



AURORA SOLAR TECHNOLOGIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED 30 SEPTEMBER 2023 AND 2022

Stated in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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AURORA SOLAR TECHNOLOGIES INC.

Expressed in Canadian Dollars

(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		30 September 2023	31 March 2023
Assets			
Current Assets			
Cash		\$ 4,280,127	\$ 2,801,217
Amounts receivable	(7)	920,368	1,253,581
Prepaid expenses		322,293	91,429
Inventory	(8)	3,288,579	3,233,077
		8,811,367	7,379,304
Non-current Assets			
Right of use assets	(12)	493,764	220,864
Intangibles	(9)	788,766	886,270
Other assets	(10)	60,585	52,062
Equipment	(11)	247,403	254,877
Goodwill	(6)	628,927	628,927
		2,219,445	2,043,000
		\$ 11,030,812	\$ 9,422,304
Liabilities			
Current Liabilities			
Amounts payable and accrued liabilities	(15)	\$ 956,766	\$ 1,191,386
Lease liabilities	(13)	455,901	157,564
Short-term loan	(20)	60,000	60,000
Deferred revenue	(17)	4,056,806	1,908,242
Provisions	(18)	157,371	330,251
		5,686,844	3,647,443
Non-current Liabilities			
Lease liabilities	(13)	65,890	95,739
Deferred tax		93,268	75,779
Provisions	(18)	25,684	-
		5,871,686	3,818,961
Equity			
Share capital	(14)	27,706,728	27,706,728
Contributed surplus – options	(14)	2,899,432	2,706,965
Contributed surplus – warrants	(14)	225,203	225,203
Accumulated other comprehensive income		(87,792)	159,595
Deficit		(25,584,445)	(25,195,148)
		5,159,126	5,603,343
		\$ 11,030,812	\$ 9,422,304

Nature of operations and going concern..... (1) Subsequent events.....(23)

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.

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(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

	Note	Six Months Ended 30 September 2023	Six Months Ended 30 September 2022	Three Months Ended 30 September 2023	Three Months Ended 30 September 2022
Revenues					
Product sales	(17)(22)	\$ 4,665,070	\$ 386,608	\$ 2,742,761	\$ 386,608
Cost of sales	(8)	(2,129,308)	(91,607)	(1,195,411)	(91,607)
Gross margin		2,535,762	295,001	1,547,350	295,001
Expenses					
Sales and marketing	(16)	694,691	352,536	414,752	241,694
Research and development	(16)	375,199	751,864	209,436	361,186
General and administrative	(16)	1,398,614	751,429	805,158	392,386
Net foreign exchange loss (gain)		5,226	(214,335)	5,068	(213,664)
Depreciation cost	(9)(11)(12)	262,160	106,535	120,219	75,288
Share-based payments	(14)	192,467	402,662	172,992	327,047
Impairment of intangibles	(9)	18,382	-	-	-
		2,946,739	2,150,691	1,727,625	1,183,937
Net Loss from Operations		\$ (410,977)	\$ (1,855,690)	\$ (180,275)	\$ (888,936)
Other Income					
Other income		\$ 3,586	\$ 481	\$ 3,532	\$ 481
Other Expenses					
Finance cost	(13)	(5,961)	(8,563)	(2,585)	(4,611)
Other Expenses		(30,000)	(48,279)	(30,000)	(48,279)
Acquisition cost	(6)	-	(201,633)	-	(169,333)
		(32,375)	(257,994)	(29,053)	(221,742)
Loss before Income Taxes		\$ (443,352)	\$ (2,113,684)	\$ (209,328)	(1,110,678)
Income tax		\$ 54,055	\$ -	\$ 26,959	\$ -
Net Loss after Taxes		(389,297)	(2,113,684)	(182,369)	(1,110,678)
Other comprehensive loss					
Foreign currency translation of foreign operations		(247,387)	(126,464)	(157,361)	(126,464)
Total Comprehensive Loss for the Period		\$ (636,684)	\$ (2,240,148)	\$ (366,689)	\$ (1,237,142)
Net Loss per Common Share – Basic and Diluted		\$ (0.00)	\$ (0.01)	\$ (0.001)	\$ (0.006)
Weighted Average Number of Shares Outstanding - Basic and Diluted		222,194,076	160,191,647	222,194,076	178,857,315

