The following information, prepared as of April 30, 2018, should be read in conjunction with the consolidated financial statements of VirtualArmour International Inc. (the "Company" or "VA Intl" or "VirtualArmour") for the year ended December 31, 2017. The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in U.S. dollars unless otherwise indicated.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This Management Discussion and Analysis (the "MD&A") may include forward-looking statements with respect to business plans, activities, prospects, opportunities and events anticipated or being pursued by the Company and the Company's future results. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Statements that include the words "believes," "expects," "may," "will," "should," "potential," "estimates," "anticipates," "aim," "goal" or other comparable terminology and similar statements of a future or forward looking nature identify forward-looking statements. Although the Company believes the assumptions underlying such statements to be reasonable, any of the assumptions may prove to be incorrect. The anticipated results or events upon which current expectations are based may differ materially from actual results or events. Therefore, undue reliance should not be placed on such forward-looking information. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions in North America and internationally, (2) the risk that the Company does not execute its business plan, (3) inability to retain key employees, (4) inability to finance operations and growth, and (5) other factors beyond the Company's control.

Forward-looking statements speak only as of the date of this MD&A and actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based may not occur, and the Company does not undertake to update forward-looking statements except as required by applicable securities laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

COMPANY OVERVIEW

On July 27, 2015, VA Intl completed a reverse takeover transaction (the "RTO" or the "Transaction") with VirtualArmor LLC ("VA LLC"). In connection with the closing of the Transaction, VA LLC and VirtualArmor Capital Inc. ("VA Capital") became wholly-owned subsidiaries of VA Intl. Upon completion of the RTO, the shareholders of VA LLC obtained control of the consolidated entity. Under the purchase method of accounting, VA LLC was identified as the acquirer, and accordingly the entity is considered to be a continuation of VA LLC with the net assets of VA Intl at the date of the RTO deemed to have been acquired by VA LLC. On October 25, 2016, the Company changed its name from VirtualArmor International Inc. to VirtualArmour International Inc. The Company's shares trade on the Canadian Securities Exchange (the "CSE") under the symbol "VAI".

VA LLC was incorporated on May 4, 2001 in Colorado, United States by the Operating Agreement, as amended and restated on July 15, 2005. VirtualArmour is an information technology company that delivers solutions to help enterprises build, monitor, maintain and secure their networks from cloud to core.

As a managed security services provider, VirtualArmour's services run 24 hours per day, 7 days per week, 365 days per year through its primary security operations center ("SOC") located in Middlesbrough, U.K. and a secondary SOC located in Salt Lake City, Utah. Each member of VirtualArmour's team supports the three main facets of its business: managed services, professional services, and hardware/software sales, by handling the design, configuration and installation of advanced network and cloud architecture solutions.

VirtualArmour uses best-in-breed partnerships to provide solutions for customers that are affordable, highly reliable, scalable, and backed by thorough knowledge of the related technologies, products, and platforms. VirtualArmour has secured partnerships with established technology businesses specializing in network appliances, software, and systems and provides its services to the mid- to large- enterprise and service provider markets. VirtualArmour's customers include a 13-location data center provider, a Fortune 100 oil and gas company, multiple service providers with presences throughout the United States, and household name enterprise organizations located primarily in the western United States.

OVERALL PERFORMANCE

During the year ended December 31, 2017, the Company recorded revenue of $10,506,363 (2016 - $8,897,092) for year-over-year revenue growth of 18%.

With the global Managed Services market experiencing continued significant growth, VirtualArmour's Managed and Professional Services revenue of $2,786,253 in 2017 increased by 36% over the same revenue of $2,050,835 in 2016. This increase was achieved through a combination of signing several new recurring revenue contracts along with increasing its level of services with several existing customers. These customer additions were across multiple industry sectors including healthcare, technology, medical research and non-profit. The majority of new contracts were multi-year and included the securing of Managed and Professional Services as well as hardware and software purchases.

