AURORA SOLAR TECHNOLOGIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED 31 DECEMBER 2024 AND 2023

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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AURORA SOLAR TECHNOLOGIES INC.

Stated in Canadian Dollars (Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		31 December 2024	31 March 2024
Assets			
Current Assets			
Cash		$ 1,169,977	$ 2,850,338
Amounts receivable	(7)	442,958	920,936
Prepaid expenses		251,615	618,860
Inventory	(8)	3,909,395	3,634,738
		5,773,945	8,024,872
Non-current Assets			
Right of use assets	(13)	171,229	299,070
Intangibles	(9)	656,766	740,484
Other assets	(10)	68,841	60,585
Equipment	(12)	411,865	345,487
Deferred tax	(21)	367,611	95,754
Goodwill	(6)(10)	-	628,927
		1,676,312	2,170,307
		$ 7,450,257	$ 10,195,179
Liabilities			
Current Liabilities			
Amounts payable and accrued liabilities	(16)	$ 922,998	$ 1,272,525
Lease liabilities	(14)	187,547	199,262
Short-term loan		7,247	6,801
Deferred revenue	(18)	1,913,434	2,318,057
Provisions	(19)	86,891	401,970
		3,118,117	4,198,615
Non-current Liabilities			
Lease liabilities	(14)	-	108,694
Long-term loan		26,628	32,120
Provisions	(19)	125,568	39,324
		3,270,313	4,378,753
Equity			
Share capital	(15)	27,706,728	27,706,728
Contributed surplus – options	(15)	3,198,170	2,980,090
Contributed surplus – warrants	(15)	225,203	225,203
Accumulated other comprehensive income		451,426	317,190
Deficit		(27,401,583)	(25,412,785)
		4,179,944	5,816,426
		$ 7,450,257	$ 10,195,179

Nature of operations and going concern............. (1)

On behalf of the Board of Directors:

"Kevin Dodds"
Kevin Dodds, Director

"David Toyoda"
David Toyoda, Director

--The accompanying notes form an integral part of the condensed interim consolidated financial statements--

Stated in Canadian Dollars (Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

	Note		Nine Months Ended 31 December 2024		Nine Months Ended 31 December 2023		Three Months Ended 31 December 2024		Three Months Ended 31 December 2023
Revenues									
Product sales	(18)	$	5,499,199	$	8,954,667	$	1,416,501	$	4,289,597
Cost of sales	(8)		(2,440,484)		(3,800,979)		(683,360)		(1,671,671)
Gross margin			3,058,715		5,153,688		733,141		2,617,926
Expenses									
Sales and marketing	(17)		966,432		1,027,094		308,040		332,403
Research and development	(17)		681,094		623,098		207,647		247,899
General and administrative	(17)		2,438,380		2,220,197		751,088		821,583
Net foreign exchange loss			(85,926)		(72,684)		(201,604)		(77,910)
Depreciation cost	(9)(12)(13)		522,247		374,508		202,218		112,348
Share-based payments	(15)		218,080		312,955		51,644		120,488
Impairment of intangibles	(9)(10)		628,927		18,382		628,927		-
			5,369,234		4,503,550		1,947,960		1,556,811
Net (loss) income from operations		$	(2,310,519)	$	650,138	$	(1,214,819)	$	1,061,115
Other income									
Other income		$	7,374	$	649	$	180	$	(2,937)
Other expenses									
Finance cost	(14)		(11,683)		(8,604)		(3,020)		(2,643)
Other expenses			-		(30,000)		-		-
Provision for arbitration			-		(208,950)		-		(208,950)
			(4,309)		(246,905)		(2,840)		(214,530)
(Loss) income before income taxes		$	(2,314,828)	$	403,233	$	(1,217,659)	$	846,585
Income tax	(21)	$	326,030	$	(277,997)	$	91,344	$	(332,052)
Net (loss) income after taxes			(1,988,798)		125,236		(1,126,315)		514,533
Other comprehensive Income									
Foreign currency translation of foreign operations			134,236		(124,983)		(199,819)		122,404
Total comprehensive (loss) income for the period		$	(1,854,562)	$	253	$	(1,326,134)	$	636,937
Net Income Loss per Common Share – Basic and Diluted		$	(0.01)	$	0.00	$	(0.01)	$	0.00
Weighted Average Number of Shares Outstanding - Basic and Diluted			222,194,076		222,194,076		222,194,076		222,194,076

AURORA SOLAR TECHNOLOGIES INC.

