



## **AURORA SOLAR TECHNOLOGIES INC.**

### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX AND THREE MONTHS ENDED 30 SEPTEMBER 2019**

Stated in Canadian Dollars

#### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements.

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## MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Aurora Solar Technologies Inc.:

Management is responsible for the preparation and presentation of the accompanying Condensed Interim Consolidated Financial Statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

The Company's independent auditor has not performed a review of these Condensed Interim Consolidated Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

27 November 2019

"Gordon Deans"

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Gordon Deans, CEO

"Susan Pan"

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Susan Pan, CFO

# AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars  
(Unaudited)

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| As at                                    | Note | 30 September<br>2019 | 31 March<br>2019    |
|--|------|----------------------|---------------------|
| <b>ASSETS</b>                            |      |                      |                     |
| <b>Current Assets</b>                    |      |                      |                     |
| Cash                                     |      | \$ 643,491           | \$ 1,015,570        |
| Restricted investment                    |      | 132,430              | -                   |
| Amounts receivable                       | (6)  | 512,164              | 255,312             |
| Prepaid expenses                         |      | 34,186               | 69,850              |
| Inventory                                | (7)  | 193,949              | 125,421             |
|  |      | <u>1,516,220</u>     | <u>1,466,153</u>    |
| <b>Non-current Assets</b>                |      |                      |                     |
| Right - of - use asset                   | (11) | 34,914               | -                   |
| Patents                                  | (8)  | 103,623              | 106,819             |
| Other assets                             | (9)  | 204,384              | 178,167             |
| Equipment                                | (10) | 46,432               | 42,340              |
|  |      | <u>389,353</u>       | <u>327,326</u>      |
|  |      | <u>\$ 1,905,573</u>  | <u>\$ 1,793,479</u> |
| <b>LIABILITIES</b>                       |      |                      |                     |
| <b>Current Liabilities</b>               |      |                      |                     |
| Accounts payable and accrued liabilities | (15) | \$ 370,173           | \$ 227,147          |
| Current portion of lease liability       | (12) | 41,338               | -                   |
| Contract liability                       | (13) | -                    | -                   |
|  |      | <u>411,511</u>       | <u>227,147</u>      |
| <b>Non-current Liabilities</b>           |      |                      |                     |
| Lease liability                          | (12) | -                    | -                   |
| <b>EQUITY</b>                            |      |                      |                     |
| Share capital                            | (14) | 12,354,124           | 12,354,124          |
| Contributed surplus – options            |      | 1,450,934            | 1,450,934           |
| Contributed surplus – warrants           |      | 205,950              | 205,950             |
| Deficit                                  |      | (12,516,946)         | (12,444,676)        |
|  |      | <u>1,494,062</u>     | <u>1,566,332</u>    |
|  |      | <u>\$ 1,905,573</u>  | <u>\$ 1,793,479</u> |

These Condensed Interim Consolidated Financial Statements were approved by the Board of Directors on 27 November 2019 and were signed on its behalf by:

“Gordon Deans”  
Gordon Deans, Director

“David Toyoda”  
David Toyoda, Director

## AURORA SOLAR TECHNOLOGIES INC.

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### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

|   | Note   | Six Months<br>ended<br>30 September<br>2019 | Six Months<br>ended<br>30 September<br>2018 | Three Months<br>ended<br>30 September<br>2019 | Three Months<br>ended<br>30 September<br>2018 |
|---|--------|---|---|---|---|
| <b>Revenues</b>   |        |   |   |   |   |
| Product sales   |        | \$ 1,909,798                                | 196,351                                     | 1,496,892                                     | 194,802                                       |
| Cost of sales   |        | (852,496)                                   | (194,206)                                   | (586,322)                                     | (99,238)                                      |
| <b>Gross margin</b>   |        |   |   |   |   |
|   |        | 1,057,302                                   | 2,145                                       | 910,570                                       | 95,564  |
| <b>Expenses</b>   |        |   |   |   |   |
| Sales and marketing   |        | 380,850                                     | 372,812                                     | 191,797                                       | 143,112                                       |
| Research and development  |        | 334,629                                     | 173,406                                     | 180,994                                       | 117,811                                       |
| General and administrative  | (15)   | 312,642                                     | 541,211                                     | 166,182                                       | 255,465                                       |
| Net foreign exchange loss   |        | 48,222                                      | 107,578                                     | 19,766  | 14,785  |
| Depreciation on ROU asset   | (11)   | 28,695                                      | -   | 14,347  | -   |
| Finance cost  |        | 16,589                                      | -   | 6,934   | -   |
| Depreciation cost   | (8,10) | 7,945                                       | 5,049                                       | 4,055   | 2,525   |
| Share-based payments  | (14)   | -   | 66,900                                      | -   | 17,000  |
|   |        | 1,129,572                                   | 1,266,956                                   | 584,075                                       | 550,697                                       |
| <b>Net Income (Loss) and<br/>Comprehensive Income (Loss)</b>          |        |   |   |   |   |
|   |        | \$ (72,270)                                 | (1,264,811)                                 | 326,495                                       | (455,133)                                     |
| <b>Net Income (Loss) per<br/>Common Share – Basic and<br/>Diluted</b> |        |   |   |   |   |
|   |        | \$ (0.001)                                  | (0.02)                                      | 0.003   | (0.01)  |
| <b>Weighted Average Number of<br/>Shares Outstanding</b>              |        |   |   |   |   |
|   |        | 88,176,925                                  | 52,411,541                                  | 88,176,925                                    | 52,411,541                                    |

