

International Zeolite Corp.
(formerly Canadian Zeolite Corp.)
Annual Management Discussion and Analysis
For the years ended June 30, 2019 and 2018

The following annual management discussion and analysis (“MD&A”) of the operations, results, and financial position of International Zeolite Corp. (formerly Canadian Zeolite Corp.) (the “Company” or “International Zeolite”) for the years ended June 30, 2019 and 2018, should be read in conjunction with the Annual Audited Consolidated Financial Statements and Related Notes for the years ended June 30, 2019 and 2018 which have been prepared under International Financial Reporting Standards (“IFRS”). This MD&A has been prepared as at October 10, 2019 unless otherwise indicated. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Company can be found on the SEDAR website at www.sedar.com. The Company’s new website is at www.internationalzeolite.com.

Forward-Looking Statements

Certain statements contained in this document constitute “forward-looking statements”. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “propose”, “anticipate”, “believe”, “forecast”, “estimate”, “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Structure and Business Description

The Company was originally incorporated in Alberta under the name “Adamas Resources Inc.” by Certificate of Incorporation dated June 5, 1987. Since incorporation, the Company has undergone a number of name changes - to “Zeacan Products Ltd.” on March 1, 1989, to “Canadian Zeolite Ltd.” on June 15, 1993, to “The Canadian Mining Company Ltd.” on November 19, 1996, to “Zeo-Tech Enviro Corp.” on April 10, 2000, and to “Canadian Mining Company Inc.” on January 31, 2007. On February 6, 2016, the Company changed its name to “Canadian Zeolite Corp.” and the Company was continued out of the jurisdiction of Alberta and into the jurisdiction of British Columbia. At the same time, the Company’s wholly-owned British Columbia subsidiary, formerly Canadian Zeolite Corp., changed its name to Canadian Mining Company Inc. On March 6, 2018 the Company changed its name to International Zeolite Corp.

The head office of the Company is located at Suite 2345 – 1066 West Georgia Street, Vancouver, BC V6E 3X2 and its registered and records office, is located at Suite 2100 – 1055 West Georgia Street, Vancouver, BC V6E 3P3.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta. The common shares of the Company are listed on the TSX Venture Exchange (the “Exchange”) under the trading symbol “IZ”, the Frankfurt Exchange under the trading symbol “ZEON” on the OTCQB in the United States under the symbol “IZCFF”.

The common shares of the Company have not been registered under the United States Securities Act of 1933, as amended (the “1933 Act”), and the Company does not file periodic reports with the United States Securities and Exchange Commission (the “SEC”) pursuant to the requirements of Sections 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the “1934 Act”).

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On December 11, 2017 (“Closing Date”), the Company acquired 100% of the issued share capital of Earth Innovations Inc. (“EII”) for an aggregate amount of \$832,724 to be settled as follows:

1. a cash payment of \$50,000 on the Closing Date (paid);
2. payment of certain EII payables totaling \$63,278 on the Closing Date (paid);
3. issuance of 3,000,000 IZ (formerly CNZ) shares to be held in escrow and released in 1,000,000 tranches: April 11, 2018 (released from escrow), December 11, 2018 (released from escrow), and June 11, 2019.
4. a cash payment of \$50,000 six months from the Closing Date (paid).

Mineral Properties

Bromley Creek Zeolite Project

The Company has a Zeolite project in the Bromley Creek area located near Princeton, British Columbia (the “Bromley Creek Zeolite Project”). The Company holds 1,555.05 hectares of mineral claims leased from the British Columbia government, which currently have expiration dates through to June 1, 2020. Within those claims, the Company has a thirty-year mining lease on 30.8 hectares granted in 2000. The Company's Zeo Tech Quarry Mine # 1500625 permit was issued in 2001. The latest quarry permit was issued in 2015. Permits are renewed every 5 years.

The zeolite claims are subject to a \$1.50 per tonne royalty payable to an unrelated third party and a royalty payable to the government of British Columbia. On September 26, 2018 the Company filed a NI 43-101 compliant Technical Report dated August 17, 2018 on its Bromley Creek Property. The report is available under the Company’s profile on SEDAR.