Stated in Canadian Dollars (Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Shares	Amount	Warrants	Amount	Options	Amount	Accumulated Other Comprehensive Income	Deficit	Equity
Balance 31 March 2023	222,194,076	$ 27,706,728	11,833,750	$ 225,203	13,480,000	$ 2,706,965	$ 159,595	$ (25,195,148)	$ 5,603,343
Options forfeited	-	-	-	-	(4,030,000)	-	-	-	-
Options Issued	-	-	-	-	27,300,000	-	-	-	-
Warrants expired	-	-	(11,833,750)	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	312,955	-	-	312,955
Net income for the period	-	-	-	-	-	-	(124,983)	125,236	253
Balance 31 December 2023	**222,194,076**	**$ 27,706,728**	**-**	**$ 225,203**	**36,750,000**	**$ 3,019,920**	**$ 34,612**	**$ (25,069,912)**	**$ 5,916,551**
Balance 31 March 2024	222,194,076	$ 27,706,728	-	$ 225,203	41,566,664	$ 2,980,090	$ 317,190	$ (25,412,785)	$ 5,816,426
Options issued	-	-	-	-	1,250,000	-	-	-	-
Share-based payments	-	-	-	-	-	218,080	-	-	218,080
Net loss for the period	-	-	-	-	-	-	134,236	(1,988,798)	(1,854,562)
Balance 31 December 2024	**222,194,076**	**$ 27,706,728**	**-**	**$ 225,203**	**42,816,664**	**$ 3,198,170**	**$ 451,426**	**$ (27,401,583)**	**$ 4,179,944**

--The accompanying notes form an integral part of the condensed interim consolidated financial statements--

Stated in Canadian Dollars (Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended 31 December 2024	For the Nine Months Ended 31 December 2023	For the Three Months Ended 31 December 2024	For the Three Months Ended 31 December 2023
Operating Activities				
Net (Loss) Income for the Period	$ (1,988,798)	$ 125,236	$ (1,126,315)	$ 514,533
Items not Affecting Cash				
Depreciation	522,247	374,508	202,218	112,348
Share-based payments	218,080	312,955	51,644	120,488
Impairment of intangible assets	-	18,382	-	-
Impairment of goodwill	628,927	-	628,927	-
Impairment of inventory	-	16,951	-	-
Disposal of lease liability	13,923	(111,554)	13,923	(111,554)
Finance cost	11,683	8,604	20,346	2,643
Disposal of property, plant & equipment	-	344	-	344
Income tax benefit	(326,030)	-	(91,345)	-
	(919,968)	745,426	(300,602)	638,802
Net Change in Non-cash Working Capital				
Amounts receivable	551,012	(674,274)	(187,302)	(1,024,094)
Prepaid expenses	367,245	(500,637)	185,103	(268,184)
Inventory	(274,656)	164,558	298,436	310,733
Amounts payable and accrued liabilities	(435,115)	547,173	(192,184)	794,250
Income tax	-	12,721	-	(41,334)
Provisions	(228,835)	90,155	(136,357)	229,820
Deferred revenue	(404,623)	1,516,153	345,524	(675,924)
	(424,972)	1,155,849	313,220	(674,733)
Net cash (used in) provided by operating activities	(1,344,940)	1,901,275	12,618	(35,931)
Investing Activities				
Purchase of equipment	(315,717)	(80,968)	(81,767)	(33,325)
Purchase of other assets	(8,256)	(8,523)	-	-
Purchase of patents	(1,445)	(36,316)	(27)	(18,571)
Net cash used in investing activities	(325,418)	(125,807)	(81,794)	(51,896)
Financing Activities				
Loan payment	(5,046)	-	(1,718)	-
Lease liability payment	(153,411)	(200,016)	(44,929)	(76,587)
Net cash used in financing activities	(158,457)	(200,016)	(46,647)	(76,587)
Net (Decrease) Increase in Cash	(1,828,815)	1,575,452	(115,823)	(164,414)
Cash position – beginning of period	2,850,338	2,801,217	1,439,471	4,280,127
Net effect - foreign exchange	148,454	(19,959)	(153,671)	240,997
Cash Position – End of Period	$ 1,169,977	$ 4,356,710	$ 1,169,977	$ 4,356,710

--The accompanying notes form an integral part of the condensed interim consolidated financial statements--

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. The address of the Company's corporate and administrative office and principal place of business is Suite 900, 2025 Willingdon Avenue, Burnaby, BC V5C 0J3.

On 25 August 2022, the Company acquired all the outstanding shares of BT Imaging Pty Ltd. ("BTi") through a share purchase agreement (Note 6). BTi is a private, Australian limited liability corporation who is a well-established leader in photoluminescence (PL) imaging tools for photovoltaic (PV) material inspection and quality control during production, and for laboratory use during product development.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue to operate for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of operations.

Since inception and prior to the BTi acquisition, the Company experienced recurring operating losses and relied heavily on external financing to meet its ongoing cash needs. The acquisition of BTi has significantly improved the Company's financial position, and recent performance trends indicate that the Company is moving towards achieving profitability. However, despite these positive developments, certain economic and market conditions continue to pose risks that could impact the Company's ability to sustain operations and achieve its financial goals. These factors indicate the existence of material certainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to raise adequate equity financing and the successful execution of the Company's business strategy are important factors in mitigating business critical risks. 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 condensed interim consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the condensed interim consolidated statement of financial position classifications used, and such adjustments could be material.

A material adverse effect on our employees, customer, suppliers and/or logistics providers could have a material adverse impact on us.

2) Basis of preparation – statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and interpretations of the International Financial Reporting Standards Interpretation Committee ("IFRIC") have been omitted or condensed. As a result, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended 31 March 2024 ("Annual Financial Statements").

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on 27 February 2025.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at their fair value.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of condensed interim consolidated 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 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) Material accounting policies

Basis of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. These condensed interim consolidated financial statements include the accounts of the Company and its 100% wholly-owned subsidiaries, Aurora Solar Technologies (Canada) Inc. (“ASTC”), BTi, and BT (Jiaxing) Semiconductor Technology Co., Ltd (“BTJ”).

