



**AURORA SOLAR TECHNOLOGIES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 MARCH 2023 AND 2022**

Stated in Canadian Dollars

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## Independent Auditor's Report

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To the Shareholders of Aurora Solar Technologies Inc.

### Opinion

We have audited the consolidated financial statements of Aurora Solar Technologies Inc. and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at March 31, 2023 and March 31, 2022 and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group has incurred operating losses since inception, and that continuing operations are dependent upon economic and market factors which involve uncertainties including the Group's ability to raise adequate equity financing and ultimately develop profitable operations. As stated in Note 1, these events or conditions indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### *Accounting for acquisition transaction*

##### *Description of the key audit matter*

The Group completed one acquisition transaction during the year. Through the application of IFRS 3 *Business Combinations* ("IFRS 3"), management determined that the acquisition should be accounted for as a business combination. Management is required to exert significant estimation in calculating consideration paid for the acquisition and in the allocation to the assets acquired and liabilities assumed.



We have therefore considered this a Key Audit Matter due to the estimation uncertainty related to fair value assessments.

Please refer to Notes 3(p), 3(q), 4(b) and 6 of the consolidated financial statements for the Group's accounting policy, details regarding the acquisition transaction and significant judgments and estimates applied.

*How the key audit matter was addressed in the audit*

Our approach in addressing this matter included the following procedures, among others:

- Obtaining and reviewing management's analysis of the accounting treatment in accordance with IFRS 3, and corroborating the facts therein to supporting evidence;
- Obtaining an understanding of the business rationale for the acquisition transaction and performing a detailed review of the relevant transaction documents to understand the terms, facts and circumstances related to the acquisition transaction;
- Involving valuation professionals with specialized skills and knowledge in evaluating the assumptions and inputs applied in the purchase price allocation;
- Assessing management's purchase price allocation, including applied valuation methodology, significant estimates adopted, and consideration of the reliability of future oriented cash flow forecasts; and
- Reviewing the adequacy of the disclosures in the consolidated financial statements, including disclosures related to significant judgments and estimates.

*Impairment testing of goodwill*

*Description of the key audit matter*

The Group has recognized goodwill as a result of the aforementioned acquisition that management determined to be business combinations in accordance with IFRS 3. In accordance with IAS 36 *Impairment of Assets* ("IAS 36"), management is required to test goodwill for impairment annually, or when facts and circumstances suggest it may be impaired. Management is required to exert judgment when determining cash generating units ("CGUs") within the Group and impairment testing requires the application of estimates with respect to revenues, growth rates, operating margins and the application of an appropriate discount rate. Management concluded that no impairment charge was required as a result of the impairment testing performed.

Please refer to Notes 3(q) and 4(b) of the consolidated financial statements for the Group's accounting policy and the significant judgments and estimates applied in determining the recoverable amount of the identified CGU.

*How the key audit matter was addressed in the audit*

Our approach in addressing this matter included the following procedures, among others:

- Assessing management's determination of CGUs, the allocation of goodwill to the identified CGUs and the application of an appropriate valuation methodology to test for impairment;
- Critically assessed management's forecasts through considering whether the judgments and estimates applied were appropriate based on our understanding of the CGU, its historical performance and the performance of the CGU since the acquisition transaction was completed;
- Involving our valuation professionals with specialized skills and knowledge in evaluating the assumptions and inputs applied in the model; and
- Reviewing the adequacy of the disclosures in the consolidated financial statements, including disclosures related to significant judgments and estimates.



## **Revenue recognition**

### *Description of the key audit matter*

The Group derives its revenues through the sale of hardware and software products. In accordance with the principles of IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”), management is required to determine the different performance obligations in its contracts with customers and apply judgment in allocating consideration to the separate performance obligations identified.

Please refer to Notes 3(m), 4(a), 17 and 24 of the consolidated financial statements for the Group’s accounting policy, significant judgments applied, disaggregation and information on geographic location and major customers.

### *How the key audit matter was addressed in the audit*

Our approach in addressing this matter included the following procedures, among others:

- Obtaining an understanding of the processes and controls around revenue recognition, including obtaining and reviewing multiple contracts to assess the underlying terms;
- Reviewing the Group’s stated accounting policy to assess whether performance obligations have been appropriately identified and recognized in accordance with IFRS 15; and
- Performing tests of detail to assess management’s determination of performance obligations and the allocation of consideration to these performance obligations; and
- Reviewing the adequacy of the disclosures in the consolidated financial statements, including disclosures related to significant judgments and estimates.

## **Other Information**

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis for the year ended March 31, 2023 (the “MD&A”).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the MD&A for the year ended March 31, 2023 prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.



## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Rob Scupham.

*BDO Canada LLP*

Chartered Professional Accountants  
Vancouver, Canada  
August 30, 2023

**AURORA SOLAR TECHNOLOGIES INC.**  
**FOR THE YEARS ENDED 31 MARCH 2023 AND 2022**

Stated in Canadian Dollars

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| <b>As at</b>                            |      | <b>31 March<br/>2023</b> | 31 March<br>2022    |
|---|------|--------------------------|---------------------|
| <b>Assets</b>                           |      |                          |                     |
| <b>Current Assets</b>                   |      |                          |                     |
| Cash                                    |      | \$ 2,801,217             | \$ 2,016,667        |
| Amounts receivable                      | (7)  | 1,253,581                | 117,784             |
| Prepaid expenses                        |      | 91,429                   | 35,781              |
| Inventory                               | (8)  | 3,233,077                | 323,661             |
|   |      | <b>7,379,304</b>         | <b>2,493,893</b>    |
| <b>Non-current Assets</b>               |      |                          |                     |
| Right of use assets                     | (12) | 220,864                  | 241,290             |
| Intangibles                             | (9)  | 886,270                  | 202,121             |
| Other assets                            | (10) | 52,062                   | 58,134              |
| Equipment                               | (11) | 254,877                  | 193,336             |
| Goodwill                                | (6)  | 628,927                  | -                   |
|   |      | <b>2,043,000</b>         | <b>694,881</b>      |
|   |      | <b>\$ 9,422,304</b>      | <b>\$ 3,188,774</b> |
| <b>Liabilities</b>                      |      |                          |                     |
| <b>Current Liabilities</b>              |      |                          |                     |
| Amounts payable and accrued liabilities | (15) | \$ 1,191,386             | \$ 395,277          |
| Lease liabilities                       | (13) | 157,564                  | 81,223              |
| Short-term loan                         |      | 60,000                   | -                   |
| Deferred revenue                        | (17) | 1,908,242                | -                   |
| Provisions                              | (18) | 330,251                  | -                   |
|   |      | <b>3,647,443</b>         | <b>476,500</b>      |
| <b>Non-current Liabilities</b>          |      |                          |                     |
| Lease liabilities                       | (13) | 95,739                   | 176,644             |
| Deferred tax                            | (22) | 75,779                   | -                   |
| Long-term loan                          | (20) | -                        | 60,000              |
|   |      | <b>3,818,961</b>         | <b>713,144</b>      |
| <b>Equity</b>                           |      |                          |                     |
| Share capital                           | (14) | 27,706,728               | 20,472,339          |
| Contributed surplus – options           | (14) | 2,706,965                | 2,167,155           |
| Contributed surplus – warrants          | (14) | 225,203                  | 551,481             |
| Accumulated other comprehensive income  |      | 159,595                  | -                   |
| Deficit                                 |      | <b>(25,195,148)</b>      | <b>(20,715,345)</b> |
|   |      | <b>5,603,343</b>         | <b>2,475,630</b>    |
|   |      | <b>\$ 9,422,304</b>      | <b>\$ 3,188,774</b> |

Nature of operations and going concern..... (1)      Subsequent events.....(25)  
 Commitments and contingencies..... (21)

On behalf of the Board of Directors:

