Management Discussion and Analysis
for the
Year ended March 31, 2015

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

This Management Discussion & Analysis ("MD&A") covers the Company's annual financial statements and events during the year ended March 31, 2015. This MD&A should be read in conjunction with the annual financial statements for the years ended March 31, 2015 and 2014. All financial information is prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars (unless otherwise noted).

Information in this MD&A is based on information available to July 27, 2015.

The public documents and additional securities filings of E.S.I. Environmental Sensors Inc. ("ESI" or the "Company") can be viewed on the SEDAR website (www.sedar.com) for additional information.

The Company is a reporting issuer in British Columbia and Alberta and is listed on the TSX Venture Exchange (the "Exchange") under the symbol ESV.

Forward-Looking Statements, Risks and Uncertainties

Certain statements made in this MD&A including without limitation, statements relating to ESI's expectations concerning future revenues and earnings, product development, market conditions and the sufficiency of capital and liquidity, constitute forward looking statements. These forward looking statements are subject to risks and uncertainties, many of which are beyond ESI's control. Actual results or events may differ materially from ESI's expectations. There is no assurance that ESI's products will be successfully developed or manufactured, or that ESI will be able to market or sell the products to achieve its revenue targets. Further, ESI's funding needs may vary depending on a number of factors including successful implementation of a new sales and marketing program, progress of research and development plans, cost of continued commercialization of ESI's products or technological or market developments. Consequently, ESI may need to raise additional funds or incur debt. In such an event, ESI intends to seek additional funding through public or private financings, arrangements with corporate partners, and from other sources. No assurance can be given that additional funding will be available on favourable terms, or at all. If adequate capital is not available, ESI may have to substantially reduce or eliminate expenditures in its operations. ESI does not undertake or accept any obligation to release publicly any updates or revisions to any forward looking statements to reflect changes in ESI's expectations, except as required by applicable securities laws.

To the extent possible, management implements strategies to reduce or mitigate risks and uncertainties associated with the business. Operating risks include, but are not limited to: (i) the continued ability of ESI to develop marketing and sales capabilities to successfully commercialize products, (ii) market acceptance of ESI's technologies and products, (iii) the competitive environment and impact of technological change, (iv) the ability to protect ESI's intellectual property, and (v) the continued availability of capital to finance ESI's activities. The Company is not in an industry where bad debts present a major business risk.

Company Overview

ESI's patented and proprietary technologies are incorporated into a range of products, primarily sensors, accessories and associated hardware and software, which together are used in water management applications. These applications include irrigation control, crop management, turf management, environmental management applications, mining, forestry, silviculture, scientific research, and various civil and municipal engineering applications including slope stability and landfill monitoring. The Company has also adapted its technology to address water management applications in the oil industry. The Company's technologies are marketed under the trade names of Gro•Point™, Moisture•Point™ and Flo•Point™.

ESI is a developer of Time Domain Reflectometry ("TDR") and Time Domain Transmissometry ("TDT") devices in water management. Papers on the Company's technology have been featured in related international industry journals.

Developments During the Year Ended March 31, 2015

On October 10, 2014, the Company closed a private placement for gross proceeds of $313,667. The Company issued 6,273,649 common shares and 6,273,649 non-transferable share purchase warrants ("Warrant"). Each Warrant may be exercised to purchase an additional common share at a price of $0.10 for the first year following the closing of the transaction, $0.15 for the second year following closing, and $0.20 for the third year following closing. Any unexercised Warrants will expire on October 10, 2017.

On March 31, 2015, the Company closed a private placement for gross proceeds of $180,000. The Company issued 3,600,000 common shares and 3,600,000 non-transferable share purchase warrants ("Warrant"). Each Warrant may be exercised to purchase an additional common share at a price of $0.10 for the first year following the closing of the transaction, $0.15 for the second year following closing, and $0.20 for the third year following closing. Any unexercised Warrants will expire on March 30, 2018.

Both of the above private placements were accepted by the TSX Venture Exchange ("Exchange").

During the course of fiscal 2015, the Company has furthered its work on the development of a 2nd generation Flo•Point™ water/oil cut meter and has continued to market its soil moisture monitoring technologies. Sales and Marketing efforts have been increased as of the end of fiscal 2015.