Control exists when the Company is exposed to or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entities. Subsidiaries are all entities over which the Company has control. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

4) Critical accounting judgements and key sources of estimation uncertainty

The following are the critical judgements 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 condensed interim consolidated financial statements.

a) Critical judgements in applying accounting policies

<u>Revenue recognition</u>

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 may differ from management estimates. Revenue is recognized once the control of a good or service is transferred to a customer and is available to make use of the good or service. Contracts detail the specific performance obligations associated with the distinct service or good provided. In the instance of a contract that does not specify distinct goods and services, the one performance obligation may include several goods or services that are provided to a customer and delivered against a performance metric. Judgement is used to determine whether multiple promised goods or services in a contract should be accounted for separately or as bundle. Judgement is also exercised to the extent of determining the stand-alone price to be allocated to each of the promised goods and services.

b) Key sources of estimation uncertainty

Inventory valuation

The Company's raw inventory is only valuable to the extent that it can be turned into saleable product. Inventory must be measured at lower of cost and net realizable value and the Company must estimate that the measurement criteria used has not changed. The Company reviews its inventory to determine whether its carrying value exceeds the net amount realizable upon the ultimate sale of the inventory. This requires the Company to determine the estimated selling price of its units less the estimated cost to convert the inventory on-hand into a finished product.

Estimates of net realizable value require assessment of the impact of technological changes and estimates of salvage values if products or components are judged obsolete. Any future changes in the estimated inventory valuation could have a material adverse impact on our financial condition and results of operations.

Impairment testing

The Company assesses impairment of tangible and intangible assets with finite lives when an impairment indicator arises (e.g. change in use or discontinued use, obsolescence or physical damage). If indication of impairment exists, the assets recoverable amount is estimated. In the case of goodwill and intangibles with infinite lives, the Company tests at least annually for impairment, in accordance with IAS 36 Impairment of Assets. The recoverable amounts of cash-generating units ("CGU") are determined based on the greater of their fair value less costs of disposal and value in use which require the use of estimates and judgements.

A CGU is defined as the smallest identifiable group of assets that generates cash inflows largely independent of other assets or groups of assets. The Company has only one CGU, which consist of the assets of both BTi and Aurora.

When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the CGU level. In assessing impairment, the Company compares the carrying amount of the asset or CGU to the recoverable amount, which is determined as the higher of the asset or CGU's fair value less costs of disposal and its value-in-use. Value-in-use is assessed based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects applicable market and economic conditions, the time value of money and the risks specific to the asset. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. An impairment loss is recognized whenever the carrying amount of the asset or CGU exceeds its recoverable amount and is recorded in the consolidated statements of loss and comprehensive loss.

The Company tests goodwill and indefinite life intangible assets for impairment on an annual basis at 31 March or whenever events or changes in circumstances indicate that the asset's carrying amount may be less than its recoverable amount.

Amounts receivable

The Company estimates the recoverability of amounts receivable based on assessments of client credit ratings, payment history and other related items. Estimates of expected credit losses take into account the Company's collection history, deterioration of collection rates during the average credit period, as well as observable charges in and forecasts of future economic conditions that affect default risk.

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 the above three conditions have been met to recognize a provision or whether a continent liability is in existence at the reporting date. Should an event change that impacts the recognition of a provision or a contingency, the impact could be materially different from management's initial estimate and affect future financial statements.

<u>Accounting for acquisitions</u>

Determining the fair value of assets acquired and liabilities assumed and resulting goodwill, if any, requires that management make certain judgements and estimate taking into account information available at the time of acquisition about future events, including, but not restricted to, future supply, future demand, inventory, production and price of products and the timing and amount of future production.

The judgments made in determining the estimated fair value assigned to the net identifiable assets acquired, as well as the estimated useful life of non-financial assets, could impact the net income of subsequent periods through depreciation and amortization, and in certain instances through impairment charges. The Company believes that the estimated fair values assigned to the net identifiable assets acquired are based on reasonable assumptions that a marketplace participant would use. While we use our best estimates and assumptions to accurately value the net identifiable assets acquired at the acquisition date, estimates are inherently uncertain and subject to refinement. To estimate the fair value of the customer relationships of BTi, a multi-period excess earnings method ("MEEM") was used to value customer relationships and the relief from royalty method approach to value the patents and software. Significant judgment is applied in estimating the fair value of customer relationships and the technology acquired, which involves the use of significant assumptions, such as an EBITDA margin, application or a discount rate and projected revenues. During the measurement period, for up to 12 months following the acquisition, we recorded adjustments to the initial estimate of the net identifiable assets acquired based on new information obtained that would have existed as of the date of the acquisition.

5) Financial instruments and risk management

a) Fair value measurement

The Company classifies its fair value measurements with a fair value hierarchy, which categorizes into three levels the inputs used in making the measurements. The three levels of hierarchy are:

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.

b) Classification of fair values of financial assets and liabilities

Financial instruments of the Company carried on the Condensed Interim Consolidated Statements of Financial Position are carried at amortized cost.