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### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

|                                  | Shares            | Amount               | Warrants         | Amount            | Options          | Amount              | Deficit                | Equity              |
|----------------------------------|-------------------|----------------------|------------------|-------------------|------------------|---------------------|------------------------|---------------------|
| <b>BALANCE 31 MARCH 2018</b>     | 52,411,541        | \$ 10,782,096        | 15,047,694       | \$ 126,950        | 5,105,000        | \$ 1,260,034        | \$ (10,186,215)        | \$ 1,982,865        |
| Private placement issuance       | 35,765,384        | 1,788,269            | -                | -                 | -                | -                   | -                      | 1,788,269           |
| Share issuance costs             | -                 | (137,241)            | -                | -                 | -                | -                   | -                      | (137,241)           |
| Issuance of agents warrants      | -                 | (79,000)             | 2,256,800        | 79,000            | -                | -                   | -                      | -                   |
| Options expired                  | -                 | -                    | -                | -                 | (705,000)        | -                   | -                      | -                   |
| Warrants expired                 | -                 | -                    | (13,331,295)     | -                 | -                | -                   | -                      | -                   |
| Share-based payments             | -                 | -                    | -                | -                 | 3,780,000        | 190,900             | -                      | 190,900             |
| Net loss for the year            | -                 | -                    | -                | -                 | -                | -                   | (2,258,461)            | (2,258,461)         |
| <b>BALANCE 31 MARCH 2019</b>     | 88,176,925        | \$ 12,354,124        | 3,973,199        | \$ 205,950        | 8,180,000        | \$ 1,450,934        | \$ (12,444,676)        | \$ 1,566,332        |
| Warrants expired                 | -                 | -                    | (1,716,399)      | -                 | -                | -                   | -                      | -                   |
| Options expired                  | -                 | -                    | -                | -                 | (300,000)        | -                   | -                      | -                   |
| Net loss for the period          | -                 | -                    | -                | -                 | -                | -                   | (72,270)               | (72,270)            |
| <b>BALANCE 30 SEPTEMBER 2019</b> | <b>88,176,925</b> | <b>\$ 12,354,124</b> | <b>2,256,800</b> | <b>\$ 205,950</b> | <b>7,880,000</b> | <b>\$ 1,450,934</b> | <b>\$ (12,516,946)</b> | <b>\$ 1,494,062</b> |

