

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

CYMAT TECHNOLOGIES LTD.

April 30, 2019 and April 30, 2018

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2019 and April 30, 2018

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Independent auditor's report

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To the Shareholders of Cymat Technologies Ltd.

Opinion

We have audited the consolidated financial statements of Cymat Technologies Ltd. ("the Company"), which comprise the consolidated statements of financial position as at April 30, 2019, and 2018 and the consolidated statements of operations, comprehensive loss and deficit, consolidated statements of changes in (deficiency) equity and consolidated statements of 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 Company as at April 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 Company 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 the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. These material uncertainties result from the Company's history of losses as well as the shareholders' deficiency. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon Management is responsible for the other information. The other information comprises the Management Discussion and but does not include the consolidated financial statements and our auditor's report thereon.

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 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 International Financial Reporting Standards (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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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.

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

Grant Thornton LLP

Mississauga, Canada
August 22, 2019

Chartered Professional Accountants
Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at:	April 30, 2019 \$	April 30, 2018 \$
ASSETS		
Current assets		
Cash and cash equivalents	181,665	524,332
Restricted cash [Note 5]	15,084	-
Trade and other receivables [Note 6]	107,929	465,200
Inventory [Note 7]	166,110	392,537
Prepaid expenses	13,250	35,606
Total current assets	484,038	1,417,675
Other assets		
Property, plant and equipment, net [Note 8]	27,930	27,930
Licenses and technology rights [Note 9]	-	-
Total assets	735,341	1,690,580
LIABILITIES		
Current liabilities		
Trade and other payables	886,562	697,261
Deferred revenue	135,414	260,039
Current portion of deferred rent liability	-	2,200
Current portion of accrued royalties [Note 10]	167,396	130,535
Total current liabilities	1,189,372	1,090,035
Non-current liabilities		
Accrued royalties [Note 10]	489,110	505,189
Total liabilities	1,678,482	1,595,224
(DEFICIENCY) EQUITY		
Share capital [Note 12]	71,314,148	71,064,924
Contributed surplus	7,624,005	7,410,749
Warrants [Note 13]	-	141,574
Deficit	(79,881,294)	(78,521,891)
Total (deficiency) equity	(943,141)	95,356
Total liabilities and (deficiency) equity	735,341	1,690,580

See accompanying Notes

On behalf of the Board:

Michael Liik
Director

Jon Gill
Director

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	Years Ended	
	April 30 2019	April 30 2018
	\$	\$
Revenues	2,643,504	3,046,443
Plant operating expenses	2,022,175	1,869,352
Research and material testing expenses	196,261	80,695
Selling, general and administrative expenses	1,614,205	1,848,450
	3,832,641	3,798,497
Loss from operations	(1,189,137)	(752,054)
Foreign exchange loss	(16,434)	(20,473)
Interest income	75	-
Interest and financing expense [Notes 10 and 11]	(153,907)	(343,651)
	(170,266)	(364,124)
Net loss and comprehensive loss for the year	(1,359,403)	(1,116,178)
Deficit, beginning of the year	(78,521,891)	(77,405,713)
Net loss	(1,359,403)	(1,116,178)
Deficit, end of the year	(79,881,294)	(78,521,891)
Basic and diluted net loss per share	(0.04)	(0.03)
Weighted average number of shares:		
Basic and diluted	37,502,619	34,380,640

See accompanying Notes

CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIENCY) EQUITY

	Common Shares		Contributed	Equity Portion	Warrants	Deficit	Total Shareholders' (Deficiency) Equity
	#	\$	Surplus	of Convertible			
			\$	Debentures			
			\$	\$	\$	\$	\$
May 1, 2017	19,014,046	66,679,985	6,759,770	338,912	452,764	(77,405,713)	(3,174,282)
Stock-based compensation and consulting fees	-	-	493,675	-	-	-	493,675
Conversion of convertible debentures	12,671,250	2,871,294	-	(338,912)	-	-	2,532,382
Exercise of warrants	5,439,035	1,513,645	-	-	(153,886)	-	1,359,759
Expiration of warrants	-	-	157,304	-	(157,304)	-	-
Net loss for the year	-	-	-	-	-	(1,116,178)	(1,116,178)
April 30, 2018	37,124,331	71,064,924	7,410,749	-	141,574	(78,521,891)	95,356
Stock-based compensation	-	-	152,156	-	-	-	152,156
Exercise of warrants	675,000	249,224	-	-	(80,474)	-	168,750
Expiration of warrants	-	-	61,100	-	(61,100)	-	-
Net loss for the year	-	-	-	-	-	(1,359,403)	(1,359,403)
April 30, 2019	37,799,331	71,314,148	7,624,005	-	-	(79,881,294)	(943,141)

See accompanying Notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
	April 30	April 30
	2019	2018
	\$	\$
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	(1,359,403)	(1,116,178)
Add items not involving cash		
Depreciation and amortization	61,659	60,381
Interest accrued on convertible debentures [Note 11]	-	55,633
Stock-based compensation expense [Note 14]	152,156	462,175
Stock-based consulting fees [Note 14]	-	31,500
Non-cash interest and financing expense [Note 10]	20,782	157,938
	(1,124,806)	(348,551)
Changes in non-cash working capital		
balances related to operations:		
Restricted cash	(15,084)	14,000
Trade and other receivables	357,271	(344,360)
Inventory	226,427	(263,861)
Prepaid expenses	22,356	(21,476)
Trade and other payables	189,301	(7,243)
Deferred revenue	(124,625)	216,809
Deferred rent liability	(2,200)	(8,802)
Cash used in operating activities	(471,360)	(763,484)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(40,057)	(73,318)
Cash used in investing activities	(40,057)	(73,318)
FINANCING ACTIVITIES		
Proceeds from exercise of warrants [Note 13]	168,750	1,359,759
Interest paid on convertible debt [Note 11]	-	(457,013)
Cash provided by financing activities	168,750	902,746
Net (decrease) increase in cash and cash equivalents during the year	(342,667)	65,944
Cash and cash equivalents, beginning of year	524,332	458,388
Cash and cash equivalents, end of year	181,665	524,332
Supplemental cash flow information		
Interest and financing expenses paid	64,442	571,437

