



AURORA SOLAR TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED 30 JUNE 2022 AND 2021

Stated in Canadian Dollars

DATE: 26 AUGUST 2022

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**TO OUR SHAREHOLDERS**

The following information should be read in conjunction with the unaudited Condensed Interim Consolidated Financial Statements of Aurora Solar Technologies Inc. (“the Company”, or “Aurora”) for the three months ended 30 June 2022 and 2021, and the related notes attached thereto, which were prepared in accordance with International Financial Reporting Standards (“IFRS”). This discussion covers the three months ended 30 June 2022 and 2021 and the subsequent period up to the date of the issuance of this MD&A. All amounts are expressed in Canadian dollars, unless otherwise indicated.

Additional information about the Company, including the audited annual Consolidated Financial Statements, and the notes thereto, for the years ended 31 March 2022 and 2021, 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 such results will be achieved. 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 China will move in a direction that will support the worldwide PV solar market.	Economic conditions, including the continued impact from the Covid-19 pandemic, move in a negative direction causing changes to supply and demand, affecting customer sales and future production decisions.
Product Acceptance	The risk that the Company’s current products and next generation of technology might not be successful.	Continued impact of Covid-19 pandemic limiting access to customer sites, commissioning challenges and/or incremental technical development may be required before customer adoption of its products or customer specific risks for product acceptance.



GENERAL

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.

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 solar cells using mainstream Passivated Emitter and Rear Contact ("PERC") technology, and advanced designs such as Tunnel Oxide Passivated Contact ("TOPCon") and heterojunction technology (HJT) cells.

Control and optimization of solar cell production starts with measurement. Aurora's DMTM and TCMTM 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 VisualizeTM software then uses the real-time data provided by our DM and TCM 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 perform diagnostics, control, and equipment optimization quickly and effectively.

Our newest product, InsightTM, 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.

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.

MARKET POSITION AND DEVELOPMENT AND IMPACT OF THE COVID-19 PANDEMIC

Aurora focuses on top-tier solar cell manufacturers that value the benefits of the Company's in-line measurement and control systems and that have known capacity expansion plans. More than 80 percent of the world's solar cell manufacturing is conducted by Chinese companies. In fiscal 2019 Aurora therefore initiated actions to assertively



develop business in China. The Company established a sales and service facility in Shanghai, developed a variant of our DM measurement system 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.

All but one of the orders received by the Company since fiscal 2019 are from large Chinese manufacturers or automation system providers, and most of them were for the new DM-110 series for China. These orders followed field trials initiated during fiscal 2019 and came from a mixture of sales developed directly by Aurora and in cooperation with our market partners in China, most notably Saratoga Technology International. In the fiscal years ended 2020 and 2021 the Company delivered a large quantity of DM measurement systems from these past orders to numerous different customers in China. During the three months ended 30 June 2022, there were no DM sales resulting in \$Nil revenue generated.

On 11 March 2020, the coronavirus outbreak (“Covid-19”) was declared a pandemic by the World Health Organization. Since then, global government measures to contain and prevent the further spread of the virus have evolved rapidly, resulting in strict international travel restrictions, stay-at-home advisories and quarantining of persons who may have been exposed to the virus. These measures have had a dramatic impact on the global economy.

In this context, Aurora places a high priority on the health and safety of its employees and their families. The Company follows the order of the provincial health officer and continues to modify the work environment to comply with all provincial and federal health authority regulations.

The international travel restrictions to contain the spread of Covid-19 have had, and continue to have, a material impact on the Company’s operations including business development to secure new orders, and activities to complete the installation, commissioning and customer training for systems that have been delivered to its international customers. While Aurora has staff located in China, the Company has been prevented from sending senior technical staff to customer sites as required to complete installations, conduct diagnostic analysis for variable customer-specific operating issues and to commission DM systems. In addition, the Company has also been impacted with longer than normal lead times with its international supply chain due to the pandemic. This has hindered the ability to timely train and provide technical expertise to customers to identify and resolve operating issues across the scope of new installations, implement product enhancements as needed, and to introduce the Insight product. Aurora has final payment obligations associated with timely installation and commissioning of these systems, and these challenges may impact customer objectivity in the Company’s efforts to achieve final acceptance.

