AURORA SOLAR TECHNOLOGIES INC.

(Formerly ACT Aurora Control Technologies Corp.)

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

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2016

Stated in Canadian Funds

DATE: 23 FEBRUARY 2017

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AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds
(Unaudited)
For the Nine Month Period Ended 31 December 2016

MANAGEMENT DISCUSSION AND ANALYSIS

TO OUR SHAREHOLDERS

The following information, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Aurora Solar Technologies Inc., formerly ACT Aurora Control Technologies Corp. (the "Company", or "Aurora") for the nine months ended 31 December 2016 (fiscal 2017) and the related notes attached thereto, and the audited annual financial statements for the year ended 31 March 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information about the Company, including the audited consolidated financial statements, and the notes thereto, for the year ended 31 March 2016, prepared in accordance with IFRS, can be found on SEDAR at www.sedar.com.

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may be deemed to be "forward-looking statements". All statements in this discussion other than statements of historical facts, that address future events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, regulatory approvals, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of the MD&A. Such information: involves significant risks and uncertainties; should not be read as guarantees of future performance or results; and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the risks related to; general economic and business conditions and competition for, among other things, capital.

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
Future funding for ongoing operations	The Company will be able to raise these funds	The Company has disclosed that this may be difficult and failure to raise these funds will materially impact the Company's ability to continue as a going concern
Favourable economic conditions	The economy in Canada, the United States, Europe, and Asia will move in a direction that will support the worldwide PV solar market	The economic conditions move in a negative direction causing changes to the landscape affecting future pricing and inventory

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

Aurora Control Technologies Inc. ("ACT"), a company incorporated on 14 May 2009 under the Canada Business Corporations Act and extra-provincially in British Columbia on 24 May 2011, develops, manufactures and markets Production Measurement and Control systems ("PMC™") to the solar wafer, cell and panel manufacturing industry. Headquartered in North Vancouver, Canada, and founded by experienced leaders in process measurement, semiconductor manufacturing and industrial automation. ACT's inline, real-time measurement and control products provide photovoltaic cell manufacturers with the means to lower production costs and increase profitability. ACT has developed an in-line metrology device and associated controller for direct use in PV manufacturing lines to measure and improve the efficiency and quality of the cells. ACT is directly marketing its products to manufactures.

Pulse Capital Corp. was incorporated on 26 October 2006 under the Business Corporations Act of British Columbia as a capital pool company. On 3 November 2011, Pulse Capital Corporation completed its qualifying transaction ("QT") by acquiring ACT. On May 28, 2015, the consolidated entity announced a name change to Aurora Solar Technologies Inc. ("Company") to better reflect its business focus.

The address of the Company's corporate and administrative office and principal place of business is #210 – 980 West 1st Street, North Vancouver, BC, V7P 3N4.

Manufacturers of solar products experience significant variations in product quality that result in the downgrading of 25-50% of their production which significantly reduces their profitability. Aurora's mission is to produce measurement and control solutions which allow solar cell producers to improve manufacturing yield, lower costs, decrease waste and attain higher margins. By measuring the cell after the diffusion furnace and reducing variability by controlling the furnace, significant improvements in final cell efficiency are possible.

With its Decima™ and Veritas™ product lines, Aurora provides solar cell manufacturers with the most accurate and repeatable products to characterize and control the emitter formation process. This is the most important process step in determining solar cell efficiency. Aurora's objective is to markedly reduce the costly and excessively wide spread of final product quality classes that are common in the solar cell manufacturing industry.

Aurora's initial customers are Crystalline Silicon (c-Si) photovoltaic cell manufacturers. Aurora markets and sells directly to these customers located in North America, Europe and Asia. Aurora's products integrate in-line measurement, process control and production flow management. Aurora is not aware of any other companies selling such a coordinated set of products designed to work together for in-line measurement and real-time control of each stage of the cell manufacturing process.

HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS

07 February 2017 The Company has received an order from Nexxergy for a portable Decima 3T with Veritas software for solar cell production characterization after diffusion and process optimization. We are very pleased to work with the EXXERGY Group and this large customer in China to create significant exposure for our Decima 3T with Veritas software. This order creates a new channel for us in China to deliver value-added services to the major players in the photovoltaic industry.