See accompanying Notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Nature of Operations

Cymat Technologies Ltd. [“Cymat” or the “Company”] is a manufacturing company, which holds licenses and related patents to make, use and sell Stabilized Aluminum Foam [“SAF”]. SAF is produced utilizing a proprietary process in which gas is bubbled into molten alloyed aluminum containing a dispersion of fine ceramic particles to create foam, which is then cast into strong, lightweight panels and shapes. The Company is manufacturing SAF for use in architectural, blast mitigation and energy absorption applications. Cymat continues to develop applications for use in the automotive and industrial markets.

The Company was incorporated under the Business Corporations Act (Ontario) on June 14, 2006. The Company’s registered office is located at 6320-2 Danville Road, Mississauga, Ontario, L5T 2L7. Prior to June 14, 2006, the operations of the company were carried out under Cymat Corp., a company that was formed by articles of amalgamation under the Business Corporations Act (Ontario) on June 30, 1998.

Going Concern Uncertainty

To date, the Company has financed its operations primarily through share and convertible debt issuances, investment tax credits, interest income, and collaborative co-development agreements. The development of applications utilizing SAF as well as its production process involve significant financial risks, including the ability of the Company to develop and penetrate new markets, obtain additional financing as required, achieve profitable production and the ability for the Company to be able to successfully assert its intellectual property rights and protect against patent infringement. The Company has incurred significant operating losses and cash outflows from operations.

As at April 30, 2019, the anticipated level of cash flows from operating activities for the next twelve months is not assured to be sufficient to sustain operations. The ability of the Company to continue as a going concern is dependent upon achieving future profitable operations and may also be dependent upon raising additional financing through borrowings or equity issuance. Subsequent to year end, the Company closed a private placement equity financing of 2,092,952 units at a price of \$0.315 per unit for gross proceeds of \$659,280. The outcome of these matters is dependent on a number of items outside the Company’s control. As a result, there are material uncertainties that may cast significant doubt as to whether the Company will have the ability to continue as a going concern.

These consolidated financial statements do not include any adjustments or disclosures that may result from the Company’s inability to continue as a going concern. If the going concern assumption were not found to be appropriate for these consolidated financial statements, adjustments might be necessary in the carrying values of assets and liabilities, the statement of consolidated financial position classifications and the reported expenses. Such adjustments could be material.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards [“IFRS”] as issued by the International Accounting Standards Board [“IASB”] and interpretations of the International Financial Reporting Interpretations Committee [“IFRIC”].

These consolidated financial statements of the Company include the accounts of Cymat and its wholly-owned subsidiary, ALU-MMC Hungary, Zrt., a company incorporated under the laws of Hungary with a registered office in the city of Miskolc. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

These consolidated financial statements have been prepared on the basis of IFRS in effect as of April 30, 2019. The Company’s Board of Directors approved these consolidated financial statements on August 22, 2019.

During the year, the Company adopted new guidance for the recognition of revenue from contracts with customers (see Note 3). This guidance was applied using a modified retrospective (‘cumulative catch-up’) approach under which changes having a material effect on the consolidated statements of financial position as at May 1, 2018 are presented together as a

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For the Years Ended April 30, 2019 and April 30, 2018

single adjustment to the opening balance of retained earnings. No material effects on the consolidated statements of financial position resulted from the application of this new guidance. Additionally, as a result of the use of the modified retrospective approach, the Company is not required to present a third statement of financial position as at that date.

Further, the Company has adopted new guidance for accounting for financial instruments (see Note 3). This guidance was applied using the transitional relief allowing the entity not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognized in retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES

Outlined below are those policies considered particularly significant:

New accounting standards and interpretations

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers and the related Clarifications to IFRS 15 Revenue from Contracts with Customers ("IFRS 15") replace IAS 18 Revenue, IAS 11 Construction Contracts, and several revenue-related Interpretations. The adoption of IFRS 15 did not have a significant impact on the timing or amount of revenue recognized by the Company in any year.

IFRS 9 Financial Instruments

Effective May 1, 2018 the Company adopted IFRS 9, Financial Instruments - Classification and Measurement ("IFRS 9") replacing the existing guidance in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39"). The new standard requires financial assets to be classified as amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI") based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of these assets. The assessment and decision regarding the business model approach used is an accounting judgement.

The classification and measurement of financial liabilities remain generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

Upon transition to IFRS 9, the Company's financial assets and financial liabilities previously classified as FVTPL under IAS 39 continue to be classified in the same category and there were no changes in the measurement attributes. The Company's financial assets that were previously classified as loans and receivables are now classified as amortized cost. The adoption of IFRS 9 has also been applied retrospectively and did not result in any changes in the prior period.

