

# **AURORA SOLAR TECHNOLOGIES INC.**

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

**FOR THE THREE MONTHS ENDED 30 JUNE 2017**

Stated in Canadian Funds

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

## **UNAUDITED 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.

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## MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Aurora Solar Technologies Inc.:

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

24 August 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 30 June 2017	As at 31 March 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 1,280,581	\$ 2,004,960
Short-term investments		800,401	-
Amounts receivable	(6)	40,960	16,042
Prepaid amounts and deposits	(7)	47,608	22,804
Inventory	(8)	438,359	110,207
		<b>2,607,909</b>	<b>2,154,013</b>
<b>Non-current Assets</b>			
Patents	(9)	69,825	64,596
Other assets	(9)	102,869	72,593
		<b>172,694</b>	<b>137,189</b>
		<b>\$ 2,780,603</b>	<b>\$ 2,291,202</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	(11)	\$ 381,911	\$ 201,591
Deferred revenue		265,956	58,883
		<b>647,867</b>	<b>260,474</b>
<b>EQUITY (STATEMENT 3)</b>			
Share capital	(10)	10,723,432	10,090,420
Obligation to issue shares		-	63,000
Subscriptions receivable		(7,560)	-
Contributed surplus – warrants		126,950	133,203
Contributed surplus – options		1,192,498	1,192,498
Deficit		(9,902,584)	(9,448,393)
		<b>2,132,736</b>	<b>2,030,728</b>
		<b>\$ 2,780,603</b>	<b>\$ 2,291,202</b>
Nature of operations and going concern	(1) Commitments		(13)
Basis of preparation - Statement of Compliance	(2) Subsequent events		(14)
Capital management	(12)		

These condensed interim consolidated financial statements were approved by the Board of Directors on 24 August 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	Three months ended 30 June 2017	Three months ended 30 June 2016
<b>Revenues</b>		
Product sales	\$ 147,519	\$ 223,810
Cost of sales	(105,623)	(204,107)
<b>Gross margin</b>	<b>41,896</b>	19,703
<b>Expenses</b>		
Salaries and wages	230,859	151,206
Management fees	60,248	45,000
Travel	59,263	25,792
Investor relations	56,166	56,952
Professional fees	31,238	25,774
Office and administration	26,055	4,950
Director fees	15,000	-
Rent	12,112	8,973
Insurance	6,240	6,348
Amortization	4,005	996
Interest income	(1,062)	(27)
Net foreign exchange (gain) loss	(4,037)	663
Share-based payment	-	3,603
	<b>496,087</b>	330,230
<b>Net Loss from Operating Activities and Comprehensive Loss</b>	<b>\$ (454,191)</b>	<b>\$ (310,527)</b>
<b>Net Loss per Common Share – Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>52,166,541</b>	<b>33,187,686</b>

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 01 APRIL 2016</b>	33,187,686	\$ 7,719,274	\$ -	3,517,266	\$ 77,203	3,368,192	\$ 813,678	\$ (8,024,018)	\$ 586,137
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>	33,187,686	\$ 7,719,274	\$ 373,000	3,517,266	\$ 77,203	2,918,192	\$ 817,281	\$ (8,334,545)	\$ 652,213
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>	38,362,853	\$ 8,441,758	\$ -	8,914,228	\$ 82,203	2,638,192	\$ 819,077	\$ (8,717,047)	\$ 625,991
Share-based payments	-	-	-	-	-	3,077,381	217,405	-	217,405
Shares on option exercise	1,252,381	134,500	-	-	-	-	-	-	134,500
Value of options exercised	-	67,984	-	-	-	(1,252,381)	(67,984)	-	-
Options expired	-	-	-	-	-	(1,483,192)	-	-	-
Net loss for the period	-	-	-	-	-	-	-	(439,011)	(439,011)
<b>BALANCE 31 DECEMBER 2016</b>	39,615,234	\$ 8,644,242	\$ -	8,914,228	\$ 82,203	2,980,000	\$ 968,498	\$ (9,156,058)	\$ 538,885
Shares for services	173,085	24,154	63,000	-	-	-	-	-	87,154
Private placement issuance	8,839,556	1,591,120	-	4,419,778	-	-	-	-	1,591,120
Issuance of agents warrants	-	(51,000)	-	569,139	51,000	-	-	-	-
Share issuance costs	-	(118,096)	-	-	-	-	-	-	(118,096)
Share-based payments	-	-	-	-	-	1,550,000	224,000	-	224,000
Net loss for the period	-	-	-	-	-	-	-	(292,335)	(292,335)
<b>BALANCE 31 MARCH 2017</b>	48,627,875	\$ 10,090,420	\$ 63,000	13,903,145	\$ 133,203	4,530,000	\$ 1,192,498	\$ (9,448,393)	\$ 2,030,728