The Company's financial assets classified as amortized cost include cash and amounts receivable. Amounts payable and accrued liabilities are classified as financial liabilities at amortized cost. The carrying value of these financial assets and liabilities approximate the fair value because of their short-term nature.

Lease liabilities and loans are also classified as other financial liabilities at amortized cost, applying a market rate of interest, and are subsequently measured using the effective interest method.

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 both from its bank accounts as well as from credit sales. The Company is exposed to credit risk by holding cash, which are all held in financial institutions in Australia, Canada and China, and management believes the exposure to credit risk with respect to such institutions is not significant. The Company's other exposure to credit risk is through its amounts receivable that are made up of a small number of customers. Management assesses the credit risk of new customers as well as monitors the creditworthiness of existing customers through a review of the trade receivables' aging analysis. The Company determines the allowance using an expected credit loss ("ECL") model. Over-due balances are reviewed for collectability and allowance for doubtful amounts, where appropriate, will be provided. As at 31 December 2024 the Company has $399,257 (31 March 2024 - $604,974) in trade amounts receivable.

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 maintains cash in accounts at Canadian, Australian, and China Chartered Banks that bear interest at nominal rates. The Company's lease liabilities and short-term debt are based on fixed interest rates. The Company's exposure to interest rate risk is minimal.

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. The Company is exposed to foreign currency risk, as it deals with customers and vendors in currencies other than its functional currency. A 5% change in exchange would impact the condensed interim consolidated financial statements by $57,000 (31 March 2024- ($19,000)). As at 31 December 2024 the Company held currency totalling the following:

Rounded (000's)		**Sensitivity (CAD$)**		31 December 2024			31 March 2024	
Cash in United States dollars	**5% $**	**(42,000)**	$	**580,000**	**USD**	$	(109,000)	USD
Cash in Chinese RMB	**5% $**	**(4,000)**	$	**369,000**	**RMB**	$	(2,000)	RMB
Cash in Australian dollars	**5% $**	**(6,000)**	$	**123,000**	**AUD**	$	(29,000)	AUD
Cash in Euros	**5% $**	-	$	**1,000**	**EURO**	$	-	EURO
Amounts receivable in United States dollars	**5% $**	**(19,000)**	$	**267,000**	**USD**	$	(30,000)	USD
Amounts receivable in Australian dollars	**5% $**	**(2,000)**	$	**40,000**	**AUD**	$	(7,000)	AUD
Amounts payable in United States dollars	**5% $**	**6,000**	$	**(79,000)**	**USD**	$	10,000	USD
Amounts payable in Chinese RMB	**5% $**	**4,000**	$	**(452,000)**	**RMB**	$	5,000	RMB
Amounts payable in Australian dollars	**5% $**	**24,000**	$	**(528,000)**	**AUD**	$	27,000	AUD
Amounts payable in Euros	**5% $**	-	$	**-**	**EURO**	$	-	EURO
Deferred Revenue in United States Dollars	**5% $**	**96,000**	$	**(1,333,000)**	**USD**	$	116,000	USD

Stated in Canadian Dollars (Unaudited)

g) Liquidity

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 to meet its liquidity requirements at any point in time.

The Company manages liquidity risk through the management of its capital structure and resources to ensure that it has sufficient liquidity to settle obligations and liabilities when they are due. The Company's ability to fund its operating requirements depends on future operating performance and cash flows, which are subject to economic, financial, competitive, and regulatory conditions, and other factors, some of which are beyond its control. The Company's primary short-term liquidity needs are to fund its net operating losses and lease payments. The Company's medium-term liquidity needs primarily relate to debt repayments and lease payments. The Company's long-term liquidity needs primarily relate to potential strategic plans.

The table below presents the contractual maturity of the Company's financial liabilities, including both principal and interest payments as at 31 December 2024:

	Less than 1 year	1 to 5 years	Total[1]
Amounts payable and accrued liabilities	$ 922,998	$ -	$ 922,998
Lease liabilities	165,849	-	165,849
Term loan	9,847	30,361	40,208
	$ 1,098,694	**$ 30,361**	**$ 1,129,055**

[1] The Company has no contractual obligations greater than 3 years.

The Company monitors its level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables regularly.

Further, 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 Chinese Renminbi held in China are not freely convertible into other currencies, and the exchange risk is, therefore, less easily managed. However, under China's Foreign Exchange Control Regulations and the Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Further, the cash balances held in Industrial Commercial Bank of China ("ICBC") accounts represent only a small portion of the Company's total cash resources and the exchange risk is, therefore, proportionally small. As at 31 December 2024, the Company held cash balances in ICBC of $84,140 (31 March 2024-$40,008)

Stated in Canadian Dollars (Unaudited)

6) BTi acquisition

On 25 August 2022, the Company acquired 100% of the outstanding shares of BTi through a share purchase agreement. In consideration for the acquisition of BTi, the Company paid $1,205,310 in cash and issued 62,969,351 common shares of the Company to BTi shareholders. During the fiscal year ended 31 March 2024, the final tranche of the 42,934,348 were released from escrow.

In accordance with IFRS 3 – *Business Combinations*, the Company accounted for the acquisition as a business combination using the acquisition method whereby the net assets acquired, and the liabilities assumed were recorded at fair value.

