

# **AURORA SOLAR TECHNOLOGIES INC.**

(Formerly ACT Aurora Control Technologies Corp.)

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2016**

Stated in Canadian Funds

### **NOTICE OF NO AUDITOR REVIEW OF**

#### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Aurora Solar Technologies Corp. have been prepared by and are the responsibility of the management.

The independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Organization of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

## TABLE OF CONTENTS

Management’s Responsibility .....	i
Condensed Interim Consolidated Statement of Financial Position .....	1
Condensed Interim Consolidated Statement of Comprehensive Loss .....	2
Condensed Interim Consolidated Statement of Changes in Equity.....	3
Condensed Interim Consolidated Statement of Changes in Equity - Continued .....	4
Condensed Interim Consolidated Statement of Cash Flows .....	5
1) Nature of operations and going concern .....	6
2) Basis of preparation – Statement of Compliance.....	6
3) Summary of significant accounting policies .....	7
4) Critical accounting judgements and estimates .....	7
5) Financial instruments and risk management .....	7
6) Amounts receivable.....	9
7) Prepaid expenses .....	9
8) Inventory .....	9
9) Equipment .....	10
10) Patents and other assets .....	11
11) Share capital .....	12
12) Related party transactions .....	15
13) Capital management .....	16
14) Commitments.....	16
15) Subsequent event.....	16

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

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

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

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

We draw attention to Note 1 in the condensed interim 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.

23 February 2017

"Michael Heaven"

Michael Heaven, CEO

"Grant T. Smith"

Grant T. Smith, CFO

Canadian Funds  
(Unaudited)

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2016	As at 31 March 2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 449,660	\$ 356,299
Amounts receivable	(6)	23,718	35,938
Prepaid amounts and deposits	(7)	83,103	36,004
Inventory	(8)	257,959	224,670
		<b>814,440</b>	652,911
<b>Non-current Assets</b>			
Patents	(10)	65,546	63,051
Other assets	(10)	70,825	40,113
		<b>136,371</b>	103,164
		<b>\$ 950,811</b>	\$ 756,075
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	(12)	\$ 387,772	\$ 141,991
Deferred revenue		-	27,947
		<b>387,772</b>	169,938
<b>EQUITY (STATEMENT 3)</b>			
Share capital	(11)	8,644,242	7,719,274
Obligation to issue shares		24,154	-
Contributed surplus – warrants		82,203	77,203
Contributed surplus – options		968,498	813,678
Deficit		(9,156,058)	(8,024,018)
		<b>563,039</b>	586,137
		<b>\$ 950,811</b>	\$ 756,075
Nature of operations and going concern	(1) Commitments		(14)
Basis of preparation - Statement of Compliance	(2) Subsequent event		(15)
Capital management	(13)		

These condensed interim consolidated financial statements were approved by the Board of Directors on 23 February 2017 and were signed on its behalf by:

“Michael Heaven”  
Michael Heaven, Director

“David Toyoda”  
David Toyoda, Director

Canadian Funds  
(Unaudited)

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Nine months Ended 31 December 2016	Nine months ended 31 December 2015	Three months Ended 31 December 2016	Three months ended 30 December 2015
<b>Revenues</b>					
Product sales		\$ 562,347	\$ 126,309	\$ 319,688	\$ -
Cost of sales		(421,914)	(171,781)	(225,776)	(100,725)
<b>Gross margin</b>		<b>140,433</b>	(45,472)	<b>93,912</b>	(100,725)
<b>Expenses</b>					
Salaries and wages		457,725	445,743	157,422	140,449
Consulting fees		289,722	343,930	47,942	108,052
Operating expense		226,734	369,583	83,336	109,148
Share-based payments	(11)	222,804	20,123	217,405	11,876
Professional fees		72,176	119,603	25,905	22,439
Amortization		3,312	3,007	913	1,001
		<b>1,272,473</b>	1,301,989	<b>532,923</b>	392,965
<b>Net Loss from Operating Activities and Comprehensive Loss</b>		<b>\$ (1,132,040)</b>	\$ (1,347,481)	<b>\$ (439,011)</b>	\$ (493,690)
<b>Net Loss per Common Share – Basic and Diluted</b>		<b>\$ (0.03)</b>	\$ (0.04)	<b>\$ (0.01)</b>	\$ (0.01)
<b>Weighted Average Number of Shares Outstanding</b>		<b>36,872,872</b>	31,223,498	<b>39,411,432</b>	33,187,686