The Company continued to strengthen its market presence through expanded partnerships with the industry's leading technology vendors. These vendors are focused on re-selling VirtualAmour's Managed services. VirtualArmour has also added two new technology partners to its line card, brought in additional services, and expanded its product offerings, thus allowing the Company to successfully increase its ability to secure new clients, and add additional business from current clients.

VirtualArmour added 34 new clients during 2017, with 12 of these clients contracted with multi-year contracts through our Managed Services practice, others Professional Services and almost all procured hardware and software solutions from the Company.

The Company had a customer retention rate of 100% during 2017. This reflects the Company's continued focus on prevention, proactive communication and investment in the best technology and personnel. With the ongoing growth in customer acquisition, increases in customers on a monthly recurring revenue model, coupled with the high customer retention, VirtualArmour is on track to exceed its growth goals for 2018.

PARTNER FOR SUCCESS

The Company increased its capabilities by adding two new market leading cybersecurity partners in 2017. These partners are focused in the cyber security space and will help VirtualArmour drive additional business focused in selling VirtualArmour Managed Services. With enterprises continuously adopting new and up to date cybersecurity solutions into their operations, it is imperative for VirtualArmour to strategically on-board new technologies that will increase its addressable market. Many businesses across the U.S. are currently using one or more of these technologies in their network and need a strong Managed Services company to help them monitor the effectiveness of their security platforms and identify any potential threats to their proprietary data. The Company's Managed and Professional Services business serves as a high margin multi-year-agreement platform that will contribute to predictable and recurring cash flows in the years to come. The Company expects this segment of its business to become a larger percentage of its overall business and ultimately become the main driving force to its bottom line in the future.

PERSONNEL CHANGES

During 2017, VirtualArmour further strengthened its sales, marketing and operational capabilities by adding new team members. These appointments included notable additions to its sales, and engineering teams, who came to their roles with a track record of, increasing profitability, developing top engineering services, and expanding service delivery standards.

In March 2017, the Company announced the appointment of Kyle Duffy VP of Customer Experience, Customer Experience is responsible for maximizing the value of our services by driving client advocacy and striving to serve clients with distinction by bringing coordinated, customized solutions and a personal level of service that exceeds their expectations.

In March 2017, the Company announced the appointment of respected veteran Brian Thompson as its Regional Sales Director focused in Colorado. Mr. Thompson, has a strong background in serviced based sales.

In June 2017, the Company announced the appointment of Brent Taylor whom is a veteran of the US Military and has over a decade of experience focused on delivery technology-based solutions within the Cyber Security space. Brent's focus for VirtualArmour is focused on professional services

In December 2017, the Company announced the appointment of respected veteran David Dominguez as its Regional Sales Director for the Texas region. Mr. Dominguez, has a strong background in serviced based sales in the Texas region.

OUTLOOK

Due to the growing threat of targeted breaches across all industries and business sizes, the outlook for the remaining quarters of 2018 is very positive as increasing budgets are allocated to cyber protection and preparing for 2018 and beyond. Opportunities for specialist service providers in the cybersecurity sector have grown in line with the increased volume of cyber-attacks being encountered by businesses, non-profits, and government institutions and covered by global media. This shift has not only led to increasing enterprise budgets being allocated to cyber protection but also increased interest in investment opportunities in what is a high growth sector.

According to Cybersecurity Ventures' recent quarterly report (1), global cybersecurity spending is predicted to exceed $1 trillion cumulatively over the next five years, from 2018 to 2021. In 2004, the global cybersecurity market was worth $3.5 billion. In 2018 spending is expected to reach $120 billion.

VirtualArmour is well positioned to capitalize on this growth opportunity and continues to deepen its penetration into the Healthcare, Financial, Retail and Service provider verticals. Margin growth is anticipated from a ramp up in Managed Services sales and expansions into new markets led by a growing sales, marketing, and service organization. The following strategic goals are designed to increase growth and profitability in both the short term and long term.

1. **Sell VirtualArmour as an Exclusive Managed Services Provider.** The Company will continue to maintain a clear focus on promoting and executing on its core competencies: Managed Services, Professional Services and hardware/software solutions in cooperation with its premier technology partners. VirtualArmour's service delivery and client experience in the industry is second to none and will continue to broaden its penetration within the enterprise space.

