

WESTECH ADVANCED MATERIALS LTD.

Non-Consolidated Financial Statements (unaudited)
for the Year Ended March 31, 2021
and Independent Practitioner's Review Engagement Report

WESTECH ADVANCED MATERIALS LTD.
NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(unaudited)

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CHARTERED
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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Directors of
Westech Advanced Materials Ltd.:

We have reviewed the accompanying non-consolidated financial statements of Westech Advanced Materials Ltd. that comprise the non-consolidated balance sheet as at March 31, 2021 and the non-consolidated statements of loss and deficit and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying non-consolidated financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of non-consolidated financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these non-consolidated financial statements.

Emphasis of Matter

Without qualifying our report we draw attention to Note 1 in the non-consolidated financial statements which indicates that the Company has sustained operating losses. This event indicates a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these non-consolidated financial statements do not present fairly, in all material respects, the financial position of Westech Advanced Materials Ltd. as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants
May 6, 2021

WESTECH ADVANCED MATERIALS LTD.
 NON-CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
 YEAR ENDED MARCH 31, 2021
 (unaudited)

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|---------------------|
| SALES | \$ 1,092 | \$ 1,464,052 |
| COST OF GOODS SOLD | 740 | 1,508,456 |
| GROSS PROFIT (LOSS) | 352 | (44,404) |
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Bad debts | - | 367,771 |
| Bank charges and interest | 2,405 | 8,039 |
| Computer maintenance | - | 1,681 |
| Depreciation | 177,947 | 193,803 |
| Insurance (recovered) | - | 21,064 |
| Office | 2,732 | 9,210 |
| Professional fees | 28,838 | 51,208 |
| Rent | - | 4,001 |
| Salaries and benefits | 78,653 | 84,767 |
| Utilities and telecommunications | - | 124 |
| | 290,575 | 741,668 |
| LOSS FROM OPERATIONS | (290,223) | (786,072) |
| OTHER INCOME (EXPENSES) | | |
| Canada Emergency Wage Subsidy (Note 7) | 17,414 | - |
| Loss on foreign exchange | (13,867) | (49,835) |
| Loss on write-down of goodwill and intangibles (Note 6) | (2,372,376) | - |
| | (2,368,829) | (49,835) |
| LOSS BEFORE INCOME TAXES | (2,659,052) | (835,907) |
| INCOME TAXES RECOVERED | (72,321) | (212,814) |
| NET LOSS | (2,586,731) | (623,093) |
| RETAINED EARNINGS, BEGINNING OF YEAR | 188,969 | 812,062 |
| RETAINED EARNINGS (DEFICIT), END OF YEAR | \$(2,397,762) | \$ 188,969 |

Please draw your attention to Note 1 of the notes to the non-consolidated financial statements regarding the Company as a going concern.

WESTECH ADVANCED MATERIALS LTD.

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2021

(unaudited)

| | 2021 | 2020 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 262,632 | \$ 144,908 |
| Harmonized sales tax recoverable | 3,948 | 4,252 |
| Income taxes recoverable | 72,321 | 237,152 |
| | 338,901 | 386,312 |
| Due from Brillaire Inc. (Note 3) | 5,541 | 3,390 |
| Due from shareholder (Note 4) | 129,978 | 150,138 |
| Investment in Brillaire Inc. | 100 | 100 |
| Computer equipment (Note 5) | 78 | 176 |
| Intangibles (Note 6) | 1,146,786 | 2,225,705 |
| Goodwill (Note 6) | 1,873,214 | 3,344,727 |
| | \$ 3,494,598 | \$ 6,110,548 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities, government remittances \$258 (2019 - \$597) | \$ 8,881 | \$ 16,473 |
| SHAREHOLDER'S EQUITY | | |
| Share capital (Note 8) | 6,175,717 | 6,175,717 |
| Currency translation adjustment | (292,238) | (270,611) |
| Retained earnings (deficit) | (2,397,762) | 188,969 |
| | 3,485,717 | 6,094,075 |
| | \$ 3,494,598 | \$ 6,110,548 |

Please draw your attention to Note 1 of the notes to the non-consolidated financial statements regarding the Company as a going concern.

Approved by the Board:

XAMS 

..... Director

..... Director

WESTECH ADVANCED MATERIALS LTD.
 NON-CONSOLIDATED STATEMENT OF CASH FLOWS
 YEAR ENDED MARCH 31, 2021
 (unaudited)

