## 14. EXPLORATION EXPENSES

The exploration costs during the three months ended March 31, 2019 and 2018 were as follows:

| | Three months ended March 31, 2019 | 2018 |
|---|---|---|
| Annual lease renewal costs | $ 6,678 | $ - |
| Land management | 484 | - |
| | $ 7,162 | $ - |

## 15. OFFICE AND GENERAL EXPENSES

The office and general expenses during the three months ended March 31, 2019 and 2018 were as follows:

| | Three months ended March 31, 2019 | 2018 |
|---|---|---|
| Accounting services | $ 10,000 | $ - |
| Rent expense | 1,200 | 8,342 |
| Computer expenses | 2,058 | - |
| Telephone expense | 2,402 | 2,670 |
| Selling expenses | - | 6,747 |
| Salaries | 13,261 | 17,887 |
| Professional fees and disbursements | 10,150 | - |
| Insurance | 4,048 | - |
| Amortization | 13,771 | 253 |
| Corporate services | 9,256 | - |
| Others | 4,164 | 15,085 |
| | $ 70,310 | $ 50,984 |

## 16. CAPITAL DISCLOSURES

The Company's objectives when managing capital are as follows:

a. To safeguard the Company's ability to continue as a going concern.
b. To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties.
c. To raise sufficient capital to meet its general and administrative expenditures.

The Company considers its capital to be equity, which comprises capital stock, equity component of convertible debentures, accumulated other comprehensive income and deficit, which at March 31, 2019 was a deficiency of $5,024,989 (December 31, 2018 – $4,907,907).

The Company manages its capital structure and makes adjustments to it based on general economic conditions, short term working capital requirements, and planned exploration and development. The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets' underlying assumptions as

necessary. There have been no changes in the way the Company manages its capital during the three months ended March 31, 2019 and year ended December 31, 2018.

## 17. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions in relation to the Company's activities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant price, credit, liquidity, interest or foreign exchange risks arising from the financial instruments. There were no changes to the Company's risks, objectives, policies and procedures during the three months ended March 31, 2019 and year ended December 31, 2018.

**Credit risk**

Credit risk arises from cash and cash equivalents held with banks and credit exposure to customers, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. For many new international clients, the Company demands that equipment costs are prepaid prior to shipment.

*Trade and other accounts receivable*

Trade and other accounts receivable consists primarily of trade accounts receivable from the sale of equipment, installation and reporting services. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. This risk is mitigated through established credit management techniques, including monitoring counterparty creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits.

The carrying amounts of trade and other accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of loss in general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off reduce other expenses in the statement of loss. Historically, trade credit losses have been minimal.

*Concentration of credit risk*

Two customers represent approximately 92% of sales for the three months ended March 31, 2019 (2018 - 96%). The sales from major customers are as follows:

| | Three months ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Enbridge Canada | 76,999 | 52,400 |
| Enbridge USA | 40,009 | 29,098 |
| | **$ 117,008** | **$ 81,498** |

The accounts receivable from two customer represents approximately 86% of trade and accounts receivable as of March 31, 2019 (2018 – 91%). The trade and accounts receivable balances from these customers are as follows:

| | | March 31, 2019 | | 2018 |
|---|---|---|---|---|
| Enbridge Canada | | 204,631 | | 108,135 |
| Enbridge USA | | 35,125 | | 149,335 |
| | $ | 239,756 | $ | 257,470 |

*Cash*

Cash consist of bank balances and petty cash. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested in debt instruments of highly rated financial institutions. As at March 31, 2019, the Company had cash of $38,635 (December 31, 2018 - $19,135) and does not expect any counterparties to fail to meet their obligations.

**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. The Company maintains a majority of its surplus funds in interest bearing accounts with Canadian financial institutions, which pay interest at a floating rate.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses which may damage the Company's reputation.

The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. This is generally accomplished by ensuring that cash is always available to settle financial liabilities. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The following items are the contractual maturities of financial liabilities:

| March 31, 2019 | Carrying amount | Contractual cash flows | 0 to 12 months | After 12 months |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 1,350,802 | $ 1,350,802 | $ 1,350,802 | $ - |
| Advances | 622,934 | 622,934 | 622,934 | - |
| Debentures | 1,869,132 | 2,448,000 | 216,000 | 2,232,000 |
| Reclamation and decommissioning liabilities | 411,070 | 411,070 | 411,070 | - |
| Non-cash liabilities | 309,394 | 309,394 | 309,394 | - |
| | $ 4,563,332 | $ 5,142,200 | $ 2,910,200 | $ 2,232,000 |

| December 31, 2018 | Carrying amount | Contractual cash flows | 0 to 12 months | After 12 months |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 1,344,623 | $ 1,344,623 | $ 1,344,623 | $ - |
| Advances | 600,870 | 600,870 | 600,870 | - |
| Debentures | 1,803,138 | 2,448,000 | 216,000 | 2,232,000 |
| Reclamation and decommissioning liabilities | 411,070 | 411,070 | 411,070 | - |
| Non-cash liabilities | 23,868 | 23,868 | 23,868 | - |
| | $ 4,183,569 | $ 4,828,431 | $ 2,596,431 | $ 2,232,000 |

In addition to the financial liabilities, the Company has contractual cash flows relating to lease commitments (note 19).