2. **Deliver and Communicate Value to Clients.** Bringing a coordinated, customized and a personal service that exceeds the Company's customers' expectations is critical to differentiating VirtualArmour from its competitors and winning new business. The Company intends to continue to bolster its existing cybersecurity services and product offerings with additional services and technologies that further support and expand the Company's vision of an end-to-end Managed and Professional Security Services company.

3. **Increase Service Efficiency and Client Profitability:** The Company will continue to evolve its service delivery practice to increase response time, offer proprietary engagement tools and broaden the volume of supported technologies. Additional focus will be on leveraging new technology, staff and processes to decrease per client operating expense.

(1) *Cybersecurity Ventures Research Report - http://cybersecurityventures.com/cybersecurity-market-report.*

SELECTED ANNUAL INFORMATION

The following is a summary of certain selected audited consolidated financial information of the Company for the years ended December 31, 2017, 2016 and 2015:

	2017 **$**	**2016** **$**	**2015** **$**
Total Revenues	10,506,363	8,897,092	7,366,309
Loss	(1,790,921)	(2,298,828)	(3,403,391)
Loss Per Share (basic and diluted) [1]	(0.03)	(0.04)	(0.09)
Total Assets	1,612,888	2,527,477	2,746,508
Total Non-Current Financial Liabilities	224,645	80,817	322,552
Dividends declared	-	-	-

[1] The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

DISCUSSION OF OPERATIONS

Year Ended December 31, 2017

Hardware and software sales and product support services revenues during the year ended December 31, 2017 was $7,720,110 (2016 - $6,846,257) while managed services revenues were $2,242,405 (2016 - $1,612,192) and professional services revenues were $543,848 (2016 - $438,643). The increase in revenue was due to an increase in the number of customers served as well as the size of orders from new and existing customers. The gross profit as a percentage of revenue was 20.9% in the 2017 period compared to 25.5% in the 2016 period. The decrease in gross profit margin was due primarily to a decrease in the hardware & software sales and product support services gross profit margins from 21.2% in 2016 to 15.2% in 2017.

The Company recorded a net loss of $1,790,921 ($0.03 per share) for the year ended December 31, 2017 as compared to net loss of $2,298,828 ($0.04 per share) for the year ended December 31, 2016

The comments below relate to the results of operations:

- The Company earned revenue of $10,506,363 during 2017 (2016 - $8,897,092). The increase was due primarily to a significant increase in the managed services and professional services along with an increase in the number of customers served as well as the size of orders from new and existing customers. The increase reflects a 36% increase in managed services and professional services as well as a 13% increase in product sales.
- Cost of sales was $8,311,691 during the 2017 period (2016 - $6,624,066). The increase in cost of sales was due to the corresponding increase in revenue.
- General and administrative expenses were $1,557,094 during 2017 (2016 - $1,507,404). The increase was due primarily to a decrease in salaries ($316,661 vs. $375,294) offset somewhat by an increase in miscellaneous general and administrative expenditures ($559,033 vs. $419,417). The net increase was a result of an increase of corporate level activities related primarily to the filing of the Reg A+ Offering statement for the raising of the equity investment.
- Research and development expense was $114,700 during 2017 (2016 - $121,242). The expense is comprised of salaries to relevant employees as well as consulting fees.

- Sales and marketing expense was $2,184,213 during 2017 (2016 - $1,727,426). The increase in sales and marketing expense was due primarily to the addition of a major account sale executive in Colorado, the addition of a Vice President of Marketing and the addition of Director of Client Engagement in 2017.
- Change in fair value of warrant derivative liabilities was income of $27,173 during 2017 (2016 – loss of $1,310,520). It represents the change in the value of warrants held by shareholders. The value of the warrants increases as the share price increases. On exercise of these warrants, the value is transferred to share capital at its fair value on the date of exercise. As the share price at December 31, 2017 was lower than the value at December 31, 2016, the Company recorded income on the change in fair value.