Use of estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make critical judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management critical judgements

Policies that are critical for the presentation of the consolidated financial position and financial performance of the Company that require judgements are as follows:

- **Functional currency:** The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which the respective entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Management estimates and assumptions

Estimates and assumptions incorporated in policies that are critical for the presentation of the consolidated financial

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position and financial performance of the Company include the following:

- **Inventory:** Inventory is valued at the lower of cost and net realizable value. The cost of finished goods inventory, includes cost of purchases, costs of conversion, the allocation of manufacturing overhead and other costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completions. Provisions are made in profit or loss of the current period for any difference between book value and realizable value.
- **Impairment of non-financial assets and intangibles:** In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses a discount rate to determine an estimated present value. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.
- **Property, plant and equipment:** The Company records depreciation expense on property, plant and equipment at rates designed to amortize the cost of individual items and material components over their estimated useful lives. Management makes estimates of future useful life based on patterns of benefit consumption and of impairments based on past experience and market conditions. Impairment losses and depreciation expenses are presented in profit or loss of the current period.
- **Accrued royalties:** When funding that involves a royalty agreement is received, the Company is required to recognize a liability for the future royalty obligation at its fair value. To estimate this fair value, the Company estimates future cash flows and applies a discount rate that is appropriate to the Company's prevailing market conditions. Management updates the associated estimated future cash flows and market conditions at each reporting date to assess whether the value of the obligation should be adjusted. The effects of any change in the fair value of the obligation are recognized in profit or loss in the current period. (See Note 10.)
- **Share-based payments:** The fair value of share-based payments is determined using the Black-Scholes option pricing model based on estimated values at the date of grant. This model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate. (See Note 14.)

Revenue recognition

Revenue from the sale of manufactured products is recognized at the point in time when control of the product is transferred to the customer. Based on the terms of the specific transaction, control typically transfers at a point along a continuum that is as early as the products' departure from the Company's warehouse to as late as the passing of inspection following the products' arrival at a designated shipment location. Amounts received in advance of recognized revenues are recorded as deferred revenue.

Cash and cash equivalents

Cash and cash equivalents, including restricted cash, consist of cash on hand, deposits held with banks and short-term highly liquid investments that are readily convertible to known amounts of cash with remaining maturities of three months or less at acquisition.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- *amortized cost*
- *fair value through profit or loss (FVTPL)*
- *fair value through other comprehensive income (FVOCI).*

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In the periods presented the Company does not have any financial assets categorized as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Company does not financial assets categorized as FVTPL.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 20 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include trade and other payables and accrued royalties.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

Inventory

The Company's inventory consists of raw materials, work-in-process and finished goods, and research and development related materials which are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and, in the case of work-in-process and finished goods includes the cost of materials plus direct labour applied to the product and the applicable share of manufacturing overhead. Net realizable value is the estimated selling price less the applicable selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at their historical cost, and presented on the consolidated statement of financial position net of accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The cost and accumulated depreciation of replaced assets are derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations and comprehensive income (loss) during the period in which they are incurred.

Depreciation is calculated on a diminishing balance method so as to expense the cost of the assets less their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Office equipment	20% declining balance
Computer equipment	30% declining balance
Machinery and equipment	20% declining balance and straight line over 2 years
Leasehold improvements	straight-line over the term of the lease

Construction-in-progress assets are not depreciated until such time that they are available for use. Depreciation ceases at the earlier of the date the asset is classified as held-for-sale and the date the asset is derecognized.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying value of the asset and are included as part of other gains and losses in the statement of operations and comprehensive income (loss).

Impairment of non-financial assets

The Company tests non-financial assets such as property, plant and equipment and licenses and technology rights for impairment annually. Licenses and technology rights are subject to an impairment test on an annual basis at minimum. For the purpose of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units or "CGUs"]. The Company consists of one CGU, namely the sale of SAF. The recoverable value is the higher of an asset's fair value less costs of disposal and value in use, which is the present value of the expected future cash flows of the relevant asset or CGU. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value. The Company evaluates potential reversals of impairment losses when events or circumstances warrant such consideration.

Foreign currency transactions

Transactions in foreign currencies are translated at rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at each reporting date at current foreign exchange rates with the resulting gains or losses included in the statement of operations, comprehensive income (loss) and deficit.

Income taxes

Income tax expense is recognized in the statement of operations and comprehensive income (loss), except to the extent that it relates to items recognized directly in comprehensive income (loss) or equity, in which case income taxes are also recognized directly in comprehensive income (loss) or equity. If business combinations occur, income taxes may also be

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

recognized in the business combination. Current income taxes are the expected taxes payable on the taxable income for the year, using income tax rates enacted, or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are the amount of income taxes expected to be paid or recoverable in future periods in respect of temporary differences, carry-forward of unused tax losses and carry-forwards of unused tax credits. Deferred income taxes arise between the tax base - the amount attributed to the asset or liability for income tax purposes rather than the amount used in the computation of taxable income - and their carrying values in the consolidated financial statements as well as on unused tax losses and tax credits. Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet dates and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable these assets can be recovered.

Deferred income tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilized. The carrying value of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is not probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be recovered.

Government assistance

Government assistance may be available to the Company through income tax investment and innovation tax credits. Funding is recognized when there is reasonable assurance that the Company has complied with the conditions attached to the funding arrangement and is recognized as the applicable costs are incurred. Research and product development funding is presented as a reduction in research and material testing costs expenses unless it is for reimbursement of an asset, in which case it is accounted for as a reduction in the carrying amount of the applicable asset. Where the Company receives government contributions that include terms for repayment, a financial liability is recognized and measured in accordance with the terms of IFRS 9.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Accrued royalties

The Company issued promissory notes that included an embedded perpetual royalty that survived the maturity of the promissory notes. The royalties have been designated as a financial liability at fair value through profit or loss. Accordingly, the perpetual royalty is valued at the reporting date based on the most recent revenue projections. The change in estimated fair value of the royalty is recorded in income in the period in which the liability is recalculated.