Subsequent Events

Following year end, the Company completed a shares for debt transaction involving the issuance of 22,880,000 common shares in exchange for the retirement of $1,144,000 in outstanding accounts payable to Avis Financial Corporation ("Avis"), the Company's majority shareholder. The transaction was previously approved by the disinterested shareholders of the Company via an annual and special meeting of the shareholders, and was accepted by the Exchange.

The Company also announced a $1.2 million private placement transaction which has not yet closed. To date, $600,000 in subscriptions has been received.

On May 22nd, the Company loaned $200,000 to Dycor Technologies Ltd. ("Dycor"), a strategic partner of the Company. Dycor has provided ESI with a promissory note bearing 12% interest per annum.

Revenue and Operations

- **Year ended March 31, 2015**

Revenue

Revenue for the twelve months ended March 31, 2015 amounted to $73,161, a decrease of 69.59% from the $240,547 in revenue recorded for the prior year period. Gro•Point™ revenue for the current period represented 60% of total revenue, compared with approximately 74% of revenue for the prior year period. Gro•Point™ revenue fell by 75% or $133,882. Moisture•Point™ represented just under 18% of total revenue for the current period vs. 14% in the prior year, while factory service represented 22% of revenue for the current period vs. 12% in the prior year. Revenue from Moisture•Point™ sales decreased by 61% ($20,567) while factory service decreased by 45% ($13,300).

For the current three month period ended March 31, 2015 revenue was $10,090, a decrease of 88% from the $84,689 in revenue recorded for the prior year three month period.

Presently, the Company's orders are generated primarily from repeat customers. The Company continues to try and develop new client relationships in North American, South American and overseas markets. Current sales and marketing strategies place particular emphasis on selection and penetration of specific markets; these markets include a variety of agricultural crops, vineyards, and cranberry farms. Initiatives continue for the establishment of channel partners in North America and around the world. The Company will maintain its direct sales approach for the North American scientific, academic and research markets. Market opportunities in environmental monitoring also hold promise for the Company. As indicated in prior MD&A reports, the Company has signed an exclusive distribution agreement with a partner in China for the Chinese market. Sales under this agreement have been slower than anticipated, accounting for a significant percentage of the decline in current period sales as measured against the prior year. The Company is working with the partner to try and increase their market penetration in China.

The Company will endeavour to establish further pilot and demonstration projects during Fiscal 2016. The Company's sensor offerings appeal to agriculture, environmental applications and commercial and consumer markets such as the golf and turf industries – a number of alliances and OEM opportunities continue to be evaluated and pursued. The Company continues to make regular sales to clients in academic and government research organizations.

The global water shortage and search for solutions to optimize water usage and reduce consumption continues to receive increased attention around the world. Company management believes the overall market conditions for water monitoring and management systems are strong and will only continue to strengthen in the coming months and years.

Cost of Product Sales

Cost of product sales for the year ended March 31, 2015 was 77% of revenue vs. 47% for the prior year period. The Company strives to maintain cost of sales in the 40% to 60% range. Cost of product sales rose as a percentage during the current period due to the small volume of sales. Labour and manufacturing variances were 27.3% of total revenue for the current year period vs. 11.7% for the prior year period. Direct labour costs also rose for the current period as a percentage of revenue at 15% vs. 9% for the prior year period. Cost of product sales for the current and prior year three month periods were 102.5% and 42.7% of revenue respectively.

Operations

Over the years, a significant corporate focus at ESI has been on engineering and new product development. Specifically, in recent years, there has been a strategic decision to focus near-term development efforts and expenditures on the Gro•Point™ product line, and in particular on the development of a new profiling sensor. The first production units of the Company's new profiling sensor were released in Q4-2013. The Company has continued to work on the development of supporting ancillary devices for the profiling sensor including an SDI-12 logger, an SDI-12 hand held reader and an SDI-12 shuttle during 2014 and 2015. Throughout the past year and during the current period there has been an emphasis on keeping expenditures low in all areas of Company operations. The Company has added new personnel in sales as of March 2015.

