



Aurora
Solar Technologies

AURORA SOLAR TECHNOLOGIES INC.

**REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS
OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS**

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2019

Stated in Canadian Dollars

DATE: 28 FEBRUARY 2020

TABLE OF CONTENTS

To Our Shareholders	1
Forward-Looking Statements	1
General	2
Market Position and Development	3
Highlights, Significant Events and Transactions During the Period	3
Significant Events and Transactions Subsequent to the Period End	3
Results of Operations	3
Financial Data for Last Eight Quarters	5
Outstanding Shares	5
Liquidity and Financial Condition of the Company	5
Capital Management	6
Off-Balance Sheet Arrangements	6
Related Party Transactions	7
Financial Instruments and Risk Factors	7
Investor Relations Activities	9
Management	9
Approval	9
A Cautionary Tale	10

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2019

MANAGEMENT DISCUSSION AND ANALYSIS



TO OUR SHAREHOLDERS

The following information should be read in conjunction with the condensed interim consolidated financial statements of Aurora Solar Technologies Inc. (“the Company”, or “Aurora”) for the nine months ended 31 December 2019 and the related notes attached thereto, which were prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information about the Company, including the audited consolidated financial statements, and the notes to it, for the year ended 31 March 2019, prepared in accordance with IFRS, can be found on SEDAR at www.sedar.com.

Discussion of the Company, its operations, and associated risks are further described in the Company’s filings, available for viewing at www.sedar.com. A copy of this Management Discussion and Analysis (“MD&A”) will be provided to any applicant upon request.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may be deemed to be “forward-looking statements”. All statements in this discussion other than statements of historical facts, that address future events or developments that the Company expects, are forward-looking statements. Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of the MD&A. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, investors are cautioned that such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Such information involves significant risks and uncertainties and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors that could cause actual results to differ materially from those in forward-looking statements, including but not limited to market prices, regulatory approvals, continued availability of capital and financing, and the risks related to general economic, market or business conditions.

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
Future funding for ongoing operations	The Company will be able to generate or raise these funds	The Company will be unable to raise these funds, which will materially impact the Company’s ability to continue as a going concern.
Favourable economic conditions	The economy, including geopolitical tensions with tariffs and national government policies in Canada, the United States, Europe, and Asia will move in a direction that will support the worldwide PV solar market	The economic conditions move in a negative direction causing changes to supply and demand, affecting customer sales and future production decisions

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2019

MANAGEMENT DISCUSSION AND ANALYSIS



GENERAL

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. These products measure and display the results of critical cell fabrication processes, revealing material properties and the performance of manufacturing tools and processes. They allow process engineers and production-line operators to rapidly detect and correct process excursions, material faults and optimize processes, with the goal to aid our customers’ efforts to increase throughput, yield and profit in their manufacturing operations. 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.

Solar cells are the electricity-generating elements within solar panels, which are seen on rooftops, streetlights and large-scale “solar farms” throughout the world. The Company provides solar cell manufacturers with products to characterize, control and optimize the quality-critical steps in their manufacturing processes. Aurora directly markets these products to its customers.

Solar cells are made from silicon wafers. Certain chemicals, applied to create layers in or on a silicon wafer during manufacturing, transform the wafer from an inert substrate to an energy-generating cell. The concentration, uniformity and other properties of these layers are critical to the finished cell’s performance. To achieve their high electrical efficiencies, advanced solar cells require strict control of variations in these and other critical-to-quality treatments during manufacturing. Aurora’s products provide the means to measure these variations, understand their impact on production yield and throughput, and control or optimize production processes to reduce negative effects.

Within the overall solar cell manufacturing industry, Aurora’s customers are those who fabricate *advanced* solar cells. These advanced cells lead the industry in the efficient conversion of light into electrical energy. They include those using Passivated Emitter and Rear Contact (PERC) technology, which have a specialized chemical layer on the back to increase light absorption, bifacial technology, using light collected from both sides of the cell, and heterojunction technology (HJT) that involves multiple nano-scale chemical layer depositions on the top and bottom of the cell. These higher-power solar cells command a premium in the market compared to commodity-grade solar cells, providing their manufacturers with better profitability in this highly competitive industry.

