AURORA SOLAR TECHNOLOGIES INC.

(FORMERLY ACT AURORA CONTROL TECHNOLOGIES CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2016 AND 2015

Stated in Canadian Funds

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MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Aurora Solar Technologies Inc. (formerly ACT Aurora Control Technologies Corp.):

Management is responsible for the preparation and presentation of the accompanying 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.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern.

Davidson & Company LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

28 July 2016

"Michael Heaven"

Michael Heaven, CEO

"Grant T. Smith"

Grant T. Smith, CFO

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Aurora Solar Technologies Inc.
(formerly ACT Aurora Control Technologies Corp.)

We have audited the accompanying consolidated financial statements of Aurora Solar Technologies Inc. (formerly ACT Aurora Control Technologies Corp.), which comprise the consolidated statements of financial position as at March 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Aurora Solar Technologies Inc. (formerly ACT Aurora Control Technologies Corp.) as at March 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Aurora Solar Technologies Inc to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

July 28, 2016

AURORA SOLAR TECHNOLOGIES INC.

(Formerly ACT Aurora Control Technologies Corp.)
Canadian Funds

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note		As at 31 March 2016		As at 31 March 2015
ASSETS					
Current Assets					
Cash and cash equivalents		$	**356,299**	$	516,743
Amounts receivable	(7)		**35,938**		103,942
Prepaid amounts and deposits			**36,004**		3,414
Inventory	(8)		**224,670**		55,973
			652,911		680,072
Non-current Assets					
Equipment	(9)		**-**		2,834
Patents	(9)		**63,051**		22,945
Other assets	(10)		**40,113**		46,760
			103,164		72,539
		$	**756,075**	$	752,611
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		$	**141,991**	$	256,221
Deferred revenue			**27,947**		-
			169,938		256,221
EQUITY (STATEMENT 3)					
Share capital	(11)		**7,719,274**		6,067,788
Contributed surplus – warrants	(11)		**77,203**		43,203
Contributed surplus – options	(11)		**813,678**		789,784
Deficit	(11)		**(8,024,018)**		(6,404,385)
			586,137		496,390
		$	**756,075**	$	752,611

Nature of operations and going concern	(1)	Commitments	(15)
Basis of preparation - Statement of Compliance	(2)	Subsequent event	(17)
Related parties	(13)		

These consolidated financial statements were approved by the Board of Directors on 28 July 2016 and were signed on its behalf by:

"Michael Heaven"
Michael Heaven, Director

"David Toyoda"
David Toyoda, Director

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note		Year ended 31 March 2016		Year ended 31 March 2015
Revenues					
Product sales		$	**287,074**	$	181,517
Cost of sales			**(232,316)**		(52,824)
			54,758		128,693
Expenses					
Wage expense			**604,261**		562,676
Operating expense			**423,309**		436,038
Consulting fees			**441,336**		645,928
Professional fees	(10)		**177,874**		49,351
Share-based compensation	(11)		**23,894**		240,108
Amortization	(9)		**3,717**		10,567
			1,674,391		1,944,668
Net loss and Comprehensive Loss		**$**	**(1,619,633)**	$	(1,815,975)
Net Loss per Common Share – Basic and Diluted		**$**	**(0.05)**	$	(0.07)
Weighted Average Number of Shares Outstanding			**31,711,862**		25,414,565

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

AURORA SOLAR TECHNOLOGIES INC.

(Formerly ACT Aurora Control Technologies Corp.)