On 12 January 2017, the Company introduced a bifacial solar cell optimization system. The system is an enhanced version of the Decima in-line measurement system for quality control of bifacial solar cells during production. Bifacial solar cells have an open and active backside, which enables collection of reflected light available from the earth, rooftops et cetera, generating up to 25 per cent more energy than traditional cells. Aurora's system, called Decima Gemini, consists of a specialized pair of Decima CD measurement heads. With this novel system, the sheet resistance of the wafers' back-surface field and emitter is measured accurately and simultaneously.

On 5 January 2017, the Company provided further insight into the follow-on order announced on October 21 2016 from another customer considered by management to be the quality leader in the industry. This was the second order of Decima and Veritas software delivered to this customer's high-efficiency, mono-crystalline solar cell production facility. The products from these two orders have shipped and were successfully put into production in December 2016. The company expects to receive additional orders from this customer for a new solar cell production facility in the first half of 2017, amounting to at least another 20 units.

The growing demand for high-efficiency, monocrystalline PERC (passivated emitter rear cell) solar cells is exceeding the supply, and Aurora has established itself as the only reliable means of measuring and controlling the doping layers on these advanced cells during the diffusion process. The successful sale and installation of Decima and Veritas software to leading industry players have validated the technology and are creating new order opportunities. In the past six months, the company has introduced its products to over eight potential new customers.

The market trend in Asia toward higher-efficiency cells, combined with increasing labour costs, is necessitating that solar cell producers add more automation, particularly in the quality management area. With Asia representing over 85 per cent of global solar cell production, Aurora plans to leverage its strategic partnerships to expand its sales and business development efforts in the region targeting the larger high-end producers.

The company also continues to make progress with its end-to-end quality control system (QCS) design. On June 7, 2016, Aurora announced a lead customer for this product and the company expects to complete the installation and testing of the QCS by the fall of 2017, making the QCS product available to its growing customer base by the end of the calendar year. The QCS provides the company with the opportunity to create a higher-value, recurring revenue stream by measuring and controlling the solar cell quality in real time from the beginning to the end of the process, including after diffusion and at other key process steps. The QCS is being designed to provide the customer with a measurable and attractive ROI (return on investment) by improving process reliability and profit margins.

On 13 December 2016, the Company announced volume order from LG electronics. The order for 12 Decima CDs and multiple Veritas Servers spans several production lines and is expected to ship before the end of February, 2017. This order represents the single largest order in the company's history and the company won the business with this leading multinational by demonstrating superior performance and by quickly adapting its products to fit the existing automation and mounting requirements.

On 23 November 2016, the Company appointed John McNicol to the board of directors, effective immediately. John McNicol is an executive with a proven record of building high-growth international companies from early start-up through periods of substantial asset investment, rapid sales growth and significant shareholder value appreciation. John McNicol was formerly the president and co-chief executive officer of Enwave Corp., where he helped build the company's strategy, royalty revenue streams, licensing and collaboration agreements with global companies. In addition, he has considerable experience in investment and equity banking.

In connection with this and other appointments, the company issued 3,077,381 options to directors, employees and consultants of the company.

On 21 October 2016, the Company closed a repeat order with an early adopter of Aurora Solar Technologies Inc. who is a recognized leader in solar cell technology that previously qualified Aurora's products and is ranked in the top-five producers. The order for multiple Decima 3T systems with Veritas visualization software is the second purchase for this customer's announced 1.4-gigawatt production facility and will be deployed on mono-crystalline production lines located in Asia.

On 10 October 2016, the Company announced that it was in discussions with customers for new multi-unit orders that were progressing to the procurement phase and negotiating delivery schedules.

Also in October, the Company appointed Kevin Dodds to the Board of Directors. Mr. Dodds is a chartered professional accountant who brings 25 years of experience in finance and operations within multifaceted businesses across diverse industries. Mr. Dodds is currently the chief financial officer of Noram Engineering and Constructors Ltd., and is a director and officer of its operating subsidiaries. He was previously with Export Development Canada, MacDonald, Dettwiler and Associates, and Chemetics International.