Control and optimization of solar cell production starts with measurement. Aurora’s DMTM products use proprietary patented technology, based on the principles of infrared spectroscopy, to measure the properties of the afore-mentioned solar cell chemical layers as they are deposited and annealed.

Our VisualizeTM software then uses the real-time data provided by our DM measurement products to show the relationship between the per-wafer measurements and the changing spatial variations in chemical layer properties induced by variations in the behaviour of manufacturing equipment used to create these layers. This spatial view of process tool performance provides the means to quickly and effectively perform diagnostics, control and equipment optimization.

Our newest product, InsightTM, is a “data science” package that extends our product portfolio, from measurement and characterization of equipment variation, to provide a deep understanding of the effects of these variations on finished cell efficiency. This proprietary product analyses the large volume of data available from the sequence of finished solar cells in a production line and reveals the links between unwanted variations in their efficiency and the causes in production. These analyses allow advanced cell manufacturers to know precisely when and how to control their production for optimal yield and throughput, allowing them to increase their profits.

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2019

MANAGEMENT DISCUSSION AND ANALYSIS



MARKET POSITION AND DEVELOPMENT

Aurora focuses on top-tier solar cell manufacturers that value the benefits of its in-line measurement and control systems and have known capacity expansion plans. In fiscal 2018 Aurora validated its DM technology with volume orders from major industry leaders from Korea, generating record revenues for the Company.

However, approximately 70 percent of the world's solar cell manufacturing is conducted by Chinese companies, and as of early 2018 this remained a mostly untapped, but vitally important, market for Aurora. In fiscal 2019, Aurora therefore initiated actions to more assertively develop business in China. The Company established a sales and service facility in Shanghai, developed a variant of our DM measurement system (the "DM-110e") that is focused on unique Chinese market needs, increased the number of field trials (a necessary precursor to sales), and recruited successful and respected market partners in China to increase order flow.

While fiscal 2019 also saw delays in expected orders due to new US tariffs on Korean solar cell manufacturers and industry policy changes in China, the above increased business development activity in China has shown tangible results. All but one of the orders received by the Company in the last nine months are from large Chinese manufacturers or automation system providers, and the majority of them were for the new DM-110e product. These orders followed field trials initiated during 2018 and came from a mixture of sales developed directly by Aurora and in cooperation with our new market partners in China, most notably Saratoga Technology International.

HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

Aurora closed several volume sales in the first three quarters of fiscal 2020. Significant third quarter events included the following:

- On October 22, 2019, Company was pleased to announce the receipt of a major R&D grant from the National Research Council of Canada and two new patent grants. These R&D and patent grants collectively add value to the company's Intellectual Property portfolio and will also assist the company to increase the commercial market value of its new product line for manufacturing process analysis and control.
- On October 28, 2019, the Company announced the appointment of Susan Pan, CPA, CMA as Chief Financial Officer and Controller.
- On October 29, 2019, the Company announced that it has 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.

SIGNIFICANT EVENTS AND TRANSACTIONS SUBSEQUENT TO THE PERIOD END

Subsequent to the nine months ended 31 December 2019 (Q3):

- The Company received another volume order, for eleven DM measurement systems. This order comes from a new customer and again continues to build on our growing business in China.
- The Company announced a non-brokered private placement for gross proceeds of up to \$1,500,000 (the "Offering") through the sale of up to 15,000,000 units (each a "Unit") of the Company at a price of \$0.10 per Unit (the "Offering"). Each Unit consists of one common share of the Company (the "Shares") and one share purchase warrant to acquire a Share at an exercise price of \$0.15 for a period of one year. The Offering may be increased at the discretion of the Company by up to 25% as an overallotment option.

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2019

MANAGEMENT DISCUSSION AND ANALYSIS



- The Company received a new volume order for ten DM measurement systems. This order again continues to build on our growing business with our top-tier customers.
- The Company provided a comprehensive review and update on the development of its Insight™ data science product for solar cell production yield optimization. The Insight product is being designed as an innovative platform to maximize solar cell manufacturing yield and extend Aurora's business to include software solutions capable of generating a recurring revenue stream.
- The Company received a new volume order for fourteen DM measurement systems. This order, from the largest manufacturer of high-efficiency PERC solar cells, continues to build on our growing business with our top-tier customers.

