



Aurora
Solar Technologies

AURORA SOLAR TECHNOLOGIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE AND THREE MONTHS ENDED 31 DECEMBER 2021

Stated in Canadian Dollars

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.

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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 Condensed Interim Consolidated Financial Statements, including responsibility for significant accounting judgements 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 judgement 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 safe guarded 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.

We draw your attention to Note 1 in the 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.

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.

28 February 2022

"Gordon Deans"

Gordon Deans, CEO

"Tricia Pederson"

Tricia Pederson, CFO

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars
(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		31 December 2021	31 March 2021
Assets			
Current Assets			
Cash		\$ 3,092,417	\$ 2,771,624
Amounts receivable	(6)	36,938	19,760
Prepaid expenses		77,236	58,905
Inventory	(7)	342,491	333,716
		3,549,082	3,184,005
Non-current Assets			
Right of use assets	(11)	244,009	312,125
Patents	(8)	201,853	197,478
Other assets	(9)	61,633	52,109
Equipment	(10)	201,337	70,388
		708,832	632,100
		\$ 4,257,914	\$ 3,816,105
Liabilities			
Current Liabilities			
Amounts payable and accrued liabilities	(14)	\$ 458,752	\$ 588,747
Current portion of lease liability	(12)	66,104	80,153
Deferred revenue		-	4,122
		524,856	673,022
Non-current Liabilities			
Lease liability	(12)	191,952	231,972
Long-term loan		60,000	60,000
		776,808	964,994
Equity			
Share capital	(13)	20,357,589	17,452,158
Contributed surplus – options	(13)	2,154,709	1,751,119
Contributed surplus – warrants	(13)	551,481	116,629
Deficit		(19,582,673)	(16,468,795)
		3,481,106	2,851,111
		\$ 4,257,914	\$ 3,816,105

Nature of operations and going concern.....(1) Commitments..... (17)
Basis of preparation - statement of compliance..... (2) Subsequent events..... (18)

The Condensed Interim Consolidated Financial Statements were approved by the Board of Directors on 28 February 2022 and were signed on its behalf by:

“Gordon Deans”
Gordon Deans, Director

“David Toyoda”
David Toyoda, Director

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars
(unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

		Nine Months Ended 31 December 2021	Nine Months Ended 31 December 2020	Three Months Ended 31 December 2021	Three Months Ended 31 December 2020
	Note				
Revenues					
Product sales		\$ -	\$ 2,127,808	\$ -	\$ -
Cost of sales		-	(1,548,200)	(68,968)	(174,108)
Sales and marketing provision		-	(261,316)	-	(261,316)
Gross margin		-	318,292	(68,968)	(435,424)
Expenses					
Sales and marketing	(15)	286,675	371,129	80,253	159,004
Research and development	(15)	1,250,989	717,315	496,894	409,629
General and administrative	(15)	1,315,062	811,366	397,092	273,717
Net foreign exchange loss (gain)		(19,539)	238,138	(19,023)	179,553
Depreciation on ROU asset	(11)	68,116	42,851	22,138	22,204
Finance cost (accretion)	(12)	13,670	13,898	3,282	5,514
Depreciation cost	(8)(10)	42,176	24,946	14,833	8,941
Share-based payments	(13)	367,240	21,688	136,948	14,890
		3,324,389	2,241,331	1,132,417	1,073,452
Net Income (Loss) from Operations		\$ (3,324,389)	\$ (1,923,039)	\$ (1,201,385)	\$ (1,508,876)
Other Income		319,716	207,664	105,344	207,664
Other Expenses		(109,205)	-	(109,205)	-
Net Income (Loss) and Comprehensive Income (Loss)		\$ (3,113,878)	(1,715,374)	\$ (1,205,246)	(1,301,212)
Net Loss per Common Share – Basic and Diluted		\$ (0.022)	\$ (0.015)	\$ (0.008)	\$ (0.012)
Weighted Average Number of Shares Outstanding - Basic and Diluted		142,034,214	114,548,578	144,885,595	109,891,668

