

# **AURORA SOLAR TECHNOLOGIES INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED 30 JUNE 2018**

Stated in Canadian Funds

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements.

## 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
Notes to the Condensed Interim Consolidated Financial Statements.....	6
1) Nature of operations and going concern .....	6
2) Basis of preparation – Statement of Compliance.....	6
3) Significant accounting policies .....	7
4) Critical accounting judgements and key sources of estimation uncertainty .....	7
5) Financial instruments and risk management .....	8
6) Restricted investments.....	9
7) Amounts receivable.....	9
8) Inventory .....	9
9) Patents .....	10
10) Other assets.....	11
11) Equipment .....	11
12) Share capital .....	12
13) Related party transactions .....	16
14) Capital management .....	16
15) Commitments.....	16
16) Subsequent Event.....	17

## MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Aurora Solar Technologies Inc.:

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 Board 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.

29 August 2018

The condensed interim consolidated financial statements were approved by the Board of Directors on 29 August 2018 and were signed on its behalf by:

*"Kevin Dodds"*

Kevin Dodds, Interim CEO

*"Grant T. Smith"*

Grant T. Smith, CFO

Canadian Funds  
(Unaudited)

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2018	As at 31 March 2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 524,542	\$ 833,548
Restricted investments	(6)	96,698	94,602
Amounts receivable	(7)	245,188	727,344
Prepaid expenses		40,930	107,584
Inventory	(8)	212,930	173,211
		<b>1,120,288</b>	1,936,289
<b>Non-current Assets</b>			
Patents	(10)	73,156	181,028
Other assets	(10)	190,329	74,183
Equipment	(11)	40,246	41,447
		<b>303,731</b>	296,658
		<b>\$ 1,424,019</b>	\$ 2,232,947
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	(13)	\$ 200,932	\$ 250,082
		<b>200,932</b>	250,082
<b>EQUITY (STATEMENT 3)</b>			
Share capital	(12)	10,782,096	10,782,096
Contributed surplus – warrants		126,950	126,950
Contributed surplus – options		1,309,934	1,260,034
Deficit		(10,995,893)	(10,186,215)
		<b>1,223,087</b>	1,982,865
		<b>\$ 1,424,019</b>	\$ 2,232,947
Nature of operations and going concern	(1) Capital management		(14)
Basis of preparation - Statement of Compliance	(2) Commitments		(15)
	Subsequent events		(16)

These condensed interim consolidated financial statements were approved by the Board of Directors on 29 August 2018 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 2018	Three months ended 30 June 2017
<b>CONTINUING OPERATIONS</b>			
<b>Revenues</b>			
Product sales		\$ 1,549	\$ 147,519
Cost of sales		(94,968)	(105,623)
<b>Gross margin</b>		<b>(93,419)</b>	41,896
<b>Expenses</b>			
General and administrative		285,745	216,767
Sales and marketing		229,700	185,747
Net foreign exchange (gain) loss		92,794	(4,037)
Research and development		55,595	93,605
Share-based payments	(12)	49,900	-
Amortization		2,525	4,005
		<b>716,259</b>	496,087
<b>(Loss) from Operating Activities and Comprehensive (Loss)</b>		<b>\$ (809,678)</b>	\$ (454,191)
<b>(Loss) per Common Share – Basic and Diluted</b>		<b>\$ (0.00)</b>	\$ (0.01)
<b>Weighted Average Number of Shares Outstanding</b>		<b>259,189,935</b>	52,166,541

Canadian Funds  
 (Unaudited)