The Bromley Creek Zeolite Project consists of a total of one mineral lease and five mineral claims as follows:

| Tenure No. | Claim Name | Owner | Map No | Expiry Date | Area (Hectares) |
|-------------------|----------------------|---------------|---------------|--------------------|----------------------------|
| 380929 | Mineral Lease | 142965 (100%) | 092H048 | 2019/ Dec /15 | 30.80 |
| 1059113 | Bromley Zeolite 1 | 142965 (100%) | 092H | 2020/ Jun /01 | 483.32 |
| 1059114 | Bromley Zeolite 2 | 142965 (100%) | 092H | 2020/ Jun /01 | 378.20 |
| 1059115 | Bromley Zeolite 3 | 142965 (100%) | 092H | 2020/ Jun /01 | 252.21 |
| 1059116 | Bromley Zeolite 4 | 142965 (100%) | 092H | 2020/ Mar /06 | 63.03 |
| 1048113 | Zeo-Tech | 142965 (100%) | 092H | 2020/ Jun /01 | 378.29 |
| TOTAL: | | | | | 1,585.85 |

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On November 30, 2015, the Company entered into a Mining Operations with Purchase Option Agreement with Absorbent Products Limited (“APL”). The purchase option terms grant APL the right to acquire a 50% interest in the Company’s Bromley Creek Zeolite Project for a total purchase price of \$725,000. The purchase price may be paid by APL through cash or earn-in by payment of royalties to the Company of \$9.00 per metric ton mined and removed from the site. The parties have also entered into an Agency Agreement pursuant to which APL will pay to the Company a commission on all applicable sales of mineral mined or zeolite processed from the Bromley Creek Zeolite Project.

Sun Group, British Columbia, Canada

The Company acquired the contiguous Sun Group claims group located in the Similkameen Mining District of British Columbia in March 2004. The total claim area is 948.935 hectares.

The Sun Group claims consist of the following:

| | Claim Name | Owner | Map No: | Expiry Date: | Area (Hectares) |
|---------------|-------------------|---------------|----------------|---------------------|----------------------------|
| 544975 | ZEO-TECH 1 | 142965 (100%) | 092H | 2020/ Jan /31 | 21.087 |
| 563611 | SUNDAY CREEK 1 | 142965 (100%) | 092H | 2020/ Jan /31 | 84.349 |
| 563612 | SUNDAY CREEK 2 | 142965 (100%) | 092H | 2020/ Jan /31 | 189.758 |
| 563613 | SUNDAY CREEK 3 | 142965 (100%) | 092H | 2020/ Jan /31 | 126.505 |
| 563614 | SUNDAY CREEK 4 | 142965 (100%) | 092H | 2020/ Jan /31 | 126.525 |
| 1012692 | SUNDAY CREEK 5 | 142965 (100%) | 092H | 2020/ Jan /31 | 84.379 |
| 601475 | SUNDAY CREEK 6 | 142965 (100%) | 092H | 2020/ Jan /31 | 42.180 |
| 602468 | SUNDAY | 142965 (100%) | 092H | 2020/ Jan /31 | 21.089 |
| 733004 | ZEO-TECH 2 | 142965 (100%) | 092H | 2020/ Jan /31 | 21.090 |
| 733005 | ZEO-MAR 3 | 142965 (100%) | 092H | 2020/ Jan /31 | 231.973 |
| TOTAL: | | | | | 948.935 |

During the year ended June 30, 2012, the Company filed a Notice of Work Application to conduct a drill program on the property. As at June 30, 2013 the Company completed its two phase drill program. Data obtained from the drill program will be used to calculate a preliminary mineral resource for the Sun Group at a future date. On July 6, 2018 the Company filed a NI 43-101 compliant Technical Report dated June 30, 2018 on the Sun Group Property. The report is available under the Company’s profile on SEDAR.

On November 30, 2015, the Company entered into a mining operations agreement, with a purchase option, with Absorbent Products Limited (“APL”). The purchase option terms grant APL the right to acquire a 50% interest in the Company’s Sun Group Zeolite Project for a total purchase price of \$725,000. The purchase price may be paid by APL through cash or earn-in by payment of royalties to the Company of \$9.00 per metric ton mined and removed from the site. The parties have also entered into an Agency Agreement pursuant to which APL will pay to the Company a commission on all applicable sales of mineral mined or zeolite processed from the Sun Group Zeolite Project.