Canadian Funds  
(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Shares	Amount	Obligation to issue shares	Warrants	Amount	Options	Amount	Deficit	Shareholders' Equity
<b>BALANCE AT 1 APRIL 2015</b>	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)	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	8,247	-	8,247
Net loss for the period	-	-	-	-	-	-	-	(421,505)	(421,505)
<b>BALANCE AT 30 JUNE 2015</b>	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)
<b>BALANCE AT 30 SEPTEMBER 2015</b>	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)	-	-	-
Share-based payments	-	-	-	-	-	-	11,876	-	11,876
Net loss for the period	-	-	-	-	-	-	-	(493,691)	(493,691)
<b>BALANCE AT 31 DECEMBER 2015</b>	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)	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	3,771	-	3,771
Net loss for the period	-	-	-	-	-	-	-	(272,171)	(272,171)
<b>BALANCE AT 31 MARCH 2016</b>	33,187,686	\$ 7,719,274	\$ -	3,517,266	\$ 77,203	3,368,192	\$ 813,678	\$ (8,024,018)	\$ 586,137

Canadian Funds  
(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONTINUED

	Shares	Amount	Obligation to issue shares	Warrants	Amount	Options	Amount	Deficit	Shareholders' Equity
<b>BALANCE 01 APRIL 2016</b>	<b>33,187,686</b>	<b>\$ 7,719,274</b>	<b>-</b>	<b>3,517,266</b>	<b>\$ 77,203</b>	<b>3,368,192</b>	<b>\$ 813,678</b>	<b>\$ (8,024,018)</b>	<b>\$ 586,137</b>
Obligation to issue shares	-	-	373,000	-	-	-	-	-	373,000
Options expired	-	-	-	-	-	(450,000)	-	-	-
Share-based payments	-	-	-	-	-	-	3,603	-	3,603
Net loss for the period	-	-	-	-	-	-	-	(310,527)	(310,527)
<b>BALANCE 30 JUNE 2016</b>	<b>33,187,686</b>	<b>\$ 7,719,274</b>	<b>373,000</b>	<b>3,517,266</b>	<b>\$ 77,203</b>	<b>2,918,192</b>	<b>\$ 817,281</b>	<b>\$ (8,334,545)</b>	<b>\$ 652,213</b>
Obligation to issue shares	-	-	(373,000)	-	-	-	-	-	(373,000)
Private placement issuance	5,175,167	776,275	-	5,175,167	-	-	-	-	776,275
Issuance of agents warrants	-	(5,000)	-	221,795	5,000	-	-	-	-
Share issuance costs	-	(48,791)	-	-	-	-	-	-	(48,791)
Share-based payments	-	-	-	-	-	-	1,796	-	1,796
Options expired	-	-	-	-	-	(280,000)	-	-	-
Net loss for the period	-	-	-	-	-	-	-	(382,502)	(382,502)
<b>BALANCE 30 SEPTEMBER 2016</b>	<b>38,362,853</b>	<b>\$ 8,441,758</b>	<b>-</b>	<b>8,914,228</b>	<b>\$ 82,203</b>	<b>2,638,192</b>	<b>\$ 819,077</b>	<b>\$ (8,717,047)</b>	<b>\$ 625,991</b>
Obligation to issue shares	-	-	24,154	-	-	-	-	-	24,154
Options granted	-	-	-	-	-	3,077,381	216,000	-	216,000
Shares on option exercise	1,252,381	134,500	-	-	-	-	-	-	134,500
Value of options exercised	-	67,984	-	-	-	(1,252,381)	(67,984)	-	-
Options expired	-	-	-	-	-	(1,133,192)	-	-	-
Share-based payments	-	-	-	-	-	-	1,405	-	1,405
Net loss for the period	-	-	-	-	-	-	-	(439,011)	(439,011)
<b>BALANCE 31 DECEMBER 2016</b>	<b>39,615,234</b>	<b>\$ 8,644,242</b>	<b>24,154</b>	<b>8,914,228</b>	<b>\$ 82,203</b>	<b>3,330,000</b>	<b>\$ 968,498</b>	<b>\$ (9,156,058)</b>	<b>\$ 563,039</b>

Canadian Funds  
(Unaudited)