RESULTS OF OPERATIONS

The comprehensive loss attributable to the shareholders for the nine months ended 31 December 2019 was \$172,581 compared to \$1,877,920 during the nine months ended 31 December 2018. The reasons for the fluctuations are as follows:

Product Sales	9 Months	9 Months	3 Months	3 Months
Rounded (000's)	2020	2019	2020	2019
	\$ 2,924,000	\$ 196,000	\$ 1,014,000	\$ -
Variance increase (decrease)	2,728,000		1,014,000	

During the nine and three months ended 31 December 2019, the Company shipped several orders and recognized sales revenue in line with the Company's accounting policy. During the nine and three months ended 31 December 2018, geopolitical tensions, US tariffs on Korean solar cell manufacturers and Chinese industry policy changes contributed to low sales volumes.

Cost of sales	9 Months	9 Months	3 Months	3 Months
Rounded (000's)	2020	2019	2020	2019
	\$ 1,357,000	\$ 124,000	\$ 505,000	\$ (22,000)
Variance increase (decrease)	1,233,000		527,000	

Cost of sales increased for the nine and three months ended 31 December 2019 due to increased production and sales. The Company also accrues sales commission expenses in line with the Company's revenue recognition.

Sales and marketing	9 Months	9 Months	3 Months	3 Months
Rounded (000's)	2020	2019	2020	2019
	\$ 626,000	\$ 510,000	\$ 245,000	\$ 117,000
Variance increase (decrease)	116,000		128,000	

Sales and marketing expenses increased due to more marketing and investor relation related activities.

General and administrative	9 Months	9 Months	3 Months	3 Months
Rounded (000's)	2020	2019	2020	2019
	\$ 477,000	\$ 757,000	\$ 164,000	\$ 248,000
Variance increase (decrease)	(280,000)		(84,000)	

The decrease in general and administrative expenses is attributed to the Company's attempt to control costs and decreased management fees. Higher expense in the prior period was due to the Company's new office in Shanghai, including one-time costs associated with such expansion.

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2019

MANAGEMENT DISCUSSION AND ANALYSIS



Research and development	9 Months	9 Months	3 Months	3 Months
Rounded (000's)	2020	2019	2020	2019
	\$ 483,000	\$ 394,000	\$ 148,000	\$ 161,000
Variance increase (decrease)	89,000		(13,000)	

Research and development are key components of the Company's ongoing success. Since the 2017 fiscal year, the Company has been heavily focused on bifacial designs, key upgrades to current software systems and promising new measurement modalities. The decrease in research and development during the current year is in-line with management's focus and attributed to new contracts hired as well as the new employees.

FINANCIAL DATA FOR LAST EIGHT QUARTERS

The following table sets out selected unaudited quarterly financial information of the Company and is derived from the unaudited condensed interim consolidated financial statements prepared by management. The Company's interim financial statements are prepared in accordance with International Financial Reporting Standards and are expressed in Canadian dollars.

Three Months Ended	Dec-19	Sept-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18
Total Revenues	1,013,763	1,496,892	412,906	241,990	-	194,802	1,549	604,720
Gain (Loss) from continuing operations	(100,311)	326,495	(398,765)	(380,541)	(613,109)	(455,133)	(809,678)	(62,839)
Gain (Loss) for the period	(100,310)	326,495	(398,765)	(380,541)	(613,109)	(455,133)	(809,678)	(62,839)
Gain (Loss) per share (Basic and diluted)	(0.001)	0.003	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)
Total assets	2,243,130	1,905,573	2,157,288	1,793,479	2,085,044	1,047,643	1,424,019	2,232,946
Working capital	989,005	1,104,709	781,633	1,239,006	1,610,666	464,284	919,356	1,686,207

Management has allowed working capital to remain greater than expected outflows in each quarter, despite variations in the timing of sales orders.