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Net loss | \$(2,586,731) | \$ (623,093) |
| Items not affecting cash: | | |
| Depreciation | 177,947 | 193,803 |
| Loss on write-down of goodwill and intangibles | 2,372,376 | - |
| | (36,408) | (429,290) |
| Changes in non-cash operating assets and liabilities: | | |
| Harmonized sales tax recoverable | 304 | 1,376,447 |
| Income taxes | 164,831 | (254,015) |
| Inventory | - | 67,806 |
| Prepaid expenses | - | 3,610 |
| Accounts payable and accrued liabilities | (7,592) | (2,311,421) |
| | 121,135 | (1,546,863) |
| INVESTING ACTIVITIES | | |
| (Purchase) disposal of computer equipment | 207 | (110) |
| Advances to Brillaire Inc. | (2,151) | (10,059) |
| Repayments from (advances to) shareholder | 20,160 | (150,138) |
| | 18,216 | (180,307) |
| FOREIGN EXCHANGE LOSS ON AMOUNTS HELD IN FOREIGN CURRENCY | (21,627) | (743,577) |
| INCREASE (DECREASE) IN CASH | 117,724 | (2,450,747) |
| CASH, BEGINNING OF YEAR | 144,908 | 2,595,655 |
| CASH, END OF YEAR | \$ 262,632 | \$ 144,908 |

Please draw your attention to Note 1 of the notes to the non-consolidated financial statements regarding the Company as a going concern.

WESTECH ADVANCED MATERIALS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(unaudited)

1. GOING CONCERN

These non-consolidated financial statements are prepared in accordance with Canadian accounting standards for private enterprises on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of operations.

The Company reported a loss of \$2,586,731 for the year ended March 31, 2021. Although the Company has positive working capital in the current year, the Company incurred a significant loss in the previous and current years. There is significant doubt as to the ability of the Company to continue operating. The continuation of the Company's operations depends on the resumption of its operations within a reasonable time and on its ability to obtain credit facilities or support from its shareholder in order to maintain profitability.

The Company's ability to continue as a going concern is dependent upon the Company's support from the shareholder.

The accompanying financial statements do not include any adjustments to the recoverability and classification of recorded assets and liability amounts and the reported expenses that might be necessary should the Company be unable to continue as a going concern and these adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of accounting

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

The non-consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is U.S. dollars.

Nature of business

The Company was incorporated on May 29, 2015 under the laws of British Columbia and is in the business of distributing industrial fabrics. Operations wound down during the year and the Company is re-structuring.

Revenue recognition

Revenue is recognized upon shipment, when significant risks and rewards of ownership are transferred, and when collection is reasonably assured.

Investments

The Company's investment in its wholly-owned subsidiary Brillaire Inc., a private company, is accounted for by the cost method under which the investment is carried at the cost thereof and the net earnings of the investment are reflected in the determination of the net earnings of the Company only to the extent of dividends received or receivable. When there is an indication of impairment and such an impairment is determined to have occurred, the carrying amount is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from sale. Such impairments can be subsequently reversed if value subsequently improves.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

During the year, the total cost of inventory expensed in cost of sales amounted to \$Nil (2020 - \$1,360,068).

WESTECH ADVANCED MATERIALS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
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Computer equipment

Computer equipment is recorded at acquisition cost. Computer equipment is depreciated using the declining balance method at the annual rate indicated in Note 5. Depreciation in the year of acquisition is recorded at one-half of the normal rate.

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Intangibles

Intangible assets are recorded at cost. Depreciation on the intangibles is calculated using the declining balance method at the annual rates indicated in Note 6. Depreciation in the year of acquisition is recorded at one-half of the normal rates.

Goodwill

Goodwill represents the excess of the acquisition cost over the fair market value of identifiable net assets acquired at the date of acquisition. Goodwill is not amortized. Goodwill is tested for impairment whenever events or changes in circumstances indicate that the fair value of the reporting unit to which the goodwill is assigned may be less than its carrying amount. The fair value of the reporting unit is calculated on a discounted basis.

Financial instruments

(a) Measurement of financial instruments

The Company initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost, except for equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

WESTECH ADVANCED MATERIALS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
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Future income taxes

The Company applies the future income taxes method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the difference between the carrying amounts of existing assets and liabilities and their respective tax bases. Any change in the net amount of future income tax assets and liabilities is included in income. Future income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable income for the years in which the assets and liabilities will be recovered. Future income tax assets are recognized when it is more likely than not that they will be realized.

Translation of foreign currency

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated to U.S. dollars by the use of the exchange rate in effect on that date. At the year end date, monetary assets and liabilities are translated into U.S. dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period.

For financial statement presentation purposes amounts are translated using the current rate method whereby assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, and revenue and expense items are translated at the rate of exchange prevailing on the transaction date. The resulting exchange differences are deferred and classified as currency translation adjustments in shareholder's equity.

Use of estimates

The preparation of non-consolidated financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the non-consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as revenue recognition, allowance for doubtful accounts receivable, impairment of goodwill and intangibles, inventory obsolescence and future income taxes.

Government Assistance

Government assistance related to current expenses or revenues are included in the determination of net income for the period. When government assistance relates to expenses of future accounting periods, the appropriate amounts shall be deferred and amortized to income as related expenses are incurred.

WESTECH ADVANCED MATERIALS LTD.
 NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
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 (unaudited)

3. RELATED PARTY TRANSACTIONS

Related parties and their respective relationship to the Company are as follows:

| | |
|---------------------------|--|
| Arvind Limited | Owner of 51% of the outstanding shares of this Company |
| Arvind Ruf & Tuf Pvt Ltd. | Owner of 49% of the outstanding shares of this Company |
| Brillaire Inc. | 100% owned subsidiary |
| Westech Group Ltd. | Company under common control |

The amount due from Brillaire Inc. is unsecured, non-interest bearing and has no set terms of repayment.