## AURORA SOLAR TECHNOLOGIES INC.

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### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Six months<br>ended<br>30 September<br>2019 | Six months<br>ended<br>30 September<br>2018 | Three months<br>ended<br>30 September<br>2019 | Three months<br>ended<br>30 September<br>2018 |
|---|---|---|---|---|
| <b>Operating Activities</b>                   |   |   |   |   |
| <b>Loss for the Period</b>                    | \$ (72,270)                                 | (1,264,811)                                 | 326,495                                       | (455,133)                                     |
| <b>Items not Affecting Cash</b>               |   |   |   |   |
| Depreciation on equipment and patents         | 7,942                                       | 5,048                                       | 4,053   | 2,524   |
| Depreciation on right- of- use asset          | 28,695                                      | -   | 14,347  | -   |
| Finance cost                                  | 16,589                                      | -   | 6,934   | -   |
| Share-based payments                          | -   | 66,900                                      | -   | 17,000  |
|   | <b>(19,044)</b>                             | <b>(1,192,863)</b>                          | <b>351,829</b>                                | <b>(435,609)</b>                              |
| <b>Net Change in Non-cash Working Capital</b> |   |   |   |   |
| Amounts receivable                            | (256,852)                                   | 408,800                                     | (222,329)                                     | (73,356)                                      |
| Prepaid expenses                              | 35,664                                      | 72,464                                      | 14,669  | 5,810   |
| Inventory                                     | (68,528)                                    | 11,161                                      | 62,227  | 61,757  |
| Accounts payable and accrued liabilities      | 143,026                                     | 12,607                                      | 64,147  | 50,880  |
| Contract liability                            | -   | -   | (630,095)                                     | -   |
|   | <b>(146,690)</b>                            | <b>505,032</b>                              | <b>(711,381)</b>                              | <b>45,091</b>                                 |
|   | <b>(165,734)</b>                            | <b>(687,831)</b>                            | <b>(359,552)</b>                              | <b>(390,518)</b>                              |
| <b>Financing Activities</b>                   |   |   |   |   |
| Lease liability payments                      | (38,860)                                    | -   | (19,196)                                      | -   |
|   | <b>(38,860)</b>                             | <b>-</b>                                    | <b>(19,196)</b>                               | <b>-</b>                                      |
| <b>Investing Activities</b>                   |   |   |   |   |
| Investment in patents                         | -   | (296)                                       | -   | -   |
| Purchase of short-term investments            | (132,430)                                   | 94,602                                      | (132,430)                                     | 96,698  |
| Purchase of equipment                         | (8,838)                                     | -   | -   | (19,463)                                      |
| Purchase of other assets                      | (26,217)                                    | (28,764)                                    | (11,523)                                      | -   |
|   | <b>(167,485)</b>                            | <b>65,542</b>                               | <b>(143,953)</b>                              | <b>77,235</b>                                 |
| <b>Net Increase (decrease) in Cash</b>        | <b>(372,079)</b>                            | <b>(622,289)</b>                            | <b>(522,701)</b>                              | <b>(313,283)</b>                              |
| Cash position - beginning of period           | 1,015,570                                   | 833,548                                     | 1,166,192                                     | 524,542                                       |
| <b>Cash Position - End of Period</b>          | <b>\$ 643,491</b>                           | <b>211,259</b>                              | <b>643,491</b>                                | <b>211,259</b>                                |

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1) Nature of operations and going concern

Aurora Solar Technologies Inc. ("Aurora" or the Company), was incorporated under the laws of the Province of British Columbia, Canada on 26 October 2006 as Pulse Capital Corp, a capital pool company. On 7 November 2011, it acquired Aurora Control Technologies Inc. through a reverse takeover and initiated its current business operations. The Company, together with its subsidiary, develops and markets inline quality control systems for the solar cell manufacturing industry. The address of the Company's corporate and administrative office and principal place of business is #223 – 930 West 1st Street, North Vancouver, BC, V7P 3N4.

These unaudited condensed interim consolidated financial statements (the "Financial Statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and the discharge of liabilities in the normal course of operations.

There are several adverse conditions that cast substantial doubt about the Company's ability to continue as a going concern. The Company has incurred operating losses since inception, is unable to self-finance operations and has significant on-going cash requirements to meet its overhead obligations.

The continuing operations of the Company are dependent upon economic and market factors which involve uncertainties including the Company's ability to raise adequate equity financing and ultimately develop profitable operations. The Company is of the view that these objectives can be met, and that the going concern assumption is appropriate.

If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used, and such adjustments could be material.

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| Rounded (000's)     | 30 September<br>2019 | 31 March<br>2019 |
|---------------------|----------------------|------------------|
| Working capital     | \$ 1,105,000         | \$ 1,239,000     |
| Accumulated deficit | \$ (12,517,000)      | \$ (12,445,000)  |

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### 2) Basis of preparation – Statement of Compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value.

In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Since the unaudited condensed interim consolidated Financial Statements do not include all disclosures required by the IFRS for annual financial statements, they should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended 31 March 2019.

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other



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### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

### 3) Significant accounting policies

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recent audited annual consolidated financial statements, except for the changes described below. For a summary of significant accounting policies, refer to the Company's audited annual consolidated financial statements for the year ended 31 March 2019.

Effective 1 April 2019, the Company adopted IFRS 16 in its condensed interim consolidated financial statements of the annual period beginning on 1 April 2019. The most significant impact identified is that this standard affected the accounting for the Company's operating leases. The Company has decided to apply the modified retrospective approach on transition. Accordingly, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to the opening balance of retained earnings as at the date of initial application and the comparative information was not be restated.