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Shares	Amount	Warrants	Amount	Options	Amount	Accumulated Other Comprehensive Income	Deficit	Equity
Balance 31 March 2022	144,924,725	\$ 20,472,339	7,715,100	\$ 551,481	11,035,000	\$ 2,167,155	\$ -	(20,715,345)	\$ 2,475,630
Private placement issuance	11,650,000	1,058,112	11,650,000	106,888	-	-	-	-	1,165,000
Share issuance costs	-	(63,386)	183,750	1,686	-	-	-	-	(61,700)
BTi Acquisition, net of issuance costs	64,569,351	7,176,630	-	-	-	-	-	-	7,176,630
Shares issued on stock option exercise	100,000	10,037	-	-	(100,000)	(4,037)	-	-	6,000
Options forfeited	-	-	-	-	(1,080,000)	-	-	-	-
Warrants expired	-	434,852	(7,715,100)	(434,852)	-	-	-	-	-
Share-based payments	-	-	-	-	-	402,662	-	-	402,662
Net Loss for the period	-	-	-	-	-	-	(126,464)	(2,113,684)	(2,240,148)
Balance 30 September 2022	221,244,076	\$ 29,088,584	11,833,750	\$ 225,203	9,855,000	\$ 2,565,780	(126,464)	(22,829,029)	\$ 8,924,074

	Shares	Amount	Warrants	Amount	Options	Amount	Accumulated Other Comprehensive Income	Deficit	Equity
Balance 31 March 2023	222,194,076	\$ 27,706,728	11,833,750	\$ 225,203	13,480,000	\$ 2,706,965	\$ 159,595	(25,195,148)	\$ 5,603,343
Options forfeited	-	-	-	-	(280,000)	-	-	-	-
Options issued	-	-	-	-	26,300,000	-	-	-	-
Warrants expired	-	-	(11,833,750)	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	192,467	-	-	192,467
Net Loss for the period	-	-	-	-	-	-	(247,387)	(389,297)	(636,684)
Balance 30 September 2023	222,194,076	\$ 27,706,728	-	\$ 225,203	39,500,000	\$ 2,899,432	(87,792)	(25,584,445)	\$ 5,159,126

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(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended 30 September 2023	Six Months Ended 30 September 2022
Operating Activities		
Net Loss for the Period	\$ (389,297)	\$ (2,113,684)
Items not Affecting Cash		
Depreciation	262,160	106,535
Share-based payments	192,467	402,662
Finance cost	5,961	8,563
Impairment of intangible assets	18,382	-
Impairment of inventory	16,951	-
Legal impairment on intangible assets	-	-
	106,624	(1,595,924)
Net Change in Non-cash Working Capital		
Amounts receivable	349,820	522,281
Prepaid expenses	(232,453)	(20,873)
Inventory	(146,175)	(184,943)
Amounts payable and accrued liabilities	(247,077)	349,842
Income Tax	54,055	46,629
Provisions	(139,665)	-
Deferred revenue	2,192,077	15,441
	1,830,582	728,377
Net cash provided by (used in) operating activities	1,937,206	(867,547)
Investing Activities		
Purchase of equipment	(47,643)	(4,208)
Purchase of other assets	(8,523)	-
Purchase of patents	(17,745)	(5,409)
Cash paid from the acquisition of BTi (Note 6)	-	(1,641,347)
Cash acquired from the acquisition of BTi (Note 6)	-	3,553,489
Net cash (used in) provided by investing activities	(73,911)	1,902,525
Financing Activities		
Proceeds from share issuance	-	1,165,000
Share issue costs	-	(61,700)
Proceeds from option exercise	-	6,000
Lease liability payment	(123,429)	(61,484)
Net cash (used in) provided by financing activities	(123,429)	1,047,816
Net Increase in Cash	1,739,866	2,082,794
Cash position – beginning of year	2,801,217	2,016,667
Net effect - foreign exchange	(260,956)	(121,207)
Cash Position – End of Period	\$ 4,280,127	\$ 3,978,254

AURORA SOLAR TECHNOLOGIES INC.