General and administrative expense:
General and administrative (G&A) expenditures have increased marginally (13.6% increase) during fiscal 2015 verses the prior year period ($410,872 vs $361,702). There has been little in the way of changes from year to year in staffing and services used. Last year's G&A expenditures were lower in the area of reporting and investor relations due to the reversal of a prior period accrued expense and the elimination of an ongoing monthly accrual for the same expense which had been set up as a provision. On a three month comparative basis, general and administrative costs have increased by 98% from $51,505 during the prior year to $101,834 during the current year three month period. This is attributed again to the reversal of the prior period accrued expenses as well as the timing of certain professional fees during the 4th quarter of the current fiscal year. Overall, professional fees decreased for fiscal 2015 vs. 2014.

Management fee to related party:
During the 4th quarter of fiscal 2015, the Company recorded $1,144,000 in expenses as an accrual for management fees supplied by Avis, the majority shareholder of ESI. The accrual was based on invoices supplied by Avis during the latter part of fiscal 2015 for management services provided over the course of the past 5 years. (Subsequent to the year end, the Company filed a "Shares for Debt" transaction with the Exchange along with an agreement for ongoing services between the Company and Avis - see note 10 to the March 31, 2015 Audited Annual Financial Statements. Under the terms of the shares for debt transaction filed, the amount owing of $1,144,000 was settled by the issuance of 22,880,000 common shares. The transaction was accepted by the Exchange on June 19, 2015, and the Company has issued 22,880,000 common shares to Avis. The transaction had been previously approved by the disinterested shareholders of the Company at an annual general and special meeting of the shareholders in December 2014.)

Selling and marketing expense:
Selling and marketing costs remain intentionally low. The Company intends to increase sales and marketing efforts during fiscal 2016, however, increased expenditures in this area will be contingent upon the completion of additional financing that allows the company to add personnel. Selling and marketing expenses for fiscal 2015 increased by a marginal 6.3% when compared to the prior year period – a difference of $1,713 ($29,003 vs. $27,290). These expenses consist mainly of salary and benefit allocations and customer service costs to support the Company's online irrigation management platform. Selling and marketing expense for the current year three month period increased by 172% vs. the prior year three month period ($18,451 vs. $6,777). This was due mainly to the addition of a new salesperson in the 4th quarter, as well as a $7,000 bad debt expense.

Research and development expense:
Research and development expenditures for fiscal 2015 decreased by 5% from $70,069 in the prior fiscal year to $66,607 during the current fiscal year. Expenses consist mainly of salary and benefit allocations as well as materials. The three month research and development expenditures decreased by 52% during the current year period to $10,940 vs. $22,789 during the prior year three month period. Product development will be an ongoing priority for the Company as products

are added, leveraged and improved upon continually. These product development efforts will continue to be market driven and currently focus on ancillary devices such as the SDI-12 logger and SDI-12 hand held reader/data shuttle.

Interest and financing expense:
Interest and financing charges decreased to $-664 during the current year period from $72,734 in the prior year, falling by 101% (the current three month period vs. the prior year three month period is a 63% reduction) due to the reversal of a previously recorded interest accrual as well as the settlement of prior period loans.

Loss for the period:
The net loss for the year period ended March 31, 2015 was $1,631,809 compared with $390,415 for the prior year. The vast majority of this difference can be attributed to the recording of the $1,144,000 in management fees and expenses owing to Avis as described above. Excluding the $1,144,000 one time expense accrual and comparing fiscal 2015 loss vs. 2014, there is an increase in the net loss of 25% (an increase of $97,394). This was due to the significant decline in the Company's annual sales. The annual loss per share increased by nearly 300%. The net loss for the current three month period vs. that of the prior year was an increase of over $1.2 million, again, due to the inclusion of the $1,144,000 in management expenses accrued for Avis.

Liabilities

Trade and other payables at March 31, 2015 have increased by 4.6% to $885,057 from $845,907 at March 31, 2014 fiscal year end. Accrued liabilities have increased by 3.5% or $7,294 while accrued interest payable has decreased by 2.7% from the prior year end. Trade payables have increased by 16.8% or $42,322 during fiscal 2015 (see note 7 of the March 31, 2015 audited financial statements).

There has been no change in "Other liabilities" since the prior year end. These "Other liabilities" of $338,520 are disputed and the amounts outstanding remain unchanged over the past seven fiscal years. Management anticipates the amounts presently recorded as owing will either be reduced materially or removed entirely. Any reductions will be recorded when the lenders or suppliers formally acknowledge the settlement, or a legal determination is made regarding disputed amounts presently recorded as owing.