The following are the Company's new accounting policies for its leases under IFRS 16:

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement on the inception date. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

As a lessee, the Company recognizes a lease obligation and a right - of - use asset in the condensed interim consolidated financial position on a present-value basis at the date when the leased asset is available for use. Each lease payment is apportioned between a finance charge and a reduction of the lease obligation. Finance charges are recognized in finance cost in the condensed interim consolidated statements of operations and comprehensive loss. The right - of - use asset is depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis.

Lease obligations are initially measured at the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

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### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Lease payments are discounted using the interest rate implicit in the lease, or if this rate cannot be determined, the Company's incremental borrowing rate.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease obligation;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- rehabilitation costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the condensed interim consolidated statements of operations and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise primarily small equipment.

The Company recognized lease liability of \$43,527 and related right - of - use asset of \$43,527 as at 1 April 2019 related to the Company's Vancouver head office and Shanghai sales offices per Note 11 and Note 12.

#### 4) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Financial Statements.

##### a) Critical judgements in applying accounting policies

###### Determination of functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management determined that the functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar.

##### b) Key sources of estimation uncertainty

###### Inventory

The Company's raw inventory is only valuable to the extent that it can be turned into saleable product. Sales acquired at a level above their cost, volume of sales necessary to use inventory and other factors are all an estimate of the Company.

###### Patents and other asset

Aurora reviews the valuation of these assets at the end of each reporting period based on the expected remaining useful life of patents and the recoverability of patent application costs in relation to the market changes of relative technologies.

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### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### Share based payments

The Company records the fair market value as described by the Black-Scholes method for the recording of share-based payments. There are several estimates that form a part of the calculation and significant deviations in any estimate could have a material impact on the financial statements.

#### Revenue recognition

The amount of revenue recognized is adjusted for expected returns, which are estimated by management based on the historical data for the related types of goods sold. Actual results can differ from management's estimates.

#### Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### Amounts receivable

The Company estimates the recoverability of amounts receivable based on assessments of client credit ratings, payment history and other related items.

#### Provisions and contingent liabilities:

A provision is recognized if the Company has a present legal or constructive obligation, as a result of past events, that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation for product liability, accrual of product warranties, liabilities for potential litigation claims and settlements. Management must use judgement in determining whether all of the above three conditions have been met to recognize a provision or whether a contingent liability is in existence at the reporting date. Provisions and contingencies can vary materially from management's initial estimate and affect future consolidated financial statements.

## 5) Financial instruments and risk management

### a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Condensed Interim Consolidated Statement of Financial Position are carried at amortized cost with the exception of cash which is carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 September 2019, due to the immediate or short-term maturities of the financial instruments.

The fair value of the Company's cash is quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy:

Level 1 – quoted prices in active markets for identical financial instruments.

Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

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The Company's cash has been assessed on the fair value hierarchy described above and classified as Level 1.

#### b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, amounts receivable, and accounts payable and accrued liabilities. As at 30 September 2019, the carrying value of cash is fair value. The remaining financial instruments approximate their fair value due to their short-term nature.

#### c) Other risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operations and budgets accordingly.

#### d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its bank accounts. The Company is exposed to credit risk by holding cash and restricted investments, which are all held in financial institutions in Canada, and management believes the exposure to credit risk with respect to such institutions is not significant. The credit risk with respect to receivables is remote as they are due from the Government of Canada, which is considered a remote credit risk, and other commercial customers with whom the Company has a successful history of collections. The Company's trade receivables are owing from three customers.

#### e) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to interest rate risk.

#### f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its on-going expenditures. The Company is exposed to foreign currency risk, as it deals with customers and vendors in currencies other than its functional currency. A 5% shift in exchange would impact the financial statements by \$33,000. As at 30 September 2019, the Company held currency totalling the following:

| <b>Rounded (000's)</b>                      |           | <b>Impact</b>     |              | <b>30 September<br/>2019</b> | <b>31 March<br/>2019</b> |
|---|-----------|-------------------|--------------|------------------------------|--------------------------|
| Cash in United States dollars               | <b>5%</b> | <b>\$(12,000)</b> | <b>\$USD</b> | <b>175,000</b>               | <b>\$USD 116,000</b>     |
| Cash in Chinese RMB                         | <b>5%</b> | <b>\$ (2,000)</b> | <b>RMB</b>   | <b>170,000</b>               | <b>RMB 105,000</b>       |
| Amounts receivable in United States dollars | <b>5%</b> | <b>\$(25,000)</b> | <b>\$USD</b> | <b>385,000</b>               | <b>\$USD 180,000</b>     |
| Amounts payable in United States dollars    | <b>5%</b> | <b>\$ 6,000</b>   | <b>\$USD</b> | <b>87,000</b>                | <b>\$USD -</b>           |

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#### g) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing this is to maintain readily available reserves in order to meet its liquidity requirements at any point in time.