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Results of Operations

The Company incurred a \$915,613 loss during the year ended June 30, 2019 compared to a \$1,337,144 loss during the same period of the prior year. The decrease in the loss is mainly attributed to an improvement in the gross margin achieved, an increase of 14% totalling \$212,668 and a reduction in operational expenses of \$214,497. Consulting fees decreased by \$58,472, as the Company deploys resources into marketing, development and promotion of a range of zeolite products. Sales and marketing activities resulted in a decrease of \$2,633 compared to the prior year. Share based compensation decreased by \$153,951. During the year ended June 30, 2019, there were no transaction costs (2018 - \$128,508). Selling expenses increased by \$80,768 compared to the prior year. Administration expenses increased by \$63,403 compared to the prior year while professional fees increased by \$27,973 due to increased legal and audit costs following the transaction.

As the Company expanded into markets in eastern Canada, sales of zeolite products produced by Earth Innovations Inc. ("EII") increased to \$686,062 (2018 - \$381,177). Additionally, the Company received commissions on sales of mineral zeolite processed from the Bromley Creek Zeolite Project totalling \$10,668 (2018 - \$16,300). Total sales of zeolite products and mined zeolite have yielded a contribution margin of \$368,616 (2018 - \$151,581). Interest charges on related party notes decreased by \$1,600 compared to the prior year due to an increase in the interest rate.

EII established several new retail and industrial distribution partners during the year beginning with product trials and is optimistic about the potential for these new relationships to develop over the coming years. In addition, the EII team began proactive marketing of ecoTraction™, ecoTractionPRO™ and Smell Grabber™ by attending retailer product launches and relevant industry trade shows. The Company is committed to the required investment in product and merchandising support over the coming quarters to further introduce its products to the retail, commercial and industrial marketplaces.

With the initiation of a supply agreement with a Cuban zeolite producer announced in May 2018, EII will continue expanding its efforts to introduce its product lines to larger commercial and governmental customers in 2019 and 2020.

While the Company was not effective in ramping up the product and sales support needed for the Smell Grabber™ products during the year, management will be increasing these efforts through the 2019 fiscal year.

Investor Relations

The Company did not incur any investor relations expenses during the year ended June 30, 2019 compared to \$41,478 in the prior year. As of July 1, 2018, the Company has effectively terminated the services of the independent investor relations consultant.

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Selected Quarterly Financial Data

| Financial results: | Jun 30, 2019 | Mar 31, 2019 | Dec 31, 2018 | Sep 30, 2018 | Jun 30, 2018 | Mar 31, 2018 | Dec 31, 2017 | Sep 30, 2017 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) |
| Net loss for the period | 300,068 | 257,455 | 108,007 | 250,083 | 408,011 | 332,689 | 214,400 | 382,044 |
| Basic/Diluted loss per share | 0.01 | 0.00 | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Exploration and evaluation expenditures | 6,241 | 12,671 | 11,427 | 2,195 | 10,585 | 6,271 | 12,270 | 722 |
| Balance sheet data: | Jun 30, 2019 | Mar 31, 2019 | Dec 31, 2018 | Sep 30, 2018 | Jun 30, 2018 | Mar 31, 2018 | Dec 31, 2017 | Sep 30, 2017 |
| | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) |
| Cash and cash equivalents | 41,201 | 138,608 | 186,497 | 411,043 | 650,506 | 1,081,894 | 1,263,675 | 783,877 |
| Mineral properties | 287,009 | 280,768 | 278,978 | 269,746 | 267,551 | 256,967 | 250,696 | 236,927 |
| Total assets | 1,385,930 | 1,495,890 | 1,628,432 | 1,742,829 | 1,879,984 | 2,662,516 | 2,993,481 | 1,056,107 |
| Shareholders' equity (deficiency) | 300,596 | 471,574 | 609,734 | 717,741 | 956,833 | 1,657,225 | 1,958,642 | 168,342 |