Canadian Funds

Statement 3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Shares	Amount	Warrants	Amount	Options	Amount	Deficit	Shareholders' Equity
BALANCE AT 1 APRIL 2014	22,941,853	$ 4,752,415	4,432,874	$ 26,203	2,618,192	$ 549,676	$ (4,588,410)	$ 739,884
Warrants expired	-	-	(1,171,834)	-	-	-	-	-
Stock-based compensation	-	-	-	-	450,000	76,649	-	76,649
Net loss for the period	-	-	-	-	-	-	(394,169)	(394,169)
BALANCE AT 30 JUNE 2014	22,941,853	$ 4,752,415	3,261,040	$ 26,203	3,068,192	$ 626,325	$ (4,982,579)	$ 422,364
Private placement issuances	3,965,000	1,467,050	1,982,500	-	-	-	-	1,467,050
Agents' warrants issued	-	-	277,550	17,000	-	-	-	17,000
Share issuance costs	-	(151,677)	-	-	-	-	-	(151,677)
Warrants expired	-	-	(1,800,000)	-	-	-	-	-
Stock-based compensation	-	-	-	-	280,000	36,192	-	36,192
Net loss for the period	-	-	-	-	-	-	(352,869)	(352,869)
BALANCE AT 30 SEPTEMBER 2014	26,906,853	$ 6,067,788	3,721,090	$ 43,203	3,348,192	$ 662,517	$ (5,335,448)	$ 1,438,060
Agents' warrants expired	-	-	(89,040)	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	36,291	-	36,291
Net loss for the period	-	-	-	-	-	-	(473,209)	(473,209)
BALANCE AT 31 DECEMBER 2014	26,906,853	$ 6,067,788	3,632,050	$ 43,203	3,348,192	$ 698,808	$ (5,808,657)	$ 1,001,142
Agents' warrants expired	-	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	90,976	-	90,976
Net loss for the period	-	-	-	-	-	-	(595,728)	(595,728)
BALANCE AT 31 MARCH 2015	26,906,853	$ 6,067,788	3,632,050	$ 43,203	3,398,192	$ 789,784	$ (6,404,385)	$ 496,390

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

AURORA SOLAR TECHNOLOGIES INC.

(Formerly ACT Aurora Control Technologies Corp.)

Canadian Funds

Statement 3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Shares	Amount	Warrants	Amount	Options	Amount	Deficit	Shareholders' Equity
BALANCE AT 1 APRIL 2015	26,906,853	$ 6,067,788	3,632,050	$ 43,203	3,398,192	$ 789,784	$ (6,404,385)	$ 496,390
Private Placement issuances	6,280,833	1,884,250	3,140,416	-	-	-	-	1,884,250
Agents' warrants issued	-	(34,000)	376,850	34,000	-	-	-	-
Share issuance costs	-	(177,465)	-	-	-	-	-	(177,465)
Warrants expired	-	-	(1,372,000)	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	8,247	-	8,247
Net loss for the period	-	-	-	-	-	-	(421,505)	(421,505)
BALANCE AT 30 JUNE 2015	33,187,686	$ 7,740,573	5,777,316	$ 77,203	3,398,192	$ 798,031	$ (6,825,890)	$ 1,789,917
Share issuance costs	-	(21,299)	-	-	-	-	-	(21,299)
Net loss for the period	-	-	-	-	-	-	(432,266)	(432,266)
BALANCE AT 30 SEPTEMBER 2015	33,187,686	$ 7,719,274	5,777,316	$ 77,203	3,398,192	$ 798,031	$ (7,258,156)	$ 1,336,352
Options granted	-	-	-	-	150,000	-	-	-
Options expired	-	-	-	-	(180,000)	-	-	-
Stock-based compensation	-	-	-	-	-	11,876	-	11,876
Net loss for the period	-	-	-	-	-	-	(493,691)	(493,691)
BALANCE AT 31 DECEMBER 2015	33,187,686	$ 7,719,274	5,777,316	$ 77,203	3,368,192	$ 809,907	$ (7,751,847)	$ 854,537
Warrants expired	-	-	(2,260,050)	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	3,771	-	3,771
Net loss for the period	-	-	-	-	-	-	(272,171)	(272,171)
BALANCE AT 31 MARCH 2016	33,187,686	$ 7,719,274	3,517,266	$ 77,203	3,368,192	$ 813,678	$ (8,024,018)	$ 586,137

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

AURORA SOLAR TECHNOLOGIES INC.

(Formerly ACT Aurora Control Technologies Corp.)