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

			Subscriptions						Equity
	Shares	Amount	receivable	Warrants	Amount	Options	Amount	Deficit	
Balance 31 March 2020	107,387,825	\$ 14,144,524	\$ (55,000)	21,086,900	\$ 199,285	6,580,000	\$ 1,460,369	\$ (12,948,680)	\$ 2,800,498
Private Placement Issuance	-	-	55,000	-	-	-	-	-	55,000
Shares on exercise of warrants	11,019,150	-	-	(11,019,150)	1,497,893	-	-	-	1,497,893
Liability on warrants exercised	-	-	-	-	7,500	-	-	-	7,500
Shares on exercise of options	1,000,000	-	-	-	-	(1,000,000)	74,500	-	74,500
Options Forfeited	-	-	-	-	-	(200,000)	-	-	-
Share-based Payments	-	-	-	-	-	1,180,000	21,688	-	21,688
Net Profit for the Year	-	-	-	-	-	-	-	(1,715,374)	(1,715,374)
Balance 31 December 2020	119,406,975	\$ 14,144,524	\$ -	10,067,750	\$ 1,704,678	6,560,000	\$ 1,556,557	\$ (14,664,054)	\$ 2,741,705

			Subscriptions						Equity
	Shares	Amount	receivable	Warrants	Amount	Options	Amount	Deficit	
Balance 31 March 2021	129,724,725	\$ 17,452,158	\$ -	-	\$ 116,629	9,260,000	\$ 1,751,119	\$ (16,468,795)	\$ 2,851,111
Private Placement Issuance	14,200,000	3,550,000	-	-	-	-	-	-	3,550,000
Share Issuance Costs	-	(288,117)	-	-	-	-	-	-	(288,117)
Issuance of Private Placement Warrants	-	(381,553)	-	7,100,000	381,553	-	-	-	-
Issuance of Agent Warrants	-	(53,299)	-	615,100	53,299	-	-	-	-
Shares on exercise of options	1,050,000	-	-	-	-	(1,050,000)	114,750	-	114,750
Options Expired	-	-	-	-	-	(300,000)	-	-	-
Options Forfeited	-	-	-	-	-	(150,000)	-	-	-
Fair value transfer on options exercise	-	78,400	-	-	-	-	(78,400)	-	-
Share-based Payments	-	-	-	-	-	-	367,240	-	367,240
Net Loss for the Year	-	-	-	-	-	-	-	(3,113,878)	(3,113,878)
Balance 31 December 2021	144,974,725	\$ 20,357,589	\$ -	7,715,100	\$ 551,481	7,760,000	\$ 2,154,709	\$ (19,582,673)	\$ 3,481,106

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars
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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended 31 December 2021	Nine Months Ended 31 December 2020	Three Months Ended 31 December 2021	Three Months Ended 31 December 2020
Operating Activities				
Net Loss for the Year	\$ (3,113,878)	\$ (1,715,374)	\$ (1,067,309)	\$ (1,301,212)
Items not Affecting Cash				
Amortization	42,176	19,105	14,832	8,297
Depreciation on ROU asset	68,116	42,851	22,138	22,204
Finance cost	13,670	13,898	3,282	5,968
Share-based payments	367,240	21,688	136,948	14,890
Allowance for Sales & Marketing	-	261,316	-	261,316
Gain (Loss) on FX	-	2,738	-	2,738
	(2,622,676)	(1,353,778)	(890,109)	(985,799)
Net Change in Non-cash Working Capital				
Amounts receivable	(17,178)	198,856	4,044	265,376
Prepaid expenses	(18,331)	(2,224)	(22,196)	(6,863)
Inventory	(8,775)	64,676	(31,219)	(89,151)
Accounts payable and accrued liabilities	(129,996)	79,529	29,001	36,244
Deferred revenue	(4,122)	(215,527)	(4,122)	-
	(178,402)	(257,752)	(24,492)	205,606
Net cash used in operating activities	(2,801,078)	(80,296)	(914,601)	(780,193)
Investing Activities				
Purchase of equipment	(165,597)	(3,287)	(3,374)	(1,177)
Purchase of patents	(11,903)	(10,883)	(11,790)	(15,889)
Purchase of other assets	(9,524)	-	11,789	26,918
Net cash used in investing activities	(187,024)	(14,170)	(3,375)	9,852
Financing Activities				
Proceeds from share issuance	3,550,000	55,000	-	-
Proceeds from warrant exercise	-	1,572,393	-	1,561,158
Proceeds from option exercise	114,750	-	93,750	-
Share issue costs	(288,117)	-	-	-
Liability to issue shares	-	7,500	-	7,500
Lease liability payment	(67,738)	(53,053)	(19,605)	(24,731)
Net cash provided by financing activities	3,308,895	1,581,840	74,145	1,543,927
Net Increase in Cash	320,793	339,202	(843,831)	773,586
Cash position – beginning of period	2,771,624	1,821,146	3,936,248	1,386,762
Cash Position – End of Period	\$ 3,092,417	\$ 2,160,348	\$ 3,092,417	\$ 2,160,348