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 1 APRIL 2017</b>	<b>48,627,875</b>	<b>\$ 10,090,420</b>	<b>\$ 63,000</b>	<b>13,903,145</b>	<b>\$ 133,203</b>	<b>4,530,000</b>	<b>\$ 1,192,498</b>	<b>\$ (9,448,393)</b>	<b>\$ 2,030,728</b>
Private placement issuance	3,028,666	545,160	-	1,514,333	-	-	-	-	545,160
Share issuance costs	-	(56,401)	-	-	-	-	-	-	(56,401)
Issuance of agents warrants	210,000	63,000	-	-	-	-	-	-	63,000
Shares issued for debt	300,000	63,000	(63,000)	-	-	-	-	-	-
Fair value transfer on warrant exercise	-	18,253	-	(210,000)	(18,253)	-	-	-	-
Issuance of agents warrants	-	-	-	202,066	12,000	-	-	-	12,000
Subscriptions receivable	-	-	(7,560)	-	-	-	-	-	(7,560)
Warrants expired	-	-	-	(166,850)	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	-	(454,191)	(454,191)
<b>BALANCE 30 JUNE 2017</b>	<b>52,166,541</b>	<b>\$ 10,723,432</b>	<b>\$ (7,560)</b>	<b>15,242,694</b>	<b>\$ 126,950</b>	<b>4,530,000</b>	<b>\$ 1,192,498</b>	<b>\$ (9,902,584)</b>	<b>\$ 2,132,736</b>

Canadian Funds  
(Unaudited)

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended 30 June 2017	Three months ended 30 June 2016
<b>OPERATING ACTIVITIES</b>		
<b>Loss for the Period</b>	\$ (454,191)	\$ (310,527)
<b>Items not Affecting Cash</b>		
Amortization	1,186	996
Write off of other assets	2,819	-
Share-based payments	-	3,603
	<b>(450,186)</b>	<b>(305,928)</b>
<b>Net Change in Non-cash Working Capital</b>		
Amounts receivable	(24,918)	(14,452)
Prepaid amounts and deposits	(24,804)	4,456
Inventory	(328,152)	107,099
Accounts payable and accrued liabilities	180,320	86,366
Deferred revenue	207,073	(241)
	<b>9,519</b>	<b>183,228</b>
	<b>(440,667)</b>	<b>(122,700)</b>
<b>INVESTING ACTIVITIES</b>		
Investment in intellectual property	(5,229)	-
Purchase of short-term investments	(800,401)	-
Purchase of other assets	(34,281)	(2,551)
	<b>(839,911)</b>	<b>(2,551)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuances	600,600	-
Share issuance costs	(44,401)	-
Proceeds from obligation to issue shares	-	373,000
	<b>556,199</b>	<b>373,000</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(724,379)</b>	<b>247,749</b>
Cash position – beginning of period	2,004,960	356,299
<b>Cash Position – End of Period</b>	<b>\$ 1,280,581</b>	<b>\$ 604,048</b>
<b>Supplemental Disclosure with Respect to Cash Flows:</b>		
Subscriptions receivable	\$ 7,560	\$ -
Warrants issued to agents	12,000	-
Fair value transfer on warrant exercise	\$ 18,253	\$ -



## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2017

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1) Nature of operations and going concern

Aurora Solar Technologies Inc. (“Aurora” or the “Company”) was incorporated 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.

