Aurora Solar Technologies Inc.

Report to Shareholders and Management Discussion and Analysis of the Financial Position and Results of Operations

For the Three Months Ended 30 June 2019

Stated in Canadian Dollars

Date: 27 August 2019

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TO OUR SHAREHOLDERS

The following information should be read in conjunction with the condensed interim consolidated financial statements of Aurora Solar Technologies Inc. ("the Company", or "Aurora") for the three months ended 30 June 2019 and the related notes attached thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars, unless otherwise indicated.

Additional information about the Company, including the audited consolidated financial statements, and the notes thereto, for the year ended 31 March 2019, prepared in accordance with IFRS, can be found on SEDAR at www.sedar.com.

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may be deemed to be "forward-looking statements". All statements in this discussion other than statements of historical facts, that address future events or developments that the Company expects, are forward-looking statements. Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of the MD&A. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, investors are cautioned that such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Such information involves significant risks and uncertainties and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors that could cause actual results to differ materially from those in forward-looking statements, including but not limited to market prices, regulatory approvals, continued availability of capital and financing, and the risks related to general economic, market or business conditions.

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
Future funding for ongoing operations	The Company will be able to generate or raise these funds	The Company will be unable to raise these funds, which will materially impact the Company's ability to continue as a going concern.
Favourable economic conditions	The economy, including geopolitical tensions with tariffs and national government policies in Canada, the United States, Europe, and Asia will move in a direction that will support the worldwide PV solar market	The economic conditions move in a negative direction causing changes to supply and demand, affecting customer sales and future production decisions

GENERAL

Aurora Solar Technologies Inc. ("Aurora" or the Company), was incorporated under the laws of the Province of British Columbia, Canada on 26 October 2006 as Pulse Capital Corp, a capital pool company. On 7 November 2011, it acquired Aurora Control Technologies Inc. through a reverse takeover and initiated its current business operations. The Company, together with its subsidiary, develops and markets inline quality control systems for the solar cell manufacturing industry. These products measure and display the results of critical cell fabrication processes, revealing material properties and the performance of manufacturing tools and processes. They allow process engineers and production-line operators to rapidly detect and correct process excursions, material faults and optimize processes, with the goal to aid our customers' efforts to increase throughput, yield and profit in their manufacturing operations. The address of the Company's corporate and administrative office and principal place of business is #223 – 930 West 1st Street, North Vancouver, BC, V7P 3N4.

Solar cells are the electricity-generating elements within solar panels, which are seen on rooftops, streetlights and large-scale "solar farms" throughout the world. The Company provides solar cell manufacturers with products to characterize, control and optimize the quality-critical steps in their manufacturing processes. Aurora directly markets these products to its customers.

Solar cells are made from silicon wafers. Certain chemicals, applied to create layers in or on a silicon wafer during manufacturing, transform the wafer from an inert substrate to an energy-generating cell. The concentration, uniformity and other properties of these layers are critical to the finished cell's performance. To achieve their high electrical efficiencies, advanced solar cells require strict control of variations in these and other critical-to-quality treatments during manufacturing. Aurora's products provide the means to measure these variations, understand their impact on production yield and throughout, and control or optimize production processes to reduce negative effects.

Within the overall solar cell manufacturing industry, Aurora's customers are those who fabricate *advanced* solar cells. These advanced cells lead the industry in the efficient conversion of light into electrical energy. They include those using Passivated Emitter and Rear Contact (PERC) technology, which have a specialized chemical layer on the back to increase light absorption, bifacial technology, using light collected from both sides of the cell, and heterojunction technology (HJT) that involves multiple nano-scale chemical layer depositions on the top and bottom of the cell. These higher-power solar cells command a premium in the market compared to commodity-grade solar cells, providing their manufacturers with better profitability in this highly competitive industry.

Control and optimization of solar cell production starts with measurement. Aurora's DM™ products use proprietary patented technology, based on the principles of infrared spectroscopy, to measure the properties of the afore-mentioned solar cell chemical layers as they are deposited and annealed.