OUTSTANDING SHARES

As at 31 December 2019, the Company had 88,176,925 common shares issued and outstanding (31 December 2018 – 88,176,925). The fully diluted amount of 96,763,725 represents warrants of 2,256,800 and options of 6,330,000.

As at the date of this MD&A, the Company had 88,367,325 common shares issued and outstanding. The fully diluted amount of 96,763,725 represents warrants of 2,066,400 and options of 6,330,000.

LIQUIDITY AND FINANCIAL CONDITION OF THE COMPANY

The Company's working capital surplus at 31 December 2019, was \$989,005 compared with \$1,610,666 at 31 December 2018.

Cash used in investing activities during the period ended 31 December 2019 totaled \$71,097 (31 December 2018 – received \$52,818).

Cash used in financing activities during the period ended 31 December 2019 totaled \$58,314 (31 December 2018 – received \$1,651,028).

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2019

MANAGEMENT DISCUSSION AND ANALYSIS



Actual future funding requirements may vary from those planned due to a number of factors, including the timing of sales and changes in the pace of research and development with respect to current and future products.

Management believes the Company will be able to raise equity capital as required in the long-term but recognizes the risks attached thereto. Historically the capital requirements of the Company have been met by equity subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favorable.

CAPITAL MANAGEMENT

The Company manages its capital structure and makes an 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 includes components of equity in its managed capital. The Board of Directors does not establish a 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 believes 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 nine months ended 31 December 2019.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at 31 December 2019, and as at the date hereof.

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2019

MANAGEMENT DISCUSSION AND ANALYSIS



RELATED PARTY TRANSACTIONS

Key management personnel includes 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 ⁽ⁱ⁾	Remuneration or fees ⁽ⁱⁱ⁾	Included in accounts payable
CEO ⁽ⁱⁱⁱ⁾		2020	\$ 128,000	\$ -
		2019	\$ 20,000	\$ 4,000
Former CEO		2020	\$ -	\$ -
		2019	\$ 92,000	\$ -
CFO		2020	\$ 19,038	\$ -
		2019	\$ -	\$ -
Former CFO		2020	\$ 35,760	\$ -
		2019	\$ 45,000	\$ -
Former CFO's company that provided bookkeeping services		2020	\$ 33,480	\$ -
		2019	\$ 63,000	\$ 23,000
Director, Director and consulting fees		2020	\$ 32,000	\$ 5,000
		2019	\$ 42,000	\$ 2,000
Director, Director and consulting fees		2020	\$ 18,000	\$ -
		2019	\$ 28,000	\$ 2,000
Director, Director and consulting fees		2020	\$ 16,000	\$ -
		2019	\$ 10,000	\$ 1,000

(i) For the nine months ended 31 December 2019 and 31 December 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.

FINANCIAL INSTRUMENTS AND RISK FACTORS

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Consolidated Statement of Financial Position are carried at amortized cost with the exception of cash and cash equivalents and restricted cash which are carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 31 December 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 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.

The Company's cash and cash equivalents have 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 31 December 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 risks

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, which is 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.

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.

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2019

MANAGEMENT DISCUSSION AND ANALYSIS



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 \$37,000. As at 31 December 2019, the Company held currency totaling the following:

Rounded (000's)				31 December 2019		31 March 2019
Cash in United States dollars	5%	\$(35,000)	\$USD	546,000	\$USD	116,000
Cash in Chinese RMB	5%	\$(2,000)	RMB	208,000	RMB	105,000
Amounts receivable in United States dollars	5%	\$(20,000)	\$USD	304,000	\$USD	180,000
Amounts payable in United States dollars	5%	\$20,000	\$USD	310,000	\$USD	-

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.

INVESTOR RELATIONS ACTIVITIES

With respect to public relations, the Company's policy is to provide information from its corporate offices to investors and brokers directly.

MANAGEMENT

The Company is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this Management Discussion and Analysis.

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2019

MANAGEMENT DISCUSSION AND ANALYSIS



A CAUTIONARY TALE

This document contains “forward-looking information” which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of products, the timing and amount of estimated future production, costs of production, requirements for additional capital, government regulation operations, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Respectfully submitted,

On behalf of the Board of Directors,

“Gordon Deans”

Gordon Deans, CEO