“Kevin Dodds”  
 \_\_\_\_\_  
 Kevin Dodds, Director

“David Toyoda”  
 \_\_\_\_\_  
 David Toyoda, Director



**AURORA SOLAR TECHNOLOGIES INC.**  
**FOR THE YEARS ENDED 31 MARCH 2023 AND 2022**

Stated in Canadian Dollars

**CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS**

|  | Note        | Year Ended<br>31 March<br>2023 | Year Ended<br>31 March<br>2022 |
|--|-------------|--------------------------------|--------------------------------|
| <b>Revenues</b>  |             |                                |                                |
| Product sales  | (17)(24)    | \$ 5,508,737                   | \$ -                           |
| Cost of sales  | (8)         | (2,753,972)                    | -                              |
| <b>Gross margin</b>  |             | <b>2,754,765</b>               | <b>-</b>                       |
| <b>Expenses</b>  |             |                                |                                |
| Sales and marketing  | (16)        | 1,292,596                      | 300,043                        |
| Research and development   | (16)        | 1,411,220                      | 1,974,663                      |
| General and administrative   | (16)        | 2,500,304                      | 1,730,917                      |
| Net foreign exchange gain  |             | (38,485)                       | (51,964)                       |
| Depreciation cost  | (9)(11)(12) | 495,907                        | 148,172                        |
| Share-based payments   | (14)        | 543,848                        | 494,436                        |
| Loss from write-off of inventories                                       | (8)         | 308,948                        | -                              |
| Impairment of intangibles  | (9)         | 8,437                          | -                              |
| Credit loss (reversal)   |             | -                              | (124,209)                      |
| Write off for amounts payable  |             | -                              | (90,786)                       |
|  |             | <b>6,522,775</b>               | <b>4,381,272</b>               |
| <b>Net Loss from Operations</b>  |             | <b>\$ (3,768,010)</b>          | <b>\$ (4,381,272)</b>          |
| <b>Other Income</b>  |             |                                |                                |
| Other income   |             | \$ 8,361                       | \$ -                           |
| Government assistance  | (3)(l)      | -                              | 322,374                        |
| <b>Other Expenses</b>  |             |                                |                                |
| Finance cost   | (13)        | (19,030)                       | (11,080)                       |
| Acquisition cost   | (6)         | (894,008)                      | (176,572)                      |
|  |             | <b>(904,677)</b>               | <b>134,722</b>                 |
| <b>Loss before Income Taxes</b>  |             | <b>\$ (4,672,687)</b>          | <b>\$ (4,246,550)</b>          |
| Income tax   | (22)        | \$ 192,884                     | \$ -                           |
| <b>Net Loss after Taxes</b>  |             | <b>(4,479,803)</b>             | <b>(4,246,550)</b>             |
| <b>Other comprehensive loss</b>  |             |                                |                                |
| Foreign currency translation of foreign operations                       |             | 159,595                        | -                              |
| <b>Total Comprehensive Loss for the Year</b>                             |             | <b>\$ (4,320,208)</b>          | <b>\$ (4,246,550)</b>          |
| <b>Net Loss per Common Share – Basic and Diluted</b>                     |             | <b>\$ (0.02)</b>               | <b>\$ (0.03)</b>               |
| <b>Weighted Average Number of Shares Outstanding - Basic and Diluted</b> |             | <b>191,319,761</b>             | <b>142,725,547</b>             |

**AURORA SOLAR TECHNOLOGIES INC.**  
**FOR THE YEARS ENDED 31 MARCH 2023 AND 2022**

Stated in Canadian Dollars

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

|  | Shares             | Amount               | Warrants         | Amount            | Options           | Amount              | Accumulated<br>Other<br>Comprehensive<br>Income | Deficit                | Equity              |
|--|--------------------|----------------------|------------------|-------------------|-------------------|---------------------|---|------------------------|---------------------|
| <b>Balance 31 March 2021</b>           | 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         | 3,168,447            | 7,100,000        | 381,553           | -                 | -                   | -   | -                      | 3,550,000           |
| Share issuance costs                   | -                  | (341,416)            | 615,100          | 53,299            | -                 | -                   | -   | -                      | (288,117)           |
| Shares issued on stock option exercise | 1,050,000          | 193,150              | -                | -                 | (1,050,000)       | (78,400)            | -   | -                      | 114,750             |
| Options expired                        | -                  | -                    | -                | -                 | (925,000)         | -                   | -   | -                      | -                   |
| Options forfeited                      | -                  | -                    | -                | -                 | (150,000)         | -                   | -   | -                      | -                   |
| Share-based payments                   | -                  | -                    | -                | -                 | 3,900,000         | 494,436             | -   | -                      | 494,436             |
| Net Loss for the period                | -                  | -                    | -                | -                 | -                 | -                   | -   | (4,246,550)            | (4,246,550)         |
| <b>Balance 31 March 2022</b>           | <b>144,974,725</b> | <b>\$ 20,472,339</b> | <b>7,715,100</b> | <b>\$ 551,481</b> | <b>11,035,000</b> | <b>\$ 2,167,155</b> | <b>\$ -</b>                                     | <b>\$ (20,715,345)</b> | <b>\$ 2,475,630</b> |

|   | Shares             | Amount               | Warrants          | Amount            | Options           | Amount              | Accumulated<br>Other<br>Comprehensive<br>Income | Deficit                | Equity              |
|---|--------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---|------------------------|---------------------|
| <b>Balance 31 March 2022</b>            | <b>144,974,725</b> | <b>\$ 20,472,339</b> | <b>7,715,100</b>  | <b>\$ 551,481</b> | <b>11,035,000</b> | <b>\$ 2,167,155</b> | <b>\$ -</b>                                     | <b>\$ (20,715,345)</b> | <b>\$ 2,475,630</b> |
| Private placement issuance              | 11,650,000         | 1,058,112            | 11,650,000        | 106,888           | -                 | -                   | -   | -                      | 1,165,000           |
| Share issuance costs, private placement | -                  | (63,386)             | 183,750           | 1,686             | -                 | -                   | -   | -                      | (61,700)            |
| BTi acquisition, net of issuance costs  | 62,969,351         | 5,544,773            | -                 | -                 | -                 | -                   | -   | -                      | 5,544,773           |
| Shares issued for services              | 2,500,000          | 250,000              | -                 | -                 | -                 | -                   | -   | -                      | 250,000             |
| Shares issued on stock option exercise  | 100,000            | 10,038               | -                 | -                 | (100,000)         | (4,038)             | -   | -                      | 6,000               |
| Options forfeited                       | -                  | -                    | -                 | -                 | (1,155,000)       | -                   | -   | -                      | -                   |
| Warrants expired                        | -                  | 434,852              | (7,715,100)       | (434,852)         | -                 | -                   | -   | -                      | -                   |
| Share-based payments                    | -                  | -                    | -                 | -                 | 3,700,000         | 543,848             | -   | -                      | 543,848             |
| Net Loss for the period                 | -                  | -                    | -                 | -                 | -                 | -                   | 159,595   | (4,479,803)            | (4,320,208)         |
| <b>Balance 31 March 2023</b>            | <b>222,194,076</b> | <b>\$ 27,706,728</b> | <b>11,833,750</b> | <b>\$ 225,203</b> | <b>13,480,000</b> | <b>\$ 2,706,965</b> | <b>\$ 159,595</b>                               | <b>\$ (25,195,148)</b> | <b>\$ 5,603,343</b> |

**AURORA SOLAR TECHNOLOGIES INC.**  
**FOR THE YEARS ENDED 31 MARCH 2023 AND 2022**

Stated in Canadian Dollars

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | For the Year<br>Ended<br>31 March<br>2023 | For the Year<br>Ended<br>31 March<br>2022 |
|--|---|---|
| <b>Operating Activities</b>                                |   |   |
| <b>Net Loss for the Period</b>                             | \$ (4,479,803)                            | \$ (4,246,550)                            |
| <b>Items not Affecting Cash</b>                            |   |   |
| Depreciation   | 495,907                                   | 148,172                                   |
| Share-based payments                                       | 543,848                                   | 494,436                                   |
| Shares issued for services                                 | 250,000                                   | -   |
| Credit loss (reversal)                                     | -   | (124,209)                                 |
| Write off of amounts payable                               | 27,385                                    | (90,786)                                  |
| Impairment of other assets                                 | 26,298                                    | -   |
| Disposal of property, plant & equipment                    | 11,310                                    | -   |
| Finance cost   | 19,030                                    | 18,241                                    |
| Income tax   | 156,702                                   | -   |
| Disposal of lease liability                                | 6,654                                     | -   |
| Impairment of inventory                                    | 713,025                                   | -   |
| Impairment of intangible assets                            | 59,887                                    | -   |
| Legal impairment on intangible assets                      | (8,437)                                   | -   |
|  | <b>(2,178,194)</b>                        | <b>(3,800,696)</b>                        |
| <b>Net Change in Non-cash Working Capital</b>              |   |   |
| Amounts receivable   | 31,097                                    | 26,185                                    |
| Prepaid expenses   | 58,765                                    | 23,124                                    |
| Inventory  | 289,536                                   | 10,055                                    |
| Amounts payable and accrued liabilities                    | (57,611)                                  | (102,684)                                 |
| Provisions   | (190,146)                                 | -   |
| Tax liability  | (36,182)                                  | -   |
| Deferred revenue   | (343,935)                                 | (4,122)                                   |
|  | <b>(248,476)</b>                          | <b>(47,442)</b>                           |
| <b>Net cash used in operating activities</b>               | <b>(2,426,670)</b>                        | <b>(3,848,138)</b>                        |
| <b>Investing Activities</b>                                |   |   |
| Purchase of equipment                                      | (61,327)                                  | (169,540)                                 |
| Purchase of other assets                                   | (20,226)                                  | (21,426)                                  |
| Purchase of patents  | (28,387)                                  | -   |
| Cash paid from the acquisition of BTi (Note 6)             | (1,205,310)                               | -   |
| Cash acquired from the acquisition of BTi (Note 6)         | 3,553,489                                 | -   |
| <b>Net cash provided by (used in) investing activities</b> | <b>2,238,239</b>                          | <b>(190,966)</b>                          |
| <b>Financing Activities</b>                                |   |   |
| Proceeds from share issuance                               | 1,165,000                                 | 3,550,000                                 |
| Share issue costs  | (61,700)                                  | (288,117)                                 |
| Proceeds from option exercise                              | 6,000                                     | 114,750                                   |
| Lease liability payment                                    | (198,830)                                 | (92,486)                                  |
| <b>Net cash provided by financing activities</b>           | <b>910,470</b>                            | <b>3,284,147</b>                          |
| <b>Net Increase in Cash</b>                                | <b>722,039</b>                            | <b>(754,957)</b>                          |
| Cash position – beginning of year                          | 2,016,667                                 | 2,771,624                                 |
| Net effect - foreign exchange                              | 62,511                                    | -   |
| <b>Cash Position – End of Period</b>                       | <b>\$ 2,801,217</b>                       | <b>\$ 2,016,667</b>                       |

# AURORA SOLAR TECHNOLOGIES INC.

## FOR THE YEARS ENDED 31 MARCH 2023 AND 2022

Stated in Canadian Dollars

### NOTES TO THE 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. 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 subsidiaries, 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.