Our Visualize™ software then uses the real-time data provided by our DM measurement products to show the relationship between the per-wafer measurements and the changing spatial variations in chemical layer properties induced by variations in the behaviour of manufacturing equipment used to create these layers. This spatial view of process tool performance provides the means to quickly and effectively perform diagnostics, control and equipment optimization.

Our newest product, Insight™, is a "data science" package that extends our product portfolio, from measurement and characterization of equipment variation, to provide a deep understanding of the effects of these variations on finished cell efficiency. This proprietary product analyses the large volume of data available from the sequence of finished solar cells in a production line and reveals the links between unwanted variations in their efficiency and the causes in production. These analyses allow advanced cell manufacturers to know precisely when and how to control their production for optimal yield and throughput, allowing them to increase their profits.

MARKET POSITION AND DEVELOPMENT

Aurora focuses on top-tier solar cell manufacturers that value the benefits of its in-line measurement and control systems and have known capacity expansion plans. In fiscal 2018 Aurora validated its DM technology with volume orders from major industry leaders from Korea, generating record revenues for the Company.

However, approximately 70 percent of the world's solar cell manufacturing is conducted by Chinese companies, and as of early 2018 this remained a mostly untapped, but vitally important, market for Aurora. In fiscal 2019, Aurora therefore initiated actions to more assertively develop business in China. The Company established a sales and service facility in Shanghai, developed a variant of our DM measurement system (the "DM-110e") that is focused on unique Chinese market needs, increased the number of field trials (a necessary precursor to sales), and recruited successful and respected market partners in China to increase order flow.

While fiscal 2019 also saw delays in expected orders due to new US tariffs on Korean solar cell manufacturers and industry policy changes in China, the above increased business development activity in China has shown tangible results. All but one of the orders received by the Company in the last six months are from large Chinese manufacturers or automation system providers, and the majority of them were for the new DM-110e product. These orders followed field trials initiated during 2018 and came from a mixture of sales developed directly by Aurora and in cooperation with our new market partners in China, most notably Saratoga Technology International.

HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

Aurora closed several volume sales in the first quarter of fiscal 2020. On 14 May 2019, the Company announced that an order to supply a major China-based manufacturer with four DM-110e measurements systems. On 21 May 2019, the Company announced a repeat order to supply a major China-based manufacturer with fifteen DM-110e measurements systems. On 28 May 2019, the Company announced an order to supply a top-tier Asian manufacturer that is an existing customer with two DM-310 measurements systems. On 3 June 2019, the Company announced an order to supply another major China-based manufacturer with four DM-110e measurements systems. This order marked the third China-based manufacturer customer that Aurora had secured since February 2019. On 18 June 2019, the Company announced an order to supply a major China-based manufacturer of solar cell and module manufacturing automation systems with two DM-110 measurement systems and one AS-100 server for control of the DM-110 units. This order from one of the two dominant automation providers in China was an important development for Aurora. Due to an expected 'design-in' from this customer's acquisition of our DM-110 products, visibility and inclusion of Aurora's products during production facility design may be significantly increased.

Additionally, in early June 2019, the Company again exhibited at the SNEC PV Power Expo trade show in Shanghai, China. This annual event is the most important venue for the Company, with estimates of over 2,000 exhibitors and 260,000 attendees. Numerous existing and prospective customers visited the Aurora booth, and as a result of our presence at this event, the Company received requests for quotes and further developed existing product sales opportunities.

SIGNIFICANT EVENTS AND TRANSACTIONS SUBSEQUENT TO THE PERIOD END

During the current fiscal quarter (2020 Q2) the Company announced a second order to supply a major China-based manufacturer of solar cell and module manufacturing automation systems. This order is for six DM-110 measurement systems and three AS-100 servers for control of the DM-110 units. These products will be integrated in the automation systems and then provided to a China-based solar cell manufacturer for use in their production operations.