Canadian Funds

Statement 4

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March 2016	Year ended 31 March 2015
OPERATING ACTIVITIES		
Net loss for the Year	$ (1,619,633)	$ (1,815,975)
Items not Affecting Cash		
Amortization	3,717	10,567
Stock-based compensation	23,894	240,108
Write-off of other assets	28,929	-
	(1,563,093)	(1,565,300)
Net Change in Non-cash Working Capital		
Amounts receivable	68,004	(88,123)
Prepaid expenses and deposits	(32,590)	19,091
Inventory	(168,697)	(55,973)
Accounts payable and accrued liabilities	(120,626)	156,642
Deferred revenue	27,947	-
	(225,962)	31,637
	(1,789,055)	(1,533,663)
INVESTING ACTIVITIES		
Patents	-	(14,877)
Other assets	(56,875)	(46,760)
	(56,875)	(61,637)
FINANCING ACTIVITIES		
Proceeds from share issuance	1,884,250	1,467,050
Share issuance costs	(198,764)	(134,677)
	1,685,486	1,332,373
Net Decrease in Cash and Cash Equivalents	(160,444)	(262,927)
Cash and cash equivalents position – beginning of year	516,743	779,670
Cash and Cash Equivalents Position – End of Year	$ 356,299	$ 516,743
Schedule of Non-cash Investing and Financing Transactions		
Cash received for interest	$ 4,802	$ 6,390
Cash paid for income taxes	$ -	$ -
Supplemental Disclosure with Respect to Cash Flows:		
Costs included in accounts payable related to patents	$ 2,260	$ 8,656
Costs transferred from other assets to patents	$ 40,989	$ -
Warrants issued to agents	$ 34,000	$ -
Cash and Cash Equivalents Consists Of:		
Cash	$ 256,299	$ 116,743
Other investments	$ 100,000	$ 400,000

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

Aurora Solar Technologies Inc., formerly known as ACT Aurora Control Technologies Corp. (the "Company") was incorporated on 26 October 2006 under the Business Corporations Act of British Columbia as a capital pool company ("CPC") as defined by the rules the TSX Venture Exchange ("TSXV") in Policy 2.4 of the TSXV.

On 3 November 2011, the Company completed its Qualifying Transaction (as defined by the TSX-V CPC policy) with Aurora Solar Technologies (Canada) Inc. ("Aurora"), a company incorporated on 14 May 2009 under the Canada Business Corporations Act and extra-provincially registered in British Columbia on 24 May 2011. The Qualifying Transaction consisted of the Company acquiring all of the issued and outstanding shares of Aurora in exchange for 4,525,600 common shares of the Company. Upon completion of the acquisition, control of the Company passed to the former shareholders of Aurora. Accordingly the acquisition was accounted for as a reverse takeover with Aurora being the acquirer of the Company. As a result of the Qualifying Transaction, Aurora changed its year end from 30 September to 31 March in line with the Company, and the Company results are consolidated from 3 November 2011 onwards.

The Company develops, manufactures and markets Production Measurement and Control™ systems to the Solar wafer, cell and panel manufacturing industry.

The address of the Company's corporate and administrative office and principle place of business is #210 – 980 West 1st Street, North Vancouver, BC, V7P 3N4. The Company's registered office is Suite 700, 595 Burrard Street, P.O. Box 49290, Vancouver, BC, V7X 1S8.

These audited 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 upon the soundness of this assumption. The Company has negative working capital, 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.

Rounded (000's)		**31 March 2016**		31 March 2015
Working capital	**$**	**483,000**	$	424,000
Accumulated deficit	**$**	**8,024,000**	$	6,404,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Basis of preparation – Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and related IFRS interpretations Committee (“IFRIC’s”) as issued by the International Accounting Standards Board (“IASB”). 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

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of consolidated financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies.

The preparation of these 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 recognized 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

a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Aurora Solar Technologies (Canada) Inc.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company’s equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest’s share of changes in equity since the date of acquisition. The Company has no non-controlling interests.

b) Foreign currency

The Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the Company. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Both the parent and subsidiary use the Canadian dollar as their functional currency.

Transactions in foreign currencies are initially recorded at the foreign currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing when the fair value was determined. Non-monetary items recorded at historical cost in a foreign currency are not retranslated at the end of the reporting period. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognized in the income statement and other changes in carrying amount are recognized in equity.