Notwithstanding the above, the Company is taking a proactive and systematic approach to resolve these matters, including product performance refinements, operational enhancements, and customer education and training. Despite the pandemic-related travel and supply chain challenges, the performance of the DM products has steadily improved to accommodate the customer application challenges, providing a positive pathway to completing the commissioning processes. As a result of these efforts, 24 systems were conditionally accepted by one customer, with a portion of the final acceptance funds being received in the fiscal year ended 31 March 2022. In addition, the Company continues product development to provide further functionality in its DM and TCM products for existing customer applications and for future sales.

The Company’s product development efforts also provide benefits by preparing the DM and TCM products for the next generation of solar cells, particularly Heterojunction Technology (“HJT”) and Tunnel Oxide Passivated Contacts (“TOPCon”) cells. These are the leading contenders for the next generation of solar cell designs for volume manufacturing and deployment. Each of these technologies promise a relative efficiency improvement of four percent (4%) or more over the established PERC technology. Pilot and/or full-scale production of HJT and TOPCon solar cells is already underway at leading solar cell manufacturers.



As the Company completes the installation and commissioning of these systems, we also continue to focus development of our measurement product line on strengthening the foundation for the introduction of its Insight data science product for solar cell production yield, quality and cost optimization.

HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

PRODUCT UPDATES

DM & TCM

The Company continues to implement DM product enhancements at selected customer locations to improve performance and product utility at these locations. Most of the DM products at these locations are now in production use, with 24 units now having received formal customer acceptance. We are continuing the systematic approach to achieve further acceptances and to position the Company for new business across its product lines. The company also initiated installation of 5 DM units at a customer site in Malaysia. These units had been previously purchased; the installation was delayed due to pandemic travel restrictions.

Insight

On 25 February 2021, Aurora entered into an agreement with a strategic technology leader in solar cell manufacturing for their evaluation of the Company's initial version of the Insight™ data science project, called "Insight Essentials", for solar cell production yield optimization. This evaluation project has progressed positively with its validation and benchmark objectives for the product and market readiness. To date, the reliability and accuracy of Insight's platform capability known as "tool tracing" continues to consistently outperform current methods for timely effective fault remediation and yield management operations.

In October 2021, Aurora announced that the Company had entered into a second Insight™ Essentials evaluation agreement with a major cell and module manufacturer in China. The results from the above initial evaluation will now be built upon for broader application in this project. It is on track, having experienced a temporary and limited delay due to recent pandemic lockdowns in China, and is expected to be operating during the third quarter of 2022. This aligns with the Company's commercialization plan for a staged rollout of Insight later in 2022.

Insight Essentials is the first of a planned series of Insight versions, focused on plant-wide yield (and quality control) visualization and reporting. Future versions of the product will integrate and add value to inline measurement systems such as Aurora's DM family of products, providing a fully integrated system for yield and quality control management in solar manufacturing. Aurora has designed its Insight platform using industry know-how along with novel proprietary algorithms and technology to evaluate the large volumes of data collected during solar cell fabrication. It evaluates these data to inform the manufacturer – in real time – how well its production equipment is performing, where problems may be occurring, or where yield or quality might be improved. As customers realize the value of the Insight Essentials, the Insight data science platform can be further developed to create additional value for customers that seek competitive advantage.

On 7 February 2022, the first Insight evaluation project was successfully completed, with the product validation needs successfully met, including the reliability and accuracy of Insight's platform capability known as "tool tracing". Tool tracing is the act of regularly collecting and processing solar cell production equipment performance and the information it generates is vital for timely and effective fault remediation and yield management operations such as preferential wafer routing. As such, trusted tool tracing is the platform for all current and future Insight product applications. For benchmarking purposes, Aurora's analysis found that Insight's tool tracing can consistently and significantly outperform the current methods being used at the initial production facility.

