878,180
Total long term liabilities	358,176	219,282	584,641
Cash dividends	-	-	-

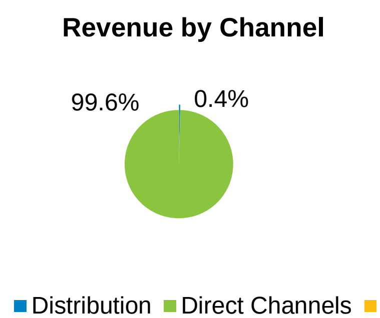
* *Continuing operations only*

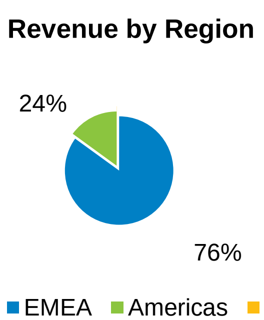
Summary of Operating Results

Revenue

Smartcool sells its products both directly to major customers and through a network of independent distributors.

Distribution sales for the quarter were $1,240 or 0.4% of total revenue, compared to $12,487 or 15% of total revenue for the first quarter of 2017. Direct sales for the quarter were $313,123 or 99.6% of total revenue compared to $73,470 or 85% of total revenue for the first quarter of 2017.





Revenue from the Americas for the quarter was $74,096 or 24% of total revenue, compared to $12,487 or 15% of total revenue for the first quarter of 2017. Revenue from the Europe, Middle East, and Africa for the quarter was $240,267 or 76% of total revenue compared to $73,470 or 85% of total revenue for the first quarter of 2017.

Gross profit
Gross profit for the quarter was $268,236 compared to $59,814 for the first quarter of 2017, an increase of $208,422 or 348%. Profit margin for the quarter was 84%, compared to 70% for the first quarter of 2017. Profit margin for the quarter was at the lower end of the expected range, due to a smaller contribution of distribution sales, which are more profitable.

General and administrative expenses
General and administrative ("G & A") expenses for the first quarter were $519,098, compared to $265,646 for the first quarter of 2017. Advertising and promotion fees increased to $16,957 from $939, consulting and management fees increased from $167,965 from $78,223, filing and transfer fees increased to $23,686 from $9,208, insurance increased to $24,768 from $2,028, investor relations increased to $7,688 from $500, professional fees increased to $25,971 from $12,813, rent increased to $11,749 from $2,469, salaries and benefits increased to $206,262 from $128,237 and travelling increased to $28,926 from $22,295 compared to the first quarter of 2017. Interest, office and supplies, product certification increased slightly from the first quarter of 2017. The Company entered into new agreements with consultants during the quarter which is attributable to the significant increases during the quarter ended 31 March 2018.

		Three months ended March 31, 2018		Three months ended March 31, 2017
Advertising and promotion	$	16,957	$	939
Consulting & management fees		167,965		78,223
Filing and transfer fees		23,686		9,208
Insurance		24,768		2,028
Interest		916		(307)
Investor relations		7,688		500
Product certification		1,701		-
Professional fees		25,971		12,813
Office and supplies		5,490		7,072
Rent		11,749		2,469
Salaries and benefits		206,180		128,237
Telephone		2,933		2,169
Travelling		28,926		22,295
Total general & administrative expenses	**$**	**519,098**	**$**	**265,646**

Total operating expenses for the quarter increased to $707,038 from $404,016 for the first quarter of 2017.

Net loss
Net loss for the quarter was $238,116 compared to net loss of $360,949 for the first quarter of 2017.

The loss per share (basic and diluted) for the quarter was $0.0011, an decrease from $0.0025 from the loss per share for the first quarter of 2017.

Loss per share is calculated based on the weighted average number of common shares outstanding throughout the year.

Comprehensive loss

Comprehensive loss for the quarter was $430,692 (March 31, 2017 - $360,599) consisting of net operating loss $238,116 (March 31, 2017 - $360,949) and negative foreign currency translation adjustment $192,376. (March 31, 2017 – positive foreign currency translation adjustment of $350). As the functional currencies of Smartcool USA and Lenten Street are different from the reporting currency (Canadian dollar), their monetary assets and liabilities as well as non-monetary assets and liabilities in the consolidated financial statements must be translated into the reporting currency based on March 31, 2018 exchange rate under IFRS. This method of foreign currency translation resulted in the above adjustment which is classified as a component of equity.