On 25 August 2022, the Company acquired all the outstanding shares of BT Imaging Pty Ltd. (“BTi”) through a share purchase agreement (Note 6). BTi is a private, Australian limited liability corporation who is a well-established leader in photoluminescence (PL) imaging tools for photovoltaic (PV) material inspection and quality control during production, and for laboratory use during product development.

These consolidated financial statements (the “Consolidated 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.

Prior to the BTi acquisition, the Company incurred operating losses since inception, was unable to self-finance operations and had significant on-going cash requirements to meet its overhead obligations. There are several adverse conditions that may cast significant doubt about the Company’s ability to continue as a going concern. 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 Consolidated 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 impacts of the COVID-19 crisis that have had an effect on the Company include: a decrease in short-term and/or long-term demand and/or pricing for our products that are in the early introduction stage of sales ; reduced sales as a result of travel restrictions impacting customer engagement; 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. This has impacted Aurora greater than BTi largely due to the early stage of its products in terms of commercialization and introductory sales phase, especially within its main market opportunity in China.

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 March<br>2023 | 31 March<br>2022 |
|--------------------------------|------------------|------------------|
| Working capital <sup>(1)</sup> | \$ 3,732,000     | \$ 2,017,000     |
| Accumulated deficit            | \$ (25,195,000)  | \$ (20,715,000)  |

<sup>(1)</sup> Working capital is defined as current assets minus current liabilities.

# AURORA SOLAR TECHNOLOGIES INC.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2) Basis of preparation – statement of compliance

These Consolidated 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 Consolidated Financial Statements were approved by the Board of Directors and authorized for issuance on 30 August 2023.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for financial instruments which have been measured at their fair value.

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of Consolidated 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

##### a) Basis of consolidation

These Consolidated Financial Statements incorporate the financial statements of the Company and the entities controlled by the Company. These Consolidated Financial Statements include the accounts of the Company and its 100% wholly-owned subsidiaries, Aurora Solar Technologies (Canada) Inc. (“ASTC”), BTi, and BT (Jiaxing) Semiconductor Technology Co., Ltd (“BTJ”).

Control exists when the Company is exposed to or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entities. Subsidiaries are all entities over which the Company has control. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

##### b) Foreign currency

The Consolidated Financial Statements are presented in Canadian dollars, which is the functional currency of the Company and ASTC, whereas BTi’s functional currency is Australian dollars and BTJ’s functional currency in Chinese Renminbi. The presentation currency of the Company is Canadian dollars. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the foreign currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing when the fair value was determined. Non-monetary items recorded at historical cost in a foreign currency are not retranslated at the end of the reporting period. Exchange gains and losses arising on translation are included in the Consolidated Statement of Comprehensive Loss.

# AURORA SOLAR TECHNOLOGIES INC.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### c) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and service providers. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options vest. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

For non-employees, share-based payment measurements are based on the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, the transaction is measured by referring to the fair value of the equity instruments granted. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable.

#### d) Financial instruments

All financial instruments are measured at initial recognition at fair value plus any transaction costs that are directly attributable to the acquisition of the financial instruments except for transaction costs related to financial instruments classified as at FVTPL, which are expensed as incurred.

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three categories into which the Company can classify its financial assets:

- i) Amortized cost. A financial asset is measured at amortized cost if the contractual cash flows to repay the principal and interest are made at specific dates and if the Company's business model is to collect the contractual cashflows. Subsequent measurement uses the effective interest method, less any provision for impairment.
- ii) Fair value through other comprehensive income ("FVOCI"). A financial asset is measured at FVOCI if the Company's business model is both to collect the contractual cashflows and sell assets and the contractual terms of the assets give rise on specified dates to cash flows that are solely repayments of principal and interest.
- iii) Fair value through profit or loss. A financial asset is measured at FVTPL if it cannot be measured at amortized cost or FVOCI. At initial recognition the Company may also irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

A financial asset is derecognized when the Company no longer has the rights to the contractual cash flows due to expiration of that right or the transfer of the risks and rewards of ownership to another party. The Company recognizes a loss allowance for expected credit losses on its financial assets using the simplified approach which permits the use of the lifetime expected loss provision for all amounts receivables. At each reporting date the Company assesses impairment of amounts receivable on a collective basis as its amounts receivable possess shared credit risk characteristics and have been grouped based on days past due. The loss allowance will be based upon the Company's historical credit loss experience over the expected life of trade receivables and contract assets, adjusted for forward looking estimates. Loss allowances for financial assets measured at amortized cost are

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

deducted from the gross carrying amount of the assets. The Company's financial assets include cash and amounts receivable.

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held for trading, a derivative, contingent consideration of an acquirer in a business combination, or has been designated as FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in profit or loss. All other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities consist of amounts payables, accrued liabilities, lease liabilities and short-term loan which have been classified as financial liabilities at amortized cost and are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation is discharged, cancelled, or expired.

#### e) Inventory

Materials inventory and work in progress items are stated at the lower of cost and replacement cost which is not in excess of net realizable value. Cost is determined using the weighted average cost method for parts inventories. The cost excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written down to net realizable value or inventories are written down when the cost of inventories exceed their net realizable value and are estimated to be unrecoverable due to obsolescence, damage, or declining market prices.

#### f) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the Consolidated Statement of Comprehensive Loss except to the extent it relates to items recognized in equity.

##### Current income tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the Consolidated Statement of Financial Position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled, and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

#### g) Loss per share

Basic loss per share is computed by dividing the loss attributable to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is computed by dividing the loss attributable to common shareholders by the diluted weighted average number of shares outstanding during the period. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive options and other dilutive potential units. All options and warrants are considered anti-dilutive when the Company is in a loss position, therefore basic loss per share is the same as diluted loss per share.

#### h) Share capital

The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital.

Common shares issued by the Company are classified as equity. Incremental costs directly attributable to the issuance of common from treasury shares are recognized in equity, net of tax, as a deduction from the share proceeds.

Common shares issued for consideration other than cash are valued on their market value at the date the shares are issued.

The Company has adopted the Black-Scholes method with respect to the measurement of warrants attached to private placement units. The Black-Scholes method allocates the proceeds received based on the fair value of the warrants, with any remaining value greater than the warrant's fair value being allocated to the common shares. The fair value attributed to the warrants is recorded as contributed surplus. When warrants are exercised, the value is transferred from contributed surplus to common shares.



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### i) Intangible assets

The Company's current intangible assets consist of intellectual property (including patents).

Product registration costs related to efforts by the Company to acquire legal protections for its proprietary products, such as trademarks and patents, are capitalized if the Company believes that obtaining the trademark or patent, and recovery of the costs from future related revenues is reasonably assured, otherwise the costs are expensed.

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.

Intangible assets are recorded at cost less accumulated amortization and any impairment losses. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is calculated on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Patents – 20 years

Other Intellectual Property – 5 – 15 years

The estimated useful lives, residual values and amortization methods are reviewed annually and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization.

Finite life intangible assets are assessed at the end of each reporting period for whether there is any indication of impairment. They are tested whenever there is an indication of impairment.

If indicators of impairment exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

#### j) Research and development costs

Research costs are expensed in the year incurred. Development costs include all expenditures considered directly attributable to efforts by the Company to develop, and bring to commercial production, a new product. Such amounts are charged as an expense in the period incurred except in circumstances where the product or process is clearly defined and the costs attributable thereto can be identified, the technical feasibility has been established, management has indicated its intention to produce and market the product, the future market is clearly defined, adequate resources are available, and recovery of development costs can reasonably be regarded as assured, in which case such costs are capitalized.

# AURORA SOLAR TECHNOLOGIES INC.

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#### k) Impairment of long-lived assets

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### l) Government assistance

During the year ended 31 March 2022 the Company received government assistance through the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS"). The Company applied for and received the CEWS government assistance which provides 75% subsidy of wage relief for eligible remuneration. The Company also applied for and received the CERS government assistance which provides 65% subsidy of eligible rent. During the year ended 31 March 2023, there was no assistance received or deducted from expenses (2022 - \$319,716 in CERS and CEWS, and \$2,658 in BC Increased Employment Incentive).

On 9 April 2020 the Government of Canada launched the Canada Emergency Business Loan ("CEBA") providing interest-free loans to eligible small business. During the year ended 31 March 2021, the Company applied and was approved for the CEBA loan. Effective 1 January 2024, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on 31 December 2025. On 27 August 2020, the Company received the CEBA Loan in the amount of \$40,000. On 28 January 2021, the Company also applied and received an additional \$20,000 as a top-up amount to the original loan. If \$40,000 of the term loan is repaid before 31 December 2023, the government will forgive an aggregate of \$20,000 of the full-term loan which is based on a forgiveness of the initial tranche \$10,000 (\$40,000 x 25%) and the top up amount of \$10,000 (\$20,000 x 50%).

#### m) Revenue recognition

The Company generates revenues from hardware and software product sales. Product revenues are derived primarily from standard product sales contracts.

Revenue is recognized when risk of loss and title has transferred which is generally upon shipment, or in some instances, upon delivery when control has been transferred, and secondly once the installation, calibration and product training has been completed. Customer contracts are fulfilled in accordance with international commercial terms. When contracts contain multiple performance obligations, the Company allocates the transaction price to each performance obligation identified in the contract. Revenue is recognized when each performance obligation is achieved.

Hardware products are typically sold on a stand-alone basis. Various software applications are embedded in our hardware to deliver the product's essential functionality. These embedded applications are not licensed separately. The functionality that the software provides is part of the overall product and accordingly we do not record separately the revenue associated with the embedded software.