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars
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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 under the laws of the Province of British Columbia, Canada on 26 October 2006 as Pulse Capital Corp, a capital pool company. The Company, together with its subsidiary, develops and markets inline quality control systems for the solar cell manufacturing industry. The address of the Company’s corporate and administrative office and principal place of business is #100 – 788 Harbourside Drive, North Vancouver, BC, V7P 3R7.

These 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 may cast significant doubt about the Company’s ability to continue as a going concern. 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 consolidated statement of financial position classifications used, and such adjustments could be material.

The global transmission of COVID-19 and the related global efforts to contain its spread resulted in international border closings, travel restrictions, significant disruptions to border operations, supply chains and customer activity and demand, service cancellations, reductions and other changes, and quarantines, as well as considerable general concern and uncertainty.

The impacts of the COVID-19 crisis that have had an effect on us include: a decrease in short-term and/or long-term demand and/or pricing for our products; reduced sales as a result of travel restrictions impacting customer engagement; higher rates of losses on our amounts receivable due to credit default resulting in delays in the collectability of amounts receivable (Note 6); increased costs resulting from our efforts to mitigate the impact of COVID-19, deterioration of worldwide credit and financial markets that could limit our ability to obtain external financing to fund our operations and capital expenditures; resulting in disruptions to our supply chain, and adverse impacts on our information technology systems and our internal control systems as a result of the need to increase remote work arrangements.

A material adverse effect on our employees, customer, suppliers and/or logistics providers could have a material adverse impact on us.

Rounded (000’s)	31 December 2021	31 March 2021
Working capital	\$ 3,024,000	\$ 2,510,000
Accumulated deficit	\$ (19,583,000)	\$ (16,469,000)

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars
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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

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 2021.

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 judgements, 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 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 judgements 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.

AURORA SOLAR TECHNOLOGIES INC.

Canadian Dollars
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NOTES TO THE CONDENSED INTERIM CONSOLIDATED 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.

Revenue recognition

The amount of revenue recognized is adjusted for expected returns, which are estimated by management based on the historical data for the related types of goods sold. Actual results may differ from management estimates. Revenue is recognized once the control of a good or service is transferred to a customer and is available to make use of the good or service. Contracts, for goods or services that are not considered distinct, are considered one performance obligation that may include several goods or services that are provided to a customer and delivered against a performance metric. Judgement is used to determine whether multiple promised goods or services in a contract should be accounted for separately or as bundle.

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.

Patents and other assets

The Company reviews the valuation of these assets at the end of each reporting period based on the expected remaining useful life of patents and the recoverability of patent application costs in relation to the market changes of relative technologies.

Share-based payments

The Company records the fair market value as described by the Black-Scholes 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 outcome of these tax-related matters is different from the amounts 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.

Provisions and contingent liabilities:

A provision is recognized if the Company has a present legal or constructive obligation, as a result of past events, that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation for product liability, accrual of product warranties, liabilities for potential

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

litigation claims and settlements. Management must use judgement in determining whether all the above three conditions have been met to recognize a provision or whether a contingent liability is in existence at the reporting date. Provisions and contingencies can vary materially from management's initial estimate and affect future consolidated financial statements.