It is management's opinion that the Company is not exposed to significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the period.

#### 6) Amounts receivable

Amounts receivable consist of:

|  | 30 September<br>2019 | 31 March<br>2019  |
|--|----------------------|-------------------|
| <b>AMOUNTS RECEIVABLE</b>                  |                      |                   |
| Contract asset (trade receivables)         | \$ 495,961           | \$ 240,236        |
| GST receivable and other taxes recoverable | 16,203               | 15,076            |
| <b>Total receivable</b>                    | <b>\$ 512,164</b>    | <b>\$ 255,312</b> |

#### 7) Inventory

Inventory consists of:

|                        | 30 September<br>2019 | 31 March<br>2019  |
|------------------------|----------------------|-------------------|
| <b>INVENTORY</b>       |                      |                   |
| Raw materials          | \$ 191,406           | \$ 122,878        |
| Work in progress       | 2,543                | 2,543             |
| <b>Total inventory</b> | <b>\$ 193,949</b>    | <b>\$ 125,421</b> |

Inventory expensed to cost of sales during the six months ended 30 September 2019 was \$571,719 (30 September 2018 – \$130,778).

#### 8) Patents

Patents consists of:

| <b>PATENTS</b>                         | Cost              | Accumulative<br>Depreciation | Carrying<br>Amounts |
|--|-------------------|------------------------------|---------------------|
| <b>Balance as at 1 April 2018</b>      | <b>\$ 113,737</b> | <b>\$ (39,554)</b>           | <b>\$ 74,183</b>    |
| Changes during the year                | 43,074            | (10,438)                     | 32,636              |
| <b>Balance as at 31 March 2019</b>     | <b>\$ 156,811</b> | <b>\$ (49,992)</b>           | <b>\$ 106,819</b>   |
| Changes during the period              | -                 | (3,196)                      | (3,196)             |
| <b>Balance as at 30 September 2019</b> | <b>\$ 156,811</b> | <b>\$ (53,188)</b>           | <b>\$ 103,623</b>   |

Patents are stated, in the statement of financial position, at cost less accumulated depreciation and accumulated impairment losses. The cost of patents includes directly attributed incremental costs incurred in their acquisition.

Depreciation is charged to write off the cost of the patent using the straight-line method over an estimate useful life of 20 years.

#### 9) Other assets

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Other assets consist of:

| <b>OTHER ASSETS</b>                    |           | <b>Balance</b> |
|--|-----------|----------------|
| <b>Balance as at 1 April 2018</b>      | \$        | 181,028        |
| Additions                              |           | 57,488         |
| Transfers to patents                   |           | (42,777)       |
| Write-off                              |           | (17,572)       |
| <b>Balance as at 31 March 2019</b>     |           | <b>178,167</b> |
| Additions                              |           | 26,217         |
| <b>Balance as at 30 September 2019</b> | <b>\$</b> | <b>204,384</b> |

Other assets represent the cumulative legal fees incurred by the Company on patent application processes that are currently ongoing. The Company's management believes that these applications will lead to the issuance of a legal patent, and therefore has capitalized the costs associated with this process. Once a particular patent application process completes, the costs associated with the newly issued patent will be reclassified to patents and amortized over its useful life of 20 years.

#### 10) Equipment

Equipment consists of:

| <b>EQUIPMENT</b>                       |           | <b>Cost</b>   | <b>Accumulative<br/>Depreciation</b> | <b>Carrying<br/>Amount</b> |
|--|-----------|---------------|--------------------------------------|----------------------------|
| <b>Balance as at 1 April 2018</b>      | \$        | 48,055        | \$ (6,608)                           | \$ 41,447                  |
| Additions during the year              |           | 4,980         | (4,087)                              | 893                        |
| <b>Balance as at 31 March 2019</b>     |           | <b>53,035</b> | <b>(10,695)</b>                      | <b>42,340</b>              |
| Additions during the period            |           | 8,838         | (4,746)                              | 4,092                      |
| <b>Balance as at 30 September 2019</b> | <b>\$</b> | <b>61,873</b> | <b>\$ (15,441)</b>                   | <b>\$ 46,432</b>           |

#### 11) Right – of – use asset (ROU)

The Company recognized a right - of - use asset as part of its transition to IFRS 16. The right - of - use asset is amortized on a straight-line basis over the term of its leases related to its Vancouver head office and Shanghai sales office.

| <b>RIGHT- OF - USE ASSETS</b>          |           | <b>Balance</b> |
|--|-----------|----------------|
| <b>Balance as at 1 April 2019</b>      | \$        | 43,527         |
| Additions                              |           | 20,082         |
| Depreciation                           |           | (28,695)       |
| <b>Balance as at 30 September 2019</b> | <b>\$</b> | <b>34,914</b>  |

#### 12) Lease liability

The Company has lease liabilities for leases related to its Vancouver head office and Shanghai sales offices. The weighted average discount rate to calculate the lease liability for the six months ended 30 September 2019 was 7%.