	30 June 2017	31 March 2017
(rounded to the nearest '000)		
Working capital	\$ 1,960,000	\$ 1,894,000
Accumulated deficit	\$ 9,903,000	\$ (9,448,000)

### 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 2017.

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 THREE MONTH PERIOD ENDED 30 JUNE 2017

#### 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 2017.

#### 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 30 June 2017 due to the immediate or short-term maturities of the financial instruments.

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2017

#### 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 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, short-term investments, amounts receivable, and accounts payable and accrued liabilities. As at 30 June 2017, 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 March 2017 the Company held currency totalling the following:

<b>Rounded (000's)</b>		<b>Impact</b>		<b>30 June 2017</b>	<b>31 March 2016</b>
Canadian dollars	5% \$	-	\$	<b>722,000</b>	\$ 202,000
United States dollars	5% \$	<b>29,000</b>	<b>\$USD</b>	<b>430,000</b>	\$ 154,000
Amounts payable in United States dollars	5% \$	<b>6,000</b>	<b>\$USD</b>	<b>95,000</b>	\$ 17,000

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2017

#### 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>30 June 2017</b>	31 March 2017
Accounts receivables	\$ 40,960	\$ 16,042

##### 7) Prepaid expenses

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

	<b>30 June 2017</b>	31 March 2017
Trade vendors and strategic consultants	\$ 47,608	\$ 22,804

##### 8) Inventory

Inventory consists of:

	<b>30 June 2017</b>	31 March 2017
Raw materials	\$ 382,500	\$ 104,306
Work in progress	55,859	5,901
Total inventory	\$ 438,359	\$ 110,207

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2017

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

##### 9) Patents and other assets

	Patents	Other assets	Total
<b>COST</b>			
<b>Balance at 1 April 2016</b>	\$ 93,826	\$ 40,113	\$ 133,939
Additions for the year	5,968	38,448	44,416
Transfers to patents for the year	-	(5,968)	(5,968)
<b>Balance at 31 March 2017</b>	<b>\$ 99,794</b>	<b>\$ 72,593</b>	<b>\$ 172,387</b>
Additions for the period	6,415	38,236	44,652
Transfers to patents for the period	-	(5,141)	(5,141)
Write off of other assets	-	(2,819)	(2,819)
<b>Balance at 30 June 2017</b>	<b>\$ 106,209</b>	<b>\$ 102,869</b>	<b>\$ 209,079</b>
<b>DEPRECIATION</b>			
<b>Balance at 1 April 2016</b>	\$ 30,775	\$ -	\$ 30,775
Depreciation for the year	4,423	-	4,423
<b>Balance at 31 March 2017</b>	<b>\$ 35,198</b>	<b>\$ -</b>	<b>\$ 35,198</b>
Depreciation for the year	1,186	-	1,186
<b>Balance at 30 June 2017</b>	<b>\$ 36,384</b>	<b>\$ -</b>	<b>\$ 36,384</b>
<b>CARRYING AMOUNTS</b>			
At 1 April 2016	\$ 63,051	\$ 40,113	\$ 103,164
At 31 March 2017	\$ 64,596	\$ 72,593	\$ 137,189
At 30 June 2017	<b>\$ 69,825</b>	<b>\$ 102,869</b>	<b>\$ 172,694</b>

##### 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 THREE MONTH PERIOD ENDED 30 JUNE 2017

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

##### 10) Share capital

###### a) Authorized

Unlimited common shares without par value.

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

###### During the period ended 30 June 2017

On 18 June 2017, the Company closed a non-brokered private placement of 3,028,666 units ("Units") at a price of \$0.18 per Unit for gross proceeds of \$545,160. Each Unit consists of one common share (a "Share") and one half share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one additional Share for a period of 24 months at a price of \$0.30 per Share. The Warrants are subject to acceleration, at the option of the Company, in the event the trading price, on the Exchange, of the common shares of Aurora closes at or above CDN\$0.40 per common share for 10 consecutive trading days at any time after four months from closing date.