The revised and final purchase price allocated to BTI's identifiable assets and liabilities based on their estimated fair values on the acquisition date is summarized as follows:

Purchase consideration		
Cash consideration	$	1,205,310
Fair value of common shares issued		5,544,772
Total purchase consideration	**$**	**6,750,082**

Fair value of net assets acquired	**$**	**6,121,155**
Goodwill		**628,927**
Total fair value of net assets acquired	**$**	**6,750,082**

7) Amounts receivable

		31 December 2024		31 March 2024
Trade receivables	**$**	**399,257**	$	604,974
GST receivable and other taxes recoverable		**43,701**		315,962
Total amount receivable	**$**	**442,958**	$	920,936

For the nine months ended 31 December 2024, the Company did not record a credit loss provision given the nature of the receivables and the Company's historical collectability. During the nine months ended 31 December 2024, the Company recognized a loss on trade amounts receivable in the amount of $Nil (31 March 2024-$16,485).

8) Inventory

		31 December 2024		31 March 2024
Raw materials	**$**	**2,752,285**	$	2,553,860
Work-in-process		**839,351**		988,896
Finished goods		**317,759**		91,982
Total inventory	**$**	**3,909,395**	$	3,634,738

Inventory expensed to cost of sales during the nine months ended 31 December 2024 was $1,531,889 (31 March 2024 – $3,569,321).

During the nine months ended 31 December 20204, the Company wrote off $95,551 of inventory related to slow moving and/or obsolescent products (31 March 2024 – $172,656).

Stated in Canadian Dollars (Unaudited)

9) Intangibles – intellectual property

		Total
Cost:		
Balance, 31 March 2023	$	1,010,403
Additions		36,341
Impairment		(18,382)
Impact of foreign exchange		1,280
Balance, 31 March 2024	$	1,029,642
Additions		1,445
Impact of foreign exchange		11,790
Balance, 31 December 2024	**$**	**1,029,810**

Accumulated Depreciation:		
Balance, 31 March 2023	$	(124,133)
Additions		(165,026)
Balance, 31 March 2024		(289,159)
Additions		(96,952)
Balance, 31 December 2024	**$**	**(386,111)**

		Total
Carrying Amount		
Balance, 31 December 2024	**$**	**656,766**
Balance, 31 March 2024	$	740,484

10) Goodwill

Changes in goodwill were as follows:

		Total
Balance as at 31 March 2023	$	628,927
Additions		-
Balance as at 31 March 2024		628,927
Impairment		(628,927)
Balance as at 31 December 2024	**$**	**-**

Stated in Canadian Dollars (Unaudited)

During the nine months ended 31 December 2024, due to operational changes and other commercial factors, the Company determined indicators of impairment existed and it carried out a review of the recoverable amount of its single CGU. In assessing for impairment, the Company compared the recoverable amount of the CGU to its carrying value. Under the value in use approach, the recoverable amount is calculated based on the discounted cash flow analysis for the CGU.

The Company has made certain assumptions in determining the cash flow projections based on five-year cash flow forecasts which include management's best estimate of expected market conditions including economic trends, industry trends and the CGU's past performance. The key assumptions in conducting the analysis require significant estimations of revenue growth rates (the Company's ability to generate future revenue, with potential fluctuations influenced by external and internal factors), operating margins (a percentage of revenue representing the profitability of the Company's core operations after account for operating expenses), and discount rates (such as the weighted average of the Company's cost of equity and cost of debt, representing the overall required rate of return on the Company's capital). These unobservable units, classified as Level 3 in fair value hierarchy, are subject to inherent volatility and various uncontrollable factors that could substantially impact the present value of the discounted cash flows. These assumptions are highly sensitive to changes in the underlying economic and business environment, which could materially impact the fair value measure.

For the nine months ended 31 December 2024, the Company used the below assumptions as presented in the following table, to ascertain the estimated recoverable amount of the CGU.

	For the Nine Months Ended 31 December 2024	**For the Year Ended 31 March 2024**
Compound annual growth rate on revenues	21.0%	11.0%
Pre-tax adjusted discount rate	21.7%	21.4%
Terminal value multiple	3.5	3.5
Terminal revenue growth rate	2.0%	2.0%

As at 31 December 2024, the Company determined, due to its revised future earnings outlook, the carrying value of the CGU was $4,495,091 compared to an estimated recoverable value of $3,866,164. As a result of the CGU carrying value exceeding its recoverable amount, the Company recognized an impairment of the goodwill asset of $628,927 (2023-$Nil) in the Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss.