**Foreign exchange**

The Company operates primarily in Canada and the United States. The presentation currency is Canadian dollars and the functional currency of the parent company is the Canadian dollar. As at March 31, 2019, the Company's US dollar net monetary assets totaled $5,662 (2018 - $82,170). Accordingly, ,a 5% change in the US dollar exchange rate as at March 31, 2018 on this amount would have resulted in an exchange gain or loss and therefore net income would have increased (decreased) by $283.

**Price risk**

The Company is exposed to price risk with respect to commodity prices and the competitive market in which STI operates. The Company closely monitors commodity prices and competitors pricing policies to determine the appropriate course of action to be taken by the Company. If its competitors offer large discounts on certain products and services in order to gain market shares or sell products and services, the Company may need to lower its prices and offer other favorable terms in order to compete successfully. Such changes could reduce profit margins and have an unfavorable impact on its operating results. The Company's future operations will also be significantly affected by changes in the market prices for commodities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors may in turn be influenced by changes in international investment patterns, monetary systems and political developments.

**High Degree of Product Concentration**

Substantially all of the Company's currently anticipated revenues will be derived from a limited number of products and services. Consequently, the Company's performance will depend on establishing market acceptance of these products and services in a single market, as well as enhancing the performance of such products and services to meet the evolving needs of customers. The Company, like other entities involved in a rapidly evolving new industry, faces the risk that the Company's products and services may not prove to be commercially successful or may be rendered obsolete by further scientific and technological developments. There can be no assurances that the Company will establish and maintain a position at the forefront of emerging technological trends. Any reduction in anticipated future demand or anticipated future sales of these products or any increase in competition could have a material adverse effect on the Company's business prospects, operating results or financial condition.

**Competition**

The Company has experienced, and expects to continue to experience, competition from a number of companies. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Many of the competitors and potential competitors of the Company have significantly greater financial, technical, marketing and/or service resources than does the Company. Many of these companies also have a larger installed base of users, longer operating histories or greater name recognition than the Company. Customers of the Company are particularly concerned that their suppliers will continue to operate and provide upgrades and maintenance over a long-term period. The Company's smaller size and short operating history may be considered negatively by prospective customers. Even if competitors of the Company provide products with more limited system functionality than those of the Company, these products may incorporate other capabilities of interest to some customers and may be appealing due to a reduction in the number of different types of systems used to operate such customers' businesses. Further, competitors of the Company may be able to respond more quickly than the Company to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products.

**Market Uncertainty**

The Company's success depends to a significant degree on its ability to develop the market and gain acceptance for its products and services. There is no assurance that a significant market will develop for the Company's principal products and services. Implementation and adoption of its products have been slow to develop and may continue to be subject to delays. There can be no assurances that the additional commercial applications and markets for the Company's products will develop as currently contemplated.

The market for the Company's products is just beginning to develop and the Company's business plan will continue to require significant marketing efforts and working capital. To manage such development, the Company must continue to expand its existing resources and management information systems and must attract, train, and motivate qualified marketing, management, technical and administrative personnel. There can be no assurance that the Company will be able to achieve these goals.

**Labour and Key Personnel**

The Company depends on the services of its engineers, technical employees, and key management personnel. The loss of one of these people could have a significant unfavorable impact on the Company, its operating results, and its financial position. The success of the Company is largely dependent upon its ability to identify, hire train, motivate, and retain highly skilled management employees, engineers, technical employees, and sales and marketing personnel. Competition for its employees can be intense, and the Company cannot ensure that it will be able to bring in and retain highly skilled technical and management personnel in the future. Its ability to bring in and retain management and technical personnel and the necessary sales and marketing employees could have unfavorable impact on its growth and future profitability. The Company may be obligated to increase the compensation paid to current or new employees, which could substantially increase operating expenses.