Subscriptions toward a private placement totalled $44,000 at March 31, 2014 and $nil at the end of the current fiscal year. (Subsequent to the year end, $600,000 has been received toward a current private placement.)

Total liabilities were $2,367,577 at March 31, 2015, an increase of 92.7% from $1,228,427 at March 31, 2014. This increase is due almost entirely to the recording of the management fee expenses payable to Avis, as the increase in trade payables was offset by a nearly equal reduction in subscriptions receivable.

The Company has no off-balance sheet arrangements.

Selected Quarterly Financial Data (Unaudited):

Quarter ended	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Revenue	$ 10,090	$ 8,866	$ 13,188	$ 41,017
Loss	(1,267,496)*	(129,166)	(129,589)	(105,558)
Basic and fully diluted loss per share	(0.0078)	(0.0008)	(0.0008)	(0.0007)

Quarter ended	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Revenue	$ 84,689	$ 56,062	$ 17,016	$ 82,780
Loss	(36,145)	(83,829)	(132,011)	(138,430)
Basic and fully diluted loss per share	(0.0002)	(0.0006)	(0.0009)	(0.0009)

* The net loss for the quarter ended March 31, 2015 is inflated by a one time accrual of $1,144,000 in management fee expenses. Excluding this one time expense would amount in a quarterly net loss of $123,496.

Current quarterly revenue is significantly lower than the average quarterly revenue over the past eight quarters of $39,214. The average revenue over the past four quarters is $18,290. Revenue has dropped significantly during each of the past 3 quarters, with only Q1 of 2015 within the range of average revenue for the past eight quarters. The Company hired a new salesperson in March 2015 in order to begin reversing this trend. The Company will continue to make further changes to provide for sales growth in fiscal 2016.

The loss for the current quarter is an anomaly and is due to the one time recognition of management fee expenses as previously described. Removing this one time expense, the quarterly loss would have been $123,496, which is in line with the average quarterly losses over the past eight quarters. Even with this expense taken out of the analysis, average quarterly losses during fiscal 2015 would still have been higher ($121,952 vs. 2014 $97,604).

Summary of Quarterly Results

The three month quarterly revenue for the current year vs. the prior year three month period decreased by $74,599, or -88%. This difference was due to strong Gro•Point™ sales during Q4 of 2014 as well as strong Moisture•Point™ sales in the prior year three month period. Cost of product sales for the three month period ended March 31, 2014 was 43% of gross revenue, while the current year quarterly period yielded a cost of products sales of 103% due to the small amount of goods sold and produced and the associated manufacturing and efficiency variances.

On a quarterly (three month comparative) basis, selling and marketing expenses increased by 172% for the current quarterly period vs. the prior year quarterly period ($18,451 vs. $6,777). Research and development expenditures for the current three month quarterly period decreased by 52% over the prior year quarterly period, totalling $10,940 vs. $22,789. The interest expense for the current three month quarterly period was negative, due to the reversal of a prior interest expense accrual. The net loss for the prior year three month period was $36,144 vs. a net loss of $123,496 without taking into the consideration the $1,144,000 in management fee expenses. Otherwise, the quarterly net loss is $1,267,496. In either case, the loss has increased significantly, mainly due to the lack of sales in the quarterly period.

Selected Annual Information

(all figures are in Canadian dollars)	Year Ended March 31 2015 (12 months)	Year Ended March 31 2014 (12 months)	Year Ended March 31 2013 (12 months)
Revenue	$ 73,161	$ 240,547	$ 153,274
Loss from operations	$ (1,633,485)	$ (331,687)	$ (567,083)
Net Loss	$ (1,631,809)*	$ (390,415)	$ (698,769)
- Per common share - Basic and Diluted	$ (0.010)	$ (0.003)	$ (0.010)
Total Assets	$ 201,238	$ 228,364	$ 252,775
Total Long Term Financial Liabilities	$ -	$ -	$ -
Dividends Declared	$ -	$ -	$ -
Weighted Average Shares Outstanding	161,670,368	150,923,331	115,267,605
Shares Outstanding at Year End	168,587,509	158,714,160	147,340,628

* The net loss for the year ended March 31, 2015 is inflated by a one time accrual of $1,144,000 in management fee expenses. Excluding this one time expense would amount in an annual net loss of $487,809.