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Shares	Amount	Obligation to issue shares	Warrants	Amount	Options	Amount	Deficit	Equity
<b>BALANCE 1 APRIL 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
Private placement issuance	3,028,666	545,160	-	1,514,333	-	-	-	-	545,160
Share issuance costs	-	(44,401)	-	-	-	-	-	-	(44,401)
Shares issued for debt	300,000	63,000	(63,000)	-	-	-	-	-	-
Issuance of agents warrants	-	(12,000)	-	202,066	12,000	-	-	-	-
Warrants expired	-	-	-	(166,850)	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	-	(454,191)	(454,191)
<b>BALANCE 30 JUNE 2017</b>	51,956,541	\$ 10,642,179	-	15,452,694	\$ 145,203	4,530,000	\$ 1,192,498	\$(9,902,584)	2,077,296
Share based payments	-	-	-	-	-	600,000	25,900	-	25,900
Shares on exercise of agents' warrants	210,000	63,000	-	-	-	-	-	-	63,000
Fair value transfer on agents' warrants exercise	-	18,253	-	(210,000)	(18,253)	-	-	-	-
Options expired	-	-	-	-	-	(250,000)	-	-	-
Net income for the period	-	-	-	-	-	-	-	178,167	178,167
<b>BALANCE 30 SEPTEMBER 2017</b>	52,166,541	\$ 10,723,432	-	15,242,694	\$ 126,950	4,880,000	\$ 1,218,398	\$(9,724,417)	2,344,363
Shares on exercise of warrants	195,000	48,750	-	(195,000)	-	-	-	-	48,750
Shares on exercise of options	50,000	5,750	-	-	-	-	-	-	5,750
Fair value transfer on options exercise	-	4,164	-	-	-	(50,000)	(4,164)	-	-
Share-based payments	-	-	-	-	-	275,000	38,900	-	38,900
Net loss for the period	-	-	-	-	-	-	-	(398,959)	(398,959)
<b>BALANCE 31 DECEMBER 2017</b>	52,411,541	\$ 10,782,096	-	15,047,694	\$ 126,950	5,105,000	\$ 1,253,134	\$(10,123,376)	2,038,804
Share-based payments	-	-	-	-	-	-	6,900	-	6,900
Net loss for the period	-	-	-	-	-	-	-	(62,839)	(62,839)
<b>BALANCE 31 MARCH 2018</b>	52,411,541	\$ 10,782,096	-	15,047,694	\$ 126,950	5,105,000	\$ 1,260,034	\$(10,186,215)	1,982,865

Canadian Funds  
(Unaudited)

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – CONTINUED**

	Shares	Amount	Obligation to issue shares	Warrants	Amount	Options	Amount	Deficit	Equity
<b>BALANCE 1 APRIL 2018</b>	<b>52,411,541</b>	<b>\$ 10,782,096</b>	<b>-</b>	<b>15,047,694</b>	<b>\$ 126,950</b>	<b>5,105,000</b>	<b>\$ 1,260,034</b>	<b>\$ (10,186,215)</b>	<b>1,982,865</b>
Share-based payments	-	-	-	-	-	-	6,900	-	6,900
Options expired	-	-	-	-	-	(265,000)	-	-	-
Options issued	-	-	-	-	-	430,000	43,000	-	43,000
Warrants expired	-	-	-	(3,140,416)	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	-	(809,678)	(809,678)
<b>BALANCE 30 JUNE 2018</b>	<b>52,411,541</b>	<b>\$ 10,782,096</b>	<b>-</b>	<b>1,190,278</b>	<b>\$ 126,950</b>	<b>5,270,000</b>	<b>\$ 1,303,034</b>	<b>\$ (10,995,893)</b>	<b>(1,223,087)</b>

Canadian Funds  
(Unaudited)