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SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

During the three months ended 30 June 2022, the Company announced it is at an advanced stage of closing the offer to acquire BT Imaging Pty Ltd. ("BTi") through a Share Purchase Agreement between the shareholders of BTi and Aurora (the "Offer"), with a scheduled completion date of on or before 31 August 2022.

David Robinson was appointed to the Board of Directors effective 12 May 2022 replacing John McNicol who has since retired.

During the three months ended 30 June 2022, 7,100,000 common share purchase warrants issued 13 May 2021 at a price of \$0.40 per unit expired. In addition, 615,100 agent warrants issued 13 May 2021 at an exercise price of \$0.25 per unit also expired on 13 May 2022.

SIGNIFICANT EVENTS AND TRANSACTIONS SUBSEQUENT TO THE PERIOD END

In July 2022, the five-unit DM installation at a customer site in Malaysia was successfully completed, with the units fully operational. The Company is now awaiting final acceptance for these units, which is expected to occur late in the second quarter to early in the third quarter. Also in July, the Insight installation at the second customer evaluation site was made operational. Operator training is underway and evaluation testing is expected to commence once that is completed.

Subsequent to the three months ended 30 June 2022, the Company announced that the acquisition of BTi Imaging PTY Ltd. (the "Acquisition") was completed effective 25 August 2022 in Vancouver, BC and 26 August 2022 in Sydney, Australia.

The total consideration to be issued by the Company to BTi shareholders for this Acquisition is 62,969,351 common shares and \$1,205,310 in cash. These new common shares are subject to escrow conditions and will be released in three tranches on 26 December 2022, 25 June 2023 and 25 December 2023 in the amount of 20,032,003, 21,468,674, and 21,468,674 common shares, respectively.

Stifel GMP acted as Aurora's financial advisor on this transaction and will receive 2,500,000 common shares issued at a deemed price of \$0.10 per share. Baker McKenzie LLP acted as Aurora's legal advisor on this transaction.

Subsequent to three months ended 30 June 2022, the Company also announced that a concurrent non-brokered private placement to support the Acquisition was also completed with net proceeds of \$1,146,625. The Company has issued 11,650,000 Units (the "Units") at the price of \$0.10 per Unit for gross proceeds of \$1,165,000. Each Unit will consist of one common share of the Company and one share purchase warrant to acquire a share of the Company at an exercise price of \$0.20 for a period of one year. A finder's fee of \$18,375 was paid and 183,750 in finder's warrants were issued which are exercisable into common shares at \$0.20 per share purchase warrant for a period of one year. All securities issued pursuant to the private placement are subject to a hold period that expires on 26 December 2022.

The Company also announced stock option grants to directors, officers and consultants totaling 3,700,000 options exercisable at \$0.11 per option for a five-year term.

Subsequent to the period ended 30 June 2022, 100,000 options were exercised at a price of \$0.06 per option.



As previously announced, the Company received a Notice of Arbitration from the Shanghai International Centre (“SHIAC”) relating to a DM equipment purchase contract dispute. Subsequent to the three months ended 30 June 2022, the Company received the notice for the arbitration hearing date which has been scheduled for 9 September 2022.

RESULTS OF OPERATIONS

The net loss and comprehensive loss attributable to the shareholders for three months ended 30 June 2022 was \$1,003,006 compared to the comprehensive loss of \$1,103,487 during the three months ended 30 June 2021. The reasons for the fluctuations are as follows:

Product sales

During the three months ended 30 June 2022 and 30 June 2021, there were \$Nil product sales.

The effects of the Covid-19 pandemic together with customer-originated delays continue to significantly impact customer service and sales opportunities. The primary pandemic effects have been and continue to be travel and site access related, both internationally and also domestically within China. Customer-originated delays have predominantly been a result of pandemic protocols and the limitations in accessing customer sites. The Company continues to support customers with a focus on sales and commercial technical product validation trials.

Rounded (000's)	3 Months 2023	3 Months 2022
Cost of sales	\$ -	\$ 69,000
Variance increase (decrease)	(69,000)	

During the three months ended 30 June 2022 there were no cost of sales as a result of \$Nil product sales.