Translation differences on financial assets, such as investments in equity securities, classified as available-for-sale are reported as part of the fair value gain or loss and are included in equity.

c) Share-based compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Board of Directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options are earned. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

For non-employees, share-based payment measurements are based on the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, the transaction is measured by referring to the fair value of the equity instruments granted. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable.

d) Deferred financing costs

Expenditures directly related to share issuances are recorded as a deferred financing cost until such time as the shares are issued. When the shares are issued, the deferred financing cost is recognized as a reduction of the net proceeds from the share issuance. If no shares are issued, these deferred financing costs are recognized as a component of comprehensive loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

e) Financial instruments

All financial instruments must be recognized, initially, at fair value on the consolidated statement of financial position. The Company has classified each financial instrument into the following categories: “fair value through profit or loss,” “loans and receivables,” and “other liabilities.” Subsequent measurement of the financial instruments is based on their respective classification. Unrealized gains and losses on fair value through profit or loss instruments are recognized in earnings. The other categories of financial instruments are recognized at amortized cost using the effective interest method. The Company had made the following classifications:

Financial Asset or Liability	Category
Cash and cash equivalents	Available for sale
Amounts receivable	Loans and receivables
Deposits	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

f) Inventory

Materials inventories and work in progress items are stated at the lower of cost and replacement cost which is not in excess of net realizable value. Cost is determined using the first-in, first-out (“FIFO”) method for parts inventories. Finished goods and demo goods are stated at the lower of cost and net realizable value. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, and other direct costs and related production overheads. The cost excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

g) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent it relates to items recognized in equity.

Current income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the consolidated statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered

h) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised if in the money and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

i) Comprehensive profit (loss)

Comprehensive profit (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss is presented in the Consolidated Statements of Comprehensive Loss and the Consolidated Statements of Changes in Equity.

j) Equipment

Equipment assets are depreciated using the straight-line method based on estimated useful lives, which generally range from 3 to 5 years.

Where an item of equipment is comprised of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as “maintenance and repairs”.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

The depreciation method, useful life and residual values are assessed annually.

Subsequent costs

The cost of replacing part of an item within equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

l) Provisions and decommissioning liabilities

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Decommissioning liabilities include an estimate of the future cost associated with the abandonment and reclamation of property and equipment, discounted to its present value, and capitalized as part of the cost of that asset. The estimated costs are based on the present value of the expenditure expected to be incurred. Changes in the discount rate, estimated timing of decommissioning costs, or cost estimates are dealt with prospectively by recording a change in estimate, and a corresponding adjustment to equipment. The accretion on the decommissioning provision is included in the consolidated statement of comprehensive loss.

Actual expenditures incurred are charged against the decommissioning liability.

m) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

n) Share capital

Share capital issued for non-monetary consideration is recorded at an amount based on the quoted market value of the Company’s shares at the time of issuance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

o) Intangible assets

The purchase cost of intangible assets is initially capitalized as an asset.

The cost of intangible assets which are determined to have an indefinite life is not amortized, but is tested for impairment on an annual basis, based on a comparison of the fair value of the intangible asset with its carrying amount. The carrying amount is adjusted for impairment as necessary and any excess of the carrying amount over the fair value of the intangible asset is charged to earnings in the current period.

The cost of intangible assets which are determined to have a finite useful life is amortized on a systematic basis over the estimated remaining useful life.

Product registration costs related to efforts by the Company to acquire legal protections for its proprietary products, such as trademarks and patents, are capitalized if the Company believes that obtaining the trademark or patent, and recovery of the costs from future related revenues is reasonably assured, otherwise the costs are expensed.

The amortization period is determined based on the anticipated duration of legal protection, an assessment of the period of time over which the Company may be able to generate revenues from the related product, and expected obsolescence. Current patents are amortized over 20 years.

p) Research and development costs

Research costs are expensed in the year incurred. Development costs include all expenditures considered directly attributable to efforts by the Company to develop, and bring to commercial production, a new product. Such amounts are charged as an expense in the period incurred except in circumstances where the product or process is clearly defined and the costs attributable thereto can be identified, the technical feasibility has been established, management has indicated its intention to produce and market the product, the future market is clearly defined, adequate resources are available, and recovery of development costs can reasonably be regarded as assured, in which case such costs are capitalized.

q) Impairment of long-lived assets

At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

r) Government assistance

Government grants are recognized when the Company has established entitlement to the related funds and there is reasonable assurance that the Company has complied with the conditions of the grant. Such grants are accounted for as reduction of the related expense.

s) Revenue recognition

Revenues from product sales are recognized as revenue upon delivery of the product and transfer of title to the customer provided the price is fixed and determinable and collection is reasonably assured. Revenue from product sales is recognized net of reserves for estimated sales discounts and allowances, returns, rebates and charge backs.

4) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies 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 consolidated financial statements

a) Critical judgements in applying accounting policies

Going concern assumption

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the soundness of this assumption. Refer to note 1 for more details.

b) Keys sources of estimation uncertainty

Stock-based compensation and fair value of warrants

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3 of these audited annual consolidated financial statements. The fair value of stock options granted is measured using the Black-Scholes option valuation model ("BkS"), which was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using the BkS do not necessarily provide a reliable measure of the fair value of the Company's stock option awards. The same model is used by the Company in order to arrive at a fair value for the issuance of warrants.

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.

Useful life of patent and equipment

The Company reviews the estimated lives of its patent and equipment at the end of each reporting period. There were no material changes in the lives of patent and equipment for the reported periods.

5) Accounting standards issued but not yet effective

The following accounting standards have been issued by the International Accounting Standards Board ("IASB") but are not yet effective for the Company; both the effective date and the expected impact are noted, based on the information currently available.

a) IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments* (IFRS 9). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption of the new standard permitted. The Company does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.

b) IFRS 11, Joint Arrangements

In May 2014, the IASB issued amendments to this Standard, incorporated into the Handbook by the AcSB in July 2014, to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRS's with the exception of those principles that conflict with the guidance in IFRS 11. The amendments apply to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business, and the acquisition of additional interests in the same joint operation. The amendments are effective for annual periods beginning on or after 1 January 2016. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

c) IFRS 15, Revenues from Contracts with Customers

On 28 May 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

d) IAS 34, Interim financial reporting (amended standard)

In September 2014, the IASB issued amendments to IAS 34, Interim Financial Reporting (IAS 34). The amendments to IAS 34 are to be applied retrospectively, with earlier application permitted. The amendments provide additional guidance on interim disclosures and whether they are provided in the interim financial statements or incorporated by cross-reference between the interim financial statements and other financial disclosures. This amendment is effective for fiscal years beginning on or after 1 January 2016.

e) IAS 38, Intangible assets (amended standard)

Amendments to IAS 38 provide clarification of acceptable methods of depreciation and amortization. The amendments were issued in May 2014 and apply to annual reporting periods beginning on or after 1 January 2016, with early adoption permitted. The Company continues to assess this new standard, but does not expect it to have a significant impact.

6) Financial instruments and risk management

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, 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 31 March 2015 due to the immediate or short-term maturities of the financial instruments.

The Company classifies financial instruments carried at fair value 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

b) Market 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 made up of interest rate risk, currency risk, and other price risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

c) 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 and amounts receivable. The Company's cash and cash equivalents are held with major banks in Canada. The Company is not exposed to significant credit risk on these accounts.

The Company's amounts receivable consists of Goods and Services Tax payable ("GST"). GST is owed from the Government of Canada and is therefore not considered a credit risk.

d) 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 exposed to interest rate risk for GIC's held, however a 5% shift would not be material.

e) 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 10% shift in exchange would result in a $12,000 impact on foreign exchange gain or loss. At 31 March 2016 the Company held currency totalling the following:

Rounded (000's)		**31 March 2016**		31 March 2015
Canadian dollars	**$**	**202,000**	$	452,000
United States dollars	**$**	**154,000**	$	50,000
Amounts receivable in United States dollars	**$**	**-**	$	48,000
Accounts payable in United States dollars	**$**	**17,000**	$	50,000

f) 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. All of the Company's financial liabilities have contractual maturities of 30 days and are subject to normal trade terms. Management will settle obligations by way of existing working capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7) Amounts receivable

Amounts receivable consists of:

		31 March 2016		31 March 2015
Trade receivables	**$**	**-**	$	**52,606**
GST receivable and other		**35,938**		**51,336**
	$	**35,938**	$	**103,942**

8) Inventory

Inventory consists of:

		31 March 2016		31 March 2015
Raw materials	**$**	**224,670**	$	**55,973**

9) Equipment and patents

		Patents		Equipment		Total
COST OR DEEMED COST						
Balance at 1 April 2014	$	29,304	$	51,781	$	81,085
Additions for the year		23,533		-		23,533
Balance at 31 March 2015	$	52,837	$	51,781	$	104,618
Balance at 1 April 2015	**$**	**52,837**	**$**	**51,781**	**$**	**104,618**
Additions for the year		**40,989**		**-**		**40,989**
Balance at 31 March 2016	**$**	**93,826**	**$**	**51,781**	**$**	**145,607**
DEPRECIATION						
Balance at 1 April 2014	$	29,304	$	38,968	$	68,272
Depreciation for the year		588		9,979		10,567
Balance at 31 March 2015	$	29,892	$	48,947	$	78,839
Balance at 1 April 2015	**$**	**29,892**	**$**	**48,947**	**$**	**78,839**
Depreciation for the year		**883**		**s2,834**		**3,717**
Balance at 31 March 2016	**$**	**30,775**	**$**	**51,781**	**$**	**82,556**
CARRYING AMOUNTS						
At 1 April 2014	$	-	$	12,813	$	12,813
At 31 March 2015	$	22,945	$	2,834	$	25,779
At 31 March 2016	**$**	**63,051**	**$**	**-**	**$**	**63,051**

Equipment and patents

Equipment and patents are stated, in the statement of financial position, at cost less accumulated depreciation and accumulated impairment losses. Assets in the course of construction are carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use. The cost of equipment and patents include directly attributed incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of the asset using the straight line method over the estimate useful lives as follows:

Equipment	3-5 years
Patents	20 years

10) Other assets

Other assets represents 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 intangible assets and amortized over its useful life. During the year ended 31 March 2016 the Company wrote off $28,929 (2015 – $nil) in capitalized costs related to expired patent applications.

11) Share capital

a) Authorized

Unlimited common shares without par value.

b) Issued or allotted and fully paid

On 26 June 2015 the Company closed a brokered private placement of 6,280,833 units ("Units") at a price of $0.30 per Unit for gross proceeds of $1,884,250. Each Unit consists of one common share (a "share") and one half common share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one additional Share (a "Warrant Share") for a period of 36 months at a price of $0.45 per Warrant Share, subject to accelerated expiry in certain circumstances.

On 12 August 2014 the Company announced the closure of its first tranche of a private placement for 2,945,000 units at a price of $0.37 per unit for gross proceeds of $1,089,650.

On 29 August 2014 the Company announced the closure of its second and final tranche of a private placement for 1,020,000 units at a price of $0.37 per unit for gross proceeds of $377,400.

The Company distributed a total of 3,965,000 units for aggregate gross proceeds of $1,467,050. Each Unit in both tranche's consists of one common share and one half of one share purchase warrant, with each warrant entitling the holder to purchase one additional share for a period of 18 months at a price of $0.50 per warrant share.

The Company paid finder's fee consisting of a cash fee of 7% and finder's warrants to purchase shares equal to 7% of the Units placed at a price of $0.37 for 18 months. All securities will be subject to a 4 month hold period. The Company paid additional share issuance costs of $31,984 in relation to the private placement.

As at 31 March 2016 and 2015, no common shares were held in escrow.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

c) Summary of stock option activity

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 5 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 6,637,537 common shares of the Company at any time.

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

STOCK OPTION ACTIVITY	31 March 2016	Weighted average exercise price	31 March 2015	Weighted average exercise price
Balance – beginning of year	**3,398,192**	**$ 0.34**	2,618,192	$ 0.32
Granted	**150,000**	**0.30**	780,000	0.38
Expired	**(180,000)**	**0.36**	-	-
Exercised	**-**	**-**	-	-
Balance – end of year	**3,368,192**	**$ 0.33**	3,398,192	$ 0.34

As at 31 March 2016, 3,293,192 (31 March 2015 – 3,145,692) of the outstanding options were vested and exercisable; none were in the money.