RESULTS OF OPERATIONS

The comprehensive loss attributable to the shareholders for the period ended 31 December 2016 (fiscal 2017) was $1,132,040, which compares to a comprehensive loss of $1,347,481 during the period ended 31 December 2015 (fiscal 2016). The main fluctuations in costs are as follows:

Product sales (rounded to the nearest '000)	**9 months** **2016**	9 months 2015	**3 months** **2016**	3 months 2015
	$ 562,000	$ 126,000	**$ 320,000**	$ -
Variance increase (decrease)	**436,000**		**320,000**	

The increase in product sales reflects the Company's commitment to strategy and developing relationships with major multinational clientele and the engagement of greater local expertise with respect to sales staff.

Cost of sales (rounded to the nearest '000)	**9 months** **2016**	9 months 2015	**3 months** **2016**	3 months 2015
	$ 422,000	$ 172,000	**$ 226,000**	$ 101,000
Variance increase (decrease)	**250,000**		**125,000**	

The Company is actively in the research and development phase of its life cycle, with early adopters receiving custom installations a delayed acceptances. This leads to large variances in gross margin as seen above; management currently expects cost of sales to normalize as unit sales increase.

Wage expense (rounded to the nearest '000)	**9 months** **2016**	9 months 2015	**3 months** **2016**	3 months 2015
	$ 458,000	$ 446,000	**$ 157,000**	$ 140,000
Variance increase (decrease)	**12,000**		**17,000**	

The team assembled has stabilized into long term relationships while the Company prepares for increased volumes, this is reflected in the stability of wage expense in comparative periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Professional fees (rounded to the nearest '000)	**9 months** **2016**	9 months 2015	**3 months** **2016**	3 months 2015
	$ 72,000	$ 120,000	**$ 26,000**	$ 22,000
Variance increase (decrease)	**(48,000)**		**4,000**	

Professional fees expense is largely impacted by the Company's life cycle and development of products. The Company incurs these fees as required, the timing of which is not consistent period over period. As a result, the nine month period ended 31 December 2016 is lower than the same period in 2016.

Consulting expense (rounded to the nearest '000)	**9 months** **2016**	9 months 2015	**3 months** **2016**	3 months 2015
	$ 290,000	$ 344,000	**$ 48,000**	$ 108,000
Variance increase (decrease)	**(54,000)**		**(60,000)**	

Consulting fees decreased in the nine month period ended 31 December 2016 when compared to the nine month period ended 31 December 2015 as a result of contracts with management consultants expiring.

Operating expense (rounded to the nearest '000)	**9 months** **2016**	9 months 2015	**3 months** **2016**	3 months 2015
	$ 226,000	$ 370,000	**$ 83,000**	$ 109,000
Variance increase (decrease)	**(144,000)**		**(26,000)**	

Management has continued to focus on cost control and this is evident in the year over year decrease in operating expense account. This account is responsible for approximately 70% of the comparative period decrease in loss from operations.

Share-based payments (rounded to the nearest '000)	**9 months** **2016**	9 months 2015	**3 months** **2016**	3 months 2015
	$ 223,000	$ 20,000	**$ 217,000**	$ 12,000
Variance increase (decrease)	**203,000**		**205,000**	

In the third quarter options were issued to new strategic consultants, officers and new board members resulting in increased share-based payments account for the third quarter.

FINANCIAL DATA FOR LAST EIGHT QUARTERS

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

Three Months Ended	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
Total Revenues	319,688	18,849	223,810	160,765	-	78,246	48,063	72,638
Loss from continuing operations	439,011	381,808	310,527	272,172	493,690	432,266	421,505	595,728
Loss for the period	439,011	381,808	310,527	272,172	493,690	432,266	421,505	595,728
Loss per share (Basic and diluted)	0.01	0.01	0.01	0.01	0.02	0.01	0.02	0.02
Total assets	950,811	800,141	908,276	756,075	1,112,186	1,612,119	2,016,491	752,611
Working capital	426,668	492,015	547,494	482,973	728,073	1,225,575	1,712,581	423,851

Variances between quarters from December 2016 back through to December 2014 are primarily a result of the business life cycle and its stage of research and development. During these periods, expenses incurred are largely driven by the development of the Company's product and vary based on timing of testing and the availability of required inputs. None of the changes between the above quarters are outside the expectation of management.

OUTSTANDING SHARES

As at 31 December 2016 the Company had 39,615,234 common shares issued and outstanding (31 December 2015 – 33,187,686). As at 31 December 2016, the fully diluted amount of 51,859,462 represents warrants of 8,914,228, and options of 3,330,000.