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended 30 June 2018	Three months ended 30 June 2017
<b>OPERATING ACTIVITIES</b>		
<b>(Loss) Income for the Period</b>	<b>\$ (809,678)</b>	<b>\$ (454,191)</b>
<b>Items not Affecting Cash</b>		
Amortization	1,201	1,186
Write-off of other assets	-	2,819
Share-based payments	49,900	-
	<b>(758,577)</b>	<b>(450,186)</b>
<b>Net Change in Non-cash Working Capital</b>		
Amounts receivable	482,156	(24,918)
Prepaid expenses	66,654	(24,804)
Inventory	(39,719)	(328,152)
Accounts payable and accrued liabilities	(49,150)	180,320
Deferred revenue	-	207,073
	<b>459,941</b>	<b>9,519</b>
	<b>(298,636)</b>	<b>(440,667)</b>
<b>INVESTING ACTIVITIES</b>		
Investment in intellectual property	1,027	(5,229)
Purchase of short-term investments	(2,096)	(800,401)
Purchase of other assets	(9,301)	(34,281)
	<b>(10,370)</b>	<b>(839,911)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuances	-	600,600
Share issuance costs	-	(44,401)
	<b>-</b>	<b>556,199</b>
<b>Net Increase (decrease) in Cash</b>	<b>(309,006)</b>	<b>(724,379)</b>
Cash position – beginning of period	833,548	2,004,960
<b>Cash Position – End of Period</b>	<b>\$ 524,542</b>	<b>\$ 1,280,581</b>
<b>Schedule of Non-cash Investing and Financing Transactions</b>		
Subscriptions receivable	\$ -	\$ 7,560
FMV transfer on warrant exercise	-	18,253
Fair value of agent's warrants issued	\$ -	\$ 12,000



# AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1) Nature of operations and going concern

Aurora Solar 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.

The address of the Company's corporate and administrative office and principal place of business is #223 – 980 West 1<sup>st</sup> Street, North Vancouver, BC, V7P 3N4.

These unaudited condensed interim consolidated financial statements (the "Financial Statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and the discharge of liabilities in the normal course of operations.

There are several adverse conditions that cast substantial doubt upon the soundness of this assumption. The Company has incurred operating losses since inception, is unable to self-finance operations and has significant on-going cash requirements to meet its overhead obligations.

The continuing operations of the Company are dependent upon economic and market factors which involve uncertainties including the Company's ability to raise adequate equity financing and ultimately develop profitable operations. The Company is of the view that these objectives can be met, and that the going concern assumption is appropriate.

If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

	<b>30 June</b>	31 March
	<b>2018</b>	2018
(rounded to the nearest '000)		
Working capital	\$ 919,000	\$ 1,686,000
Accumulated deficit	\$ (10,996,000)	\$ (10,186,000)

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

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB").

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

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

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 2018.

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.

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.

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 3) 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, refer to the Company's audited annual consolidated financial statements for the year ended 31 March 2018.

#### 4) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, 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.

###### Share based payments

The Company records the fair market value as described by the Black-Sholes method for the recording of share based payments. There are several estimates that form a part of the calculation and significant deviations in any estimate could have a material impact on the financial statements.

###### Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### Amounts receivable

The Company estimates the recoverability of amounts receivable based on assessments of client credit ratings, payment history and other related items.

## 5) Financial instruments and risk management

### a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Condensed Interim Consolidated Statement of Financial Position are carried at amortized cost with the exception of cash and cash equivalents and restricted cash which are 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 2017, 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 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, restricted cash, amounts receivable, and accounts payable and accrued liabilities. As at 31 December 2017, the carrying value of cash and restricted cash is fair value. The remaining financial instruments approximate their fair value due to their short term nature.

### c) Other risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. 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 is exposed to credit risk by holding cash and restricted investments, which are all held in financial institutions in Canada, and management believes the exposure to credit risk with respect to such institutions is not significant. The credit risk with respect to receivables is remote as they are due from the Government of Canada, which is considered a remote credit risk, and other commercial customers with whom the Company has a successful history of collections. Of the Company's total trade receivable, 97% relates to three customers.