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine months ended 31 December 2016	Nine months ended 31 December 2015	Three months ended 31 December 2016	Three months ended 31 December 2015
<b>OPERATING ACTIVITIES</b>				
<b>Loss for the Period</b>	\$ (1,132,040)	\$ (1,347,461)	\$ (439,011)	\$ (493,690)
<b>Items not Affecting Cash</b>				
Amortization	3,312	3,008	913	1,000
Shares for services	24,154	-	24,154	-
Share-based payments	222,804	20,123	217,405	11,876
	(881,770)	(1,324,330)	(196,539)	(480,814)
<b>Net Change in Non-cash Working Capital</b>				
Amounts receivable	12,220	71,688	34,242	93,718
Prepaid amounts and deposits	(47,099)	(3,927)	(57,856)	6,543
Inventory	(33,289)	(223,255)	(115,141)	49,907
Accounts payable and accrued liabilities	245,781	(184,808)	242,229	(69,739)
Deferred revenue	(27,947)	186,235	(27,913)	51,620
	149,666	(154,067)	75,561	132,049
	(732,104)	(1,478,397)	(120,978)	(348,765)
<b>INVESTING ACTIVITIES</b>				
Investment in intellectual property	(36,519)	(56,934)	(3,309)	(16,688)
Purchase of term deposits	-	(1,499,999)	-	399,999
Sale of term deposits	-	1,049,999	-	-
	(36,519)	(506,934)	(3,309)	383,311
<b>FINANCING ACTIVITIES</b>				
Proceeds from share issuances	915,775	1,884,250	134,500	-
Cash share issuance costs	(53,791)	(198,764)	-	-
	861,984	1,685,486	134,500	-
<b>Net Increase (Decrease) in Cash</b>	93,361	(299,845)	10,213	34,546
Cash position – beginning of period	356,299	516,743	439,447	182,352
<b>Cash Position – End of Period</b>	\$ 449,660	\$ 216,898	\$ 449,660	\$ 216,898
<b>Schedule of Non-cash Investing and Financing Transactions</b>				
Restricted cash	\$ 5,958	\$ 1,500	\$ 5,958	\$ 1,500
Cash received for interest	\$ -	\$ 4,248	\$ -	\$ 3,100
Fair value of agent's warrants issued	\$ 5,000	\$ 34,000	\$ 5,000	\$ 34,000



## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 1) Nature of operations and going concern

Aurora Solar Technologies Inc., formerly known as ACT Aurora Control Technologies Corp. (“Aurora” or the “Company”) was incorporated on 26 October 2006 under the Business Corporations Act of British Columbia. Aurora develops, manufactures and markets Production Measurement and Control TM systems to the solar wafer, cell and panel manufacturing industry. The Company is listed on the TSX Venture Exchange as ACU.

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

These unaudited condensed interim consolidated financial statements (“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.

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. Management of 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.

	31 December 2016	31 March 2016
(rounded to the nearest '000)		
Working capital	\$ 427,000	\$ 483,000
Accumulated deficit	\$ 9,156,000	\$ 8,024,000

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

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

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

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

Since the unaudited condensed interim consolidated financial statements do not include all disclosures required by the IFRS for annual financial statements, they should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended 31 March 2016.

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

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

#### 3) Summary of significant accounting policies

The accounting policies and methods of computation followed in preparing these financial statements are the same as those followed in preparing the most recent audited annual consolidated financial statements. For a summary of significant accounting policies, please refer to the Company's audited annual consolidated financial statements for the year ended 31 March 2016.

#### 4) Critical accounting judgements and estimates

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 financial statements.

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

###### Determination of functional currency

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

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

###### Inventory

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

The Company's work in process allocations of overhead and labour are estimations and are not currently tracked to a production level of accuracy.

###### Patents and Other asset

Aurora reviews the valuation of these assets at the end of each reporting period. The Company observes no indications of impairment.

#### 5) 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.

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 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.

#### 6) Amounts receivable

Amounts receivable were all due from governmental sources and do not have collection risk. They consist of:

	<b>31 December 2016</b>	31 March 2016
Trade receivables	\$ 23,718	\$ 35,938

#### 7) Prepaid expenses

Prepaid amounts have accumulated with trade vendors over the normal course of business. They consist of:

	<b>31 December 2016</b>	31 March 2016
Trade vendors and strategic consultants	\$ 83,103	\$ 36,004

#### 8) Inventory

Inventory consists of:

	<b>31 December 2016</b>	31 March 2016
Raw materials	\$ 161,668	\$ 224,670
Work in progress	96,291	-
Total inventory	\$ 257,959	\$ 224,670