When an amount is received as an advance or a deposit from a customer, prior to the recognition of revenue, deferred revenue is recognized.

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#### n) Equipment

Equipment assets are depreciated using the straight-line method based on estimated useful lives, which generally range from 2-15 years. Where an item of equipment is comprised of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as “maintenance and repairs”.

#### o) Leases

The Company recognises a right-of-use asset (“ROU asset”) and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful life of ROU assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, then the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

#### p) Business combinations

The Company uses the acquisition method of accounting for business combinations, whereby the purchase consideration is allocated to the fair value of the identifiable assets and liabilities at the date of acquisition. Preliminary fair values allocated at a reporting date are finalized as soon as the relevant information becomes available, within a period not to exceed twelve months from the acquisition date with retrospective restatement of the impact of adjustments to those preliminary fair values effective as at the acquisition date. Acquisition related costs are expensed as incurred.

When the cost of the acquisition exceeds the fair value attributable to the Company’s share of the identifiable net assets, the difference is recorded as goodwill. If the cost of the acquisition is less than the fair value attributable to the Company’s share of the identifiable net assets the difference is recognized in the consolidated statements of loss.

#### q) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable assets acquired. Goodwill is allocated to the operating segment in which it relates. The Company has determined that the goodwill associated with all acquisitions belongs to the development, manufacturing and marketing material inspection and inline quality control systems for the solar polysilicon, wafer, cell, and module manufacturing industries operating segment.

Goodwill is measured as historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of an operating segment, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of an operating segment are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the operating segment. Any goodwill impairment is recorded as a loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

**AURORA SOLAR TECHNOLOGIES INC.**  
**FOR THE YEARS ENDED 31 MARCH 2023 AND 2022**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**r) Provision for product warranty**

The Company's products are typically sold with a 1-year warranty. The Company accrues the estimated costs of warranties based on the assessment of the Company's accrual history, estimates of failure rates from the Company's quality review, and other assumptions that the Company believes to be reasonable under the circumstances. Actual warranty costs are accumulated and charged against the accrued warranty liability. To the extent that accrual warranty costs differ from the estimates, the Company will prospectively revise its warranty accrual. As of 31 March 2023, there were no warranty claims.

**s) New and revised IFRS issued but not yet effective**

The following is a listing of amendments, revisions and new International Financial Reporting Standards issued but not yet effective.

**Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies**

In February 2021, the IASB issued an amendment to IAS 1 – *Presentation of financial statements* and IFRS Practice Statement 2 – *Making materiality judgements*. The amendments will require the disclosure of material, rather than significant, accounting policy information. The Company is assessing the impact of the amendment and does not expect it to have a significant effect on the Company's financial statements. Amendments to IAS 1 and IFRS Practice Statement 2 will be effective for the fiscal period beginning on 1 April 2023.

**Amendment to IAS 8 - Accounting policies, changes in accounting estimates and errors**

In February 2021, the IASB issued an amendment to IAS 8 - *Accounting policies, changes in accounting estimates and errors* to introduce a definition of accounting estimates and to help entities distinguish changes in accounting policies from changes in accounting estimates. The Company is assessing the impact of the amendment and does not expect it to have a significant effect on the Company's financial statements. The amendment to IAS 8 will be effective for the fiscal period beginning on 1 April 2023.

**Amendment to IAS 12 – Income taxes**

In May 2021, the IASB issued an amendment to IAS 12 – *Income taxes*, which narrows the scope exemption when recognizing deferred taxes. In specified circumstances, entities are exempt from recognizing deferred income taxes when they recognize assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The Company is assessing the impact of the amendment and does not expect it to have a significant effect on the Company's financial statements. The amendment to IAS 12 will be effective for the fiscal period beginning on 1 April 2023.

**Amendment to IAS 1 - Presentation of financial statements**

In October 2022, the IASB issued an amendment to IAS 1 - *Presentation of financial statements*, which specifies that covenants to be complied with after the reporting date do not affect the classification of long-term debt as current or non-current at the reporting date. Instead, the amendment requires disclosures about these covenants in the notes to the financial statements. The Company is assessing the impact of the amendment and does not expect it to have a significant effect on the Company's financial statements. The amendment to IAS 1 will be effective for the fiscal period beginning on 1 April 2023.

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

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 Consolidated Financial Statements.

##### a) Critical judgements in applying accounting policies

###### 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 detail the specific performance obligations associated with the distinct service or good provided. In the instance of a contract that does not specify distinct goods and services, the one performance obligation 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. Judgement is also exercised to the extent of determining the stand-alone price to be allocated to each of the promised goods and services.

##### b) Key sources of estimation uncertainty

###### Inventory valuation

The Company's raw inventory is only valuable to the extent that it can be turned into saleable product. Inventory must be measured at lower of cost and net realizable value and the Company must estimate that the measurement criteria used has not changed. The Company reviews its inventory to determine whether its carrying value exceeds the net amount realizable upon the ultimate sale of the inventory. This requires the Company to determine the estimated selling price of its units less the estimated cost to convert the inventory on-hand into a finished product.

Estimates of net realizable value require assessment of the impact of technological changes and estimates of salvage values if products or components are judged obsolete. Any future changes in the estimated inventory valuation could have a material adverse impact on our financial condition and results of operations.

###### 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. Should the asset life differ from the initial estimate, an adjustment would be in the Consolidated Statements of Loss on a prospective basis.

###### Impairment testing

The Company assesses impairment of tangible and intangible assets with finite lives when an impairment indicator arises (e.g. change in use or discontinued use, obsolescence or physical damage). If indication of impairment exists, the assets recoverable amount is estimated. In the case of goodwill and intangibles within infinite lives, the Company tests at least annually for impairment, in accordance with IAS 36 Impairment of Assets. The recoverable amounts of cash-generating units ("CGU") are determined based on the greater of their fair value less costs of disposal and value in use which require the use of estimates and judgements.

When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the CGU level. In assessing impairment, the Company compares the carrying amount of the asset or CGU to the recoverable amount, which is determined as the higher of the asset or CGU's fair value less costs of disposal and its value-in-use. Value-in-use is assessed based on the estimated future cash flows,

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discounted to their present value using a pre-tax discount rate that reflects applicable market and economic conditions, the time value of money and the risks specific to the asset. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. An impairment loss is recognized whenever the carrying amount of the asset or CGU exceeds its recoverable amount and is recorded in the consolidated statements of loss and comprehensive loss.

The Company tests goodwill and indefinite life intangible assets for impairment on an annual basis at 31 March or whenever events or changes in circumstances indicate that the asset's carrying amount may be less than its recoverable amount.

For impairment tests performed as at 31 March 2023, the recoverable amount of the CGU was determined based on its value-in-use using a discounted cash flow approach. Discounted cash flows were based on five-year cash flow projections derived from financial budgets or forecasts approved by management and the Board of Directors that include certain estimates and assumptions regarding annual growth rates, operating margins, and discount rates. These future cash flows consider the CGU's past performance, market share, economic trends, specific and market industry trends, and corporate strategies. No impairment for goodwill arose in fiscal 2023.

#### *Sensitivity Analysis*

The following sensitivity have been performed for the CGU:

- estimated future profitability 5% lower than managements estimates;
- terminal value assuming zero growth; and
- pre-tax discount rate 5% higher than managements estimates.

Applying these assumptions resulted in the value-in-use still being in excess of the assets carrying values. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

#### 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 Consolidated Financial Statements.

#### Amounts receivable

The Company estimates the recoverability of amounts receivable based on assessments of client credit ratings, payment history and other related items. Estimates of expected credit losses take into account the Company's collection history, deterioration of collection rates during the average credit period, as well as observable charges in and forecasts of future economic conditions that affect default risk.

#### 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 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. Should an event change that impacts the recognition of a provision or a contingency, the impact could be materially different from management's initial estimate and affect future Consolidated Financial Statements.

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The Company records provisions to recognize the liabilities related to employee benefit entitlements. The Company also records provisions for warranties as referenced in Note 3(r).

During the year ended 31 March 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 and filed a defence and counterclaim for amounts owing (approximately USD\$110,000) under this purchase contract. During the fiscal year ended 31 March 2023, the Company's legal representative attended the notice of arbitration hearing, previously announced, which was located in China. Subsequent to the period ended 31 March 2023, there has been no further action.

#### Accounting for acquisitions

Determining the fair value of assets acquired and liabilities assumed and resulting goodwill, if any, requires that management make certain judgements and estimate taking into account information available at the time of acquisition about future events, including, but not restricted to, future supply, future demand, inventory, production and price of products and the timing and amount of future production.

The judgments made in determining the estimated fair value assigned to the net identifiable assets acquired, as well as the estimated useful life of non-financial assets, could impact the net income of subsequent periods through depreciation and amortization, and in certain instances through impairment charges. The Company believes that the estimated fair values assigned to the net identifiable assets acquired are based on reasonable assumptions that a marketplace participant would use. While we use our best estimates and assumptions to accurately value the net identifiable assets acquired at the acquisition date, estimates are inherently uncertain and subject to refinement. To estimate the fair value of the customer relationships of BTi, a multi-period excess earnings method ("MEEM") was used to value customer relationships and the relief from royalty method approach to value the patents and software. Significant judgment is applied in estimating the fair value of customer relationships and the technology acquired, which involves the use of significant assumptions, such as an EBITDA margin, application of a discount rate and projected revenues. During the measurement period, for up to 12 months following the acquisition, we recorded adjustments to the initial estimate of the net identifiable assets acquired based on new information obtained that would have existed as of the date of the acquisition.