There are a variety of factors that have contributed to variances in the above data over the past three year period. The repercussions of the global economic crisis began to impact the Company by the end of Fiscal 2009, and in the second quarter of Fiscal 2010 the Company began to lay off staff. Product development and sales and marketing efforts wound down as staff were let go. The Company managed to survive through the worst of the downturn, and, with a critical injection of $1.5 million in financial capital in February 2010 by Avis Financial, the Company was able to begin a turn around. Financial results since that time are part of the rebuilding process. Without the existence of significant marketing efforts since 2009, revenues have been low, with the current year demonstrating a significant decrease over the prior year. The Company is attempting to focus financial resources on a new marketing effort, however, this is dependant upon additional financing. Fiscal 2013 marked the completion of the Company's new profiling sensor and key customer testing in China of a version of the Company's new profiling sensor. The Company signed a distribution agreement with a new partner in China as a result of support of their field trials (subsequent to the end of the fiscal 2013). Throughout fiscal 2013, 2014, and 2015 the Company continued to keep expenses low in order to keep losses down while the Company focuses on product and market development initiatives based around the needs of potential OEM partners. The Company has begun to focus efforts on re-developing Flo•Point™ during fiscal 2016 and 2017.

Other Operating Activities

Product Development & Engineering

The Company's new GroPoint Lite Profiling Probe was completed in the last quarter of fiscal 2013. The Company has been seeding the market with initial trials and product demonstrations using production sensors. The Company will continue to develop additional sensors along with ancillary devices.

Senior management of ESI has been approached by a strategic partner from the oil industry regarding the re-launch of the Flo•Point™ product line. During the first quarter of Fiscal 2014, discussions with Dycor Technologies Ltd. caused the Board of Directors and senior management to initiate work on the revival of the Flo•Point™ development program. During the second quarter of fiscal 2014, the Company resumed work on planning the next generation of the Flo•Point™ tool, which will feature new mechanical hardware, a new core, and new electronics. The Company is currently attempting to raise capital to pursue this development and will provide further updates on the Flo•Point™ program as the development progresses. Substantial government funding has already been secured to be directed toward contract research and development.

Research and product development are typically the primary sources of intellectual property for technology-based companies such as ESI. Product development requires incremental working capital to achieve corporate goals. Financing initiatives during Fiscal 2015 and 2014 were necessary to fund product development efforts and will continue to be necessary in 2016 until revenues can support operations.

Liquidity, Capital Resources, and Financial Instruments

At March 31, 2014, the Company had a working capital deficiency of $2,206,549 (March 31, 2014: $1,051,316) and a shareholder's deficiency of $2,166,339 (March 31, 2014: $1,000,063). The Company's current working capital requirements are approximately $65,000 per month. Cash management has been and continues to be a priority for the Company and every effort is being made to minimize liquidity challenges.

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is substantial doubt about the Company's ability to continue as a going concern because the Company has experienced significant losses and negative cash flow from operations over a number of years and has a working capital deficiency and a deficiency in assets. The Company's ability to meet its obligations in the ordinary course of business is dependent upon its ability to establish profitable operations and positive cash flows from operating activities or to obtain additional funding through public or private equity financing, debt, collaborative or other arrangements. There can be no assurances that financing will be available or be available on reasonable terms. Management is of the opinion that sufficient working capital will be obtained from future cash flows to meet the Company's liabilities and commitments as they become payable. The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the Company is unable to continue as a going concern, assets and liabilities would require restatement to a liquidation basis, which would differ materially from the going concern basis.

During Fiscal 2015 and 2014, the Company relied on private placements from private and institutional investors in order to continue operations. The Company continues to require further financing in fiscal 2016, and has announced a private placement of $1,200,000 as indicated earlier in this report. This financing will allow the Company to fund efforts on the Flo•Point™ re-development.

Investing Activities

The Company did invest significant capital in the development of hardware and software technology (mainly in the form of wages for personnel, including employees and contractors) during Fiscal 2015 and 2014; however, these expenditures do not meet the criteria for capitalization and have been expensed accordingly. There were no additions to equipment and leasehold improvements during the current year.