The Company paid fees of \$56,401 including finder's fee consisting of \$44,401 and 202,066 warrants valued at \$12,000 with each warrant entitling the holder to purchase one Share for a period of 24 months at a price of \$0.30 per Share.

###### During the year ended 31 March 2017

On 31 March 2017 the Company closed a non-brokered private placement of 8,839,556 units ("Units") at a price of \$0.18 per Unit for gross proceeds of \$1,591,120. Each Unit consists of one common share (a "Share") and one half 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 \$0.30 per Warrant Share. The Warrants are subject to acceleration, at the option of the Issuer, in the event the trading price, on the Exchange, of the common shares of the Issuer closes at or above CDN\$0.40 per common share for 10 consecutive trading days at any time after four months from closing date.

The Company paid fees of \$118,096 including finder's fee consisting of \$102,445 and 569,139 warrants valued at \$51,000 with each warrant entitling the holder to purchase one Share for a period of 24 months at a price of \$0.30 per Share.

On 31 March 2017, the Company issued 1,550,000 options to employees and directors of the Company exercisable at \$0.21 for a period of five years.

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

On 12 October 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, valued at \$5,000, entitling the holder to purchase one Share for a period of 24 months at a price of \$0.25 per Warrant.

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2017

#### NOTES TO THE CONDENSED INTERIM 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 7,672,570 common shares of the Company at any time.

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

<b>STOCK OPTION ACTIVITY</b>	<b>30 June 2017</b>	<b>Weighted average exercise price</b>	<b>31 March 2017</b>	<b>Weighted average exercise price</b>
<b>Balance – beginning of period</b>	<b>4,530,000</b>	<b>\$ 0.20</b>	3,368,192	0.33
Granted	-	-	4,627,381	0.14
Exercised	-	-	(1,252,381)	0.11
Expired	-	-	(2,213,192)	0.33
<b>Balance – end of period</b>	<b>4,530,000</b>	<b>\$ 0.20</b>	4,530,000	0.20

Details of stock options outstanding as at 30 June 2017 are as follows:

<b>Expiry Date</b>	<b>Options vested and exercisable</b>	<b>Exercise price</b>	<b>30 June 2017</b>	<b>31 March 2017</b>
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
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
7 October 2021	600,000	\$ 0.11	<b>600,000</b>	600,000
12 October 2021	1,225,000	\$ 0.11	<b>1,225,000</b>	1,225,000
31 March 2022	1,550,000	\$ 0.21	<b>1,550,000</b>	1,550,000
	<b>4,530,000</b>		<b>4,530,000</b>	4,530,000

The outstanding options have a weighted average exercise price of \$0.20 (31 March 2017 - \$0.20) and the weighted average remaining life of the options is 1.99 years (31 March 2017 – 3.27 years). The vested and exercisable options as at 30 June 2017 have a weighted average exercise price of \$0.20 (31 March 2017 - \$0.20).

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2017

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

##### d) Warrants

Warrant activity during the period is summarized as follows:

WARRANT ACTIVITY	30 June 2017 <sup>(i)</sup>	Weighted Average exercise price	31 March 2017 <sup>(i)</sup>	Weighted Average exercise price
<b>Balance – beginning of year</b>	<b>13,903,145</b>	<b>\$ 0.31</b>	3,517,266	\$ 0.43
Issued	<b>1,514,333</b>	<b>0.30</b>	9,594,945	0.27
Agent's warrants issued <sup>(ii)</sup>	<b>202,066</b>	<b>0.30</b>	790,934	0.29
Warrants expired	<b>(166,850)</b>	-	-	-
Warrants exercised	<b>(210,000)</b>	-	-	-
<b>Balance – end of year</b>	<b>15,242,694</b>	<b>\$ 0.31</b>	13,903,145	\$ 0.31

(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 30 June 2017, the Company issued 202,066 agent's warrants (31 March 2016 – 790,933) with a fair value of \$12,000 (31 March 2017 – \$56,000).