## 5) Financial instruments and risk management

### 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 Consolidated Statements of Financial Position are carried at amortized cost.

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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 short-term loans are also classified as other financial liabilities at amortized cost, applying a market rate of interest, 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 both from its bank accounts as well as from credit sales. The Company is exposed to credit risk by holding cash, which are all held in financial institutions in Australia, Canada and China, and management believes the exposure to credit risk with respect to such institutions is not significant. The Company's other exposure to credit risk is through its amounts receivable that are made up of a small number of customers. Management assesses the credit risk of new customers as well as monitors the creditworthiness of existing customers through a review of the trade receivables' aging analysis. The Company determines the allowance using an expected credit loss ("ECL") model. Over-due balances are reviewed for collectability and allowance for doubtful amounts, where appropriate, will be provided. As at 31 March 2023 the Company has \$1,253,534 (2022 - \$103,815) in trade amounts receivable.

#### **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 maintains cash in accounts at Canadian Chartered Banks that bear interest at nominal rates. The Company's lease liabilities and short-term debt are based on fixed interest rates. The Company's exposure to interest rate risk is minimal.



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**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. 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 Consolidated Financial Statements by \$61,000 (31 March 2022- \$10,000). As at 31 March 2023 the Company held currency totalling the following:

| <b>Rounded (000's)</b>                      |    | <b>Sensitivity<br/>(CAD\$)</b> | <b>31 March<br/>2023</b> | <b>31 March<br/>2022</b> |
|---|----|--------------------------------|--------------------------|--------------------------|
| Cash in United States dollars               | 5% | \$ (118,000)                   | \$ 1,749,000 USD         | \$ 24,000 USD            |
| Cash in Chinese RMB                         | 5% | \$ (1,000)                     | \$ 88,000 RMB            | \$ 570,000 RMB           |
| Cash in Australian dollars                  | 5% | \$ (18,000)                    | \$ 397,000 AUD           | \$ Nil* AUD              |
| Cash in Euros                               | 5% | \$ -                           | \$ 5,000 AUD             | \$ Nil* AUD              |
| Amounts receivable in United States dollars | 5% | \$ (54,000)                    | \$ 797,000 USD           | \$ 83,000 USD            |
| Amounts receivable in Chinese RMB           | 5% | \$ -                           | \$ 1,000 RMB             | \$ Nil* RMB              |
| Amounts receivable in Australian dollars    | 5% | \$ (3,000)                     | \$ 146,000 AUD           | \$ Nil* AUD              |
| Amounts payable in United States dollars    | 5% | \$ 14,000                      | \$ (214,000) USD         | \$ (20,000) USD          |
| Amounts payable in Chinese RMB              | 5% | \$ 5,000                       | \$ (458,000) RMB         | \$ (65,000) RMB          |
| Amounts payable in Australian dollars       | 5% | \$ 17,000                      | \$ (365,000) AUD         | \$ Nil* AUD              |
| Amounts payable in Euros                    | 5% | \$ 2,000                       | \$ (22,000) EURO         | \$ (1,000) EURO          |
| Deferred Revenue in United States Dollars   | 5% | \$ 95,000                      | \$ (1,410,000) USD       | \$ Nil* USD              |

\* These currencies are held in bank accounts and/or relate to operations for BTI and BTJ that were not consolidated as these entities were not acquired until the year ended 31 March 2023.

**g) Liquidity**

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.

In an effort to manage liquidity prudently while the Company moves toward profitability and positive cash flows, the Company has taken the following steps:

- During the year ended 31 March 2023, the Company raised \$1,103,300 from the net proceeds of a non-brokered private placement.

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- During the year ended 31 March 2023, the Company completed the acquisition of BTI, a revenue-generating and cash-flow positive entity.

These initiatives have provided the Company with increased liquidity and flexibility to meet its financial commitments and continue operations.

The table below presents the contractual maturity of the Company's financial liabilities, including both principal and interest payments as at 31 March 2023:

|   | <b>Less than<br/>1 year</b> | <b>1 to 3 years</b> | <b>Total<sup>1</sup></b> |
|---|-----------------------------|---------------------|--------------------------|
| Amounts payable and accrued liabilities | \$ 1,191,000                | \$ -                | \$ 1,191,000             |
| Lease liabilities                       | 158,000                     | 96,000              | 254,000                  |
| CEBA Loan                               | 60,000                      | -                   | 60,000                   |
|   | <b>\$ 1,409,000</b>         | <b>\$ 96,000</b>    | <b>\$ 1,505,000</b>      |

<sup>1</sup> The Company has no contractual obligations greater than 3 years.

The Company monitors its level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables regularly.

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 Chinese Renminbi held in China are not freely convertible into other currencies, and the exchange risk is, therefore, less easily managed. However, under China's Foreign Exchange Control Regulations and the Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Further, the cash balances held in Industrial Commercial Bank of China accounts represent only a small portion of the company's total cash resources and the exchange risk is, therefore, proportionally small.

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**6) BTi acquisition**

On 25 August 2022, the Company acquired 100% of the outstanding shares of BTi through a share purchase agreement. In consideration for the acquisition of BTi, the Company paid \$1,205,310 in cash and issued 62,969,351 common shares of the Company to BTi shareholders. These new common shares were subject to escrow conditions for release 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. During the fiscal year ended 31 March 2023, the first tranche of new common shares was released from escrow and subsequent to the period end, the second tranche has been released. Additionally, 2,500,000 shares were issued to an arm's length financial advisor for advisory fees with the fair value of \$250,000.

In accordance with IFRS 3 – *Business Combinations*, the Company accounted for the acquisition as a business combination using the acquisition method whereby the net assets acquired, and the liabilities assumed were recorded at fair value. Incremental transaction costs not capitalized in the purchase consideration totalling \$894,008, have been expensed in the fiscal year ended 31 March 2023 in accordance with IFRS.

The revised and final purchase price allocated to BTi's identifiable assets and liabilities based on their estimated fair values on the acquisition date is summarized as follows:

| <b>Purchase consideration</b>       |                     |
|-------------------------------------|---------------------|
| Cash consideration                  | \$ 1,205,310        |
| Fair value of common shares issued  | 5,544,772           |
| <b>Total purchase consideration</b> | <b>\$ 6,750,082</b> |

  

| <b>Fair value of assets and liabilities recognized</b> |                     |
|--|---------------------|
| Cash   | \$ 3,553,489        |
| Trade and other receivables                            | 1,203,390           |
| Inventories  | 4,038,521           |
| Other current assets                                   | 113,683             |
| Trade and other payables                               | (840,843)           |
| Lease liabilities                                      | (206,996)           |
| Provisions   | (517,078)           |
| Deferred revenue                                       | (2,237,813)         |
| Equipment  | 243,411             |
| RoU asset  | 199,655             |
| Patents & trademarks                                   | 782,000             |
| Deferred tax liability                                 | (210,264)           |
| <b>Fair value of net assets acquired</b>               | <b>\$ 6,121,155</b> |
| Goodwill   | <b>628,927</b>      |
|  | <b>\$ 6,750,082</b> |

The Company's consolidated financial statement of net income included the operating results of BTi since the acquisition date. For the year ended 31 March 2023, it represented revenues of \$5.5 million. Net income for the year ended 31 March 2023 was \$143,040. If the Company had acquired BTi at the beginning of the year ended 31 March 2023, it would have increased revenues by approximately \$4.1 million for total estimated revenues of \$9.6 million for the fiscal year.

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**7) Amounts receivable**

|  | <b>31 March<br/>2023</b> | 31 March<br>2022  |
|--|--------------------------|-------------------|
| Trade receivables                          | \$ 1,183,456             | \$ 103,815        |
| GST receivable and other taxes recoverable | 70,125                   | 13,969            |
| <b>Total amount receivable</b>             | <b>\$ 1,253,581</b>      | <b>\$ 117,784</b> |

For the year ended 31 March 2023, the Company recorded no expected credit loss provision given the nature of these receivables and the Company's historical collectability.

**8) Inventory**

|                               | <b>31 March<br/>2023</b> | 31 March<br>2022  |
|-------------------------------|--------------------------|-------------------|
| Raw materials                 | \$ 1,942,935             | \$ 323,661        |
| Work-in-process               | 807,099                  | -                 |
| Finished goods                | 260,195                  | -                 |
| Finished goods on consignment | 222,848                  | -                 |
| <b>Total inventory</b>        | <b>\$ 3,233,077</b>      | <b>\$ 323,661</b> |

Inventory expensed to cost of sales during the year ended 31 March 2023 was \$1,277,462 (31 March 2022 – \$Nil). During the year ended 31 March 2023, inventory expensed to R&D was \$Nil (31 March 2022 - \$179,127).