Rounded (000's)	3 Months 2023	3 Months 2022
Sales and marketing	\$ 111,000	\$ 134,000
Variance increase (decrease)	(23,000)	

During the three months ended 30 June 2022 the Company continued to navigate impacts from the Covid-19 pandemic. The Company made technical presentations at the 2022 IEEE 49th Photovoltaic Specialist Conference (PVSC) in the United States and has resumed strategic customer site visits primarily outside of China.

Rounded (000's)	3 Months 2023	3 Months 2022
General and administrative	\$ 359,000	\$ 459,000
Variance increase (decrease)	(100,000)	

During the three months ended 30 June 2022 the Company reallocated and restructured resources to focus on key product, operational and sales growth strategies. Audit fees recorded during the three-month period ended 30 June 2022 were \$20,000.

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Rounded (000's)	3 Months 2023	3 Months 2022
Research and development	\$ 391,000	\$ 365,000
Variance increase (decrease)	26,000	

Research and development are a key component of the Company's ongoing success. The Company has been focused on Insight development and on continuously improving DM product performance and range of functionality for competitive advantage and cost reduction purposes. The increase in research and development during current period was in-line with this focus and included outsourcing certain product development services and targeted use of experienced external consultants as needed and appropriate, along with certain internal technical roles associated with operations and sales. The application engineering team located in Shanghai has continued to support the Research and Development team with onsite data collection, product testing and product utility criteria. The amounts relating to this support for the three months ended 30 June 2022 (\$135,000) was allocated to research and development accordingly.

SELECTED ANNUAL INFORMATION

Financial Data for the past four annual periods:

Fiscal Year Ended	Mar-2022	Mar-2021 ⁽¹⁾	Mar-2020 ⁽¹⁾	Mar-2019
Rounded (000's)				
Total Revenues	\$ -	1,866,000	3,298,000	438,000
Loss from Continuing Operations	\$ (4,247,000)	(3,771,000)	(482,000)	(2,258,000)
Loss and Comprehensive Loss for the Year	\$ (4,258,000)	(3,520,000)	(504,000)	(2,258,000)
Loss per Share (Basic and Diluted)	\$ (0.03)	(0.03)	(0.01)	(0.03)
Total Assets	\$ 3,189,000	3,816,000	3,551,000	1,793,000
Working Capital ⁽²⁾	\$ 2,017,000	2,511,000	2,428,000	1,239,000

⁽¹⁾ For comparative purposes, information for the year ended 31 March 2021 was restated due to a change in presentation for Finance Cost which was formerly included in "Loss from Continuing Operations" and is now included in "Loss and Comprehensive Loss for the Year". There is no impact on net income, retained earnings, or assets and liabilities as a result of this change.

⁽²⁾ "Working Capital" is defined as current assets minus current liabilities.

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 IFRS and are expressed in Canadian dollars.

Three Months Ended	22-Jun	22-Mar	21-Dec	21-Sep	21-Jun	21-Mar	20-Dec	20-Sep	20-Jun
Total Revenues	-	-	-	-	-	(261,316)	-	546,143	1,581,665
Gain (Loss) from continuing operations for the period	(1,003,006)	(1,132,672)	(1,067,309)	(943,082)	(1,103,487)	(1,804,741)	(1,301,212)	(428,523)	149,559
Gain (Loss) per share (Basic and diluted)	(0.007)	(0.008)	(0.008)	(0.007)	(0.008)	(0.015)	(0.012)	(0.004)	0.001
Total assets	2,171,565	3,188,774	4,257,914	5,085,969	6,193,832	3,816,105	3,927,164	3,325,418	3,904,167
Working capital	1,110,750	2,017,393	3,024,226	3,838,665	4,660,143	2,510,983	2,379,993	2,068,226	2,609,692

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MANAGEMENT DISCUSSION AND ANALYSIS



OUTSTANDING SHARES

As of 30 June 2022, the Company had 144,974,725 common shares issued and outstanding. The fully diluted amount of 155,959,725 represents Nil warrants and options of 10,985,000.