<u>Three Months Ended December 31, 2017</u>

The Company recorded a net loss of $547,703 ($0.01 per share) for the three months ended December 31, 2017 as compared to a net loss of $536,583 (0.01 per share) for the three months ended December 31, 2016.

SUMMARY OF QUARTERLY RESULTS

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being December 31, 2017.

	Three Months Ended ($)			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total Revenues	1,878,762	2,796,309	2,673,310	3,157,982
Net Income (Loss)	(547,703)	(342,694)	(410,694)	(489,830)
Income (Loss) Per Share (basic and diluted) (1)	(0.03)	(0.01)	(0.02)	(0.02)

	Three Months Ended ($)			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total Revenues	2,047,221	2,003,095	3,169,284	1,677,492
Net Income (Loss)	(536,583)	1,372,100	(501,729)	(2,632,616)
Income (Loss) Per Share (basic and diluted) (1)	(0.01)	0.03	(0.01)	(0.05)

(1) The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

The significant variation between quarters for revenue and net income (loss) was a result of the significant variations in Product sales between the respective quarters along with an increase in Managed Services revenue quarter over quarter from 2016 through 2017. The loss in Q1 and Q2 2016 and the income in Q3 2016 was primarily due to a (loss)/gain on change in fair value of warrant derivative liabilities of ($2,532,005), ($458,527) and $1,638,919, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company sells advanced networking and cybersecurity products and solutions to large enterprise and service provider markets. The Company's ability to meet its obligations, and maintain its current operations is contingent upon successful completion of additional financing arrangements and ultimately generating profitable operations. There are no assurances that the Company will continue to obtain additional financing and/or achieve profitability or positive cash flows. The Company's future capital requirements will depend on many factors, including operating costs, competitive environment and global market conditions.

As at December 31, 2017, the Company had cash of $46,795 and a working capital deficiency of $2,497,823, compared to cash of $144,530 and working capital deficiency of $728,392 as at December 31, 2016.

Cash provided by operations was $265,495 for the year ended December 31, 2017, as compared to cash used in operating activities of $952,258 for the same period in 2016. The increase in cash provided by operating activities during the current year was due primarily to the financing of accounts receivables and the leveraging of accounts payable to distribution vendors.

Net cash used in investing activities was $94,814 for the year ended December 31, 2017 as compared to $60,070 used in investing activities for the same period of 2016.

Net cash used in financing activities was $268,416 for the year ended December 31, 2017 compared to an inflow of $906,046 for the year ended December 31, 2016. During 2017, the Company repaid its line-of-credit in the net amount of $445,000 whereas during 2016, the Company received proceeds from the exercise of warrants of $569,666 and $316,607 of gross proceeds from a July 2016 non-brokered private placement.

Readers are cautioned that a number of factors beyond the control of the Company could result in the Company not being able to sustain its current position. Such factors could include adverse economic conditions, political and regulatory concerns and key individual staffing problems amongst others.

As of December 31, 2017, the Company has a working capital deficiency of $2,497,823 and an accumulated deficit of $10,234,778. A significant portion of the working capital deficiency is comprised of accounts payable to distribution vendors. A significant portion of the accumulated deficit is comprised of non-cash accounting expenses such as listing expense ($4,166,285) and the change in fair value of warrant derivative liabilities ($1,310,520). The Company has funded losses with external debt and related party advances, share issuances and working capital.

On March 5, 2018, the Company issued 7,500,000 common shares pursuant to an offering under Regulation A+ and received gross proceeds of $1,500,000. And, on April 27, 2018, the Company issued an additional 330,000 common shares pursuant to the offering under Regulation A+ and received additional gross proceeds of $66,000 for total gross proceeds of $1,566,000 pursuant to the Regulation A+ offering.

On April 20, 2017, the Company entered into an arrangement which will provide the Company with working capital as well as credit and collections support for the related accounts receivables.

FINANCING ACTIVITIES

During the year ended December 31, 2017, the Company repaid its line of credit in the net amount of $445,000. During the year ended December 31,2016, the Company received $569,666 (CAD$735,468) from the exercise of share purchase warrants.