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As at 30 September 2019, our lease liability consisted of the following:

| <b>LEASE LIABILITIES</b>               |           | <b>Balance</b> |
|--|-----------|----------------|
| <b>Balance as at 1 April 2019</b>      | \$        | 43,527         |
| Additions                              |           | 20,082         |
| Lease payments and finance cost        |           | (22,271)       |
| <b>Balance as at 30 September 2019</b> | <b>\$</b> | <b>41,338</b>  |
| Lease liability – current portion      |           | <b>41,338</b>  |
| Lease liability – non-current portion  |           | -              |
| <b>Total lease liability</b>           | <b>\$</b> | <b>41,338</b>  |

#### 13) Contract liability

Contract liability is recognized when an amount is received as a payment from the customer towards a contract, but prior to the recognition of revenue. Previously, the Company presented these balances as 'deferred revenue'.

#### 14) Share capital

##### a) Authorized

Unlimited common shares without par value.

##### b) Issued or allotted and fully paid

During the six months ended 30 September 2019

The Company did not issue any common shares during the six months ended 30 September 2019.

During the year ended 31 March 2019

On 15 November 2018, the Company closed a non-brokered private placement consisting of 35,765,384 common shares at a price of \$0.05 per share for aggregate gross proceeds of \$1,788,269. The Company paid \$137,241 in finder's fee, lawyer fees, consulting and filing fees related to share issuances. In connection with this private placement, the Company issued 2,256,800 agent warrants with a fair value of \$79,000. The agent warrants are entitling the holder to purchase one Share for a period of 24 months at a price of \$0.075 per share.

##### c) Summary of stock option activity

The Company has adopted a stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSXV requirements, grant to directors, officers, employees and consultants to the Company, non-transferrable options to purchase common shares exercisable under the Plan for a period of up to 10 years from the date of grant. Vesting terms are determined by the Board of Directors for each grant of options. The aggregate number of common shares issuable under the Plan must not exceed 20% of outstanding shares of the Company at the time of the Plans approval, or 17,635,385 common shares. As at 30 September 2019, the remaining number of common shares available for issuance is 9,755,385 common shares.

Stock option transactions and the number of stock options outstanding are summarized below:

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| <b>STOCK OPTION ACTIVITY</b>         | <b>30 September<br/>2019</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> | <b>31 March<br/>2019</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> |
|--------------------------------------|------------------------------|--|--------------------------|--|
| <b>Balance – beginning of period</b> | <b>8,180,000</b>             | <b>\$ 0.13</b>                                     | 5,105,000                | \$ 0.20  |
| Granted                              | -                            | -  | 3,780,000                | 0.08   |
| Exercised                            | -                            | -  | -                        | -  |
| Expired                              | <b>(300,000)</b>             | -  | <b>(705,000)</b>         | 0.35   |
| <b>Balance – end of period</b>       | <b>7,880,000</b>             | <b>\$ 0.13</b>                                     | 8,180,000                | \$ 0.13  |

Details of stock options outstanding as at 30 September 2019 and 31 March 2019 are as follows:

| <b>Expiry Date</b> | <b>Exercise<br/>price</b> | <b>30 September<br/>2019<br/>Outstanding</b> | <b>30 September<br/>2019<br/>Exercisable</b> | <b>31 March<br/>2019<br/>Outstanding</b> | <b>31 March<br/>2019<br/>Exercisable</b> |
|--------------------|---------------------------|--|--|--|--|
| 1 July 2019        | \$ 0.270                  | -  | -  | 300,000                                  | 300,000                                  |
| 20 January 2020    | \$ 0.230                  | 25,000                                       | 25,000                                       | 25,000                                   | 25,000                                   |
| 24 February 2020   | \$ 0.310                  | 25,000                                       | 25,000                                       | 25,000                                   | 25,000                                   |
| 16 October 2020    | \$ 0.300                  | 150,000                                      | 150,000                                      | 150,000                                  | 150,000                                  |
| 7 October 2021     | \$ 0.105                  | 600,000                                      | 600,000                                      | 600,000                                  | 600,000                                  |
| 12 October 2021    | \$ 0.115                  | 1,175,000                                    | 1,175,000                                    | 1,175,000                                | 1,175,000                                |
| 23 November 2021   | \$ 0.130                  | 300,000                                      | 300,000                                      | 300,000                                  | 300,000                                  |
| 31 March 2022      | \$ 0.210                  | 1,550,000                                    | 1,550,000                                    | 1,550,000                                | 1,550,000                                |
| 19 December 2022   | \$ 0.265                  | 275,000                                      | 275,000                                      | 275,000                                  | 275,000                                  |
| 23 April 2023      | \$ 0.200                  | 430,000                                      | 430,000                                      | 430,000                                  | 430,000                                  |
| 8 August 2023      | \$ 0.130                  | 250,000                                      | 250,000                                      | 250,000                                  | 250,000                                  |
| 30 October 2023    | \$ 0.060                  | 3,000,000                                    | 3,000,000                                    | 3,000,000                                | 3,000,000                                |
| 2 January 2024     | \$ 0.065                  | 100,000                                      | 100,000                                      | 100,000                                  | -  |
|                    |                           | <b>7,880,000</b>                             | <b>7,880,000</b>                             | 8,180,000                                | 8,080,000                                |

The outstanding options have a weighted average exercise price of \$0.13 (31 March 2019 – \$0.13) and the weighted average remaining life of the options is 3.09 years (31 March 2019 – 3.47 years).

#### d) Warrants

##### During the six months ended 30 September 2019

The Company did not issue warrants during the six months ended 30 September 2019.

##### During the year ended 31 March 2019

During the year ended 31 March 2019, the Company extended the term for 4,980,167 outstanding warrants issued pursuant to a private placement which closed on 8 July 2016 by three months. These warrants were originally exercisable for two years from the date of issuance at a price of \$0.25 per common share. All other terms of the warrants remained unchanged. These extended warrants expired during the year ended 31 March 2019.



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Warrant transactions and the number of warrants outstanding are summarized below:

| WARRANT ACTIVITY                     | 30 September<br>2019 | Weighted<br>average<br>exercise<br>price | 31 March<br>2019 <sup>(ii)</sup> | Weighted<br>average<br>exercise<br>price |
|--------------------------------------|----------------------|--|----------------------------------|--|
| <b>Balance – beginning of period</b> | <b>3,973,199</b>     | <b>\$ 0.170</b>                          | 15,047,694                       | \$ 0.300                                 |
| Agent's warrants issued              | -                    | -  | 2,256,800                        | 0.075                                    |
| Warrants expired                     | <b>(1,716,399)</b>   | <b>0.300</b>                             | (13,331,295)                     | 0.330                                    |
| <b>Balance – end of Period</b>       | <b>2,256,800</b>     | <b>\$ 0.075</b>                          | 3,973,199                        | \$ 0.170                                 |

(i) The number of warrants is expressed in equivalent number of common shares, which may be issuable upon exercise of the warrants.

(ii) During the year ended 31 March 2019, the Company issued 2,256,800 agent's warrants with a fair value of \$79,000.

The following weighted average assumptions were used for the Black-Scholes valuation of agent's warrants granted during the year ended 31 March 2019:

|                                 | 30 September<br>2019 | 31 March<br>2019 |
|---------------------------------|----------------------|------------------|
| Risk free interest rate         | N/A                  | 2.24%            |
| Expected dividend yield         | N/A                  | 0.00%            |
| Expected stock price volatility | N/A                  | 75%              |
| Expected life in years          | N/A                  | 2                |

The Company uses its historical price volatility as the basis for determining the expected volatility used in its Black-Scholes calculations. The weighted average fair value of agents warrants granted during the year ended 31 March 2019 was \$0.04 per warrant.

Details of warrants outstanding as at 30 September 2019 and 31 March 2019 are as follows:

| Issued Date      | Expiry Date                     | Exercise<br>Price | 30 September<br>2019 | 31 March<br>2019 |
|------------------|---------------------------------|-------------------|----------------------|------------------|
| 16 June 2017     | 16 June 2019                    | \$ 0.300          | -                    | 1,514,333        |
| 16 June 2017     | 16 June 2019 <sup>(i)</sup>     | \$ 0.300          | -                    | 202,066          |
| 15 November 2018 | 15 November 2020 <sup>(i)</sup> | \$ 0.075          | <b>2,256,800</b>     | 2,256,800        |
|                  |                                 |                   | <b>2,256,800</b>     | 3,973,199        |

(i) Agent's warrants.