During the year, the Company had the following transactions with companies related by common ownership:

| | 2021 | 2020 |
|---------------------------|------|--------------|
| Arvind Limited | | |
| Purchases | \$ - | \$ 335,013 |
| Brillaire Inc. | | |
| Purchases | \$ - | \$ 1,090,672 |
| Westech Group Ltd. | | |
| Rent paid | \$ - | \$ 4,001 |

All transactions between related parties have taken place in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. DUE FROM SHAREHOLDER

The amounts due from the shareholder are non-interest bearing. The advances are unsecured and have no specified terms of repayment.

5. COMPUTER EQUIPMENT

| | Annual Depreciation Rate | 2021 | | 2020 | |
|--------------------|--------------------------------|----------|-----------------------------|----------|-----------------------------|
| | | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation |
| Computer equipment | 50% | \$ 1,615 | \$ 1,537 | \$ 1,822 | \$ 1,646 |
| Net book value | | | \$ 78 | | \$ 176 |

Depreciation expense recovered during the year was \$109.

WESTECH ADVANCED MATERIALS LTD.
 NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
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6. GOODWILL AND OTHER INTANGIBLE ASSETS

| | Annual Depreciation Rates | 2021 | | 2020 | |
|--------------------|---------------------------------|------------------|-----------------------------|------------|-----------------------------|
| | | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation |
| Business name | 8% | \$ 289,735 | \$ 156,388 | \$ 394,486 | \$ 135,684 |
| Customer relations | 8% | 2,201,983 | 1,188,544 | 2,998,095 | 1,031,192 |
| | | 2,491,718 | 1,344,932 | 3,392,581 | 1,166,876 |
| Goodwill | - | 1,873,214 | - | 3,344,727 | - |
| | | 4,364,932 | 1,344,932 | 6,737,308 | 1,166,876 |
| Net book value | | | \$ 3,020,000 | | \$ 5,570,432 |

Depreciation expensed during the year was \$178,056.

The Company tested goodwill and intangible assets for impairment for the year ended March 31, 2021. As a result of this review, an impairment loss of \$2,372,376 was recognized as a charge to income in 2021. This adjustment reflected the decline in sales during the year. The Company estimated this value by assuming that goodwill and intangibles will continue generating future benefits indefinitely, but of lower value. These estimates are reviewed periodically, and adjustments will be made as needed and recognized in net income in the year they become known.

The changes in the carrying amounts of goodwill and other intangible assets for the year ended March 31, 2021 were as follows:

| | Goodwill | Intangibles subject to amortization: business name and customer relations |
|-------------------------|--------------|---|
| Balance, April 1, 2020 | \$ 3,344,727 | \$ 2,225,705 |
| Depreciation | - | (178,056) |
| Impairments | (1,471,513) | (900,863) |
| Balance, March 31, 2021 | \$ 1,873,214 | \$ 1,146,786 |

7. CANADA EMERGENCY WAGE SUBSIDY

In the current year, the Company applied for \$17,414 under the Canada Emergency Wage Subsidy as a result of their decline in revenue attributed to the COVID-19 pandemic. Entities must satisfy certain eligibility criteria, including among others a significant decline in revenue as compared to earlier periods.

WESTECH ADVANCED MATERIALS LTD.
 NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
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 (unaudited)

8. SHARE CAPITAL

| | 2021 | 2020 |
|---|---------------------|--------------|
| Authorized | | |
| Unlimited class A common shares, voting | | |
| Unlimited class B common shares, voting | | |
| Issued | | |
| 2,717,447 class A common shares | \$ 2,702,770 | \$ 2,702,770 |
| 2,828,363 class B common shares | 3,472,947 | 3,472,947 |
| | \$ 6,175,717 | \$ 6,175,717 |

9. FINANCIAL RISK MANAGEMENT

The Company has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The majority of the Company's sales are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at March 31, 2021, the following amounts are held in U.S. currency denominated in Canadian dollars: cash of \$36,415 (2020 - \$97,943), accounts payable of \$1,902 (2020 - \$Nil) and due from shareholder of \$125,066 (2020 - \$125,066). As at March 31, 2021, the following amounts are held in Euro currency denominated in Canadian dollars: cash of \$1,560 (2020 - \$1,561).

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable. The Company provides credit to its clients in the normal course of operations.

(c) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company expects that support from the shareholder will be sufficient to fund requirements for 2021.

It is management's opinion that the Company is not exposed to significant interest and market (other price) risks arising from its financial instruments.

WESTECH ADVANCED MATERIALS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
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10. SUBSEQUENT EVENT

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The Organization has determined that adjustments to the financial statements are not required as a result of these events. Accordingly, the financial position and results of operations as of and for the year ended March 31, 2021 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.