The Company also announced an order for four DM-121 measurement systems for heterojunction (HJT) solar cell manufacturing. This order is from a new OEM customer and represents a "design-in" that is expected to create future visibility and inclusion of Aurora's products during HJT solar cell production facility design and procurement.

Additionally, the Company announced that it has contracted with AXINO GmbH for investor relations services in Europe. AXINO provides marketing, media and event management services for publicly traded companies, and is headquartered in Stuttgart (Esslingen), Germany. The contract is for a period of 12 months, commencing 1 July 2019.

On 1 July 2019, 300,000 outstanding options exercisable at $0.270 expired.

RESULTS OF OPERATIONS

The comprehensive loss attributable to the shareholders for the three months ended 30 June 2019 was $398,765 compared to $809,678 during the three months ended 30 June 2018. The reasons for the fluctuations are as follows:

Product sales Rounded (000's)	**3 Months** **2020**	3 Months 2019
	$ 413,000	$ 2,000
Variance increase (decrease)	**411,000**	

During the three months ended 30 June 2019, the Company shipped several orders and recognized sales revenue in line with the Company's accounting policy. During the three months ended 30 June 2018, geopolitical tensions, US tariffs on Korean solar cell manufacturers and Chinese industry policy changes contributed to low sales volumes.

Cost of sales Rounded (000's)	**3 Months** **2020**	3 Months 2019
	$ 266,000	$ 72,000
Variance increase (decrease)	**194,000**	

Cost of sales increased for the three months ended 30 June 2019 due to increased production. The Company also accrues sales commission expenses in line with the Company's revenue recognition.

Sales and marketing Rounded (000's)	**3 Months** **2020**	3 Months 2019
	$ 189,000	$ 280,000
Variance increase (decrease)	**(91,000)**	

Sales and marketing expenses have decreased due to decreased investor relations activities as well as limited contractors hired during the current period. Additionally, there were less traveling costs incurred in the current period. Higher balance in the prior period is attributed to sales commissions being paid out as a discretionary bonus in the period when the Company received the payment on revenues previously recognized.

General and administrative Rounded (000's)	**3 Months** **2020**	3 Months 2019
	$ 146,000	$ 230,000
Variance increase (decrease)	**(84,000)**	

The decreased in general and administrative expense is attributed to the Company's attempt to control costs and decreased management fees.

Research and development Rounded (000's)	**3 Months** **2020**	3 Months 2019
	$ 154,000	$ 84,000
Variance increase (decrease)	**70,000**	

Research and development are a key component of the Company's ongoing success. Since the 2017 fiscal year, the Company has been heavily focused on bifacial designs, key upgrades to current software systems and promising new measurement modalities. The increase in research and development during current year is in-line with management's focus and attributed to new contracts hired as well as the new employees.

FINANCIAL DATA FOR LAST EIGHT QUARTERS

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

Three Months Ended	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Sep-17
Total Revenues	**412,906**	**241,990**	**-**	**194,802**	1,549	604,720	337,325	1,418,176
Gain (Loss) from continuing operations	**(398,765)**	**(380,541)**	**(613,109)**	**(455,133)**	(809,678)	(62,839)	(398,959)	178,167
Gain (Loss) for the period	**(398,765)**	**(380,541)**	**(613,109)**	**(455,133)**	(809,678)	(62,839)	(398,959)	178,167
Gain (Loss) per share (Basic and diluted)	**(0.00)**	**(0.01)**	**(0.01)**	**(0.01)**	(0.00)	(0.00)	(0.01)	(0.00)
Total assets	**2,157,288**	**1,793,479**	**2,085,044**	**726,973**	1,424,019	2,232,946	2,239,268	2,618,716
Working capital	**781,633**	**1,239,006**	**1,610,666**	**464,284**	919,356	1,686,207	1,797,862	2,146,810

Management has allowed working capital to remain greater than expected outflows in each quarter, despite variations in timing of sales orders.

OUTSTANDING SHARES

As at 30 June 2019, the Company had 88,176,925 common shares issued and outstanding (30 June 2018 – 52,411,541). The fully diluted amount of 98,613,725 represents warrants of 2,256,800 and options of 8,180,000.