Amortization and depreciation

Amortization and depreciation expenses for the quarter were $120,399 compared to $138,186 for the first quarter of 2017. Amortization on property and equipment was $340 (March 31, 2017 - $574) and amortization of intangible assets was $120,059 (March 31, 2017 - $ 137,612).

Share-based compensation

Share-based compensation costs for the quarter was $49,004, compared to $184 for the first quarter of 2017, an increase of $48,820. No options were granted during the first quarter of 2018, share-based compensation costs for the quarter relate to vesting of options granted during prior periods.

Capital expenditures

The Company made no capital expenditures during the first quarter of 2018 and 2017.

Liquidity and Capital Resources

As at March 31, 2018, the Company had $188,060 in cash and cash equivalents (December 31, 2017 - $477,000). Negative working capital at March 31, 2018 was $377,610 compared to $334,495 at December 31, 2017.

The Company used net cash flow of $333,851 during the quarter to finance operations, and received cash of $238,067 related to shares and warrants issued for cash. The Company used $96,564 of cash in the first quarter of 2018. The decrease in net cash used was primarily attributable to the reduction of payables.

The timing of future payments related to financial liabilities is outlined in the table below:

	Total	1 year	1-2 years
Trade payables and accruals	$ 729,178	$ 729,178	$-
Loans and advances	87,594	87,594	-
Obligations under acquisition contracts	413,762	413,762	-
Debentures	626,578	149,195	477,383
Total	**$1,857,112**	**$ 1,379,729**	**$ 477,383**

Outstanding Share Data

The authorized share capital of the Company is an unlimited number of common shares without par value. As at March 31, 2018 the Company had 200,693,377 (December 31, 2017 – 195,923,377) common shares outstanding. The weighted average number of common shares outstanding for the quarter was 198,653,488 (March 31, 2017 - 144,620,515).

As at May 30, 2018, the outstanding shares are 200,693,377 and diluted are 314,363,153.

Warrants and Stock Options

As at March 31, 2018, there were 79,199,776 (December 31, 2017 – 83,969,776) share purchase warrants and 19,470,000 (December 31, 2017 – 22,470,000) stock options outstanding which collectively could result in the issuance of 98,669,776 common shares if these warrants and stock options are exercised. The outstanding options have a weighted average exercise price of $0.05. The outstanding warrants have weighted average exercise price of $0.05.

During the quarter, no options were granted.

As at May 30, 2018, there are 79,199,776 outstanding warrants and 34,470,000 outstanding options. The outstanding options have weighted average exercise price of $0.05.

Intangible Assets

a. ***ESM™ Intellectual Property and worldwide distribution rights***

The Company acquired intangible assets in relation to the acquisition of Abbotly Technologies Inc. in March 2006.

During the year ended December 31, 2014, management performed a review of the carrying value of these assets. As discrepancies between revenue projections and actual operating results in 2014 resulted in significant uncertainty in future cash generation of these assets, an impairment loss of $175,313 was recorded based on cash flow projections as at December 31, 2014.

b. ***Distribution Rights from TECC Services***

In July 2008, the Company acquired the exclusive rights to distribute the ESM™ in the United Kingdom, Spain, Portugal, and the Middle East from T.E.C.C. Services Ltd. (“TECC”).

c. *Intangible Assets from Smartcool UK*

In February 2011, the Company acquired intangible assets in relation to the acquisition of Smartcool UK. These intangible assets include the distribution rights of the ESM™ in the United Kingdom, the distribution right related to sales to a major customer and a customer relationship.

During the year ended December 31, 2014, management performed a review of the carrying value of these assets. As discrepancies between revenue projections and actual operating results in 2014 resulted in significant uncertainty in future cash generation of these assets, an impairment loss of $528,716 ($344,251 for distribution rights and $184,465 for a customer relationship) was recorded based on cash flow projections as at December 31, 2014.

d. *SmartACR Intellectual Property and Customer Relationship*

In February 2015, the Company acquired $25,000 of intangible assets in relation to the termination of a license agreement. These intangible assets include intellectual property ($25,000) and a customer relationship ($Nil).