Convertible debentures

The convertible debentures are accounted for as a compound financial instrument that contains both a liability component, represented by the loan, and equity components, represented by the share purchase warrants and conversion feature. The Company has allocated the total proceeds of the issuance between the debt and equity components of the convertible debenture using the residual method. First the fair value of the debt component was calculated as the present value of the related cash flows using an appropriate discount rate. The remaining proceeds were allocated to the equity components of the convertible debt with this amount divided between the warrants and the conversion feature based on their relative fair values as calculated using the Black-Scholes option pricing model. The fair value of the debt portion is accreted to its face value through the recording of interest expense, calculated using the effective rate method, over the term of the convertible debentures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

Share-based compensation

The Company has a share-based compensation plan, which is described further in Note 13.

The Company follows the guidance in IFRS 2, Share-based Payment, which includes the fair-value based method of accounting for all its share-based awards. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period, based on the number of options that are expected to vest, with an offsetting increase to contributed surplus. The number of options expected to vest is reviewed at least quarterly, with any impact recognized immediately.

Share capital

Common shares are classified as equity. Common shares are measured at the consideration received for the shares that have been issued, net of incremental costs directly attributable to the issuance of shares.

Warrants

Common share purchase warrants which entitle the holder to acquire common shares of the Company at a specified price for a specified period of time are classified as equity. Warrants are measured at the date of issuance using the Black-Scholes option pricing model. The carrying value of unexercised expired warrants is transferred to contributed surplus on the expiry date. Warrants included as a component of a compound financial instrument are measured at the residual value, after fair value of primary financial instrument has been allocated.

Contributed surplus

Contributed surplus is classified as equity. The carrying value of contributed surplus is equal to the accumulated value of share-based compensation as described above plus the carrying value of unexercised warrants that have expired.

Net income (loss) per share

Basic net loss per share is calculated based on the weighted average number of common shares outstanding for the period. Diluted net income (loss) per share is calculated using the weighted average number of common shares outstanding for the period for basic net income (loss) per share plus the weighted average number of potential dilutive shares that would have been outstanding during the period had all potential common shares been issued at the beginning of the period or when the underlying options or warrants were granted, if later, unless they were anti-dilutive. The treasury stock method is used to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of stock options and warrants to acquire common shares. The if-converted method is used in assessing the dilution impact of convertible debentures. The if-converted method assumes that all convertible debentures have been converted in determining diluted net income (loss) per share if they are in-the-money except where such conversion would be anti-dilutive.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS 16 Leases

IFRS 16 will replace IAS 17 Leases and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the consolidated statements of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective for fiscal periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Company has decided not to early adopt. For the Company, the first fiscal period effected by IFRS 16 commences on May 1, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

Management is in the process of assessing the full impact of the Standard. So far, Management has determined that only the office and manufacturing facility lease is affected by the new Standard, with the most significant impact being that the Company will need to recognise a right of use asset and a lease liability in place of the current operating lease treatment.

At April 30, 2019 the future minimum lease payments under this facility lease amounted to \$755,176. The new Standard will mean that the nature of the associated expense will change from being an operating lease expense to depreciation and interest expense.

The Company is planning to adopt IFRS 16 on May 1, 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated. Choosing this transition approach will result in further policy decisions as there are several other transitional reliefs that can be applied with respect to leases previously held. Management is currently assessing the impact of applying these other transitional reliefs.

5. RESTRICTED CASH

Restricted cash is held in a financial institution in Hungary as the result of the incorporation of ALU-MMC Hungary Zrt.

6. TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Trade accounts receivable	41,678	366,346
Other receivables	66,251	98,854
	107,929	465,200

7. INVENTORY

	2019	2018
	\$	\$
Raw materials and consumables	73,432	132,753
Work-in-process and finished goods	68,152	251,043
Research and development materials	24,526	8,741
	166,110	392,537

During the year, the Company recorded a charge of \$nil (2018 - \$nil) to reduce the carrying values of inventory to net realizable values. Included in plant operating expenses is \$973,354 (2018 - \$1,144,548) of inventories recognized as cost of sales during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	2019		
	Cost	Accumulated depreciation	Net carrying amount
	\$	\$	\$
Office equipment	260,462	255,138	5,324
Computer equipment	276,431	269,685	6,746
Machinery and equipment	3,019,035	2,807,732	211,303
Leasehold improvements	1,036,442	1,036,442	-
	4,592,370	4,368,997	223,373
	2018		
	Cost	Accumulated depreciation	Net carrying amount
	\$	\$	\$
Office equipment	260,462	253,807	6,655
Computer equipment	275,128	266,840	8,288
Machinery and equipment	3,000,231	2,770,199	230,032
Leasehold improvements	1,036,442	1,036,442	-
	4,572,263	4,327,288	244,975

The reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and the end of the current and previous years is as follows:

2019	Carrying amount, beginning of year	Additions	Depreciation expense	Carrying amount, end of year
	\$		\$	\$
Office equipment	6,655	-	(1,331)	5,324
Computer equipment	8,288	1,303	(2,845)	6,746
Machinery and equipment	230,032	38,754	(57,483)	211,303
Leasehold improvements	-	-	-	-
	244,975	40,057	(61,659)	223,373
2018	Carrying amount, beginning of year	Additions	Depreciation expense	Carrying amount, end of year
	\$		\$	\$
Office equipment	8,318	-	(1,663)	6,655
Computer equipment	7,751	3,014.00	(2,477)	8,288
Machinery and equipment	215,969	70,304	(56,241)	230,032
Leasehold improvements	-	-	-	-
	232,038	73,318	(60,381)	244,975

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

9. LICENSES AND TECHNOLOGY RIGHTS

Intangible assets consist of the following:

	2019 and 2018			Net carrying amount
	Cost	Accumulated amortization	Accumulated impairment	
	\$	\$	\$	\$
Licences	408,128	408,128	-	-
Technology rights	18,250,050	15,871,869	2,378,181	-
	18,658,178	16,279,997	2,378,181	-

As the result of 2012 year end impairment testing as described in Note 3 Impairment of Non-Financial Assets, the carrying value of the technology rights was written down in its entirety.