FOR THE THREE AND SIX MONTHS ENDED 30 SEPTEMBER 2023 AND 2022

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(Unaudited)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

Aurora Solar Technologies Inc. (“Aurora” or the “Company”) was incorporated under the laws of the Province of British Columbia, Canada on 26 October 2006 as Pulse Capital Corp, a capital pool company. 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 condensed interim 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 condensed interim 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 the Company largely due to how the Company offers its products in terms of commercialization and sales, 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 the Company.

Rounded (000’s)	30 September 2023	31 March 2023
Working capital ⁽¹⁾	\$ 3,125,000	\$ 3,732,000
Accumulated deficit	\$ (25,584,000)	\$ (25,195,000)

⁽¹⁾ Working capital is defined as current assets minus current liabilities.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2) Basis of preparation – statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB and interpretations of the International Financial Reporting Standards Interpretation Committee (“IFRIC”) have been omitted or condensed. As a result, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended 31 March 2023 (“Annual Financial Statements”).

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on 29th November 2023.

The condensed interim 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 condensed interim 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

Basis of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. These condensed interim consolidated financial statements include the accounts of the Company and its 100% wholly-owned subsidiaries, Aurora Solar Technologies (Canada) Inc. (“ASTC”), BTi, and BT (Jiaying) 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 condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 condensed interim 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 Condensed Interim Consolidated Statements of (Income) Loss on a prospective basis.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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, 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 Condensed Interim Consolidated Statements of (Income) 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.

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 condensed interim 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 financial statements.

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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 at risk and it 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. During the six months ended 30 September 2023, there has been additional arbitration hearings without resolution.

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 Condensed Interim Consolidated Statements of Financial Position are carried at amortized cost.

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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 30 September 2023 the Company has \$827,876 (31 March 2023 - \$1,183,456) 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.

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 condensed interim consolidated financial statements by \$36,000 (31 March 2023- \$61,000). As at 30 September 2023 the Company held currency totalling the following:

Rounded (000's)		Sensitivity (CAD\$)	30 September 2023	31 March 2023
Cash in United States dollars	5%	\$ (191,000)	\$ 2,831,000 USD	\$ (118,000) USD
Cash in Chinese RMB	5%	\$ (7,000)	\$ 714,000 RMB	\$ (1,000) RMB
Cash in Australian dollars	5%	\$ (16,000)	\$ 361,000 AUD	\$ (18,000) AUD
Cash in Euros	5%	\$ -	\$ 6,000 EURO	\$ - EURO
Amounts receivable in United States dollars	5%	\$ (46,000)	\$ 677,000 USD	\$ (54,000) USD
Amounts receivable in Chinese RMB	5%	\$ (2,000)	\$ 181,000 RMB	\$ - RMB
Amounts receivable in Australian dollars	5%	\$ (4,000)	\$ 110,000 AUD	\$ (3,000) AUD
Amounts payable in United States dollars	5%	\$ 16,000	\$ (244,000) USD	\$ 14,000 USD
Amounts payable in Chinese RMB	5%	\$ 4,000	\$ (459,000) RMB	\$ 5,000 RMB
Amounts payable in Australian dollars	5%	\$ 1,000	\$ (91,000) AUD	\$ 17,000 AUD
Amounts payable in Euros	5%	\$ 4,000	\$ (16,000) EURO	\$ 2,000 EURO
Deferred Revenue in United States Dollars	5%	\$ 205,000	\$ (3,045,000) USD	\$ 95,000 USD

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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.