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 9) Equipment

	<b>Equipment</b>
<b>COST OR DEEMED COST</b>	
Balance at 1 April 2015	\$ 51,781
Additions for the year	-
Balance at 31 March 2016	\$ 51,781
<b>Balance at 1 April 2016</b>	<b>\$ 51,781</b>
Additions for the period	-
<b>Balance at 31 December 2016</b>	<b>\$ 51,781</b>
<b>DEPRECIATION</b>	
Balance at 1 April 2015	\$ 48,947
Depreciation for the year	2,834
Balance at 31 March 2016	\$ 51,781
<b>Balance at 1 April 2016</b>	<b>\$ 51,781</b>
Depreciation for the period	-
<b>Balance at 31 December 2016</b>	<b>\$ 51,781</b>
<b>CARRYING AMOUNTS</b>	
At 1 April 2015	\$ 2,834
At 31 March 2016	\$ -
At 31 December 2016	\$ -

Equipment is 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 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
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## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 10) Patents and other assets

	Patents	Other assets	Total
<b>COST OR DEEMED COST</b>			
Balance at 1 April 2015	\$ 52,837	\$ 46,760	\$ 99,597
Additions for the year	40,989	63,271	104,260
Dispositions/transfers to patents for the year	-	(40,989)	(40,989)
Write off of other assets	-	(28,929)	(28,929)
Balance at 31 March 2016	\$ 93,826	\$ 40,113	\$ 133,939
<b>Balance at 1 April 2016</b>	<b>\$ 93,826</b>	<b>\$ 40,113</b>	<b>\$ 133,939</b>
Additions for the period	5,807	36,519	42,326
Dispositions/transfers to patents for the period	-	(5,807)	(5,807)
<b>Balance at 31 December 2016</b>	<b>\$ 99,633</b>	<b>\$ 70,825</b>	<b>\$ 170,458</b>
<b>DEPRECIATION</b>			
Balance at 1 April 2015	\$ 29,892	\$ -	\$ 29,892
Depreciation for the year	883	-	883
Balance at 31 March 2016	\$ 30,775	\$ -	\$ 30,775
<b>Balance at 1 April 2016</b>	<b>\$ 30,775</b>	<b>\$ -</b>	<b>\$ 30,775</b>
Depreciation for the period	3,312	-	3,312
<b>Balance at 31 December 2016</b>	<b>\$ 34,087</b>	<b>\$ -</b>	<b>\$ 34,087</b>
<b>CARRYING AMOUNTS</b>			
At 1 April 2015	\$ 22,945	\$ 46,760	\$ 69,705
At 31 March 2016	\$ 63,051	\$ 40,113	\$ 103,164
At 31 December 2016	\$ 65,546	\$ 70,825	\$ 136,371

#### Patents

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

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:

Patents	20 years
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#### Other assets

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

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 11) Share capital

##### a) Authorized

Unlimited common shares without par value.

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

###### During the nine months ended 31 December 2016

On 19 December 2016 the Company agreed to issue 173,085 common shares to management for services totalling \$24,154.

On 9 November 2016 the Company issued 300,000 common shares on exercise of options at an average exercise price of \$0.115 per share.

On 7 November 2016 the Company issued 952,381 common shares on exercise of options at an average exercise price of \$0.105.

On 08 July 2016 the Company closed a non-brokered private place of 5,175,167 units ("Units") at a price of \$0.15 per unit for gross proceeds of \$776,275. Each Unit consists of one common share (a "Share") and one common share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one additional Share (a "Warrant Share") for a period of 24 months at a price of \$0.25 per warrant share.

In connection with the private placement the Company paid fees of \$48,791 including 7% cash finder's fees of \$33,269 and issued finders warrants of 221,795 entitling the holder to purchase one Share for a period of 24 months at a price of \$0.25 per Warrant.

In the first quarter the Company had received equity investments that caused an obligation to issue shares actually issued 8 July 2016. This obligation has since been converted to shares.

###### During the year ended 31 March 2016

On 26 June 2015 the Company closed a brokered private placement of 6,280,833 Units at a price of \$0.30 per Unit for gross proceeds of \$1,884,250. Each Unit consists of a Share and one half Warrant. The holders are entitled to purchase one Warrant Share for a period of 36 months at a price of \$0.45 per Warrant Share, subject to accelerated expiry in certain circumstances.