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 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 impact the financial statements by \$12,000. As at 30 June 2018, the Company held currency totalling the following:

Rounded (000's)		Impact		30 June 2018		31 March 2018	
United States dollars	5%	\$	12,000	\$USD	186,000	\$USD	412,000
Chinese RMB	5%		-	\$RMB	37,000	\$RMB	-
Amounts receivable in United States dollars	5%	\$	10,000	\$USD	152,000	\$USD	364,000
Amounts payable in United States dollars	5%	\$	-	\$USD	2,000	\$USD	(34,000)
Amounts payable in RMB	5%		-	\$RMB	34,000	\$RMB	-

#### 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) Restricted investments

Restricted investments comprises cash deposits held in a GIC account at a financial institutions in Canada that is redeemable upon maturity in the current fiscal year.

#### 7) Amounts receivable

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

AMOUNTS RECEIVABLE		30 June 2018		31 March 2018
Trade receivable	\$	214,786	\$	709,972
GST receivable and other taxes recoverable		30,218		17,372
Total receivable	\$	245,188	\$	727,344

#### 8) Inventory

Inventory consists of:

INVENTORY		30 June 2018		31 March 2018
Raw materials	\$	210,387	\$	170,668
Work in progress		2,543		2,543
Total inventory	\$	212,930	\$	173,211

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 9) Patents

	<b>Patents</b>
<b>COST</b>	
<b>Balance as at 1 April 2017</b>	\$ 99,794
Additions for the year	13,943
<b>Balance as at 31 March 2018</b>	\$ 113,737
Additions for the period	<b>296</b>
<b>Balance as at 30 June 2018</b>	<b>\$ 114,033</b>
<b>AMORTIZATION</b>	
<b>Balance as at 1 April 2017</b>	\$ 35,198
Amortiation for the year	4,356
<b>Balance as at 31 March 2018</b>	\$ 39,554
Amortization for the period	<b>1,323</b>
<b>Balance as at 30 June 2018</b>	<b>\$ 40,877</b>
<b>CARRYING AMOUNTS</b>	
As at 1 April 2017	\$ 64,596
As at 31 March 2018	\$ 74,183
As at 30 June 2018	<b>\$ 73,156</b>

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.

Amortization 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
---------	----------

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 10) Other assets

	Other assets
<b>COST</b>	
<b>Balance as at 1 April 2017</b>	\$ 72,593
Additions for the year	116,395
Transfers to patents for the year	(5,141)
Write-off of other assets	(2,819)
<b>Balance as at 31 March 2018</b>	\$ 181,028
Additions for the period	9,301
<b>Balance as at 30 June 2018</b>	\$ 190,329
<b>CARRYING AMOUNTS</b>	
As at 1 April 2017	\$ 40,113
As at 31 March 2018	\$ 181,028
As at 30 June 2018	\$ 190,329

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.

#### 11) Equipment

	Equipment
<b>COST</b>	
<b>Balance as at 1 April 2017</b>	\$ -
Additions for the year	48,055
<b>Balance as at 31 March 2018</b>	\$ 48,055
Additions for the period	-
<b>Balance as at 30 June 2018</b>	\$ 48,055
<b>AMORTIZATION</b>	
<b>Balance as at 1 April 2017</b>	\$ -
Amortiation for the year	6,608
<b>Balance as at 31 March 2018</b>	\$ 6,608
Amortization for the period	1,201
<b>Balance as at 30 June 2018</b>	\$ 7,809
<b>CARRYING AMOUNTS</b>	
As at 1 April 2017	\$ -
As at 31 March 2018	\$ 41,447
As at 30 June 2018	\$ 40,246

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 12) Share capital

##### a) Authorized

Unlimited common shares without par value.

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

###### During the three-month period ended 30 June 2018

On 23 April 2018, the Company granted 430,000 stock options to employees and consultants of the Company at a price of \$0.20 per share.

###### During the year ended 31 March 2018

On 4 December 2017, the Company issued 160,000 common shares on exercise of warrants at an exercise price of \$0.25 per share.

On 26 October 2017, the Company issued 35,000 common shares on exercise of warrants at an exercise price of \$0.25 per share.

On 12 October 2017, the Company issued 50,000 common shares on exercise of options at an exercise price of \$0.115 per share.