On July 11, 2016, the Company closed a non-brokered private placement by issuing 865,500 units at a price of CAD$0.48 per unit for aggregate gross proceeds of $316,607 (CAD$415,440). Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one share at a price of CAD$0.75 per share up to January 11, 2018. The Company paid a cash finders' fee of $15,465, incurred issuance costs of $11,257 and issued 42,275 finders' warrants valued at $5,143. Each finders' warrant entitles the holder thereof to acquire one share at a price of CAD$0.75 per share up to January 11, 2018.

OUTSTANDING SHARE DATA

a) Authorized Capital:

300,000,000 common shares, without par value

b) Issued and outstanding:

55,769,447 common shares as at April 30, 2018

c) Outstanding options and warrants as at April 30, 2018:

Security	Number	Exercise Price	Expiry date
Stock Options	1,424,000	U.S.$ 0.10	July 27, 2020
Stock Options	2,476,418	U.S.$ 0.10	July 31, 2020
Stock Options	100,000	CAD$ 0.47	April 6, 2021
Stock Options	100,000	CAD$ 0.44	August 19, 2021
Stock Options	1,585,000	CAD$ 0.30	March 23, 2022
Stock Options	625,000	CAD$ 0.405	June 12, 2022

TRANSACTIONS BETWEEN RELATED PARTIES

The Company previously entered into two secured promissory notes with a Director of the Company pursuant to which the Director agreed to provide a revolving line of credit (the "LOC") of an aggregate of up to $290,000. The amounts are secured by a subordinated, second priority lien on all of the assets of the Company, bear interest at 7% per annum and are due on demand. As at December 31, 2017, the Company is indebted to the Director of the Company for $255,710 (2016 - $152,206) for advances provided to the Company under this loan and interest accrued on the outstanding balance. During the year ended December 31, 2017, the Company recorded interest of $15,804 (2016 - $8,574).

On June 1, 2017, the Company entered into an additional promissory note with a director of the Company. The promissory note is unsecured, bears interest at 7% per annum and is due on demand. As at December 31, 2017, the Company is indebted to the Director of the Company for $94,452 for an advance provided to the Company under this loan and interest accrued on the outstanding balance. During the year ended December 31, 2017, the Company recorded interest of $4,452.

On November 29, 2017, the Company entered into a secured subordinated promissory note with a shareholder of the Company. As at December 31, 2017, the Company is indebted to the shareholder of the Company for $105,000 (2016 - $nil) for advances provided to the Company under this loan and interest accrued on the outstanding balance. The promissory note is due on March 31, 2018 and accrues interest in the amount of $7,500 if paid on or before February 28, 2018 and interest of $8,500 if paid on or before March 31, 2018. During the year ended December 31, 2017, the Company recorded interest of $5,000.

In addition to the LOC, the Company has amounts owing to Directors of the Company of $260,500 (2016 - $148,000) for compensation. These amounts are included in payroll liabilities. The amounts owing are unsecured, non-interest bearing and due on demand

On June 15, 2015, VA LLC issued $400,000 of promissory notes to a former officer of VA LLC. Pursuant to the promissory note agreements, the Company made a payment of $35,000 on June 15, 2015. The remaining principal amount of the note was payable in 36 equal blended instalments beginning July 1, 2015. During the year ended December 31, 2016, the terms of the promissory notes were amended. Effective February 29, 2016, the Company and the former officer agreed that the Company will pay 25%

of the remaining principal balance as part of the resolution of a dispute between the parties. The Company recorded a gain on debt settlement of $150,803, net of legal fees of $64,878. The promissory notes were repaid in six equal instalments beginning March 1, 2016 and ending on August 1, 2016. The promissory notes bore interest at 4.5% per annum. As at December 31, 2016, the balance of the promissory notes was $nil (2015 - $304,289).

Key management includes the Chief Executive Officer, the Chairman of the Board, the former President, the Vice President of Sales, the Vice President of Managed Services and the other directors of the Company. Compensation paid or payable to key management for services during the years ended December 31, 2017 and 2016 is as follows.