Selected Annual Information

| | 30-Jun-19 | 30-Jun-18 | 30-Jun-17 |
|--|------------------|------------------|------------------|
| Financial results | (\$) | (\$) | (\$) |
| Net loss for the year | 915,613 | 1,337,144 | 1,855,183 |
| Basic and diluted loss per share | 0.02 | 0.04 | 0.08 |
| Exploration and evaluation expenditures (recoveries) | 32,534 | 29,848 | 19,708 |
| Balance sheet data | | | |
| Cash and cash equivalents | 41,201 | 650,506 | 641,694 |
| Working capital surplus (deficit) | (731,341) | 675,063 | 696,313 |
| Resource properties | 287,009 | 267,551 | 242,880 |
| Total assets | 1,385,930 | 1,879,984 | 1,019,073 |
| Deficit | 16,635,531 | 15,719,918 | 14,382,774 |

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Liquidity and Solvency

As at June 30, 2019, the Company's cash balance was \$41,201 (2018 - \$650,506) and had a working capital deficiency of \$731,341 (2018 – working capital surplus of 675,063). The Company has a history of losses: in the year ended June 30, 2019, the Company recorded losses of \$915,613 compared to \$1,337,144 during the prior year. As at June 30, 2019, the Company had accumulated deficit of \$16,635,531 (2018 - \$15,719,918).

During the year ended June 30, 2019, the Company generated \$686,062 in sales of zeolite products (2018 - \$381,177). The Company's mineral properties are in the exploration and development stage. During the year ended June 30, 2019, royalties and commissions of \$13,076 (2018 - \$5,177) and \$10,668 (2018 - \$16,300) respectively were earned on product shipped from these operations. Royalties received have been applied to reduce the capitalized costs of the Company's Bromley Creek zeolite property.

Historically, the Company's activities have been funded mainly through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it identifies a feasible resource and develops cash flow from operations.

Related party transactions

During the year ended June 30, 2019, the Company entered into various transactions with related parties. The related parties consist of officers, directors and shareholders or companies controlled directly or indirectly by them. Details of the transactions and balances owing, or receivable are as follows:

- (i) The Company recorded management fees of \$108,000 (2018 - \$108,000) to a director and officer.
- (ii) The Company accrued interest of \$29,400 (2018 - \$31,000) on a promissory note of \$735,000 (2018 - \$735,000) payable to a director and officer of the Company. The note bears interest at 4% per annum (2018 - 4%) and payable on demand, therefore it has been classified as a current liability. In the prior year, the note holder has waived his right to repayment on June 30, 2019 and the note has therefore been classified as a non-current liability.
- (iii) The Company paid fees to an officer of the Company for accounting services included in administrative expenses of \$24,000 (2018 - \$24,000).
- (iv) The Company paid fees to an officer of the Company for corporate secretarial services included in administrative expenses of \$38,000 (2018 - \$30,000).
- (v) Included in professional fees is \$12,000 (2018 - \$9,000) in accounting services charged by a company controlled by an officer and director.
- (vi) Included in administrative expenses is \$30,000 (2018 - \$25,500) in administrative and rent expenses charged by the same company.
- (vii) At June 30, 2019, amounts totaling \$165,643 (2018 - \$ 79,701) owing to related parties and companies controlled by related parties is included in accounts payable and accrued liabilities.

The above transactions were in the normal course of operations and were recorded at the exchange value which was the amount of consideration established and agreed to by the related parties.

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Compensation paid to key management personnel and non-executive directors are as below. The Company defines key management personnel as its CEO, President, CFO and Board of Directors.

| | 2019 | 2018 |
|--------------------------------|------------|------------|
| Senior management compensation | \$ 194,121 | \$ 199,500 |
| Share-based compensation | \$ 83,065 | \$ 19,016 |

Commitments

At June 30, 2019, the Company has a commitment in respect of an office lease amounting to \$6,780 (2018 - \$13,950). Monthly payments are \$1,130 (2018 - \$1,550).

Significant Accounting Policies

The Company's significant accounting policies are provided in Note 3 to the audited consolidated financial statements.

Recently Adopted Accounting Standards

Amendments to IAS 7 Statement of Cash Flows

IAS 7 has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The new amendments have been adopted by the Company and have not had a significant impact on these Financial Statements.

Amendments to IAS 12 Income Taxes

IAS 12 was amended by the IASB in January 2016 to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are effective for annual periods beginning on or after January 1, 2017. The new amendments have been adopted by the Company and have not had a significant impact on these Financial Statements.