**Product Failures and Mistakes**

STI products are complex and therefore may contain failures and mistakes that could be detected at any time in a product's life cycle. Failures and mistakes in its products could have a significant unfavorable impact on its reputation, open it up to significant costs, delay product launch dates, and harm its ability to sell its products in the future. The costs of correcting a failure or mistake in one of these products could be significant and could negatively affect its operating margins. Although STI expects to continue to test products to detect failure and mistakes and to work with its customers through its support and maintenance services in order to find and correct failure and mistakes, they could appear in its products in the future. STI is exposed to warranty expenses, product recalls and other claims, particularly if the products prove to be defective, which would harm business development and the Company's reputation. STI provides one year warranty for its products.

**Technological Obsolescence**

Competitors and new companies could launch new products. In order to remain on the cutting edge of technology, STI may need to launch a new generation of fiber optic sensors and develop its related products and services. Whether it is competition from development companies and /or marketing of fiber optic sensors or a merger or acquisition of existing companies, competition within certain fiber optic sensor industry sectors offering solutions similar to what STI offers is vigorous and could increase. Some of STI's competitors have significantly greater financial, technical, distribution, and marketing resources than STI. Technological progress and product development could make STI products obsolete or reduce their value.

**Other risks**

The Company's financial condition, results of operation and business are subject to certain risks, which may negatively affect them. Certain of these risks are described below in addition to elsewhere in this MD&A.

(a) Exploration and Development

The business of exploring for, developing and producing oil and gas involves a high degree of risk. Oil and gas reserves may never be found or, if discovered, may not be result in production at reasonable costs or profitability. The business of exploring, developing and producing is also capital intensive and, to the extent that cash flows from operating activities and external sources become limited or unavailable, the ability of Mooncor and of its operating partners to meet their respective financial obligations which are necessary to maintain their interests in the underlying properties could be impaired, resulting in those of the interests.

(b) Investment Risks

The Company acquires securities of public and private companies from time to time, which are primarily junior or small-cap resource companies. The market values of these securities can experience significant fluctuations in the short and long term due to factors beyond the Company's control. Market value can be reflective of the actual or anticipated operating results of the companies and/or the general market conditions that affect the oil and gas sector as a whole, such as fluctuations in commodity prices and global political and economical conditions. The Company's investments are carried at fair value, and unrealized gains/losses on the securities and realized losses on the securities sold could have a material adverse impact on the Company's operating results. The recent decline in stock prices of the types of companies in which the Company invests have been very significant and such prices might take an extended time, to recover if they do at all.

(c) Environmental

The Company's oil and gas operations are subject to environmental regulations in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased costs, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties or by illegal mining activities.

(d) Governmental

Government approvals and permits are often generally required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be delayed or prohibited from proceeding with planned exploration or development of properties. Amendments to current laws, regulations and permits governing operations and activities of oil and gas companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in development of new properties. Although the governments of the various countries in which Mooncor operates have been stable recently, there is no assurance that political and economic conditions will remain stable. Political and economic instability may impede the Company's ability to continue its exploration activities in the manner currently contemplated.

(e) Fluctuations in Crude Oil, Natural Gas, and Natural Gas Liquid Prices

The price of the Company's common shares, and consolidated financial results and exploration, development and other oil and gas activities may in the future be significantly and adversely affected by declines in the price of crude oil, natural gas, and/or natural gas liquid (collectively "oil and gas"). The price of oil and gas fluctuates widely and is affected by numerous factors beyond the Company's control, such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the US dollar and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major oil and gas producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future material price declines could cause continued development of and commercial production from the properties in which the Company holds an interest to be impracticable. Depending on the price of oil and gas, cash flow from the Company's operations may not be sufficient and the Company could be forced to discontinue production and may lose the Company's interest in, or may be forced to sell, some of the Company's properties. Future production from the Company's properties is dependent upon the price of oil and gas being adequate to make these properties economic.

(f) Dependence on management

The Company is dependent upon the efforts, skill and business contacts of key members of management, for among other things, during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, the Company's success will depend upon the continued service of these individuals who are not obligated to remain employed with Mooncor. A loss of key personnel - members of management in particular - could impair our ability to execute our strategy and implement our operational objectives, all of which would have a material adverse effect on the Company.

## 18. SEGMENTED INFORMATION

The Company's reportable segments are strategic business units that offer different services and/or products. They are managed separately because each segment requires different strategies and involves different aspects of management expertise.

STI develops non-intrusive asset health monitoring sensor systems for the oil and gas market to help operators track the thinning of pipelines and refinery vessels due to corrosion and erosion, strain due to bending or buckling, and process pressure and temperature. STI's FT fiber optic sensor and EFM systems allow cost-effective, 24/7 remote monitoring capabilities to improve scheduled maintenance operations, avoid unnecessary shutdowns, and prevent accidents and leaks.

MEI, PPI, PPC and APPC are oil & gas companies

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company carries out its operations through wholly-owned entities. These entities are located in Canada and the United States.