As of the date of this MD&A, the Company had 222,194,076 common shares issued and outstanding. The fully diluted amount of 248,612,826 represents 11,833,750 warrants and options of 14,585,000.

During the three months ended 30 June 2022, Nil options were exercised and 50,000 options were forfeited from the 2020 April 7th issuance.

LIQUIDITY AND FINANCIAL CONDITION OF THE COMPANY

The Company's Working Capital surplus on 30 June 2022, was \$1,110,750 compared with \$2,017,393 on 31 March 2022.

Cash used in investing activities during the period ended 30 June 2022 totalled \$Nil (30 June 2021 – used in \$145,321).

Cash used in financing activities during the period ended 30 June 2022 totalled \$23,396 (30 June 2021 – provide by \$3,238,172).

Actual future funding requirements may vary from those planned due to several 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, 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 2022 however, the Company may take future actions to strengthen its financial position due to the impact of the Covid-19 pandemic on its business including the delays in adopting its products.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as of 30 June 2022, and as of 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:

Principal Position Rounded (000's)	Year ⁽ⁱ⁾	Remuneration or fees ⁽ⁱⁱ⁾	Share-based Payments	Balances in Prepays	Balances in Accounts Payable
CEO	2023	\$ 55,000	\$ 14,000	\$ -	\$ -
	2022	\$ 54,000	\$ 27,000	\$ -	\$ -
CFO	2023	\$ 57,000	\$ 2,000	\$ -	\$ -
	2022	\$ -	\$ -	\$ -	\$ -
Former CFO	2023	\$ -	\$ -	\$ -	\$ -
	2022	\$ 6,000	\$ 8,000	\$ -	\$ -
Director	2023	\$ 5,000	\$ 6,000	\$ -	\$ -
	2022	\$ 5,000	\$ 11,000	\$ 5,000	\$ -
A Company in which the Director is a legal counsel ^{(iii)(iv)}	2023	\$ 20,000	\$ -	\$ -	\$ -
	2022	\$ 48,000	\$ -	\$ -	\$ 48,000
Director	2023	\$ 8,000	\$ 4,000	\$ -	\$ -
	2022	\$ 8,000	\$ 11,000	\$ 5,000	\$ 3,000
Director	2023	\$ 33,000	\$ 11,000	\$ -	\$ 500
	2022	\$ 33,000	\$ -	\$ 5,000	\$ -
A Company in which the Director is an owner ^{(iv)(v)}	2023	\$ 33,000	\$ -	\$ -	\$ 8,000
	2022	\$ 8,000	\$ -	\$ -	\$ 8,000
Director	2023	\$ 5,000	\$ -	\$ -	\$ -
	2022	\$ -	\$ -	\$ -	\$ -
TOTAL	2023	\$ 216,000	\$ 37,000		
	2022	\$ 162,000	\$ 57,000		

(i) For the year ended 30 June 2022 and 30 June 2021.

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

(iii) The Company received legal services provided by a Company in which the Director is a partner.

(iv) The Company received strategic consulting services provided by a Company in which the Director is an owner.

(v) These transactions are in the normal course of operations.

FINANCIAL INSTRUMENTS AND RISK FACTORS

a) Fair value measurement

The Company classifies its fair value measurements with a fair value hierarchy, which categorizes into three levels the inputs used in making the measurements. The three levels of hierarchy are:

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.

b) Classification of fair values of financial assets and liabilities

Financial instruments of the Company carried on the Condensed Interim Consolidated Statements of Financial Position are carried at amortized cost or fair value through profit or loss.



The Company's financial assets classified as amortized cost include cash and amounts receivable. Amounts payable and accrued liabilities are classified as financial liabilities at amortized cost. The carrying value of these financial assets and liabilities approximate the fair value because of their short-term nature.

Lease liabilities and Canadian Emergency Business Account ("CEBA") loan are also classified as other financial liabilities at amortized cost and are subsequently measured using the effective interest method.