Details of stock options outstanding as at 31 March 2016 are as follows:

Expiry Date	Options vested and exercisable	Exercise price	31 March 2016	31 March 2015
3 November 2016	1,028,192	$ 0.30	**1,028,192**	1,028,192
5 December 2016	105,000	$ 0.35	**105,000**	105,000
31 January 2017	350,000	$ 0.31	**350,000**	350,000
12 September 2017	250,000	$ 0.32	**250,000**	250,000
16 April 2018	265,000	$ 0.32	**265,000**	265,000
10 September 2018	50,000	$ 0.36	**50,000**	230,000
11 February 2019	390,000	$ 0.37	**390,000**	390,000
4 June 2019	450,000	$ 0.40	**450,000**	450,000
15 September 2019	280,000	$ 0.38	**280,000**	280,000
20 January 2020	25,000	$ 0.23	**25,000**	25,000
24 February 2020	25,000	$ 0.31	**25,000**	25,000
16 October 2015	75,000	$ 0.30	**150,000**	-
	3,293,192		**3,368,192**	3,398,192

The outstanding options have a weighted average exercise price of $0.33 (31 March 2015 – $0.34) and the weighted average remaining life of the options is 1.90 years (31 March 2015 – 2.81 years). The vested and exercisable options as at 31 March 2016 have a weighted average exercise price of $0.33 (31 March 2015 – $0.33).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

d) Warrants

Warrant activity during the year is summarized as follows:

WARRANT ACTIVITY	31 March 2016(i)		Weighted Average exercise price	31 March 2015(i)		Weighted Average exercise price
Balance – beginning of year	**3,632,050**	**$**	**0.50**	4,432,874	$	0.46
Issued	**3,140,416**		**0.45**	1,982,500		0.50
Agents' warrants issued(ii)	**376,850**		**0.30**	277,550		0.50
Warrants exercised	**-**		**-**	-		-
Agents' warrants exercised	**-**		**-**	-		-
Warrants expired	**(3,632,050)**		**0.50**	(2,971,834)		0.45
Agents' warrants expired	**-**		**-**	(89,040)		0.32
Balance – end of year	**3,517,266**	**$**	**0.43**	3,632,050	$	0.50

(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 2016, the Company issued 376,850 (31 March 2015 – 277,550) agents' warrants with a fair value of $34,000 (31 March 2015 – $17,000).

The following weighted average assumptions were used for the Black-Scholes valuation of agents warrants granted during the year:

	31 March 2016	31 March 2015
Risk free interest rate	**0.60%**	1.09%
Expected dividend yield	**0.00%**	0.00%
Expected stock price volatility	**54%**	42%
Expected life in years	**2.00**	1.50

The Company uses its historical price volatility and the volatility used by companies with comparable operations as the basis for determining the expected volatility used in its Black-Scholes calculations. The weighted average fair value of agents warrants granted in the year was $0.09 per share (2015 - $0.06 per share).

Details of warrants outstanding as at 31 March 2016 are as follows:

Issued	Expiry		Exercise price	31 March 2016	31 March 2015
18 June 2013	18 June 2015(i)	$	0.50	**-**	1,372,000
12 August 2014	12 February 2016	$	0.50	**-**	1,472,500
12 August 2014	12 February 2016	$	0.50	**-**	206,150
29 August 2014	29 February 2016	$	0.50	**-**	510,000
29 August 2014	29 February 2016	$	0.50	**-**	71,400
26 June 2015	26 June 2018	$	0.45	**3,140,416**	-
26 June 2015	26 June 2017	$	0.30	**376,850**	-
				3,517,266	3,632,050

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

e) Stock-based compensation

The Company recognizes compensation expense 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 year ended 31 March 2016, the Company recognized $23,894 (31 March 2015 - $240,108) of share-based compensation expense. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	31 March 2016	31 March 2015
Risk free interest rate	**0.82%**	1.17%
Expected dividend yield	**0.00%**	0.00%
Expected stock price volatility	**49%**	41% - 100%
Expected life in years	**5.00**	5.00

The weighted average fair value of stock options granted in the year was $0.11 per share (2015 - $0.15 per share).