**For three months ended March 31, 2019**

| | STI Operations | Oil and Gas Operations | Corporate Operations | Total |
|---|---|---|---|---|
| Revenue | $ 127,460 | $ - | $ - | $ 127,460 |
| Interest income | - | 1,648 | - | 1,648 |
| Total revenue | 127,460 | 1,648 | - | 129,108 |
| Cost of sales | (40,130) | - | - | (40,130) |
| Royalty | (23,485) | - | - | (23,485) |
| Gross profit | $ 63,845 | $ 1,648 | $ - | $ 65,493 |
| Expenses | | | | |
| Research and development | (21,407) | - | - | (21,407) |
| Exploration expenses | - | (7,162) | - | (7,162) |
| Office and general | (38,808) | - | (31,502) | (70,310) |
| Total expenses | $ (60,215) | $ (7,162) | $ (31,502) | $ (98,879) |
| Income (loss) before undernoted | 3,630 | (5,514) | (31,502) | (33,386) |
| Finance costs | (227) | - | (76,666) | (76,893) |
| Income (loss) on foreign exchange | (7,373) | 1,358 | (788) | (6,803) |
| Net (loss) for the year | (3,970) | (4,156) | (108,956) | (117,082) |
| Other comprehensive (loss) for the period | | | | |
| Exchange differences on translation of foreign operations | - | (151) | - | (151) |
| **Total comprehensive (loss) for the period** | **$ (3,970)** | **$ (4,307)** | **$ (108,956)** | **$ (117,233)** |

| **As at March 31, 2019** | | | | |
|---|---|---|---|---|
| Equipment | $ 1,844 | $ - | $ - | $ 1,844 |
| Total assets | $ 54,961 | $ 822,380 | $ 441,074 | $ 1,318,415 |

**For three months ended March 31, 2018**

| | STI Operations | Oil and Gas Operations | Corporate Operations | Total |
|---|---|---|---|---|
| Revenue | $ 85,225 | $ - | $ - | $ 85,225 |
| Cost of sales | (10,595) | - | - | (10,595) |
| Gross Profit | 74,630 | - | $ - | 74,630 |
| Expenses | | | | |
| Research and development | (39,906) | - | - | (39,906) |
| Office and general | (50,984) | - | - | (50,984) |
| Total expenses | $ (90,890) | $ - | $ - | $ (90,890) |
| (Loss) before undernoted | (16,260) | - | - | (16,260) |
| Finance costs | - | - | - | (1,090) |
| (Loss) on foreign exchange | (1,324) | - | - | (1,324) |
| Net (loss) for the period | (17,584) | - | - | (18,674) |
| Exchange differences on translation of foreign operations | - | - | - | - |
| **Total comprehensive (loss) for the period** | **$ (17,584)** | **$ -** | **$ -** | **$ (18,674)** |

| As at March 31, 2018 | | | | |
|---|---|---|---|---|
| Equipment | $ 2,243 | $ - | $ - | $ 2,243 |
| Total assets | $ 361,395 | $ - | $ - | $ 361,395 |

**Revenue by Geographic Region**

Sales is as follows:

| | Three months ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| USA | $ 40,009 | $ 54 |
| Canada | 86,938 | 409,642 |
| Others | 512 | 57,538 |
| **Total** | **$ 381,105** | **$ 467,234** |

## 19. SUBSEQUENT EVENTS

(a) Subsequent to March 31, 2019, the Company has entered into a non-binding letter of intent (the "LOI") with GreenInsightz Limited ("GreenInsightz"), an arm's length party to acquire all of the issued and outstanding securities of GreenInsightz for an aggregate purchase price of $7,500,000 that will be satisfied through the issuance of common shares of Sensor. The closing of the proposed acquisition is subject to, among things, the successful completion of the Company's due diligence review of GreenInsightz and the execution of a definitive share exchange agreement between the Company and the shareholders of GreenInsightz and subject to all regulatory requirements and shareholder approval. GreenInsightz uses patented artificial intelligence and machine learning solutions for social discovery in the cannabis industry. GreenInsightz offers its clients analysis and solutions for audience discovery, brand reputation, marketing and communications on the basis of data drawn from social media that is analyzed with advanced proprietary techniques. In addition to social media discovery, GreenInsightz is a powerful tool for collecting, analyzing and reporting on all sorts of structured and unstructured data making it an ideal solution for growers collecting information from sensors, IOT analysis and patient data analysis.

(b) Subsequent to March 31, 2019, IntellaEquity Inc. converted $300,000 of the convertible debentures owing by the Company into 6,000,000 shares at a conversion price of $0.05 per share.