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 in financial institutions in Canada and China, and management believes the exposure to credit risk with respect to such institutions is not significant.

The Company is mainly exposed to credit risk from credit sales and has a high concentration of credit risk as the amounts receivable are made up of a small number of customers. It is the Company's policy to assess the credit risk of new customers before entering contracts. The executive management determines concentrations of credit risk frequently by monitoring the creditworthiness rating of existing customers and through a review of the trade receivables' aging analysis. Over-due balances are reviewed for collectability and allowance for doubtful amounts, where appropriate, will be provided. As at 30 June 2022, the Company is reporting a \$1,559 (31 March 2022-\$103,815) balance in trade amounts receivable.

e) Interest rate risk

Interest rate risk is the risk of losses that arise because of changes in contracted interest rates. The Company maintains cash in accounts at Canadian Chartered Banks that bear interest at nominal rates. The Company's lease liabilities and long-term debt are based on fixed interest rates. The Company's exposure to interest rate risk is nominal.

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 unaudited Condensed Interim Consolidated Financial Statements by \$(8,000) (31 March 2022-\$10,000). As at 30 June 2022, the Company held currency totalling the following:

Rounded (000's)	Impact			30 June	31 March	
				2022		2021
Cash in United States dollars	5%	\$ (7,000)	USD	106,000	USD	24,000
Cash in Chinese RMB	5%	\$ (2,000)	RMB	260,000	RMB	570,000
Amounts receivable in United States dollars	5%	\$ -	USD	1,000	USD	83000
Amounts payable in United States dollars	5%	\$ 1,000	USD	(22,000)	USD	(20,000)
Amounts payable in Chinese RMB	5%	\$ -	RMB	(39,000)	RMB	(65,000)
Amounts payable in Euros	5%	\$ -	EURO	(1,000)	EURO	(1,000)



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.

The Company manages liquidity risk through the management of its capital structure and resources to ensure that it has sufficient liquidity to settle obligations and liabilities when they are due. The Company's ability to fund its operating requirements depends on future operating performance and cash flows, which are subject to economic, financial, competitive, and regulatory conditions, and other factors, some of which are beyond its control. The Company's primary short-term liquidity needs are to fund its net operating losses and lease payments. The Company's medium-term liquidity needs primarily relate to debt repayments and lease payments. The Company's long-term liquidity needs primarily relate to potential strategic plans.

The table below presents the contractual maturity of the Company's financial liabilities, including both principal and interest payments as at 30 June 2022:

	Less than		
	1 year	1 to 3 years	Total ¹
Amounts payable and accrued liabilities	\$ 350,277	\$ -	\$ 350,277
Lease liabilities	72,278	140,771	213,049
CEBA Loan	-	60,000	60,000
	\$ 422,555	\$ 200,771	\$ 623,326

¹ The Company has no contractual obligations greater than 3 years. Further, 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.

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The RMB located in China is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

OTHER RISK FACTORS AND UNCERTAINTIES

a) Pandemic risk

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

The impacts of the Covid-19 crisis that have or may have 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 (affecting support for our product as well as for technical sales) (Insight); delays in the collectability of amounts receivables as a result of travel restrictions, impacting the ability to send qualified technical personnel, 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, result in losses on our holdings of cash due to failures of financial institutions, higher rate of losses on our amounts receivable due to credit default, 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.

The Company has partially mitigated this risk through its China office and technical staff.

b) Geographic Risk

Geographic risk is the risk that the concentration of the Company's business and financial results may be adversely affected by growing geo-political trade and diplomatic matters. The Company manages this risk through its presence in China with its Chinese representative office and local Chinese staff.

c) Product Risk

Product risk is the risk that the Company's current and next generation of technology might not be successful and/or may require further technical development before customer acceptance. The Company's future growth is dependent on the success of its DM systems being adopted in the Chinese market and the new data science Insight product. These products are yet to be widely adopted and may not gain market traction. The DM systems are designed to be optimized within a production line and are a foundation element together with the Insight product for a complete quality control system.

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 Company, 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 Company 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 Company 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