	Years ended December 31,	
	2017	2016
	$	$
Short-term benefits	**848,552**	700,631
Share-based payments	**85,623**	115,034
	934,175	815,665

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee nor written risk management policies. The Company is exposed in varying degrees to a variety of financial instrument and related risks. Those risks and management's approach to mitigating those risks are as follows:

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, accounts receivable and other receivables. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

The Company's credit risk for accounts receivable is concentrated, as 72% of its accounts receivable owing is from eight customers (2016 – 62% from eight customers). In addition, 68% of its revenue is from eight customers (2016 – 50% from six customers). The Company performs ongoing credit evaluations, does not require collateral and establishes an allowance for doubtful accounts based on the age of the receivable and the specific identification of receivables the Company considers at risk. Most sales' payment terms are set in accordance with industry practice. A significant amount of accounts receivable is from recurring customers with high credit quality.

The following table presents an analysis of the age of accounts receivable as at the dates of the statements of financial position.

	December 31, 2017	December 31, 2016
	$	$
Accounts receivable net of allowance for doubtful accounts		
Less than 30 days past billing date	**956,979**	1,572,987
31-60 days past billing date	**41,884**	55,447
61-90 days past billing date	**22,408**	16,851

Greater than 90 days past billing date	**14,178**	1,378
	1,035,449	1,646,663

The Company's Other Receivables relate primarily to marketing development funds ("MDF") and rebates from certain suppliers. These other receivables generally have terms of payment due within 30 days for MDF funds and four to five months for rebates from suppliers. The Company has a history of collecting these amounts in full. As at December 31, 2017, the Company had an allowance for doubtful accounts relating to other receivables of $9,116 (2016 - $9,000).

The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that exists when a financial transaction is denominated in a currency other than the functional currency of the Company, which is the US dollar.

The Company operates in the United States and its cash is held in US dollars and Canadian dollars. At December 31, 2017, the Company had minimal cash and CAD$74,611 of accounts payable. Accordingly, management of the Company believes there is no significant exposure to foreign currency fluctuations.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In respect to the Company's currently outstanding debt, other than amounts drawn on the line-of-credit ("LOC") arrangement, all bear interest at a fixed interest rate. Accordingly, the Company is exposed to cash flow interest rate risk on the LOC and fair value interest rate risk on the other debt. The bank LOC arrangement carries a variable rate of interest, therefore its fair value is not materially affected by changes in market interest rates. However, the associated cash flows representing interest payments on the bank LOC arrangement may change if the LOC arrangement is renewed at maturity. The fair value of the other debt is equal to its carrying value due to its due on demand nature.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to achieve this relies on the Company raising debt or equity financing in a timely manner and by endeavoring to maintain sufficient cash in excess of anticipated needs. The Company's accounts payable are due on normal commercial terms. On April 20, 2017, the Company entered into an Invoice Purchase Agreement which will provide the Company with working capital as well as credit and collections support for the related accounts receivable.

The Company had working capital (deficiency) as follows:

	December 31, 2017 $	December 31, 2016 $
Current assets	**1,015,651**	2,213,217
Current liabilities	**(3,513,474)**	(2,941,609)
Working capital (deficiency)	**(2,497,823)**	(728,392)

DISCLOSURE OF INTERNAL CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended December 31, 2016 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The following new IFRSs that have not been early adopted in the financial statements. Management does not intend to adopt these standards prior to the effective date and has not yet assessed the effect on the Company's future results and financial position of adopting these standards:

i) IFRS 9, *Financial Instruments* (New; to replace IAS 39, *Financial Instruments: Recognition and Measurement,* and IFRIC 9, *Reassessment of Embedded Derivatives*), applicable January 1, 2018.
ii) IFRS 15, *Revenue from Contracts with Customers,* applicable January 1, 2018.
iii) IFRS 16, *Leases,* applicable January 1, 2019.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable and/or are not expected to have a significant impact on the Company's financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

OTHER INFORMATION

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com or on the Company's website at www.VirtualArmour.com.