Critical Accounting Policies & Estimates

Revenue Recognition

Revenue from the sale and installation of the ESMTM and ECO3TM is recognized when the ESMTM and ECO3TM have been installed, significant risks and rewards of ownership of the equipment have been transferred to the customer, the Company does not retain continuing managerial involvement or effective control over the equipment, the sales price can be determined and collection is probable, and the cost of the transaction can be measured reliably.

Revenue from the international distribution of the ESMTM and ECO3TM is recognized when the equipment has been shipped, title has been transferred, the sales price has been determined and the cost of the equipment can be measured reliably. Revenue is also recognized when equipment has been ordered and laid away as instructed by the customer, the sales price has been determined and a significant portion of it has been paid. Provisions are established for estimated warranty costs at the time revenue is recognized. The Company records deferred revenue when cash is received in advance of the above revenue recognition criteria being met.

Share-based Payments

The fair value of all stock options granted to employees is determined using the Black-Scholes Option Pricing Model, and the resulting value is charged to operations over the vesting period. Volatility rate is determined based on the trading history of the Company's shares for the relevant period and interest rate is based on Canadian bond rates.

The fair value of options granted to non-employees is determined using the fair value of the goods or services received. The resulting value is charged to operations when a performance commitment is made or the options are fully vested and non-forfeitable, whichever is earliest, and the expense is recognized over the period in which the goods or services from the non-employees are received. To estimate the fair value of options granted to non-employees, management considers primarily the fees management would be willing to pay in cash for the service if no options were granted.

A corresponding increase in equity, the reserve for equity settled share-based transactions, is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in the reserve is reversed. At the time of grant, the expense is determined based on estimated forfeiture rate. The expense will be adjusted to recognize the effect of actual forfeitures as they occur. The fair value of warrants issued to agents for their finder's fee is based on the fair value of the services provided and charged to share issuance costs.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Intangible assets

Intangible assets are recorded at cost and include the ESM™ brand, ESM™ intellectual property, distribution rights, distribution agreements, supplier agreements and customer relationships. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The ESM™ brand has been determined to have an indefinite life and is not amortized. The remaining intangible assets with finite lives are amortized on a straight-line basis. The useful lives of the intangible assets have been assessed as follows:

Intellectual property - ESM™	13.5 years
Intellectual property - SmartACR	10 years
Distribution rights - North American	10 years
Distribution rights - TECC and United Kingdom	9.5 - 12 years
Distribution agreements	13.5 - 15 years
Supplier agreements	13.5 years
Customer relationship	12 years

Residual value and estimated useful lives are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Use of estimates and judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. It also requires management to exercise judgement in applying the Company's accounting policies. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated financial statements, and may require accounting adjustments based on future occurrences. 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 revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Allowance for doubtful accounts – as at March 31, 2018, approximately $407,401 in trade receivables, net of allowance, was outstanding for more than 120 days. This balance is primarily receivable from one customer. It is management's opinion, based on an assessment of the customer's business, the payment plan in place and payment received subsequent to year end that this balance will be received in full.

Critical judgments in applying the Company's accounting policies relate to, but are not limited to, the following:

- Useful lives of intangible assets with finite lives – the determination that there are no indicators suggesting that the useful lives and/or that the method of calculating amortization require revision;
- Unlimited life of the ESM brand – the determination that useful life of the ESM brand remains unlimited;
- Impairment of intangible assets – the determination that there are no indicators of impairment indicating that the carrying amount exceeds the recoverable amount;
- Analysis of the functional currency for each entity of the Company; and
- Ability to continue as a going concern – the determination that the Company will continue as a going concern for the next year.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements that would require disclosure.

Forward-looking statements

This MD&A contains forward-looking information and statements regarding the future results of operations and marketing activities. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe" or similar terminology. Although these forward-looking statements are based on what management believes to be current and reasonable assumptions, they involve known and unknown risks, uncertainties and other factors that may cause the actual results and performance to differ materially from those stated, anticipated, or implied in these forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information as no assurances can be given to future results, performances, or achievements.

The forward-looking statements included in this MD&A speak only as of the date of this document. The Company does not undertake any obligation to publicly update or revise any of these forward-looking statements to reflect events or circumstances after this date except when required by applicable legislation.

Additional Information

Additional information relating to the Company, including the Company's latest Annual Financial Statements and news releases can be located on the Company's website at www.smartcool.net or on the SEDAR website at www.sedar.com.