10. ACCRUED ROYALTIES

	2019	2018
	\$	\$
Accrued royalties	656,506	635,724
Less: accrued royalties relating to fiscal 2020	167,396	130,535
	489,110	505,189

In January of 2014, the Company issued promissory notes (the “Notes”) for gross proceeds in the aggregate amount of \$568,367. The Notes carried an interest rate of 12% per annum and additional consideration of a perpetual royalty equal to one percent of sales for each pro-rata portion of \$100,000 in principal. The principal amount of the notes (\$568,367), as well as a portion of the accrued interest (\$29,633), was settled in July 2014 by the issuance of convertible debt with a face value of \$598,000. The royalty survived the settlement of the Notes.

A liability for the estimated future royalty-based financing fees payable has been recorded with an offset to (non-cash) interest and financing expense. In calculating the fair value of these accrued royalties, the Company estimated future revenues and applied a risk adjusted discount factor of 30% (2018 - 30%).

Royalties payable based on sales pertaining to the year ended April 30, 2019, in the amount of \$82,052 (2018 - \$44,107) are included in trade and other payables.

The fair value of the accrued royalty is inherently subject to estimation uncertainty given the unpredictability of the timing and amount of revenues. Changes to these estimates could have a significant impact on the fair value estimate of the accrued royalty as follows:

- [a] An increase or decrease in the revenue estimate of 10%, with all other factors remaining constant, would increase or decrease the liability by \$65,651 or (\$65,651), respectively.
- [b] An increase in the discount factor by 5% would decrease the liability by (\$88,008) while a decrease in the discount factor by 5% would increase the liability by \$120,941, with all other factors remaining constant.

Interest and financing expense for the year includes cash-based royalties in the amount of \$133,125 (2018 - \$130,079) and a non-cash royalties expense of \$20,782 relating to the change in the estimated fair value of the future royalty payable (2018 – expense of \$99,942).

Interest and financing expense for the year includes cash-based royalties of \$51,147 (2018 - \$49,977) paid or payable to a related party. Interest expense also includes an increase in the accrual of royalties based on future sales in the amount of \$7,984 (2018 – increase in accrual of \$38,398) pertaining to a related party.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

11. CONVERTIBLE DEBENTURES

In December 2015, the Company issued Convertible Debentures (the “Debentures”) with an aggregate face value of \$463,000 via a non-brokered Private Placement Financing (the “Financing”). The Financing consisted of Debenture Units (the “Units”) priced at \$1,000 per Unit with each Unit consisting of Debentures in the principal amount of \$1,000 and 5,000 common share purchase warrants (the “Warrants”). The Debentures bore interest at a rate of 12% per annum compounding semi-annually, mature on June 30, 2017, and were convertible, at the option of the holder, into 5,000 common shares. Half of the interest was payable quarterly in arrears, and the remaining half of the interest was accrued and payable at the earliest of the conversion date and the maturity date. Each Warrant entitled the holder to purchase one common share at an exercise price of \$0.25 until June 30, 2017. Finders’ fees totaling \$12,500 were paid in connection with the Debenture issuance.

Debentures with the same terms as above were issued in July 2014, August 2014 and April 2015 with aggregate face values of \$1,220,000, \$395,000 and \$526,250, respectively. The holders of the promissory notes outstanding as at April 30, 2014 exchanged their Notes for 598 Units, representing Debentures with a face value of \$598,000. This exchange included 230 Units, representing Debentures with a face value of \$230,000, issued to a related party.

At the inception of the Debentures, the fair values of the loan and equity components were measured at their fair value using the residual method.

The fair values of the loan components for the December 2015 Debentures and the Debentures previously issued, in the amounts of \$380,949 and \$1,529,249, respectively, were determined by calculating the present value of the cash payments associated with the Debenture using a discount factor of 25% which is equal to the Company’s estimated risk-adjusted rate of borrowing. The fair values of the loan components are being accreted to their face value through the recording of interest expense as calculated using the effective rate method.

In March 2016, Debentures with a face value of \$10,000 were converted by the holder into 50,000 common shares. In March 2017, Debentures with a face value of \$50,000 were converted by the holder into 250,000 common shares. In June 2017, the remaining outstanding Debentures were converted by their holders into 12,671,250 common shares.

A summary of the carrying amount of the debt component of the Debentures, and the underlying face value, is as follows:

	2019	2019	2018	2018
	Book Value	Face Value	Book value	Face Value
	\$	\$	\$	\$
Convertible debentures, beginning balance	-	-	2,875,766	2,524,250
Interest accrued	-	-	55,633	-
Interest paid	-	-	(457,013)	-
Interest accretion (non-cash)	-	-	57,996	-
Debentures converted	-	-	(2,532,382)	(2,524,250)
Convertible debentures, ending balance	-	-	-	-

Interest and financing expense for the year ended April 30, 2018, includes Debenture interest in the amount of \$113,630, including \$10,852 pertaining to a related party.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

12. SHARE CAPITAL

- [a] The Company is authorised to issue an unlimited number of common shares.
- [b] In the months of May and June 2017, the Company issued 5,439,035 common shares as the result of the exercise of warrants.
- [c] In June 2017, the Company issued 12,671,250 common shares as the result of the conversion of convertible debentures with a face value of \$2,524,250.
- [d] In October 2018, the Company issued 675,000 common shares as the result of the exercise of warrants.
- [e] To date, the Company has not paid dividends on its common shares.