##### 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 7,672,570 common shares of the Company at any time.

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

STOCK OPTION ACTIVITY	31 December 2016	Weighted average exercise price	31 March 2016	Weighted average exercise price
<b>Balance – beginning of period</b>	<b>3,368,192</b>	<b>\$ 0.33</b>	3,398,192	\$ 0.34
Granted	3,077,381	0.11	150,000	0.30
Exercised	(1,252,381)	0.11	-	-
Expired	(1,863,192)	0.34	(180,000)	0.36
<b>Balance – end of period</b>	<b>3,330,000</b>	<b>\$ 0.21</b>	3,368,192	\$ 0.33

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

Expiry Date	Options vested and exercisable	Exercise price	31 December 2016	31 March 2016
3 November 2016	-	\$ 0.30	-	1,028,192
5 December 2016	-	\$ 0.35	-	105,000
31 January 2017	350,000	\$ 0.31	<b>350,000</b>	350,000
12 September 2017	250,000	\$ 0.32	<b>250,000</b>	250,000
16 April 2018	265,000	\$ 0.32	<b>265,000</b>	265,000
10 September 2018	50,000	\$ 0.36	<b>50,000</b>	50,000
11 February 2019	390,000	\$ 0.37	<b>390,000</b>	390,000
04 June 2019	-	\$ 0.38	-	450,000
15 September 2019	-	\$ 0.38	-	280,000
20 January 2020	25,000	\$ 0.23	<b>25,000</b>	25,000
24 February 2020	25,000	\$ 0.31	<b>25,000</b>	25,000
16 October 2020	150,000	\$ 0.30	<b>150,000</b>	150,000
07 October 2021	600,000	\$ 0.11	<b>600,000</b>	-
12 October 2021	1,225,000	\$ 0.11	<b>1,225,000</b>	-
	<u>3,330,000</u>		<b>3,330,000</b>	3,368,192

The outstanding options have a weighted average exercise price of \$0.21 (31 March 2016 - \$0.33) and the weighted average remaining life of the options is 3.27 years (31 March 2016 – 1.90 years). The vested and exercisable options as at 31 December 2016 have a weighted average exercise price of \$0.21 (31 March 2016 - \$0.33).



## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### d) Warrants

Warrant activity during the period is summarized as follows:

WARRANT ACTIVITY	31 December 2016 <sup>(i)</sup>	Weighted Average exercise price	31 March 2016 <sup>(i)</sup>	Weighted Average exercise price
<b>Balance – beginning of period</b>	<b>3,517,266</b>	<b>\$ 0.43</b>	3,632,050	\$ 0.50
Issued	5,175,167	0.25	3,140,416	0.45
Agent's warrants issued <sup>(ii)</sup>	221,795	0.25	376,850	0.30
Warrants expired	-	-	(3,632,050)	0.50
<b>Balance – end of period</b>	<b>8,914,228</b>	<b>\$ 0.32</b>	3,517,266	\$ 0.43

(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 period ended 31 December 2016, the Company issued 221,795 agent's warrants (31 March 2016 – 376,850) with a fair value of \$5,000 (31 March 2016 – \$34,000).

The following weighted average assumptions were used for the Black-Scholes valuation of agent's warrants granted during the period:

	31 December 2016	31 March 2016
Risk free interest rate	0.47%	0.60%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	61%	54%
Expected life in years	2.00	2.0

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 period was \$0.02 per share (31 March 2016 - \$0.09 per share).

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

Issued	Expiry	Exercise Price	31 December 2016	31 March 2016
26 June 2015	26 June 2018	\$ 0.45	3,140,416	3,140,416
26 June 2015	26 June 2017 <sup>(i)</sup>	\$ 0.30	376,850	376,850
08 July 2016	08 July 2018	\$ 0.25	5,175,167	-
08 July 2016	08 July 2018 <sup>(i)</sup>	\$ 0.25	221,795	-
			<b>8,914,228</b>	3,517,266

(i) Agent's warrants.

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### e) Stock-based payments

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

During the period ended 31 December 2016, the Company recognized \$222,804 (31 March 2016 - \$23,894) in share-based payments on granted options and options vesting over time. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	31 December 2016	31 March 2016
Risk free interest rate	0.74%	0.82%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	97%	49%
Expected life in years	5.00	5.00

The weighted average fair value of stock options granted in the period was \$nil (31 March 2016 - \$0.11 per share).

#### 12) 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 <sup>(i)</sup>	Remuneration or fees <sup>(ii)</sup>	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.

## **AURORA SOLAR TECHNOLOGIES INC.**

Canadian Funds

(Unaudited)

For the Nine Month Period Ended 31 December 2016

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

#### **13) Capital management**

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 December 2016.

#### **14) Commitments**

In March 2016, the Company renewed the lease for its head office for a 12 month period, for a total remaining contractual obligation of \$9,000.

#### **15) Subsequent event**

On 11 January 2017, the Company announced that the TSX venture exchange has accepted for filing the Company's proposal to issue 173,085 shares to settle outstanding debt for \$24,154 to an Officer of the Company.