11) Other assets

		Balance
Balance as at 31 March 2023	$	52,062
Additions		8,523
Balance as at 31 March 2024		60,585
Additions		8,256
Balance as at 31 December 2024	**$**	**68,841**

Stated in Canadian Dollars (Unaudited)

12) Equipment

	Leasehold Improvement	Furniture, Fixtures and Equipment	R&D Tools and Equipment	Warehouse, Lab and Prototype Equipment	Total
Cost:					
Balance, 31 March 2023	$ 21,604	$ 63,074	$ 422,768	$ 72,513	$ 579,959
Additions	-	35,288	209,218	93,059	337,565
Disposals	-	-	(119,182)	(344)	(119,526)
Impact of foreign exchange	(475)	(453)	(820)	(803)	(2,551)
Balance, 31 March 2024	$ 21,129	$ 97,909	$ 511,984	$ 164,425	$ 795,447
Additions	-	11,984	136,120	167,613	315,717
Disposals	-	-	-	-	-
Impact of foreign exchange	313	1,628	9,603	4,920	16,465
Balance, 31 December 2024	**$ 21,442**	**$ 111,521**	**$ 657,708**	**$ 336,958**	**$ 1,127,630**
Accumulated Depreciation:					
Balance, 31 March 2023	$ (4,014)	$ (44,161)	$ (245,683)	$ (31,224)	$ (325,082)
Additions	(6,505)	(15,718)	(61,199)	(41,457)	(124,879)
Balance, 31 March 2024	$ (10,519)	$ (59,879)	$ (306,882)	$ (72,681)	$ (449,961)
Additions	(4,653)	(17,439)	(119,405)	(124,307)	(265,804)
Balance, 31 December 2024	**$ (15,172)**	**$ (77,318)**	**$ (426,287)**	**$ (196,988)**	**$ (715,765)**

	Leasehold Improvement	Furniture, Fixtures and Equipment	R&D Tools and Equipment	Warehouse, Lab and Prototype Equipment	Total
Carrying Amount					
Balance, 31 December 2024	**$ 6,270**	**$ 34,203**	**$ 231,421**	**$ 139,971**	**$ 411,865**
Balance, 31 March 2024	$ 10,610	$ 38,030	$ 205,102	$ 91,744	$ 345,487

Stated in Canadian Dollars (Unaudited)

13) Right of use assets

The right of use asset is amortized on a straight-line basis over the term of its leases related to its Sydney office.

		Balance
Balance as at 31 March 2023	$	220,864
Additions		398,758
Depreciation		(229,543)
Disposal		(89,539)
Impact of foreign exchange		(1,470)
Balance as at 31 March 2024		**299,070**
Additions		**23,825**
Depreciation		**(159,490)**
Impact of foreign exchange		**7,824**
Balance as at 31 December 2024	**$**	**171,229**

14) Lease liability

During the year ended 31 March 2024, the Company successfully transferred out of its lease obligation relating to the head office space located in North Vancouver. Subsequently, the Company signed a new month-to-month operating lease for the new head office location in Burnaby.

The Company also holds lease liabilities for leases related to its Sydney office. The incremental borrowing rate for the nine months ended 31 December 2024 ranged between 4% - 7% (31 March 2024 – ranged from 4% - 7%). During the nine months ended 31 December 2024, the Company extended its Sydney office leases for an additional 1-year term.

		Balance
Balance as at 31 March 2023	$	253,303
Additions		386,065
Lease accretion		19,907
Payments		(236,033)
Disposal		(113,293)
Impact of foreign exchange		(1,993)
Balance as at 31 March 2024	**$**	**307,956**
Additions		**252,020**
Lease accretion		**11,683**
Payments		**(153,411)**
Disposal		**(242,118)**
Impact of foreign exchange		**11,416**
Balance as at 31 December 2024	**$**	**187,547**

Lease liability – current portion		**187,547**
Lease liability – non-current portion		**-**
Total lease liability	**$**	**187,547**

Stated in Canadian Dollars (Unaudited)

15) Share capital and reserves

a) Authorized

The authorized share capital is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting of only common shares are fully paid. There were 222,194,076 (31 March 2024 – 222,194,076) fully paid common shares issued and outstanding as at 31 December 2024.

b) Issued and outstanding and fully paid

<u>During the year ended 31 March 2024</u>

The share purchase warrants ("Warrant") issued in the year ended March 31, 2023 consisting of 11,833,750 warrants with an exercise price of $0.20 per warrant expired.

During the year ended 31 March 2024, the Company granted 32,550,000 options (31 March 2023 – 3,700,000 options) to directors, officers, employees, and consultants of the Company.

The Company has adopted a stock option plan (the "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 fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free rates, dividend yields, historical volatility of the underlying share price, forfeiture rates and expected life of the options.

<u>During the nine months ended 31 December 2024</u>

The Company granted 1,250,000 options (31 March 2024 – 32,550,000) to directors, officers, employees and consultants of the Company. During the three months and nine months ended 31 December 2024, the Company recognized $51,644 and $218,080 (2023 - $120,488 and $312,955 respectively) in share-based payments on granted options.

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

	For the Nine Months Ended 31 December 2024		**Weighted average exercise price**	For the Year Ended 31 March 2024		Weighted average exercise price
Balance – beginning of period	**41,566,664**	**$**	**0.11**	13,480,000	$	0.16
Granted	**1,250,000**		**0.05**	32,550,000		0.05
Expired/Forfeited	**(1,716,664)**		**0.31**	(4,463,336)		0.07
Balance – end of period	**41,100,000**	**$**	**0.13**	41,566,664	$	0.11

Stated in Canadian Dollars (Unaudited)

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Details of stock options outstanding are as follows:

Expiry Date		Exercise price	**31 December 2024 Outstanding**	**31 December 2024 Exercisable**	31 March 2024 Outstanding	31 March 2024 Exercisable
7 April 2025	$	0.10	**600,000**	**600,000**	1,100,000	1,100,000
24 February 2026	$	0.54	**1,500,000**	**1,500,000**	2,316,664	2,316,664
25 March 2027	$	0.10	**3,450,000**	**3,450,000**	3,750,000	3,750,000
25 August 2027	$	0.11	**3,600,000**	**3,600,000**	3,700,000	3,700,000
10 July 2028	$	0.05	**15,950,000**	**8,049,991**	15,950,000	5,574,995
15 August 2028	$	0.05	**8,500,000**	**2,833,332**	8,500,000	1,416,666
15 November 2028	$	0.05	**1,000,000**	**333,332**	1,000,000	-
17 March 2029	$	0.05	**5,250,000**	**874,999**	5,250,000	-
27 May 2029	$	0.05	**1,250,000**	**208,333**	-	-
			41,100,000	**21,449,987**	41,566,664	17,858,325

The outstanding options have a weighted average exercise price of $0.08 (31 March 2024 – $0.09) and the weighted average remaining life of the options is 3.22 years (31 March 2024 – 3.98 years).

The fair values of the options granted during the nine months ended 31 December 2024 and the year ended 31 March 2024 were determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	For the Nine Months Ended 31 December 2024	For the Year Ended 31 March 2024
Risk free interest rate	**3.55%-4.05%**	3.55%-4.05%
Expected life of options (years)	**5**	5
Expected annualized volatility	**73.85%-77.37%**	73.85%-76.36%
Expected dividend yield	**Nil**	Nil
Weighted average Black-Scholes value of each option	**$0.01-$0.03**	$0.01-$0.03

c) Warrants

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

	For the Year Ended 31 March 2024	Weighted average exercise price
Balance – beginning of period	11,833,750	0.20
Issued	-	-
Agent's warrants issued	-	-
Warrants expired	(11,833,750)	0.20
Balance – end of period	-	-

16) Related party transactions and balances

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 Condensed Interim Consolidated Statement of Comprehensive Loss, and include the following expenses recognized during the nine and three months ended 31 December 2024:

Principal Position Rounded (000's)		**For the Nine Months Ended 31 December 2024**		For the Nine Months Ended 31 December 2023		**For the Three Months Ended 31 December 2024**		For the Three Months Ended 31 December 2023
Wages and short-term benefits	**$**	**681,000**	$	532,000	**$**	**220,000**	$	273,000
Share based payments (Note 14)		**133,000**		234,000		**30,000**		58,000
Total remuneration	**$**	**814,000**	$	766,000	**$**	**250,000**	$	331,000

Included in amounts payable on the Condensed Interim Consolidated Statement of Financial Position is $Nil (31 March 2024 - $150,000) due to related parties with respect to professional fees, wages and short-term benefits, and expense reimbursements, and are non-interest bearing.

During the nine months ended 31 December 2024, the Company incurred $2,415 (2023 – $11,406) in legal fees from a company in which a director is a partner. The Company incurred $41,063 (2023 - $70,383) in consulting fees from companies in which directors are owners. These indirect costs are in the normal course of business operations and are measured at fair value.

17) Supplemental information for statements of net loss and comprehensive loss

The sales and marketing expense consisted of the following:		**For the Nine Months Ended 31 December 2024**		For the Nine Months Ended 31 December 2023		**For the Three Months Ended 31 December 2024**		For the Three Months Ended 31 December 2023
Salaries and wages	**$**	**486,278**	$	332,718	**$**	**155,494**	$	154,660
Promotion, marketing and travel		**34,387**		42,222		**10,983**		8,536
Commission and other fees		**445,767**		652,154		**141,563**		169,207
Total	**$**	**966,432**	$	1,027,094	**$**	**308,040**	$	332,403

The research and development expense consisted of the following:		**For the Nine Months Ended 31 December 2024**		For the Nine Months Ended 31 December 2023		**For the Three Months Ended 31 December 2024**		For the Three Months Ended 31 December 2023
Salaries and wages	**$**	**657,828**	$	579,057	**$**	**203,230**	$	230,048
Professional and consulting		**16,451**		19,114		**1,886**		7,472
Product research		**6,815**		24,927		**2,531**		10,379
Total	**$**	**681,094**	$	623,098	**$**	**207,647**	$	247,899

The general and administrative expense consisted of the following:		**For the Nine Months Ended 31 December 2024**		For the Nine Months Ended 31 December 2023		**For the Three Months Ended 31 December 2024**		For the Three Months Ended 31 December 2023
Salaries and wages	**$**	**1,601,352**	$	1,274,173	**$**	**518,679**	$	552,987
Professional and consulting		**249,012**		364,517		**74,128**		98,351
Office expense		**516,016**		560,930		**136,281**		159,668
Directors fees		**72,000**		20,577		**22,000**		10,577
Total	**$**	**2,438,380**	$	2,220,197	**$**	**751,088**	$	821,583

Stated in Canadian Dollars (Unaudited)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18) Revenue

	For the Nine Months Ended 31 December 2024	For the Nine Months Ended 31 December 2023	**For the Three Months Ended 31 December 2024**	For the Three Months Ended 31 December 2023
Contract revenue - Photoluminescence imaging tools and instruments	$ **5,393,194**	$ 8,866,539	**$ 1,396,542**	$ 4,279,732
Tool maintenance and service revenue	**106,005**	88,128	**19,959**	9,865
Total Revenue	**$ 5,499,199**	$ 8,954,667	**$ 1,416,501**	$ 4,289,597

Revenues that will be recognized subsequent to the nine months ended 31 December 2024 relating to contracts partially completed is $552,618 (31 March 2024-$609,777).