The table below presents the contractual maturity of the Company's financial liabilities, including both principal and interest payments as at 30 September 2023:

	Less than		
	1 year	1 to 3 years	Total ¹
Amounts payable and accrued liabilities	\$ 956,767	\$ -	\$ 956,767
Lease liabilities	455,901	65,890	521,791
CEBA Loan	60,000	-	60,000
	\$ 1,472,668	\$ 65,890	\$ 1,538,558

¹ 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 during the six months ended 30 September 2023, the second tranche was released from escrow. 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, were 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:

Purchase consideration	
Cash consideration	\$ 1,205,310
Fair value of common shares issued	5,544,772
Total purchase consideration	\$ 6,750,082

Fair value of assets and liabilities recognized	
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)
Fair value of net assets acquired	\$ 6,121,155
Goodwill	628,927
	\$ 6,750,082

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7) Amounts receivable

	30 September 2023	31 March 2023
Trade receivables	\$ 827,386	\$ 1,183,456
GST receivable and other taxes recoverable	92,982	70,125
Total amount receivable	\$ 920,368	\$ 1,253,581

For the six months ended 30 September 2023, the Company recorded no expected credit loss provision given the nature of these receivables and the Company's historical collectability.

8) Inventory

	30 September 2023	31 March 2023
Raw materials	\$ 2,276,462	\$ 1,942,935
Work-in-process	817,481	807,099
Finished goods	154,935	260,195
Finished goods on consignment	39,701	222,848
Total inventory	\$ 3,288,579	\$ 3,233,077

Inventory expensed to cost of sales during the six months ended 30 September 2023 was \$986,051 (31 March 2023 – \$1,277,462).

During the six months ended 30 September 2023, the Company wrote off \$50,408 of inventory related to slow moving and/or obsolescent products to cost of sales (31 March 2023 – \$713,025).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**9) Intangibles – Intellectual Property**

Cost:	Total
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
Balance, 31 March 2023	\$ 1,010,403
Additions	17,745
Impairment	(18,382)
Impact of foreign exchange	(2,471)
Balance, 30 September 2023	\$ 1,007,295
Accumulated Depreciation:	
Balance, 31 March 2022	\$ (80,310)
Additions	(81,564)
Disposals	29,304
Impairment	8,437
Balance, 31 March 2023	(124,133)
Additions	(94,396)
Balance, 30 September 2023	\$ (218,529)
	Total
Carrying Amount	
Balance, 30 September 2023	\$ 788,766
Balance, 31 March 2023	\$ 886,270

10) Other assets

	Balance
Balance as at 31 March 2022	\$ 58,134
Additions	20,226
Write-off	(26,298)
Balance as at 31 March 2023	\$ 52,062
Additions	8,523
Balance as at 30 September 2023	\$ 60,585

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11) Equipment

	Leasehold Improvement	Furniture, Fixtures and Equipment	R&D Tools and Equipment	Warehouse, Lab and Prototype Equipment	Total
Cost:					
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
Balance, 31 March 2023	21,604	\$ 63,074	\$ 422,768	\$ 72,513	\$ 579,959
Additions	-	19,356	2,198	26,089	47,643
Impact of foreign exchange	(479)	(420)	(1,524)	(1,244)	(3,667)
Balance, 30 September 2023	\$ 21,125	\$ 82,010	\$ 423,442	\$ 97,358	\$ 623,935
Accumulated Depreciation:					
Balance, 31 March 2022	\$ -	\$ (25,920)	\$ (66,451)	\$ (172)	\$ (92,543)
Additions	(4,014)	(18,241)	(179,232)	(31,052)	(232,539)
Balance, 31 March 2023	\$ (4,014)	\$ (44,161)	\$ (245,683)	\$ (31,224)	\$ (325,082)
Additions	(3,368)	(5,185)	(33,609)	(9,288)	(51,450)
Balance, 30 September 2023	\$ (7,382)	\$ (49,346)	\$ (279,292)	\$ (40,512)	\$ (376,532)
Carrying Amount					
Balance, 30 September 2023	\$ 13,743	\$ 32,664	\$ 144,150	\$ 56,846	\$ 247,403
Balance, 31 March 2023	\$ 17,590	\$ 18,913	\$ 177,085	\$ 41,289	\$ 254,877

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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.