13. WARRANTS

	Number	2019 \$	Number	2018 \$
Warrants, beginning balance	1,187,500	141,574	12,587,500	452,764
Exercised during the period	(675,000)	(80,474)	(5,439,035)	(153,886)
Expired during the period	(512,500)	(61,100)	(5,960,965)	(157,304)
Warrants, ending balance	-	-	1,187,500	141,574

- [a] In the months of May and June 2017, 5,439,035 warrants with an exercise price of \$0.25 each, were exercised resulting in aggregate gross proceeds of \$1,359,759.
- [b] On June 30, 2017, 5,960,965 warrants with an exercise price of \$0.25 each expired unexercised.
- [c] In October 2018, 675,000 warrants with an exercise price of \$0.25 each, were exercised resulting in aggregate gross proceeds of \$168,750. Also in October, the remaining 512,500 warrants expired unexercised.

14. SHARE-BASED COMPENSATION

The Company's stock option plan allows for the issuance of options, in aggregate, to acquire up to twenty percent (20%) of the number of common shares issued and outstanding on the effective date of the plan. The aggregate number of shares reserved for issuance under the terms of the Company's stock option plan is 7,424,866.

The Company's stock option plan provides that the exercise price of options that may be granted cannot be less than the market price of the Company's common shares at the time the option is granted. Options granted may be exercised during a period not exceeding five years. The vesting period of plan options granted is at the discretion of the Company's Board of Directors at the time of grant. Stock options have been granted as follows:

- [a] 100,000 options with an exercise price of \$0.21 granted on July 13, 2017 to a consultant vesting immediately.
- [b] 2,785,000 options with an exercise price of \$0.205 granted on July 13, 2017 to directors, officers and employees with 34% vesting upon grant, 33% vesting on July 13, 2018, and 33% vesting on July 13, 2019. Vesting for 878,331 of these options is further dependent upon the attainment of certain performance criteria.
- [c] 100,000 options with an exercise price of \$0.22 granted on January 22, 2018 to a consultant with vesting in two tranches of 50,000 options, each contingent on the achievement of research and development related objectives.
- [d] 25,000 options with an exercise price of \$0.28 granted on June 11, 2018 to an employee with one third vesting upon grant, one third vesting on June 11, 2019 and one third vesting on June 11, 2020. These options expired on January 18, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

- [e] 100,000 options with an exercise price of \$0.235 granted on February 13, 2019 to directors with one third vesting upon grant, one third vesting on February 13, 2020 and one third vesting on February 13, 2021.

The details of the changes in the number of stock options outstanding as at April 30, 2019 and 2018 are as follows:

	2019		2018	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding, beginning of year	5,113,908	0.19	2,396,908	0.19
Granted	125,000	0.24	2,985,000	0.21
Exercised	-	-	-	-
Expired/forfeited	(25,000)	0.28	(268,000)	0.25
Outstanding, end of year	5,213,908	0.20	5,113,908	0.19
Exercisable, end of year	4,169,577	0.19	2,883,916	0.19

The following table summarizes information about stock options outstanding and exercisable as at April 30, 2019:

Exercise Prices \$	Options Outstanding #	Options Exercisable #	Remaining Contractual Life Years
0.235	100,000	34,000	4.8
0.22	100,000	50,000	3.7
0.205	2,785,000	1,856,669	3.2
0.21	100,000	100,000	3.2
0.34	17,500	17,500	2.7
0.20	958,333	958,333	2.1
0.125	409,525	409,525	1.1
0.13	100,000	100,000	1.0
0.185	643,550	643,550	0.5
	5,213,908	4,169,577	

The fair values of options granted in the years ended April 30, 2019 and April 30, 2018, estimated at the date of grant using the Black-Scholes option pricing model, used the following assumptions:

	February 2019	January 2018	July 2017
Weighted average assumptions:			
Risk free interest rate	1.8%	1.0%	1.0%
Dividend yield	0%	0%	0%
Volatility	189%	248%	252%
Expected option life	5 years	5 years	5 years
Resulting fair value:	\$0.235	\$0.22	\$0.205

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

During the year ended April 30, 2019, the Company recognized a share-based compensation expense in the amount of \$152,156 (2018 - \$462,175). Share-based compensation expense is included in selling, general and administrative expenses.

Options relating to consulting services were issued in July 2017. During the year ended April 30, 2018, a related expense in the amount of \$20,500 was recorded at the estimated value of the services received.

Options relating to research and development activities were issued in January 2018. During the year ended April 30, 2018, upon the achievement of the objectives associated with the first tranche of 50,000 options, these options vested and a related expense of \$11,000 was recorded and included in research and development expenses.