Deferred revenue	**For the Nine Months Ended 31 December 2024**	For the Year Ended 31 March 2024
Deferred revenue, beginning	$ (2,318,057)	$ (1,908,242)
Additional deferred revenue in the period	(2,805,492)	(2,318,057)
Recognized as revenue during the period	3,269,425	1,098,242
Impact of foreign exchange	(59,310)	-
Deferred revenue, ending	**$ (1,913,434)**	$ (2,318,057)

The Company recognizes two different revenue streams, which includes, contract revenue relating to the imaging hardware, with the embedded software, and the related bundled service to install the tools and supplementary maintenance and customer service. Deposits received against a contract is recognized as deferred revenue liability until such time that the title has transferred to the customer or, the related services has been performed, at which point the related performance obligation has been met, and revenue is recognized. Revenue on supplementary services is recognized once the service has been completed and the obligation to the customer met.

Stated in Canadian Dollars (Unaudited)

19) Provisions

Warranty
The Company provides a basic one-year product warranty ("warranty period") on its tool sales. Under the terms of this warranty the Company will replace or repair components in the hardware if it fails to perform in accordance with the published specifications, during the warranty period. These assurance-type warranties are not considered to be performance obligations, so revenue is not allocated to them. As at 31 December 2024, the Company estimates the costs relating to these warranties at $64,969 (31 March 2024 – $63,348).

Employee long-service leave
Employees reach an unconditional legal entitlement to long-service leave when they work for the same Company for a qualifying period of service (typically ten years). For shorter periods, long-service leave may be payable on exit in some (but not all) circumstances. As at 31 December 2024, the Company estimates the costs relating to employee service leave at $147,490 (31 March 2024 – $144,102).

The estimated costs of the warranties and employee service leave are recognised as provisions under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

		For the Nine Months Ended 31 December 2024		For the Year Ended 31 March 2024
Warranty provision	**$**	**64,969**	$	63,348
Employee service leave		**147,490**		144,102
Arbitration award (inclusive of legal fees)		**-**		233,844
Total Provision	**$**	**212,459**	$	441,294

Provision for arbitration
The Company recognizes a provision for arbitration when there is a present obligation that is a result of a past event and in which a reliable estimate of the obligation can be determined. During the year ended 31 March 2023, an inactive subsidiary of the Company received an adverse notice of award from the Shanghai International Arbitration Centre ("SHIAC") relating to a historical contract dispute in China. For the fiscal year ended 31 March 2024, the Company had provisioned for the arbitrated award in the amount of USD$165,000 (CAD$233,844) plus related fees (2023 - $Nil). During the nine months ended 31 December 2024, the Company amicably settled the arbitration, and any uncertainty relating to an award amount is now closed.

20) Capital management

The Company manages its capital structure and makes adjustment to it, based on the funds available to the Company, to support the development of the Company's measurement technologies as well as the Company's operations. The Company 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 believes that this approach, given the size of the Company, is reasonable. The Company currently is not subject to externally imposed capital requirements.

Stated in Canadian Dollars (Unaudited)

21) Income taxes

A reconciliation of income taxes at statutory rates (combined Canadian federal and BC provincial rate of 27%) with reported taxes is as follows:

		31 December 2024		31 March 2024
Net loss for the year	$	(1,097,169)	$	(360,269)
Current tax (recovery) expense		(54,000)		29,000
Deferred tax recovery		(272,000)		(172,000)
Total income tax recovery	$	(326,000)	$	(143,000)

Movement in net deferred tax balances is described below:

		31 December 2024		31 March 2024
Beginning balance	$	95,754	$	(75,779)
Recovery through profit and loss		271,857		171,533
Net deferred tax asset	$	367,611	$	95,754

Tax attributes are subject to review, and potential adjustments by tax authorities.

22) Segmented disclosure

The Company operates in one reportable operating segment, being the development, manufacturing and marketing material inspection and inline quality control systems for the solar polysilicon, wafer, cell, and module manufacturing industries.

The geographic segmentation of the Company's non-current assets is as follows:

Non-current assets*		As at 31 December 2024		As at 31 March 2024
Canada	$	191,316	$	190,810
Australia		1,117,386		1,883,743
Total	$	1,308,702	$	2,074,553

*(excluding deferred tax assets)

The geographic segmentation of the Company's sales based on customer location is as follows:

		As at 31 December 2024		As at 31 March 2024
China	$	3,690,751	$	10,777,558
International (excluding China)		1,247,174		137,064
United States		561,274		-
Total Contract Revenue	$	5,499,199	$	10,914,622

The Company's sales for the nine months ended 31 December 2024 of $4,937,925 (2023 – $8,817,459) were concentrated in Asia. While the Company is exposed to significant concentration in that region, the Company did not depend on any single customer for more than 10% of its revenues for the period.