12) Capital disclosures

The Company manages its capital structure and makes adjustments 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 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 for the period ended 31 March 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13) Related party transactions

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

Related party transactions and balances not disclosed elsewhere in the Financial Statements are as follows:

RELATED PARTY DISCLOSURE

Name and Principal Position	Period(i)	Remuneration or fees(ii)	Included in Accounts Payable
Chief Technology Officer (2016); Outgoing CEO (2015) – management fees(iii)	**2016**	**$ 140,000**	**$ -**
	2015	142,000	7,000
CEO – management fees(iv)	**2016**	**60,000**	**-**
	2015	60,000	-
Clearline Chartered Accountants, a company of which the CFO is a director (v) – management fees	**2016**	**76,000**	**8,000**
	2015	27,000	3,000
Associate counsel – legal services	**2016**	**84,000**	**1,600**
	2015	61,000	2,000
A company of which the CFO is a director – bookkeeping services	**2016**	**38,000**	**-**
	2015	25,000	3,000

(i) For the year ended 31 March 2016 (fiscal 2016) and 31 March 2015 (fiscal 2015).
(ii) Amounts disclosed were paid or accrued to the related party.
(iii) The Company's CEO stepped down effective 30 November 2014 (fiscal 2015).
(iv) The Company appointed its Chairman of the Board as interim CEO effective 1 December 2014 (fiscal 2015).
(v) The Company hired a new CFO, Grant T. Smith, effective 1 July 2014.

Stock-based compensation awarded to directors and officers during the year ended 31 March 2016 totalled $558 (31 March 2015 - $94,414).

These expenses were incurred in the normal course of operations and have been measured at the exchange amount, which is determined on a cost recovery basis.

14) Segmented disclosure

The Company operates in one reportable operating segment, being the development, manufacturing and marketing of Production Measurement and Control systems ("PMC™") for the solar wafer, cell and panel manufacturing industry. All assets are held in Canada.

The Company is exposed to significant sales concentration. For the year ended 31 March 2016, one customer accounted for 90% of revenues and one customer accounting for the remaining 10% (during 2015 three customers accounted for 100% of revenues).

15) Commitments

In March 2016, the Company renewed the lease for its head office for a 12 month period, for a total contractual obligation of $22,976.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16) Income taxes

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	31 March 2016	31 March 2015
Earnings (loss) for the year	$ (1,590,704)	$ (1,815,975)
Expected income tax recovery	$ (414,000)	$ (472,000)
Change in statutory rate, foreign tax, foreign exchange rates and other	(21,000)	(5,000)
Permanent differences	6,000	64,000
Share issuance costs	(31,000)	(31,000)
Change in unrecognized deductible temporary differences	460,000	444,000
Total income tax expense (recovery)	$ -	$ -

The Canadian income tax rate changed during the year due to changes in the law that impacted tax rates in British Columbia and Canada.

The significant components of the Company's temporary differences, unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	31 March 2016	Expiry date range	31 March 2015	Expiry date range
Temporary differences				
Investment tax credit	$ 223,000	2030 – 2033	$ 505,000	2030 – 2033
Property and equipment	$ 19,000	No expiry date	$ 14,000	No expiry date
Canadian eligible capital (CEC)	$ 34,000	No expiry date	$ 83,000	No expiry date
Share issuance costs	$ 139,000	2037 – 2040	$ 184,000	2036 – 2039
Non –capital losses available for future period	$ 7,546,000	2027 – 2036	$ 5,595,000	2026 – 2035

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

17) Subsequent event

In July 2016, the Company announced that it closed a non-brokered private placement of 5,175,167 units at a price of $0.15 per unit for gross proceeds of $776,275. Each unit will consist of one common share and one purchase warrant, with each warrant entitling the holder to purchase one additional share for a period of 24 months at a price of $0.25 per warrant share.

The Company will be paying a finder's fee consisting of a cash fee of 7% and finders' warrants to purchase units equal to 7% of the units placed.

All securities will be subject to a four-month hold period.