15. EXPENSES BY NATURE

Expenses incurred by nature are as follows:

	2019	2018
	\$	\$
Raw materials, consumables and maintenance	796,502	1,249,667
Changes in inventories – raw materials	59,321	(68,644)
Changes in inventories – finished goods	182,891	(186,475)
Employee salaries and benefits	1,385,797	1,532,255
Shipping and freight	140,365	132,798
Facilities	366,168	326,902
Depreciation and amortization	61,659	60,381
Research and development	193,630	77,407
Insurance	70,706	64,604
Professional and consulting fees	242,923	253,709
Shareholder and corporate communications	142,241	107,334
Telecommunication and information technology	39,813	30,979
Marketing, sales and travel	128,113	195,797
Other	22,512	21,783
	3,832,641	3,798,497

16. EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits include the following expenses:

	2019	2018
	\$	\$
Salary and wages	1,062,688	918,682
Stock-based compensation	152,156	462,175
Medical, dental and insurance	96,287	86,788
Other	74,666	64,610
	1,385,797	1,532,255

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

17. INCOME TAXES

The provision for income taxes is summarized as follows:

	2019	2018
	\$	\$
Income tax expense (recovery) at statutory rate (25.0%)	(339,851)	(279,045)
Stock-based compensation not deductible for tax	38,039	123,419
Interest expense not deductible for tax	5,196	39,485
Other	17,865	16,995
Benefit of tax losses not recognized	278,751	99,146
	-	-

The tax benefit of the following unused tax losses and deductible temporary differences has not been recognized in the consolidated financial statements due to the unpredictability of future earnings.

	2019	2018
	\$	\$
Non-capital losses carried forward	4,759,024	4,480,272
Scientific research and experimental development expenditures	60,268	60,268
Investment tax credits	70,720	70,720
Share issue costs	325	488
Property, plant and equipment	176,857	161,442
Licenses and technology rights	2,750,000	2,750,000
	7,817,194	7,523,190

The Company has available scientific research and experimental development expenditures for income tax purposes, which may be carried forward indefinitely to reduce future years' taxable income. The total of such tax credits accumulated to April 30, 2019 is approximately \$241,000 (2018 - \$241,000).

At April 30, 2019, the Company has tax losses for Canadian tax purposes of approximately \$19,036,000 (2018 - \$17,921,000). The Company also has unclaimed Canadian scientific research investment tax credits of approximately \$71,000 (2018 - \$71,000) which can be used to offset future years' Canadian federal taxes payable. Expiry dates for tax losses and tax credits are as follows:

	Tax Losses	ITCs
	\$	\$
Fiscal 2027	1,700,000	34,000
Fiscal 2028	1,666,000	14,000
Fiscal 2029	2,440,000	14,000
Fiscal 2030	3,165,000	9,000
Fiscal 2031	1,984,000	-
Fiscal 2032	1,127,000	-
Fiscal 2033	1,621,000	-
Fiscal 2034	1,315,000	-
Fiscal 2035	880,000	-
Fiscal 2036	1,135,000	-
Fiscal 2037	492,000	-
Fiscal 2038	396,000	-
Fiscal 2039	1,115,000	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

18. RELATED PARTY TRANSACTIONS

Related party transactions regarding the accrued royalty are reported in Note 10 and regarding the convertible debentures are reported in Note 11.

Key Management Compensation

Key management includes the Company's board of directors and senior executives.

	2019	2018
	\$	\$
Salary, fees and short-term benefits	629,884	623,001
Stock-based compensation	142,970	438,730
	772,854	1,061,731

19. COMMITMENTS

The Company leases its manufacturing and office premises. During the year ended April 30, 2018, the Company renewed the lease until July 31, 2023. As at April 30, 2019, the future minimum annual lease payments (excluding taxes and operating expenses) under operating leases in aggregate are as follows:

	\$
2020	168,727
2021	175,279
2022	181,832
2023	183,470
2024	45,868

20. FINANCIAL INSTRUMENTS

The Company's consolidated financial instruments are classified into one of the following categories: financial assets at amortized cost, financial liabilities at amortized cost and financial liabilities at fair value through profit and loss. The carrying values of the Company's financial instruments are summarized as follows:

	2019	2018
	\$	\$
Financial assets at amortized cost (1)	304,678	989,532
Financial liabilities at amortized cost (2)	886,562	697,261
Financial liabilities at fair value through profit and loss (3)	656,506	635,724

(1) Includes cash and cash equivalents, restricted cash, and trade and other receivables.

(2) Includes trade and other payables.

(3) Includes accrued royalty.

The reported value is a reasonable approximation of fair value for financial instruments recorded as financial assets at amortized cost and financial liabilities at amortized cost as underlying assumptions have not varied significantly from the date of initial recognition to year end.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Financial risks

The main risks arising from the Company's consolidated financial instruments are liquidity risk, foreign currency risk, commodity price risk (market risks), interest rate risk and credit risk. The Board of Directors reviews and approves the policies for managing these risks and they are summarized as follows:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has sustained annual losses and negative annual cash flows from operations since its inception. The Company's objective for liquidity risk management is to maintain sufficient liquid financial resources to meet financial obligations and commitments in the most cost-effective manner possible. The Company manages its liquidity risk by continually forecasting cash flows from operations and anticipated investing and financing activities. As of April 30, 2019, the Company was holding cash and cash equivalents of \$196,749 (2018 - \$524,332) and trade and other receivables of \$107,929 (2018 - \$465,200).

There are uncertainties regarding the Company's liquidity conditions. See Note 1 regarding the Company's ability to continue as a going concern.

The following table presents the expected payment timing for the Company's financial liabilities on an undiscounted basis.

Fiscal Years	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$
Trade and other payables	886,562	-	-	-	-
Accrued royalties	167,396	177,333	182,653	188,132	193,776

Foreign currency risk

The Company is primarily exposed to the fluctuation of the European Euro and United States (US) dollar relative to the Canadian dollar in as much as certain sales and raw material and consumable purchases are denominated in those currencies. Revenue and expenses are translated into Canadian dollars at the time of the transaction. The Company typically extends regular credit terms to its customers and recognizes foreign exchange translation gains or losses on a monthly basis through foreign currency translation of foreign currency receivables and payables using the temporal method.

At present, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. In some cases, the Company does have the ability to mitigate foreign currency risk by adjusting prices charged to non-Canadian customers.