5) Financial instruments and risk management

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Interim Condensed Interim Consolidated Statement of Financial Position are carried at amortized cost except for cash which is carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 31 December 2021 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 has 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 amounts payable and accrued liabilities. As at 31 December 2021, 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 China, and management believes the exposure to credit risk with respect to such institutions is not significant. Estimates of expected credit losses take into account the Company's collection history, deterioration of collection rates during the average credit period, the impact of COVID 19, as well as observable changes in and forecasts of future economic conditions that affect default risk. As at 31 December 2021 the Company has \$17,840 in trade amounts receivable.

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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% change in exchange would impact the financial statements by \$13,000 (31 March 2021- \$27,000). As at 31 December 2021 the Company held currency totalling the following:

Rounded (000's)				31 December 2021	31 March 2021
Cash in United States dollars	5%	\$ (6,000)	\$USD	91,000	\$USD 493,000
Cash in Chinese RMB	5%	\$ (7,000)	\$RMB	685,000	RMB 450,000
Amounts receivable in United States dollars	5%	\$ (1,000)	\$USD	9,000	\$USD -
Amounts payable in United States dollars	5%	\$ 1,000	\$USD	(11,000)	\$USD (93,000)

g) Liquidity risk

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

6) Amounts receivable

Amounts receivable consist of:

	31 December 2021	31 March 2021
Trade receivables	\$ 17,840	\$ 893
GST receivable and other taxes recoverable	19,098	18,867
Total Amount receivable	\$ 36,938	\$ 19,760

7) Inventory

Inventory consists of:

	31 December 2021	31 March 2021
Raw materials	\$ 342,491	\$ 333,716
Total inventory	\$ 342,491	\$ 333,716

Inventory expensed to cost of sales during the nine-month period was \$Nil (31 March 2021 – \$467,569).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

8) Patents

Patents consists of:

	Cost	Accumulative Depreciation	Carrying Amounts
Balance as at 31 March 2020	\$ 229,539	\$ (58,185)	\$ 171,354
Changes during the year	37,491	(11,367)	(26,124)
Balance as at 31 March 2021	267,030	(69,552)	197,478
Changes during the period	11,903	(7,528)	4,375
Balance as at 31 December 2021	\$ 278,933	\$ (77,080)	\$ 201,853

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

Patent depreciation is calculated using the straight-line method over an estimated useful life of 20 years.

9) Other assets

Other assets consist of:

	Balance
Balance as at 31 March 2020	\$ 74,636
Additions	63,593
Transfers to patents	(37,491)
Write-off	(48,629)
Balance as at 31 March 2021	52,109
Additions	21,427
Transfers to patents	(11,903)
Balance as at 31 December 2021	\$ 61,633

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 patents and depreciated over its useful life of 20 years.

10) Equipment

Equipment consists of:

	Cost	Accumulative Depreciation	Carrying Amount
Balance as at 31 March 2020	\$ 112,219	\$ (23,257)	\$ 88,962
Additions during the year	4,120	(22,694)	(18,574)
Balance as at 31 March 2021	116,339	(45,951)	70,388
Additions during the year	165,597	(34,648)	139,949
Balance as at 31 December 2021	\$ 281,936	\$ (80,599)	\$ 201,337

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11) Right of use assets

The Company recognized a right of use asset as part of its transition to IFRS 16. The right of use asset is amortized on a straight-line basis over the term of its leases related to its Vancouver head office and Shanghai sales office.

	Balance
Balance as at 31 March 2020	\$ 37,218
Additions	345,879
Depreciation	(70,972)
Balance as at 31 March 2021	312,125
Depreciation	(68,116)
Balance as at 31 December 2021	\$ 244,009

12) Lease liability

The Company does not hold any short-term or low value leases.

The Company has lease liabilities for leases related to its Vancouver head office and Shanghai sales offices (Note 17). The weighted average discount rate for the year ended 30 September 2021 was 7%.