As of the date of this report Company had 39,788,319 of common shares issued and outstanding and the fully diluted amount of 52,032,547 represents warrants of 8,914,228 and options of 3,330,000.

FINANCIAL POSITION AND LIQUIDITY

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, inventory, accounts payable and accrued liabilities. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

Currency & Credit Risk – All of the Company's Canadian cash is held at a major bank and such balances earn interest at market rates. The Company also maintains cash in US dollars. The cash balances and payables that are denominated in foreign currencies are subject to currency risk due to fluctuations in the exchange rate between the currencies. To manage this risk, the Company maintains only the minimum amount of foreign cash required to fund its on-going operational activity.

Fair Value – As at 31 December 2016 and 31 March 2016, the carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

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

LIQUIDITY AND FINANCIAL CONDITION OF THE COMPANY

The Company's working capital surplus at 31 December 2016 was $427,000 compared with $483,000 at 31 March 2016.

Cash used in operating activities during the three months ended 31 December 2016 totalled $120,978 (31 December 2015 – $ 348,765).

Cash used (produced from) in investing activities during the three months ended 31 December 2016 totalled $3,309 (31 December 2015 – $(383,311)).

Cash raised in financing activities during the three months ended 31 December 2016 was $134,500 (31 December 2015 - $nil).

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

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

CAPITAL RESOURCES AND COMMITMENTS

On 26 June 2015, the Company engaged Euro pacific capital to broker a private placement. The company granted 376,850 warrants to purchase shares priced at $0.30.

On 16 October 2015 the Company entered into a contract with Nina Lafleur at a monthly rate of $5,000 and 150,000 stock options which have a term of 5 years. On 1 October 2016, the contract has been revised at a monthly rate of $2,500.

On 19 February 2016, the Company renewed the lease for its head office for a 12 month period, for a total contractual obligation of $34,973.

On 8 July 2016 the Company closed a private placement in the amount of $776,275 with all securities having a holding period of 4 months.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at 31 December 2016 and as at the date hereof.

RELATED PARTY TRANSACTIONS

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
CEO – management fees	**2017**	**$**	**107,891**	**$**	**2,000**
	2016	$	55,000	$	-
Associate counsel – legal services	**2017**	**$**	**55,000**	**$**	**3,000**
	2016	$	58,000	$	-
Clearline CPA, a company of which the CFO is a director – management fees	**2017**	**$**	**49,000**	**$**	**10,000**
	2016	$	51,000	$	-
A company of which the CFO is a director – bookkeeping services	**2017**	**$**	**22,000**	**$**	**6,000**
	2016	$	39,000	$	-

(i) For the nine months ended 31 December 2016 (fiscal 2017) and 31 December 2015 (fiscal 2016).
(ii) Amounts disclosed were paid or accrued to the related party.

Share-based payments awarded to directors and officers during the nine month period ended 31 December 2016 totalled $64,000 (31 December 2015 - $558).

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.

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, 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 December 2016 due to the immediate or short-term maturities of the financial instruments.

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

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

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

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

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

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. As at 31 December 2016, the carrying value of cash and cash equivalents is fair value. The remaining financial instruments approximate their fair value due to their short term nature.

c) 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 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. The Company is not exposed to significant market risk.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its bank accounts. The Company's accounts are held with major banks in Canada. The Company is not exposed to significant credit risk.

e) Interest rate risk

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

f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its on-going expenditures. The Company is exposed to foreign currency risk, as it deals with customers and vendors in currencies other than its functional currency. A 5% shift in exchange would not be material. As at 31 December 2016 the Company held currency totalling the following:

(rounded to the nearest '000)		**31 December 2016**		31 March 2016
Canadian dollars	**$**	**106,000**	$	202,000
United States dollars	**$**	**256,000**	$	154,000
Amounts payable in United States dollars	**$**	**131,000**	$	17,000

g) Liquidity risk

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

INVESTOR RELATIONS ACTIVITIES

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

MANAGEMENT

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

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties.

Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

APPROVAL

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

A CAUTIONARY TALE

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

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

Respectfully submitted,

On behalf of the Board of Directors,

“Michael Heaven”

Michael Heaven, CEO