For the year ended April 30, 2019, the Company had a net operating foreign exchange loss of \$16,434 (2018 – loss of \$20,473), which is included in the statement of operations, comprehensive income (loss) and deficit and is classified separately.

Increases in the value of the Canadian dollar can reduce revenue, with a partially off-setting reduction in the cost of material inputs. Declines in the comparative value of the Canadian dollar can result in increased revenue with a partially off-setting increase in the cost of material inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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A ten percent (10%) change in the Canadian dollar compared to key foreign currencies would, everything else being equal, have had the following effect on the Company's reported net loss for the year ended April 30, 2019:

	Year ended April 30, 2019 average exchange rate (Value of \$1 CAD)	Favourable (Unfavourable) Change in Net Loss Relative Value of \$1 CAD	
		Increase By 10%	Decrease by 10%
United States Dollar	0.76	(\$31,098)	\$38,009
European Euro	0.66	(\$9,722)	\$11,882
Hungarian Forint	212.22	\$756	(\$923)
British Pound	0.58	\$134	(\$164)

The table below presents the percentages of the Company's trade and other receivables and trade and other payables that are denominated in US dollars and European Euros:

	As at April 30, 2019		As at April 30, 2018	
	US\$ %	Euro€ %	US\$ %	Euro€ %
Trade and other receivables	9	8	6	71
Trade and other payables	20	2	19	23

During the years ended April 30, 2019 and 2018, the following percentages of the revenue and expenses were earned or incurred in US dollars and European Euros:

	Year ended April 30, 2019		Year ended April 30, 2018	
	US\$ %	Euro€ %	US\$ %	Euro€ %
Revenue	33	4	26	54
Expenses	13	-	19	7

As at April 30, 2019, the Company's financial instruments exposed to foreign currency risk consist of cash, restricted cash, accounts receivable and accounts payable.

Commodity price risk

At present, the Company is exposed to commodity price risk through its purchasing of raw materials as it uses aluminum as its primary raw material.

Metal prices and international commodity quotations are external variables over which the Company has no significant influence or control. This potentially exposes the Company to price volatilities that could significantly impact its future operating cash flows. As part of its routine activities, management is closely monitoring the trend in international metal prices. The Company does have the ability to mitigate commodity price risk by adjusting prices charged customers.

At present, the Company does not use derivative instruments to reduce its exposure to commodity price risk.

Interest rate risk

Interest rate risk arises from fluctuations in the market interest rates.

During the year ended April 30, 2019, the Company had no interest-bearing debt outstanding. During the year ended April 30, 2018, the Company incurred interest expenses from primarily from convertible debentures (See Note 11). During the year ended April 30, 2018, the convertible debenture liability was settled through the conversion of the debt into common shares.

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Credit risk

Credit risk arises from the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge the obligation. The Company is exposed to credit risk from customers. For the year ended April 30, 2019, the Company's largest customer accounted for 34% of total annual sales; no other individual customer accounted for more than 9% of total annual sales. For the year ended April 30, 2018, the Company's two largest customers accounted for 43% and 18%, respectively, of total annual sales. The Company's maximum exposure to credit risk is \$41,678 (2018 - \$391,748). Accounts receivable that are outstanding greater than 3 months but for which no allowance for doubtful accounts has been taken total \$20,176 (2018 - \$46,926).

Management seeks to minimize credit risk through customer review. Payment terms typically require the receipt of order payment prior to shipment. In some cases payment terms, generally between 30 and 60 days after shipment, are granted to customers. When deemed appropriate by management, letters of credit are also employed to secure payment on product orders. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Accounts receivable are reviewed by management at each balance sheet reporting date on an account-by-account basis to determine their collectability. The review considers such factors as customer payment history, the current financial conditions of the customers and the general economic environment. The provision for bad debts of \$Nil was recorded during the year ended April 30, 2019 (2018 - \$Nil).

As at April 30, 2019, the largest amount due from one customer amounted to 47% (2018 – 58%) of the Company's trade accounts receivable which total \$41,678 (2018 - \$391,748).

Fair value measurements

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the reporting date based on relevant market information and information about the financial instrument.

Financial assets and liabilities recorded at fair value in the Company's consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The hierarchical levels, defined by IFRS 13 and which are directly related to the amount of subjectivity associated with inputs to fair valuation of these financial assets and liabilities, are as follows:

Level 1 – Quoted prices are available in active markets for identical financial assets or liabilities for which the Company has the ability to access at the measurement date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable for the financial asset or liability as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – One or more significant pricing inputs are unobservable for the financial asset or liability and include situations where there is little, if any, market activity for the financial asset or liability.

The inputs into the determination of fair value require significant management judgment or estimation.

The accrued royalty liability is valued using level 3 inputs. Additional disclosure regarding the valuation methods is included in Note 10.

There were no significant transfers between levels 1, 2 or 3 during fiscal 2019 or 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2019 and April 30, 2018

21. SUBSEQUENT EVENTS

In May 2019, the Company granted 1,085,000 stock options to certain of its directors, officers and employees, with an exercise price of \$0.31 per share. The options vest in three tranches over a two-year period and expire on May 23, 2024.

In May 2019, the Company granted 200,000 stock options to a consultant, with an exercise price of \$0.325 per share. The options vested on the grant date and expire on May 30, 2024.

In July 2019, the Company closed a private placement equity financing of 2,092,952 units at a price of \$0.315 per unit for gross proceeds of \$659,280. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.525 up to July 9, 2022. The warrant has an accelerated expiry clause that may be exercised by the Company should the 10-day weighted price of the common shares be equal to or greater than \$1.05.