	Balance
Balance as at 31 March 2022	241,290
Acquired through BTi (Note 6)	199,655
Depreciation	(181,804)
Disposal	(38,966)
Impact of foreign exchange	689
Balance as at 31 March 2023	220,864
Additions	391,248
Depreciation	(116,314)
Impact of foreign exchange	(2,034)
Balance as at 30 September 2023	\$ 493,764

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 six months ended 30 September 2023 ranged between 4% - 7% (31 March 2023 – ranged from 4 - 7%). During the six months ended 30 September 2023, the Company extended its Sydney office leases for an additional 1-year term.

	Balance
Balance as at 31 March 2022	\$ 257,867
Lease accretion	19,030
Payments	(198,830)
Acquired through BTi (Note 6)	206,995
Disposal	(32,312)
Impact of foreign exchange	553
Balance as at 31 March 2023	\$ 253,303
Additions	389,489
Lease accretion	5,961
Payments	(123,429)
Impact of foreign exchange	(3,533)
Balance as at 30 September 2023	\$ 521,791

Lease liability – current portion	455,901
Lease liability – non-current portion	65,890
Total lease liability	\$ 521,791

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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 2023 - 222,194,076) fully paid common shares issued and outstanding as at 30 September 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 six months ended 30 September 2023, the Company granted 26,300,000 options (31 March 2023 – 3,700,000 options) to directors, officers, employees, and consultants of the Company. During the three and six months ended 30 September 2023, the Company recognized \$172,992 and \$192,467 (2022 - \$327,047 and \$402,662, respectively) in share-based payments on granted options.

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

	For the Six Months Ended 30 September 2023	Weighted average exercise price	For the Year Ended 31 March 2023	Weighted average exercise price
Balance – beginning of period	13,480,000	\$ 0.16	11,035,000	\$ 0.18
Granted	26,300,000	0.05	3,700,000	0.11
Exercised	-	-	(100,000)	0.06
Expired/Forfeited	(280,000)	0.14	(1,155,000)	0.25
Balance – end of period	39,500,000	\$ 0.09	13,480,000	\$ 0.16

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Details of stock options outstanding are as follows:

Expiry Date	Exercise price	30 September	30 September	31 March	31 March
		2023	2023	2023	2023
		Outstanding	Exercisable	Outstanding	Exercisable
23 April 2023	\$ 0.20	-	-	30,000	30,000
8 August 2023	\$ 0.13	-	-	250,000	250,000
30 October 2023	\$ 0.06	1,900,000	1,900,000	1,900,000	1,900,000
7 April 2025	\$ 0.10	1,100,000	1,100,000	1,100,000	930,000
24 February 2026	\$ 0.54	2,600,000	2,099,994	2,600,000	2,099,994
25 March 2027	\$ 0.10	3,900,000	3,566,664	3,900,000	2,070,832
25 August 2027	\$ 0.11	3,700,000	3,700,000	3,700,000	3,700,000
10 July 2028	\$ 0.05	17,800,000	3,099,999	-	-
15 August 2028	\$ 0.05	8,500,000	-	-	-
		39,500,000	15,466,657	13,480,000	10,980,826

The outstanding options have a weighted average exercise price of \$0.09 (31 March 2023 – \$0.18) and the weighted average remaining life of the options is 4.12 years (31 March 2023 – 3.18 years).

The fair values of the options granted during the six months ended 30 September 2023 and the year ended 31 March 2023 was determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	For the Six Months Ended 30 September 2023	For the Year Ended 31 March 2023
Risk free interest rate	3.96%-4.40%	3.23%
Expected life of options (years)	5	5
Expected annualized volatility	74.94%-76.36%	76.57%
Expected dividend yield	Nil	Nil
Weighted average Black-Scholes value of each option	\$0.02-\$0.03	\$0.07

c) Warrants

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

	For the Six Months Ended 30 September 2023	Weighted average exercise price	For the Year Ended 31 March 2023	Weighted average exercise price
Balance – beginning of period	11,833,750	\$ 0.20	7,715,100	\$ 0.39
Issued	-	-	11,650,000	0.20
Agent's warrants issued	-	-	183,750	0.20
Warrants expired	(11,833,750)	0.20	(7,715,100)	0.39
Balance – end of period	-	\$ -	11,833,750	\$ 0.20