	Balance
Balance as at 31 March 2020	\$ 39,358
Additions	335,844
Lease accretion	13,647
Payments	(76,724)
Balance as at 31 March 2021	\$ 312,125
Lease accretion	13,670
Payments	(67,740)
Balance as at 31 December 2021	\$ 258,056

Lease liability – current portion	66,104
Lease liability – non-current portion	191,952
Total lease liability	\$ 258,056

13) Share capital and reserves

a) Authorized

The authorized share capital is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting of only common shares are fully paid. There were 144,974,725 (31 March 2021-129,724,725) fully paid common shares issued and outstanding as at 31 December 2021.

b) Issued and outstanding and fully paid

During the three months ended 30 June 2021, the Company closed a non-brokered private placement consisting of 14,200,000 units. Each unit consisted of one common share and one-half share purchase warrant (“Units”). The share purchase warrants entitled the holder to purchase one share for a period of 12 months from closing at a price of \$0.40 per share. The Company paid a total of \$288,117 in agent, consulting, legal and filing fees related to

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the share issuances. In consideration of the Agent's services, the company paid commission fees of \$153,775 and issued 615,100 broker warrants on closing. Each broker warrant entitles the Agent to purchase one Unit for a period of one year from the closing date at a price of \$0.25 per unit.

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 10 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 17,635,385 common shares. As at 31 December 2021, the remaining number of common shares available for issuance is 9,875,385 (31 March 2021 – 8,375,385) common shares.

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free rates, dividend yields, historical volatility to estimate the market price of the Company's common shares, forfeiture rates and expected life of the options.

During the nine months ended 31 December 2021, the Company granted \$Nil options (31 March 2021 – 4,230,000 options) to officers and consultants of the Company. During the nine months ended 31 December 2021, the Company recognized \$367,240 (31 March 2021 - \$384,173) in share-based payments on granted options.

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

	For the Nine Months Ended 31 December 2021	Weighted average exercise price	For the Year Ended 31 March 2021	Weighted average exercise price
Balance – beginning of period	9,260,000	\$ 0.25	6,580,000	\$ 0.11
Granted	-	-	4,230,000	0.42
Exercised	(1,050,000)	0.11	(1,350,000)	0.10
Expired/Forfeited	(450,000)	-	(200,000)	0.07
Balance – end of period	7,760,000	\$ 0.26	9,260,000	\$ 0.25

Details of stock options outstanding are as follows:

Expiry Date	Exercise price	31 December 2021	31 December 2021	31 March 2021	31 March 2021
		Outstanding	Exercisable	Outstanding	Exercisable
7 October 2021	\$ 0.105	-	-	600,000	600,000
12 October 2021	\$ 0.115	-	-	450,000	450,000
23 November 2021	\$ 0.13	-	-	300,000	300,000
31 March 2022	\$ 0.21	625,000	625,000	625,000	625,000
19 December 2022	\$ 0.265	75,000	75,000	75,000	75,000
23 April 2023	\$ 0.20	430,000	430,000	430,000	430,000
8 August 2023	\$ 0.13	250,000	250,000	250,000	250,000
30 October 2023	\$ 0.06	2,100,000	2,100,000	2,100,000	2,100,000
2 January 2025	\$ 0.075	200,000	200,000	200,000	200,000
7 April 2025	\$ 0.10	1,180,000	790,500	1,180,000	-
24 February 2026	\$ 0.54	3,050,000	900,000	3,050,000	900,000
		7,760,000	5,370,500	9,260,000	5,930,000

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The outstanding options have a weighted average exercise price of \$0.27 (31 March 2021 – \$0.25) and the weighted average remaining life of the options is 2.78 years (31 March 2021 – 3.12 years).

c) Warrants

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

	For the Nine Months Ended 31 December 2021	Weighted average exercise price	For the Year Ended 31 March 2021	Weighted average exercise price
Balance – beginning of period	-	\$ -	21,086,900	\$ 0.14
Issued	7,100,000	0.40	-	-
Agent’s warrants issued	615,500	0.25	-	-
Warrants expired	-	-	(100,000)	0.15
Warrants exercised	-	-	(20,986,900)	0.14
Balance – end of period	7,715,500	\$ 0.39	-	\$ -

14) Related party transactions and balances

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 transactions are in the normal course of business operations.