Activities Related to Common Stock

As at March 31, 2015 there were 168,587,509 common shares outstanding in the capital stock of the Company. Detailed information on share capital is set out in the "Statements of Changes in Equity", and in note 10 of the March 31, 2015 audited annual financial statements. The total number of issued and outstanding common shares of the Company as of the date of this report is

191,467,509. This is an increase of 22,880,000 common shares, issued as the result of the closing of a shares for debt transaction as mentioned previously in this report.

Critical Accounting Policies and Estimates and Changes in Accounting Policies

New IFRS pronouncements that have been issued but are not effective are listed below. Pronouncements that are not applicable to the Company have been excluded.

- In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* ("IFRS 9"), which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") and all previous versions of IFRS 9. The new standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company intends to adopt IFRS 9 in its financial statements for the fiscal year beginning April 1, 2018. The extent of the impact of adoption has not yet been determined.
- In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15') establishing a comprehensive framework for revenue recognition. The standard replaces IAS 18, *Revenue* and IAS 11, *Construction Contracts* and related interpretations and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company intends to adopt IFRS 15 in its financial statements for the fiscal year beginning April 1, 2018. The extent of the impact of adoption has not yet been determined.

Key accounting estimates:

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the periods, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of management estimates relate to valuation of inventories, share-based compensation, warrants, and the recognition of contingent liabilities. Actual results could differ from those estimates used in the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Please refer to the Company's annual financial statements for a full discussion of the Company's accounting policies.

Risks and Uncertainties

The Company operates in a competitive and rapidly changing environment that involves a number of risks. To the extent possible, management implements strategies to reduce or mitigate risks and uncertainties associated with our business. Following are some of the principal risk factors:

Cash flow and Liquidity

The Company will make all efforts to increase sales in order to support operations, however, as required, the Company will also manage liquidity risk through raising sufficient funds through the receipt of loans, the issuance of common shares, or the issuance of convertible debt in order to meet financial obligations.

Liquidity risk can arise through excess of financial obligations over available financial assets due at any point in time. The Company currently has negative working capital and has suffered liquidity problems in previous years.

Financing
The Company will require additional financing in order to continue to operate and make further investments in product development, research and marketing. The ability of the board and management to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as the Company's business success. As mentioned previously, Avis Financial is committed to funding the Company going forward.

Competition
Competition within the soil moisture sensor market is fragmented but relatively intense. Similarly, competition within the water cut sensor market for the oil industry is relatively intense but most offerings are not yet fully accepted by the markets they intend to serve. In the oil industry, most competitors have longer operating histories than the Company within that market.

Dependence on Key Personnel
The Company's future success will depend on the quality of its key management, sales people, and research and development personnel. The loss of the services of such persons, or the inability to attract quality personnel, could materially adversely impact the Company's business operations and prospects.

Market and Foreign Exchange Risk
The majority of the Company's sales have most recently been made in the United States. Historically significant portions of sales have been made in U.S. dollars. In fiscal 2016, the Company expects to receive a significant portion of income from U.S. clients and from others who prefer to deal in U.S. currency. Fluctuations in the exchange rate between Canadian and other foreign currencies, and especially the U.S. dollar, could have a material affect on the Company's business, financial condition and results of operations.

Contingent Liabilities
The Company has certain contingent liabilities detailed in Note 18 of the annual financial statements for the years ended March 31, 2015 and 2014.

Legal Action
A notice of claim has been filed against the Company. There has been no activity on this claim for the past 24 months, and thus, no change from prior periods. It is the opinion of the Company that the claim is without merit. The Company has filed a counter claim and will defend itself fully if called upon to do so. Any potential liability arising from the claim has been fully provided for in the Company's liabilities.

HEAD OFFICE
E. S. I. Environmental Sensors Inc.
2071C Malaview Avenue
Sidney, BC, Canada V8L 5X6
Tel: (250) 655-3211
Toll Free: 1-800-799-6324 (North America)
Fax: (250) 655-3299
Web: http://www.esica.com
E-mail: info@esica.com

TRADING SYMBOL
TSX Venture Exchange: ESV

AUDITORS
KPMG LLP
St. Andrews Square II
8th Floor, 730 View St.
Victoria, BC Canada V8W 2Y7

TRANSFER AGENT
Computershare Trust Company of Canada
510 Burrard St. – 4th Floor
Vancouver, BC Canada V6C 3B9