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

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	For the Year Ended 31 March 2023
Risk free interest rate	3.65%
Expected life of warrants (years)	1
Weighted average remaining life of warrants (years)	0.402
Expected annualized volatility	63.25%
Expected dividend yield	Nil
Weighted average Black-Scholes value of each warrant	\$0.009

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 Condensed Interim Consolidated Statement of Comprehensive Loss, and include the following expenses recognized during the six months ended 30 September 2023:

	For the Six Months Ended 30 September 2023	For the Six Months Ended 30 September 2022
Principal Position Rounded (000's)		
Wages and short-term benefits	\$ 259,000	\$ 295,000
Share based payments (Note 14)	176,000	289,000
Total remuneration	\$ 435,000	\$ 584,000

Included in amounts payable on the Condensed Interim Consolidated Statement of Financial Position is \$Nil (31 March 2023 - \$31,989) due to related parties with respect to professional fees, wages and short-term benefits, and expense reimbursements, and are non-interest bearing.

During the six months ended 30 September 2023, the Company incurred \$11,406 (2022 – \$72,000) in legal fees from a company in which a director is a partner. The Company also incurred \$70,383 (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

	For the Six Months Ended 30 September 2023	For the Six Months Ended 30 September 2022
The sales and marketing expense consisted of the following:		
Salaries and wages	\$ 178,058	\$ 126,632
Promotion, marketing and travel	33,686	55,339
Indirect costs	482,947	170,564
Total	\$ 694,691	\$ 352,536

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	For the Six Months Ended 30 September 2023	For the Six Months Ended 30 September 2022
The research and development expense consisted of the following:		
Salaries and wages	\$ 349,009	\$ 598,271
Professional and consulting	11,642	110,947
Product research	14,549	42,646
Total	\$ 375,199	\$ 751,864

	For the Six Months Ended 30 September 2023	For the Six Months Ended 30 September 2022
The general and administrative expense consisted of the following:		
Salaries and wages	\$ 721,186	\$ 328,720
Professional and consulting	266,166	206,042
Office expense	401,262	187,753
Directors fees	10,000	28,914
Total	\$ 1,398,614	\$ 751,429

17) Revenue

	For the Six Months Ended 30 September 2023	For the Six Months Ended 30 September 2022
Contract revenue - photoluminescence imaging tools and instruments	\$ 4,586,807	\$ 386,608
Tool maintenance and service revenue	78,263	-
Total Revenue	\$ 4,665,070	\$ 386,608
Deferred revenue liability	\$ (4,056,806)	(2,253,254)

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 30 September 2023, the Company estimates the costs relating to these warranties at \$58,090 (31 March 2023-\$142,685).

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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 30 September 2023, the Company estimates the costs relating to employee long-service leave at \$124,965 (31 March 2023-\$187,566).

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

	For the Six Months Ended 30 September 2023		For the Year Ended 31 March 2023
Warranty provision	\$ 58,090	\$	142,685
Employee long-service leave	124,965		187,566
Total Provision	\$ 183,055	\$	330,251

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 Condensed Interim 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
Total Shares issued	65,469,351
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	39,000
Fiscal 2025	74,000
Fiscal 2026	18,000
Total	\$ 131,000

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	\$	195,000
Fiscal 2025		196,000
Total	\$	391,000

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 or under certain conditions it may be dissolved prior to the final date for the injection of the Registered Capital at which point 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 six months ended 30 September 2023.

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22) 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:

	As at 30 September 2023	As at 31 March 2023
Non-current assets*		
Canada	\$ 427,768	\$ 469,651
Australia	1,791,677	1,573,349
Total	\$ 2,219,445	\$ 2,043,000

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

The Company's sales for the six months ended 30 September 2023 of \$4,665,070 (2022-\$386,608) were concentrated in China. While the Company is exposed to significant concentration in that region, the Company did not depend on any single customer for more than 10% of its revenues for the period.

23) Subsequent events

On 15 November 2023, the Company announced the appointment of James Tunkey as an independent board director. Mr. Tunkey was granted an aggregate of 1,000,000 stock options that are exercisable at \$0.05 per share, for a period of 5 years and vest over 3 years.