Principal Position Rounded (000's)	Year ⁽ⁱ⁾	Remuneration or fees ⁽ⁱⁱ⁾	Share-based Payments	Balances in Prepays	Balances in Accounts Payable
CEO	2022	\$ 128,000	\$ 83,000	\$ -	\$ -
	2021	\$ 134,000	\$ -	\$ -	\$ -
CFO	2022	\$ 46,000	\$ -	\$ -	\$ -
	2021	\$ -	\$ -	\$ -	\$ -
Former CFO	2022	\$ 9,000	\$ -	\$ -	\$ -
	2021	\$ 65,000	\$ -	\$ -	\$ 3,000
Former CFO	2022	\$ -	\$ -	\$ -	\$ -
	2021	\$ 9,700	\$ -	\$ -	\$ -
Director	2022	\$ -	\$ 33,000	\$ -	\$ -
	2021	\$ 15,000	\$ -	\$ -	\$ 5,000
A Law Firm in which the Director is a legal counsel	2022	\$ 65,000	\$ -	\$ -	\$ -
	2021	\$ -	\$ -	\$ -	\$ -
Director	2022	\$ 4,000	\$ 33,000	\$ -	\$ 3,000
	2021	\$ 15,000	\$ -	\$ -	\$ 3,000
Director	2022	\$ 88,000	\$ -	\$ -	\$ -
	2021	\$ 62,100	\$ -	\$ -	\$ 5,000
A Company in which the Director is an Owner	2022	\$ 45,000	\$ -	\$ -	\$ 8,000
	2021	\$ -	\$ -	\$ -	\$ -

(i) For the nine-months ended 31 December 2021 and the 31 December 2021.

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

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15) Supplemental information for statements of operations and comprehensive loss

	Nine Months Ended 30 December 2021	Nine Months Ended 31 December 2020
The sales and marketing expense consisted of the following:		
Salaries and wages	\$ 154,881	\$ 207,518
Promotion, marketing & travel	40,179	10,609
Consulting	91,615	153,002
Other	-	-
Total	\$ 286,675	\$ 371,129

	Nine Months Ended 30 December 2021	Nine Months Ended 31 December 2020
The research and development expense consisted of the following:		
Salaries and wages	\$ 618,518	\$ 532,265
Professional & consulting	111,328	164,587
Government grant	-	(139,489)
Product research	521,143	159,952
Total	\$ 1,250,989	\$ 717,315

	Nine Months Ended 30 December 2021	Nine Months Ended 31 December 2020
The general and administrative expense consisted of the following:		
Salaries and wages	\$ 398,400	\$ 273,267
Professional & consulting	394,450	258,827
Investor relations	170,346	31,561
Office expense	196,842	82,744
Directors fees	30,000	45,000
Other	125,024	119,967
Total	\$ 1,315,062	\$ 811,366

16) Capital management

The Company manages its capital structure and makes adjustment to it, based on the funds available to the Company, 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 nine months ended 31 December 2021.

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17) Commitments

On 2 March 2017, the Company has the following commitments associated with its right of use assets (note 11) and lease liabilities (note 12):

On 8 January 2021, the Company signed a one-year lease for its office in Shanghai, commencing on 1 May 2021. The Company expects to extend this lease, which is set to expire on April 30, 2022, for another one-year term:

Rounded (000's)		Amount
Fiscal 2022	RMB	133,000
Fiscal 2023		12,000
Total	RMB	145,000

During the year end 31 March 2021, the Company signed a five-year lease for its head office in North Vancouver, commencing on 1 September 2020:

Rounded (000's)		Amount
Fiscal 2022		68,000
Fiscal 2023		72,000
Fiscal 2024		76,000
Fiscal 2025		80,000
Fiscal 2026		34,000
Total	\$	330,000

18) Subsequent events

Subsequent to the period ended 31 December 2021, the Company applied for Input Tax Credits of \$19,098 for amounts relating to the October through December 2021 period.

On 10 January 2022, the Company received a Notice of Arbitration from the Shanghai International Centre in the amount of approximately USD\$185,000 relating to a DM equipment purchase contract dispute in China. The Company believes this claim is without merit and has engaged legal counsel to file a defence and counterclaim for amounts owing (approximately USD\$110,000) under this purchase contract.