During the year ended 31 March 2023, the Company wrote off \$713,025 of inventory related to slow moving and/or obsolescent products (31 March 2022 – \$Nil).

|  | <b>31 March<br/>2023</b> | 31 March<br>2022 |
|--|--------------------------|------------------|
| Inventory written off to cost of goods sold      | \$ 404,077               | \$ -             |
| Inventory written off to other expense           | 308,948                  | -                |
| <b>Total inventory written off in the period</b> | <b>\$ 713,025</b>        | <b>\$ -</b>      |

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**9) Intangibles – Intellectual Property**

|                               | Total               |
|-------------------------------|---------------------|
| <b>Cost:</b>                  |                     |
| Balance, 31 March 2021        | \$ 267,030          |
| Additions                     | 15,401              |
| Balance, 31 March 2022        | \$ 282,431          |
| Acquired through BTi (Note 6) | 782,000             |
| Disposals                     | (29,304)            |
| Additions                     | 28,387              |
| Impairment                    | (59,887)            |
| Impact of foreign exchange    | 6,776               |
| <b>Balance, 31 March 2023</b> | <b>\$ 1,010,403</b> |

|                                  |                     |
|----------------------------------|---------------------|
| <b>Accumulated Depreciation:</b> |                     |
| Balance, 31 March 2021           | \$ (69,552)         |
| Additions                        | (10,758)            |
| Balance, 31 March 2022           | (80,310)            |
| Additions                        | (81,564)            |
| Disposals                        | 29,304              |
| Impairment                       | 8,437               |
| <b>Balance, 31 March 2023</b>    | <b>\$ (124,133)</b> |

|                               | Total             |
|-------------------------------|-------------------|
| <b>Carrying Amount</b>        |                   |
| <b>Balance, 31 March 2023</b> | <b>\$ 886,270</b> |
| Balance, 31 March 2022        | \$ 202,121        |

**10) Other assets**

|                                    | Balance          |
|------------------------------------|------------------|
| <b>Balance as at 31 March 2021</b> | <b>\$ 52,109</b> |
| Additions                          | 21,426           |
| Write-off                          | (15,401)         |
| <b>Balance as at 31 March 2022</b> | <b>58,134</b>    |
| Additions                          | 20,226           |
| Write-off                          | (26,298)         |
| <b>Balance as at 31 March 2023</b> | <b>\$ 52,062</b> |

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**11) Equipment**

|                                  | Leasehold<br>Improvement | Furniture, Fixtures<br>and Equipment | R&D Tools and<br>Equipment | Warehouse, Lab<br>and Prototype<br>Equipment | Total               |
|----------------------------------|--------------------------|--------------------------------------|----------------------------|--|---------------------|
| <b>Cost:</b>                     |                          |                                      |                            |  |                     |
| Balance, 31 March 2021           | \$ -                     | \$ 33,431                            | \$ 82,908                  | \$ -   | \$ 116,339          |
| Additions                        | -                        | 3,205                                | 165,097                    | 1,238  | 169,540             |
| Balance, 31 March 2022           | \$ -                     | \$ 36,636                            | \$ 248,005                 | \$ 1,238                                     | \$ 285,879          |
| Acquired through BTi (Note 6)    | 20,857                   | 32,999                               | 153,172                    | 36,383                                       | 243,411             |
| Additions                        | 635                      | 4,589                                | 21,276                     | 34,827                                       | 61,327              |
| Disposals                        | -                        | (11,310)                             | -                          | -  | (11,310)            |
| Impact of foreign exchange       | 112                      | 160                                  | 315                        | 65   | 652                 |
| <b>Balance, 31 March 2023</b>    | <b>\$ 21,604</b>         | <b>\$ 63,074</b>                     | <b>\$ 422,768</b>          | <b>\$ 72,513</b>                             | <b>\$ 579,959</b>   |
| <b>Accumulated Depreciation:</b> |                          |                                      |                            |  |                     |
| Balance, 31 March 2021           | \$ -                     | \$ (14,578)                          | \$ (31,373)                | \$ -   | \$ (45,951)         |
| Additions                        | -                        | (11,342)                             | (35,078)                   | (172)  | (46,592)            |
| Balance, 31 March 2022           | \$ -                     | \$ (25,920)                          | \$ (66,451)                | \$ (172)                                     | \$ (92,543)         |
| Additions                        | (4,014)                  | (18,241)                             | (179,232)                  | (31,052)                                     | (232,539)           |
| <b>Balance, 31 March 2023</b>    | <b>\$ (4,014)</b>        | <b>\$ (44,161)</b>                   | <b>\$ (245,683)</b>        | <b>\$ (31,224)</b>                           | <b>\$ (325,082)</b> |
| <b>Carrying Amount</b>           |                          |                                      |                            |  |                     |
| <b>Balance, 31 March 2023</b>    | <b>\$ 17,590</b>         | <b>\$ 18,913</b>                     | <b>\$ 177,085</b>          | <b>\$ 41,289</b>                             | <b>\$ 254,877</b>   |
| Balance, 31 March 2022           | -                        | 10,716                               | 181,554                    | 1,066  | 193,336             |

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**12) Right of use assets**

The right of use asset is amortized on a straight-line basis over the term of its leases related to its Vancouver head office, Sydney office and China sales office.

|                                    | <b>Balance</b>    |
|------------------------------------|-------------------|
| <b>Balance as at 31 March 2021</b> | \$ 312,125        |
| Additions                          | 19,987            |
| Depreciation                       | (90,822)          |
| <b>Balance as at 31 March 2022</b> | <b>241,290</b>    |
| Acquired through BTi (Note 6)      | <b>199,655</b>    |
| Depreciation                       | <b>(181,804)</b>  |
| Disposal                           | <b>(38,966)</b>   |
| Impact of foreign exchange         | 689               |
| <b>Balance as at 31 March 2023</b> | <b>\$ 220,864</b> |

**13) 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, Sydney office and China sales office (Note 21). The incremental borrowing rate for the year ended 31 March 2023 ranged between 4% - 7% (31 March 2022 – 7%).

|                                    | <b>Balance</b>    |
|------------------------------------|-------------------|
| <b>Balance as at 31 March 2021</b> | \$ 312,125        |
| Additions                          | 19,987            |
| Lease accretion                    | 18,241            |
| Payments                           | (92,486)          |
| <b>Balance as at 31 March 2022</b> | <b>\$ 257,867</b> |
| Lease accretion                    | <b>19,030</b>     |
| Payments                           | <b>(198,830)</b>  |
| Acquired through BTi (Note 6)      | <b>206,995</b>    |
| Disposal                           | <b>(32,312)</b>   |
| Impact of foreign exchange         | 553               |
| <b>Balance as at 31 March 2023</b> | <b>\$ 253,303</b> |

|                                       |                   |
|---------------------------------------|-------------------|
| Lease liability – current portion     | <b>157,564</b>    |
| Lease liability – non-current portion | <b>95,739</b>     |
| <b>Total lease liability</b>          | <b>\$ 253,303</b> |

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#### 14) 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 222,194,076 (31 March 2022-144,974,725) fully paid common shares issued and outstanding as at 31 March 2023.

##### b) Issued and outstanding and fully paid

###### During the year ended 31 March 2023

The Company closed a non-brokered private placement consisting of 11,650,000 units at a price of \$0.10 per unit (the "Unit") for net proceeds of \$1,103,300. Each Unit consisted of one common share of the Company and one share purchase warrant ("Warrant") to acquire a share of the Company at an exercise price of \$0.20 for a period of one year. The fair value of the 11,650,000 Warrants is \$106,888. A finder's fee of \$18,375 was paid and 183,750 finder's warrants were issued, which are exercisable into common shares at \$0.20 per share purchase warrant for a period of one year. Legal and filing costs of \$43,325 were incurred. The fair value of the 183,750 finder's warrants is \$1,686. All securities issued pursuant to the private placement were subject to a hold period that expired on 26 December 2022.

As part of the terms of the acquisition of BTi, 62,691,351 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 (Note 6). The first and second tranches of new common shares was released from escrow on 26 December 2022 and 25 June 2023, respectively.

Stifel GMP acted as the Company's financial advisor for the BTi acquisition and received 2,500,000 common shares of the Company at an agreed price of \$0.10 per common share on 25 August 2022.

###### During the year ended 31 March 2022

During the year ended 31 March 2022, the Company closed a non-brokered private placement consisting of 14,200,000 units at a price of \$0.25 per unit ("2022 Unit"). Each 2022 Unit consisted of one common share and one-half share purchase warrant. Each whole share purchase warrant ("2022 Warrant") entitled the holder to purchase one share for a period of 12 months from closing at a price of \$0.40 per 2022 Warrant. The fair value of the 7,100,000 Warrants is \$381,553. The Company paid a total of \$288,117 in agent, consulting, legal and filing fees related to the 2022 Unit issuances. In consideration of the Agent's services, the Company paid commission fees of \$153,775 and issued 615,100 with a fair value of \$53,299 agent warrants on closing. Each agent warrant entitles the Agent to purchase one warrant for a period of one year from the closing date at a price of \$0.25 per unit. During the year ended 31 March 2023, the share purchase warrants, and the agent warrants expired.

The Company has adopted a stock option plan (the "Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSXV requirements, grant to directors, officers, employees and consultants to the Company, non-transferrable options to purchase common shares exercisable under the Plan for a period of up to 10 years from the date of grant. Vesting terms are determined by the Board of Directors for each grant of options.

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 of the underlying share price, forfeiture rates and expected life of the options.



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During the year ended 31 March 2023, the Company granted 3,700,000 options (31 March 2022 – 3,900,000 options) to directors, officers, employees, and consultants of the Company. During the year ended 31 March 2023, the Company recognized \$543,848 (31 March 2022 - \$494,436) in share-based payments on granted options.