#### e) Stock-based payments

The Company recognizes share-based payments for all stock options granted using the fair value based method of accounting. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free rates, dividend yields, volatility factors of the expected market price of the Company's common shares, forfeiture rates and expected life of the options.

##### During the six months ended 30 September 2019

The Company did not grant stock-based payments during the six months ended 30 September 2019.

##### During the year ended 31 March 2019

During the year ended 31 March 2019, the Company granted 3,780,000 options (31 March 2018 - 875,000 options) to key employees, directors, officers and consultants of the Company exercisable at \$0.06-\$0.20 (31 March 2018 - \$0.13-\$0.265) for a period of five years. During the period ended 31 March 2019, the Company recognized \$190,900 (31 March 2018 - \$71,700) in share-based payments on granted options.

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The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

|                                 | 30 September<br>2019 | 31 March<br>2019 |
|---------------------------------|----------------------|------------------|
| Risk free interest rate         | N/A                  | 2.37%            |
| Expected dividend yield         | N/A                  | 0.00%            |
| Expected stock price volatility | N/A                  | 63%              |
| Expected life in years          | N/A                  | 5                |

The weighted average fair value of stock options granted during the year ended 31 March 2019 was \$0.05 per option.

#### 15) Related party transactions

Key management personnel include the members of the Board of Directors and executive officers of the Company.

Related party transactions are recorded as part of the general and administrative expenses on the consolidated statement of comprehensive loss. These related party transactions and balances are as follows:

#### RELATED PARTY DISCLOSURE

| Principal Position                                      | Rounded (000's) | Year <sup>(i)</sup> | Remuneration<br>or fees <sup>(ii)</sup> | Included in<br>accounts<br>payable |
|---|-----------------|---------------------|---|------------------------------------|
| CEO <sup>(iii)</sup>                                    |                 | <b>2020</b>         | <b>\$ 88,000</b>                        | \$ -                               |
|   |                 | 2019                | \$ 83,000                               | \$ -                               |
| Former CEO  |                 | <b>2020</b>         | \$ -                                    | \$ -                               |
|   |                 | 2019                | \$ 92,000                               | \$ -                               |
| CFO   |                 | <b>2020</b>         | \$ 24,000                               | \$ -                               |
|   |                 | 2019                | \$ -                                    | \$ -                               |
| CFO's company that provided bookkeeping services        |                 | <b>2020</b>         | \$ 33,000                               | \$ 6,000                           |
|   |                 | 2019                | \$ -                                    | \$ -                               |
| Former CFO  |                 | <b>2020</b>         | \$ -                                    | \$ -                               |
|   |                 | 2019                | \$ 30,000                               | \$ 15,000                          |
| Former CFO's company that provided bookkeeping services |                 | <b>2020</b>         | \$ -                                    | \$ -                               |
|   |                 | 2019                | \$ 25,000                               | \$ 34,000                          |
| Director, Director and consulting fees                  |                 | <b>2020</b>         | \$ 19,000                               | \$ -                               |
|   |                 | 2019                | \$ 10,000                               | \$ -                               |
| Director, Director and consulting fees                  |                 | <b>2020</b>         | \$ 11,000                               | \$ 2,000                           |
|   |                 | 2019                | \$ 5,000                                | \$ -                               |
| Director, Director and consulting fees                  |                 | <b>2020</b>         | \$ 10,000                               | \$ -                               |
|   |                 | 2019                | \$ 5,000                                | \$ -                               |

(i) For the six months ended 30 September 2019 and 30 September 2018.

(ii) Amounts disclosed were paid or accrued to the related party.

(iii) Appointed as a CEO on 15 November 2018. Fees incurred prior to 15 November 2018 were fees as COO.

The transactions with related parties were in the normal course of operations, which is the amount of consideration established and agreed to by the related parties. There are no set terms of repayment for the balances owed to the related parties.

#### 16) Capital management

The Company manages its capital structure and makes adjustment to it, based on the funds available to the Company, in order to support the development of the company's measurement technology. The Company

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includes components of equity in its managed capital. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance investments of the Company.

Management reviews its capital management approach on an ongoing basis and believe that this approach, given the size of the Company, is reasonable. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the six months ended 30 September 2019.

#### **17) Subsequent event**

Subsequent to the six months ended 30 September 2019:

- the Company appointed Susan Pan as Chief Financial Officer and Controller.
- The Company received two new volume orders, for a total of thirteen DM measurement systems. These orders, from two top-tier China-based manufacturers of high-efficiency PERC solar cells, build on our existing business of more than 40 DM systems with these customers.