On 5 July 2017, the Company issued 210,000 common shares on the exercise of agents' warrants at an exercise price of \$0.30 per share

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.

##### c) Summary of stock option activity

The Company has adopted a stock option 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)

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

STOCK OPTION ACTIVITY	30 June 2018	Weighted average exercise price	31 March 2018	Weighted average exercise price
<b>Balance – beginning of period</b>	<b>5,105,000</b>	<b>\$ 0.20</b>	4,530,000	\$ 0.20
Granted	430,000	0.20	875,000	0.22
Exercised	-	-	(50,000)	0.11
Expired	(265,000)	0.32	(250,000)	0.32
<b>Balance – end of period</b>	<b>5,270,000</b>	<b>\$ 0.19</b>	5,105,000	\$ 0.20

Details of stock options outstanding as at 30 June 2018 are as follows:

Expiry Date	Exercise price	30 June 2018 Outstanding	30 June 2018 Vested and Exercisable	31 March 2018 Outstanding	31 March 2018 Vested and Exercisable
16 April 2018	\$ 0.32	-	-	265,000	265,000
10 September 2018	\$ 0.36	50,000	50,000	50,000	50,000
11 February 2019	\$ 0.37	390,000	390,000	390,000	390,000
20 January 2020	\$ 0.23	25,000	25,000	25,000	25,000
24 February 2020	\$ 0.31	25,000	25,000	25,000	25,000
16 October 2020	\$ 0.30	150,000	150,000	150,000	150,000
7 October 2021	\$ 0.105	600,000	600,000	600,000	600,000
12 October 2021	\$ 0.115	1,175,000	1,175,000	1,175,000	1,175,000
23 November 2021	\$ 0.13	300,000	300,000	300,000	300,000
31 March 2022	\$ 0.21	1,550,000	1,550,000	1,550,000	1,550,000
1 July 2019	\$ 0.27	300,000	300,000	300,000	225,000
19 December 2022	\$ 0.265	275,000	275,000	275,000	275,000
23 April 2023	\$ 0.20	430,000	430,000	275,000	275,000
		<b>5,270,000</b>	<b>5,270,000</b>	5,105,000	4,955,000

The outstanding options have a weighted average exercise price of \$0.19 (31 March 2018 – \$0.20) and the weighted average remaining life of the options is 3.22 years (31 March 2018 – 3.15 years). The vested and exercisable options as at 30 June 2018 have a weighted average exercise price of \$0.19 (31 March 2018 - \$0.20).



## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### d) Warrants

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

WARRANT ACTIVITY	30 June 2018 <sup>(i)</sup>	Weighted average exercise price	31 March 2018 <sup>(i)</sup>	Weighted average exercise price
<b>Balance – beginning of period</b>	<b>15,047,694</b>	<b>\$ 0.30</b>	13,903,145	\$ 0.31
Issued	-	-	1,514,333	0.30
Agent's warrants issued <sup>(ii)</sup>	-	-	202,066	0.30
Warrants expired	<b>(3,140,416)</b>	<b>0.45</b>	(166,850)	-
Warrants exercised	-	-	(405,000)	-
<b>Balance – end of period</b>	<b>11,907,278</b>	<b>\$ 0.28</b>	15,047,694	\$ 0.30

(i) The number of warrants is expressed in equivalent number of common shares, which may be issuable upon exercise of the warrants.

(ii) During the year ended 31 March 2018, the Company issued 202,066 agent's warrants with a fair value of \$12,000.

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

	30 June 2018	31 March 2018
Risk free interest rate	N/A	1.09%
Expected dividend yield	N/A	0.00%
Expected stock price volatility	N/A	106%
Expected life in years	N/A	1.00

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. There were no warrants granted during the three-months ended 30 June 2018. The weighted average fair value of agents warrants granted during the year ended 31 March 2018 was \$0.06 per share.