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

|                                      | For the<br>Year Ended<br>31 March<br>2023 | Weighted<br>average<br>exercise price | For the<br>Year Ended<br>31 March<br>2022 | Weighted<br>average<br>exercise price |
|--------------------------------------|---|---------------------------------------|---|---------------------------------------|
| <b>Balance – beginning of period</b> | 11,035,000                                | \$ 0.18                               | 9,260,000                                 | \$ 0.25                               |
| Granted                              | 3,700,000                                 | 0.11                                  | 3,900,000                                 | 0.10                                  |
| Exercised                            | (100,000)                                 | 0.06                                  | (1,050,000)                               | 0.11                                  |
| Expired/Forfeited                    | (1,155,000)                               | 0.25                                  | (1,075,000)                               | 0.23                                  |
| <b>Balance – end of period</b>       | 13,480,000                                | \$ 0.16                               | 11,035,000                                | \$ 0.21                               |

Details of stock options outstanding are as follows:

| Expiry Date      | Exercise<br>price | 31 March<br>2023<br>Outstanding | 31 March<br>2023<br>Exercisable | 31 March<br>2022<br>Outstanding | 31 March<br>2022<br>Exercisable |
|------------------|-------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| 19 December 2022 | \$ 0.265          | -                               | -                               | 75,000                          | 75,000                          |
| 23 April 2023    | \$ 0.20           | 30,000                          | 30,000                          | 430,000                         | 430,000                         |
| 8 August 2023    | \$ 0.13           | 250,000                         | 250,000                         | 250,000                         | 250,000                         |
| 30 October 2023  | \$ 0.06           | 1,900,000                       | 1,900,000                       | 2,100,000                       | 2,100,000                       |
| 2 January 2025   | \$ 0.075          | -                               | -                               | 200,000                         | 200,000                         |
| 7 April 2025     | \$ 0.10           | 1,100,000                       | 930,000                         | 1,180,000                       | 790,500                         |
| 24 February 2026 | \$ 0.54           | 2,600,000                       | 2,099,994                       | 2,900,000                       | 1,699,997                       |
| 25 March 2027    | \$ 0.10           | 3,900,000                       | 2,070,832                       | 3,900,000                       | 1,208,332                       |
| 25 August 2027   | \$ 0.11           | 3,700,000                       | 3,700,000                       | -                               | -                               |
|                  |                   | 13,480,000                      | 10,980,826                      | 11,035,000                      | 6,753,829                       |

The outstanding options have a weighted average exercise price of \$0.18 (31 March 2022 – \$0.21) and the weighted average remaining life of the options is 3.18 years (31 March 2022 – 3.54 years).

The fair values of the options granted during the years ended 31 March 2023 and 2022 were determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

|   | For the<br>Year Ended<br>31 March 2023 | For the<br>Year Ended<br>31 March 2022 |
|---|--|--|
| Risk free interest rate                             | 3.23%                                  | 2.40%                                  |
| Expected life of options (years)                    | 5                                      | 3                                      |
| Expected annualized volatility                      | 76.57%                                 | 79.23%                                 |
| Expected dividend yield                             | Nil                                    | Nil                                    |
| Weighted average Black-Scholes value of each option | \$0.07                                 | \$0.05                                 |

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**c) Warrants**

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

|                                      | <b>For the<br/>Year Ended<br/>31 March<br/>2023</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> | <b>For the<br/>Year Ended<br/>31 March<br/>2022</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> |
|--------------------------------------|---|--|---|--|
| <b>Balance – beginning of period</b> | <b>7,715,100</b>                                    | <b>0.39</b>  | -   | -  |
| Issued                               | <b>11,650,000</b>                                   | <b>0.20</b>  | 7,100,000   | 0.40   |
| Agent’s warrants issued              | <b>183,750</b>                                      | <b>0.20</b>  | 615,100   | 0.25   |
| Warrants expired                     | <b>(7,715,100)</b>                                  | <b>0.39</b>  | -   | -  |
| <b>Balance – end of period</b>       | <b>11,833,750</b>                                   | <b>0.20</b>  | 7,715,100   | 0.39   |

Details of warrants outstanding are as follows:

| <b>Issue Date</b> | <b>Expiry Date</b> | <b>Exercise<br/>price</b> | <b>31 March<br/>2023</b> | <b>31 March<br/>2022</b> |
|-------------------|--------------------|---------------------------|--------------------------|--------------------------|
| 31 May 2021       | 31 May 2022        | \$ 0.40                   | -                        | 7,100,000                |
| 31 May 2021       | 31 May 2022        | \$ 0.25                   | -                        | 615,100                  |
| 25 August 2022    | 25 August 2023     | \$ 0.20                   | <b>11,650,000</b>        | -                        |
| 25 August 2022    | 25 August 2023     | \$ 0.20                   | <b>183,750</b>           | -                        |
|                   |                    |                           | <b>11,833,750</b>        | 7,715,100                |

The fair values of the warrants issued during the years ended 31 March 2023 and 2022 were determined on the date of issuance using the Black-Scholes option pricing model with the following assumptions:

|  | <b>For the<br/>Year Ended<br/>31 March<br/>2023</b> | <b>For the<br/>Year Ended<br/>31 March 2022</b> |
|--|---|---|
| Risk free interest rate                              | <b>3.65%</b>  | 0.32%   |
| Expected life of warrants (years)                    | <b>1</b>  | 1   |
| Weighted average remaining life of warrants (years)  | <b>0.402</b>  | 0.167   |
| Expected annualized volatility                       | <b>63.25%</b>                                       | 97.07%  |
| Expected dividend yield                              | <b>Nil</b>  | Nil   |
| Weighted average Black-Scholes value of each warrant | <b>\$0.009</b>                                      | \$0.05 – 0.09                                   |

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**15) 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, and include the following expenses recognized during the fiscal year:

| Principal Position Rounded (000's) | For the Year<br>Ended 31 March<br>2023 | For the Year<br>Ended 31 March<br>2022 |
|------------------------------------|--|--|
| Wages and short-term benefits      | \$ 561,000                             | \$ 389,000                             |
| Share based payments (Note 14)     | 377,000                                | 254,000                                |
| <b>Total remuneration</b>          | <b>\$ 938,000</b>                      | <b>\$ 643,000</b>                      |

Included in amounts payable on the Consolidated Statement of Financial Position is \$31,989 (31 March 2022 - \$13,000) due to related parties with respect to professional fees, wages and short-term benefits, and expense reimbursements, and are non-interest bearing.

During the fiscal year ended 31 March 2023, the Company incurred \$78,050 (2022 - \$72,000) in legal fees from a company in which a director is a partner. The Company also incurred \$299,364 (2022 - \$90,000) in consulting fees from companies in which directors are owners. These indirect costs are in the normal course of business operations and are measured at fair value.

**16) Supplemental information for statements of net loss and comprehensive loss**

| <b>The sales and marketing expense consisted of the following:</b> | For the<br>Year Ended<br>31 March 2023 | For the<br>Year Ended<br>31 March 2022 |
|--|--|--|
| Salaries and wages   | \$ 354,444                             | 196,987                                |
| Promotion, marketing and travel                                    | 94,227                                 | 42,479                                 |
| Indirect costs   | 843,924                                | 60,577                                 |
| <b>Total</b>   | <b>\$ 1,292,596</b>                    | <b>300,043</b>                         |

  

| <b>The research and development expense consisted of the following:</b> | For the<br>Year Ended<br>31 March 2023 | For the<br>Year Ended<br>31 March 2022 |
|---|--|--|
| Salaries and wages  | \$ 1,103,650                           | 837,763                                |
| Professional and consulting   | 237,268                                | 335,150                                |
| Product research  | 70,302                                 | 801,750                                |
| <b>Total</b>  | <b>\$ 1,411,220</b>                    | <b>1,974,663</b>                       |

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|   | For the<br>Year Ended<br>31 March 2023 | For the<br>Year Ended<br>31 March 2022 |
|---|--|--|
| <b>The general and administrative expense consisted of the following:</b> |  |  |
| Salaries and wages  | \$ 1,171,820                           | 602,113                                |
| Professional and consulting   | 812,530                                | 760,530                                |
| Office expense  | 485,954                                | 338,274                                |
| Directors fees  | 30,000                                 | 30,000                                 |
| <b>Total</b>  | <b>\$ 2,500,304</b>                    | <b>1,730,917</b>                       |

**17) Revenue**

|  | For the Year<br>Ended 31 March<br>2023 | For the Year Ended<br>31 March<br>2022 |
|--|--|--|
| Contract revenue - photoluminescence imaging tools and instruments | \$ 5,431,139                           | \$ -                                   |
| Tool maintenance and service revenue                               | 77,598                                 | -                                      |
| <b>Total Revenue</b>   | <b>\$ 5,508,737</b>                    | <b>\$ -</b>                            |
| Deferred revenue liability   | <b>\$ (1,908,242)</b>                  | -                                      |

The Company recognizes two different revenue streams, which includes, contract revenue relating to the imaging hardware, with the embedded software, and the related bundled service to install the tools and supplementary maintenance and customer service. Deposits received against a contract is recognized as deferred revenue liability until such time that the title has transferred to the customer or, the related services has been performed, at which point the related performance obligation has been met, and revenue is recognized. Revenue on supplementary services is recognized once the service has been completed and the obligation to the customer met.

**18) Provisions**

Warranty

The Company provides a basic one-year product warranty (“warranty period”) on its tool sales. Under the terms of this warranty the Company will replace or repair components in the hardware if it fails to perform in accordance with the published specifications, during the warranty period. These assurance-type warranties are not considered to be performance obligations, so revenue is not allocated to them. As at 31 March 2023, the Company estimates the costs relating to these warranties at \$142,685 (2022-\$NIL).