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

	30 June 2017	31 March 2017
Risk free interest rate	<b>1.09%</b>	0.82%
Expected dividend yield	<b>0.00%</b>	0.00%
Expected stock price volatility	<b>106.00%</b>	87.00%
Expected life in years	<b>2.00</b>	2.00

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 \$0.06 per share (31 March 2017 - \$0.07 per share).

Details of warrants outstanding as at 30 June 2017 are as follows:

Issued	Expiry	Exercise Price	30 June 2017	31 March 2017
26 June 2015	26 June 2018	\$ 0.45	<b>3,140,416</b>	3,140,416
26 July 2016	26 July 2017	\$ 0.30	-	376,850
8 July 2016	8 July 2018	\$ 0.25	<b>5,175,167</b>	5,175,167
8 July 2016	8 July 2018(i)	\$ 0.25	<b>221,795</b>	221,795
31 March 2017	30 March 2019	\$ 0.30	<b>4,419,778</b>	4,419,778
31 March 2017	30 March 2019(i)	\$ 0.30	<b>569,139</b>	569,139
16 June 2017	16 June 2019	\$ 0.10	<b>1,514,333</b>	-
16 June 2017	16 June 2019	\$ 0.20	<b>202,066</b>	-
			<b>15,242,694</b>	13,903,145

(i) Agent's warrants.

(ii) Expired subsequent to year end.



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Canadian Funds  
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### FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2017

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

##### e) Stock-based payments

The Company recognizes share-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 30 June 2017, the Company recognized \$Nil (31 March 2017 - \$446,804) 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:

	30 June 2017	31 March 2017
Risk free interest rate	-	0.74%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	97.00%
Expected life in years	-	4.49

The weighted average fair value of stock options granted in the year was \$Nil per share (31 March 2017 - \$0.07 per share).

##### 11) 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	2018	\$ 45,000	\$ 30,000
	2017	\$ 30,000	\$ -
Associate counsel – legal services	2018	\$ 17,345	\$ -
	2017	\$ 8,500	\$ -
Clearline CPA, a company of which the CFO is a director – management fees	2018	\$ 15,000	\$ 10,000
	2017	\$ 15,000	\$ -
A company of which the CFO is a director – bookkeeping services	2018	\$ 12,695	\$ 6,327
	2017	\$ 6,000	\$ -

(i) For the three months ended 30 June 2017 and 30 June 2016.

(ii) Amounts disclosed were paid or accrued to the related party.

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 THREE MONTH PERIOD ENDED 30 JUNE 2017**

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

#### **12) Capital management**

The Company manages its capital structure and makes adjustment to it, based on the funds available to the Company, in order to support the development of the company's measurement technology. The Company includes components of equity in its managed capital. The Board of Directors does not establish 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 believe 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 30 June 2017.

#### **13) Commitments**

On 7 March 2017, the Company signed a lease for its head office for a three year period, for a total remaining contractual obligation of \$146,000 evenly over three years.

#### **14) Subsequent events**

On 1 July 2017 the Company has entered into an investor relations agreement (the "Agreement") with Paradox Public Relations Inc. ("Paradox"), pursuant to which Paradox shall provide investor relations services to the Company. The Agreement is for a term of 24 months, during which time Paradox will facilitate communications between the Company, its shareholders, and prospective investors; and develop an investor relations program designed to raise awareness of the Company's business among prospective investors and the investment community.

Under the terms of the Agreement, the Company will compensate Paradox \$7,000 per month for the 24-month term of the Agreement, with the right to cancel the Agreement after the first 6 months of service by providing 30 days written notice. The Company will also issue Paradox, subject to TSX-V approval, 300,000 options at the 30 June 2017 closing price.

On 12 July 2017, the Company announced that it has received a grant for research into extended applications for its Decima™ Infrared Reflectometry measurement technology. The grant is through the Canadian National Research Council's Industrial Research Assistance Program (IRAP) and will provide a total of \$380,000 over a period of two years.