Details of warrants outstanding as at 30 June 2018 are as follows:

Issued	Expiry	Exercise Price	30 June 2018	31 March 2018
26 June 2015	26 June 2018	\$ 0.45	-	3,140,416
8 July 2016	8 October 2018 <sup>(ii)</sup>	\$ 0.25	<b>4,980,167</b>	4,980,167
8 July 2016	8 July 2018 <sup>(i)</sup>	\$ 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 <sup>(i)</sup>	\$ 0.30	<b>569,139</b>	569,139
16 June 2017	16 June 2019	\$ 0.30	<b>1,514,333</b>	1,514,333
16 June 2017	16 June 2019 <sup>(i)</sup>	\$ 0.30	<b>202,066</b>	202,066
			<b>11,907,278</b>	15,047,694

(i) Agent's warrants.

(ii) Extended 4,980,167 warrants, expiring on 8 July 2018, and exercisable at a price of \$0.25 per common share by three months. All other terms of the warrants remained unchanged.

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### 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 2018, the Company granted 430,000 options (31 March 2018 - 875,000 options) to employees and directors of the Company exercisable at \$0.20 for a period of five years. During the period ended 30 June 2018, the Company recognized \$49,900 (31 March 2018 - \$71,700) in share-based payments on granted options. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	<b>30 June 2018</b>	31 March 2018
Risk free interest rate	<b>2.17%</b>	1.27%
Expected dividend yield	<b>0.00%</b>	0.00%
Expected stock price volatility	<b>57.00%</b>	67.07%
Expected life in years	<b>5.00</b>	3.97

The weighted average fair value of stock options granted in the period was \$0.10 per share (31 March 2018 - \$0.10 per share).

## AURORA SOLAR TECHNOLOGIES INC.

Canadian Funds  
(Unaudited)

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 13) Related party transactions

Key management personnel include the members of the Board of Directors and executive officers of the Company. Related party transactions and balances not disclosed elsewhere in the Financial Statements are as follows:

#### RELATED PARTY DISCLOSURE

Name and Principal Position	Period <sup>(i)</sup>	Remuneration or fees <sup>(ii)</sup>	Included in Accounts Payable
CEO – management fees	2019	\$ 45,000	\$ -
	2018	\$ 45,000	\$ 30,000
COO – salaries and wages	2019	\$ 38,000	\$ 1,048
	2018	\$ -	\$ -
Clearline CPA, a company of which the CFO is a director – management fees	2019	\$ 15,000	\$ 10,500
	2018	\$ 15,000	\$ 10,000
Clearline CPA, a company of which the CFO is a director – bookkeeping services	2019	\$ 25,377	\$ 20,328
	2018	\$ 12,695	\$ 6,327
A company of which the director is the legal counsel	2019	\$ -	\$ -
	2018	\$ 17,345	\$ -
Director – director fees <sup>(iii)</sup>	2019	\$ 5,000	\$ -
	2018	\$ -	\$ -
Director – director fees <sup>(iii)</sup>	2019	\$ 5,000	\$ -
	2018	\$ -	\$ -
Director – director fees <sup>(iii)</sup>	2019	\$ 5,000	\$ -
	2018	\$ -	\$ -

(i) For the three months ended 30 June 2018 and 30 June 2017.

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

The above transactions were incurred in the normal course of operations and have been measured on a cost recovery basis.

#### 14) 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 2018.

#### 15) Commitments

On 7 March 2017, the Company signed a lease for its head office, commencing on 1 June 2017.

Fiscal 2019	\$ 50,138
Fiscal 2020	50,138
Fiscal 2021	8,357
<b>Total</b>	<b>\$ 108,633</b>

## **AURORA SOLAR TECHNOLOGIES INC.**

Canadian Funds  
(Unaudited)

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

#### **16) Subsequent Event**

On 8 August 2018, the Company granted 250,000 stock options to the President & CEO of the Company at a price of \$0.135 per share.