IFRS 9 Financial Instruments

IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that

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apply hedge accounting. The new amendments have been adopted by the Company and have not had a significant impact on these Financial Statements.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. The Company does not believe this new standard will have a material impact when adopted. This standard is effective for reporting periods beginning on or after January 1, 2018. They have been adopted by the Company and have not had a significant impact on these Financial Statements

Amendments to IFRS 2 Share-based Payment

These amendments added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. They introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Finally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The Company has adopted these standards as of January 1, 2018 and does not believe this new standard will have a material impact on these financial standards.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company is still assessing the impact of this new standard. This standard is effective for reporting periods beginning on or after January 1, 2019. The Company has adopted these standards and does not believe this new standard will have a material impact on these financial standards.

Additional Information

Other additional information relating to International Zeolite Corp. may be found on SEDAR at www.sedar.com and on the Company's website at www.internationalzeolite.com.

Critical Accounting Estimates

The preparation of consolidated financial statements requires the Company, in conformity with International Financial Reporting Standards, to select from possible alternative accounting principles, and to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the periods reported. These estimates are reviewed periodically, and, as

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adjustments become necessary, they are reported in operations in the period in which they become known. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Earth Innovations Inc. All significant inter-Company transactions and balances have been eliminated upon consolidation.

In 2017, the Company entered into a Vend-In Agreement and Arrangement Agreement with Canadian Mining Corp., which resulted in Canadian Mining Company of Arizona and Canadian Mining Corp. no longer being subsidiaries of the Company as at June 30, 2017. On December 11, 2017, the Company acquired 100% of the issued share capital of Earth Innovations Inc. (see note 5 to the audited consolidated financial statements).

Mineral exploration and evaluation expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and share based payments to employees and consultants, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of operations and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

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Disclosure and Internal Controls

Disclosure controls and procedures have been established to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which annual filings are being prepared. Furthermore, internal controls have been established to ensure the Company's assets are safeguarded and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IRFS.

Risks and Uncertainties

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same type of business. Some of the possible risks include the following:

- The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.
- The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development.
- Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue its exploration and development activities in the future.
- There is no certainty that the properties which the Company has deferred as assets on its balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

Management's Responsibility for Financial Statements

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these consolidated statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities.

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Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information. The Company's CEO and CFO have confirmed to the Company that they are satisfied with the effectiveness of the Company's system of disclosure controls and procedures as at June 30, 2019 based upon their evaluation of the effectiveness of such disclosure controls and procedures.

Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the consolidated financial statements and the disclosure contained in this MD&A on October 11, 2019. A copy of this MD&A will be provided to anyone who requests it.

Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the year.

Share Capital Information

The Company is authorized to issue an unlimited number of common shares without par value. As at October 11, 2019, the Company had 36,649,462 common shares issued and outstanding.

The Company has granted the following incentive stock options pursuant to its Stock Option Plan:

| Number | Exercise | Expiry |
|------------------|----------|------------------|
| 150,000 | \$ 0.130 | August 8, 2020 |
| 1,650,000 | \$ 0.105 | January 2, 2021 |
| 900,000 | \$ 0.100 | January 10, 2021 |
| 2,700,000 | | |

The Company has the following share purchase warrants outstanding:

| Number | Exercise | Expiry |
|------------------|------------------------|------------------|
| 2,947,267 | \$ 0.50 ⁽¹⁾ | November 7, 2019 |
| 2,947,267 | | |

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⁽¹⁾ In September 2018, the Company extended the expiry date of the warrants from November 7, 2018 to November 7, 2019 and reduced the exercise price from \$0.75 to \$0.50 per share, subject to an accelerated exercise provision that if the closing price of the Company's common shares is at or above \$0.625 per share for a period of 10 consecutive trading days, the Warrants shall expire 30 days thereafter. This represented a modification of the instrument and accordingly an additional amount of \$64,200 was recognized in contributed surplus and share based compensation expense. The fair value was calculated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate range of 2.14%; annual volatility factor of the expected market price of the Company's common shares of 119.4%; expected dividend yield of 0.00% and an expected life of one years.