As at the date of this MD&A, the Company had 88,176,925 common shares issued and outstanding. The fully diluted amount of 98,313,725 represents warrants of 2,256,800 and options of 7,880,000.

LIQUIDITY AND FINANCIAL CONDITION OF THE COMPANY

The Company's working capital surplus at 30 June 2019, was $781,633 compared with $919,356 at 30 June 2018.

Cash used in investing activities during the period ended 30 June 2019 totalled $23,532 (30 June 2018 – used $10,370).

Cash used in financing activities during the period ended 30 June 2019 totalled $19,664 (30 June 2018 - $nil).

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

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

CAPITAL 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 during the three months ended 30 June 2019.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at 30 June 2019, and as at the date hereof.

RELATED PARTY TRANSACTIONS

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

Related party transactions are recorded as part of the general and administrative expenses on the consolidated statement of comprehensive loss. These related party transactions and balances are as follows:

RELATED PARTY DISCLOSURE

Principal Position Rounded (000's)	Year(i)		Remuneration or fees(ii)		Included in accounts payable
CEO(iii)	**2020**	**$**	**40,000**	**$**	**-**
	2019	$	45,000	$	-
Former CEO	**2020**	**$**	**-**	**$**	**-**
	2019	$	38,000	$	1,000
CFO	**2020**	**$**	**12,000**	**$**	**4,000**
	2019	$	-	$	-
CFO's company that provided bookkeeping services	**2020**	**$**	**17,000**	**$**	**7,000**
	2019	$	-	$	-
Former CFO	**2020**	**$**	**-**	**$**	**-**
	2019	$	15,000	$	11,000
Former CFO's company that provided bookkeeping services	**2020**	**$**	**-**	**$**	**-**
	2019	$	25,000	$	20,000
Director, Director and consulting Fees	**2020**	**$**	**12,000**	**$**	**-**
	2019	$	5,000	$	-
Director, Director and IR fees	**2020**	**$**	**9,000**	**$**	**2,000**
	2019	$	5,000	$	-
Director – Director Fees	**2020**	**$**	**5,000**	**$**	**-**
	2019	$	5,000	$	-

(i) For the three months ended 30 June 2019 and 30 June 2018.
(ii) Amounts disclosed were paid or accrued to the related party.
(iii) Appointed as a CEO on 15 November 2018. Fees incurred prior to 15 November 2018 were fees as COO.

The transactions with related parties were in the normal course of operations, which is the amount of consideration established and agreed to by the related parties. There are no set terms of repayment for the balances owed to the related parties.

FINANCIAL INSTRUMENTS AND RISK FACTORS

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Consolidated Statement of Financial Position are carried at amortized cost with the exception of cash and cash equivalents 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 30 June 2019, due to the immediate or short-term maturities of the financial instruments.

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

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

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

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

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

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, amounts receivable, and accounts payable and accrued liabilities. As at 30 June 2019, the carrying value of 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. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operations and budgets accordingly.

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, 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, 99% relates to two customers.

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 $25,000. As at 30 June 2019, the Company held currency totalling the following:

Rounded (000's)		Impact		30 June 2019		31 March 2018
United States dollars	**5%**	**$ (45,000)**	**$USD**	**694,000**	$USD	116,000
Chinese RMB	**5%**	**$ (1,000)**	**RMB**	**125,000**	RMB	105,000
Amounts receivable in United States dollars	**5%**	**$ (19,000)**	**$USD**	**287,000**	$USD	180,000
Amounts payable in United States dollars	**5%**	**$ 9,000**	**$USD**	**138,000**	$USD	-
Amounts payable in United States dollars	**5%**	**$ 31,000**	**$USD**	**469,000**	$USD	-

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.

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

INVESTOR RELATIONS ACTIVITIES

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

MANAGEMENT

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

APPROVAL

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

A CAUTIONARY TALE

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

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

Respectfully submitted,

On behalf of the Board of Directors,

“Gordon Deans”

Gordon Deans, CEO