Employee long-service leave

Employees reach an unconditional legal entitlement to long-service leave when they work for the same Company for a qualifying period of service (typically ten years). For shorter periods, long-service leave may be payable on exit in some (but not all) circumstances. As at 31 March 2023, the Company estimates the costs relating to employee long-service leave at \$187,566 (2022-\$NIL).

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The estimated costs of the warranties and employee service leave are recognised as provisions under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

|                             | <b>For the Year<br/>Ended 31<br/>March<br/>2023</b> | For the Year<br>Ended 31<br>March<br>2022 |
|-----------------------------|---|---|
| Warranty provision          | \$ 142,685  | \$ -                                      |
| Employee long-service leave | 187,566   | -   |
| <b>Total Provision</b>      | <b>\$ 330,251</b>                                   | <b>\$ -</b>                               |

**19) Supplemental disclosure on acquisition related cash and non-cash activities**

The following transactions incurred during the period were non-cash items and are included in the Consolidated Statements of Financial Position and should be read in conjunction with Note 6:

|  |                   |
|--|-------------------|
| Shares issued on acquisition of BTi                                | 62,969,351        |
| Shares issued to advisory agent for acquisition of BTi             | 2,500,000         |
| <b>Total Shares issued</b>   | <b>65,469,351</b> |
| Inventory acquired in the acquisition of BTi                       | \$ 4,038,521      |
| Right of use assets acquired in the acquisition of BTi             | 199,655           |
| Equipment acquired in the acquisition of BTi                       | 243,411           |
| Patents & trademarks acquired in the acquisition of BTi            | 782,000           |
| Amounts receivable and prepaids acquired in the acquisition of BTi | 1,317,073         |
| Amounts payable and accrued acquired in the acquisition of BTi     | (840,844)         |
| Deferred revenue acquired in the acquisition of BTi                | (2,237,813)       |
| Provisions for service leave acquired in the acquisition of BTi    | (324,741)         |
| Provisions for warranty liability                                  | (192,337)         |
| Finance leases acquired in the acquisition of BTi                  | (206,996)         |
| Deferred tax liability   | (210,264)         |

**20) 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 technologies as well as the Company's operations. 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 believes that this approach, given the size of the Company, is reasonable. The Company currently is not subject to externally imposed capital requirements.

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**21) Commitments and contingencies**

**Commitments**

On 22 February 2022, the Company signed a one-year lease for its office in Shanghai, commencing on 1 May 2022.

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) |                   |
|-----------------|-------------------|
| Fiscal 2024     | 71,000            |
| Fiscal 2025     | 75,000            |
| Fiscal 2026     | 27,000            |
| <b>Total</b>    | <b>\$ 173,000</b> |

During 2021, BTi signed three-year leases for its head office units in Sydney, Australia, commencing on 1 October 2021. Subsequent to the period ended 31 March 2023, BTi signed new one-year leases for its head office units in Sydney, Australia, commencing on 1 October 2023.

| Rounded (000's) |  | Amount           |
|-----------------|--|------------------|
| Fiscal 2024     |  | \$ 96,000        |
| <b>Total</b>    |  | <b>\$ 96,000</b> |

**Contingencies**

During the year ended 30 June 2019, BTi established a Wholly Foreign-Owned Enterprise ("WFOE"), BT (Jiaxing) Semiconductor Technology Co. Ltd, as its wholly owned subsidiary (the "Subsidiary") in the People's Republic of China. The business license for BT (Jiaxing) Semiconductor Technology Co. Ltd was granted on the 24 January 2019 by the Xiuzhou District Administration ("The Licensing Authority"). The Subsidiary was established with an undertaking by BTi to the licensing authorities that it would inject \$1.3 million US Dollars (the "Registered Capital") into the Subsidiary with offsetting economic benefits within five (5) years of the license grant date. BTi can seek to renegotiate the terms for the injection of funds at any time prior to the 24 January 2024. If the Subsidiary were to be dissolved prior to the final date for the injection of the Registered Capital, BTi would have no obligation to provide the funds. The decision on whether to continue operating the Subsidiary will be made during the upcoming fiscal period and will be based on BTi's unique business needs and its operating strategies. Given this situation, no provision has been recorded in the fiscal year ended 31 March 2023.

**22) Income taxes**

A reconciliation of income taxes at statutory rates (combined Canadian federal and BC provincial rate of 27%) with reported taxes is as follows:

|   | 31 March<br>2023    | 31 March<br>2022 |
|---|---------------------|------------------|
| Net loss for the year   | \$ (4,672,687)      | \$ (4,246,550)   |
| Expected income tax recovery  | \$ (1,262,000)      | \$ (1,147,000)   |
| Change in statutory rate, foreign tax, foreign exchange rates and other | (5,000)             | -                |
| Permanent differences   | 208,000             | 134,000          |
| Change in unrecognized deductible temporary differences                 | 866,000             | 1,013,000        |
| <b>Total income tax expense (recovery)</b>                              | <b>\$ (193,000)</b> | <b>\$ -</b>      |

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|  | 31 March<br>2023 | 31 March<br>2022 |
|--|------------------|------------------|
| <b>Income Tax Expense (Recovery)</b>   |                  |                  |
| Current income tax expense (recovery)  | \$ (59,000)      | \$ -             |
| Deferred income tax expense (recovery) | (134,000)        | -                |
| Total income tax expense (recovery)    | \$ (193,000)     | \$ -             |

The significant components of the Company's temporary differences, unused tax losses that have not been included on the Consolidated Statement of Financial Position are as follows:

|  | 31 March<br>2023 | Expiry date<br>range | 31 March<br>2022 | Expiry date<br>range |
|--|------------------|----------------------|------------------|----------------------|
| <b>Temporary differences</b>                   |                  |                      |                  |                      |
| Other-future acquisition costs                 | \$ -             | No expiry date       | \$ 177,000       | No expiry date       |
| Investment tax credit                          | \$ 269,000       | 2030-2039            | \$ 269,000       | 2021 – 2040          |
| Property and equipment                         | \$ 39,000        | No expiry date       | \$ 125,000       | No expiry date       |
| Share issuance costs                           | \$ 223,000       | 2040-2045            | \$ 259,000       | 2040-2044            |
| Intangible assets                              | \$ (571,000)     | No expiry date       | \$ -             | No expiry date       |
| Non-capital losses available for future period | \$ 22,770,000    | 2026-2043            | \$ 18,905,000    | 2026 – 2042          |
| Canada   | \$ 22,770,000    | 2026-2043            | \$ 18,905,000    | 2026 – 2042          |
| Australia                                      | \$ -             | No expiry date       | \$ -             | No expiry date       |

The significant components of the Company's deferred income tax liabilities are comprised of the following:

| <b>Deferred Tax Liability</b>             | Inventory   | Intangible<br>assets | Total            |
|---|-------------|----------------------|------------------|
| Opening deferred tax, 31 March 2022       | \$ -        | \$ -                 | -                |
| Resulting from BTi acquisition            | 134,485     | 75,779               | 210,264          |
| Recovery through profit and loss          | (134,485)   | -                    | (134,485)        |
| <b>Ending deferred tax, 31 March 2023</b> | <b>\$ -</b> | <b>\$ 75,779</b>     | <b>\$ 75,779</b> |

Tax attributes are subject to review, and potential adjustments by tax authorities.

**23) Consolidated supplemental disclosure of cash and non-cash activities**

|  | Year Ended<br>31 March<br>2023 | Year Ended<br>31 March<br>2022 |
|--|--------------------------------|--------------------------------|
| Cash paid for interest                               | \$ 19,030                      | \$ 18,241                      |
| Cash received for interest                           | 8,361                          | 7,161                          |
| <b>Non-cash</b>                                      |                                |                                |
| Costs transferred from other assets to patents       | \$ -                           | \$ 15,401                      |
| Addition to equipment                                | 21,276                         | -                              |
| Fair value of agents warrants                        | 1,686                          | 53,299                         |
| Addition (Disposal) to ROU asset and lease liability | 6,654                          | 19,987                         |

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**24) Segmented disclosure**

The Company operates in one reportable operating segment, being the development, manufacturing and marketing material inspection and inline quality control systems for the solar polysilicon, wafer, cell, and module manufacturing industries.

The geographic segmentation of the Company's non-current assets is as follows:

|                            | <b>As at<br/>31 March<br/>2023</b> | <b>As at<br/>31 March<br/>2022</b> |
|----------------------------|------------------------------------|------------------------------------|
| <b>Non-current assets*</b> |                                    |                                    |
| Canada                     | \$ 469,651                         | \$ 694,881                         |
| Australia                  | 1,573,349                          | -                                  |
| <b>Total</b>               | <b>\$ 2,043,000</b>                | <b>\$ 694,881</b>                  |

\*(excluding deferred tax assets, financial assets and post-employment benefit assets)

The geographic segmentation of the Company's sales based on customer location is as follows:

|               | <b>Year Ended<br/>31 March 2023</b> | <b>Year Ended<br/>31 March 2022</b> |
|---------------|-------------------------------------|-------------------------------------|
| Asia          | \$ 3,950,583                        | \$ -                                |
| Europe        | 722,642                             | -                                   |
| International | 835,512                             | -                                   |
|               | <b>\$ 5,508,737</b>                 | <b>\$ -</b>                         |

The Company is exposed to significant sales concentration in China; however, the Company did not depend on any single customer for more than 10% of its revenues for the periods ended above.

**25) Subsequent events**

Subsequent to the year ended 31 March 2023, the Company granted an aggregate of 17,800,000 stock options to certain directors, officers, and consultants. The stock options are exercisable at \$0.05 per share, for a period of 5 years and vest over 3 years.