

Westech Advanced Materials Ltd.

Financial Statements

For the period ended March 31, 2016

(Unaudited)

(Expressed in Canadian Dollars)

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(Unaudited)
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Review Engagement Report

To the Shareholder of
Westech Advanced Materials Ltd.

We have reviewed the balance sheet of Westech Advanced Materials Ltd. as at March 31, 2016, and the statements of operations and retained earnings and cash flows for the period then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
May 26, 2016

Westech Advanced Materials Ltd.
Balance Sheet
(Unaudited)
(Expressed in Canadian Dollars)

March 31

2016

Assets

Current

Cash	\$	131,523
Accounts receivable		1,856,508
Inventory (Note 3)		267,353

2,255,384

Future income tax asset

16,018

Intangible assets (Note 4)

2,921,488

Goodwill (Note 2)

3,344,727

\$ 8,537,617

Liabilities and Shareholder's Equity

Current

Accounts payable and accrued liabilities (Note 6)	\$	341,513
Due to related companies (Note 5)		1,594,236
Income taxes payable		41,700

1,977,449

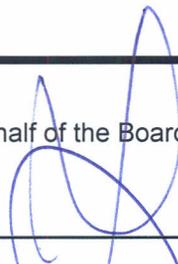
Shareholder's equity

Share capital (Note 7)		6,175,717
Currency translation adjustment		355,236
Retained earnings		29,215

6,560,168

\$ 8,537,617

On behalf of the Board:

	Director
	Director

Westech Advanced Materials Ltd.
Statement of Operations and Retained Earnings
(Unaudited)
(Expressed in Canadian Dollars)

For the period ended March 31	2016
Sales	\$ 6,334,653
Cost of goods sold (Note 5)	<u>5,325,308</u>
Gross profit	<u>1,009,345</u>
Operating expenses	
Advertising	6,150
Amortization	271,439
Bank charges and interest	2,527
Freight and delivery	27,838
Insurance	14,713
Office	11,742
Professional fees	41,532
Rent (Note 5)	27,000
Repairs and maintenance	1,398
Salaries and benefits	253,154
Travel	55,403
Utilities and telecommunications	7,469
Vehicle	14,713
	<u>735,078</u>
Income before undernoted items	274,267
Other income (expense)	
Loss on foreign exchange	<u>(213,671)</u>
Income before income taxes	<u>60,596</u>
Income taxes	
Current	47,400
Future	<u>(16,019)</u>
	<u>31,381</u>
Net income for the period	29,215
Retained earnings, beginning of period	<u>-</u>
Retained earnings, end of period	<u>\$ 29,215</u>

The accompanying notes are an integral part of these financial statements.

Westech Advanced Materials Ltd.
Statement of Cash Flows
(Unaudited)
(Expressed in Canadian Dollars)

For the period ended March 31

2016

Cash provided by (used in)

Operating activities

Net income for the period	\$ 29,215
Adjustments to reconcile net income for the period to cash flows used in operating activities:	
Amortization	271,439
Future income taxes	(16,019)
Changes in non-cash working capital balances	
Accounts receivable	(1,897,391)
Inventory	(273,241)
Accounts payable and accrued liabilities	349,031
Income tax payable	41,641
	(1,495,325)

Investing activities

Business acquisition	(3,472,947)
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Financing activities

Issuance of share capital	3,472,947
Due to related companies	1,629,344
	5,102,291

Foreign exchange loss on cash held in foreign currency	(2,496)
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Net increase in cash during the period	131,523
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Cash, beginning of period	-
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Cash, end of period	\$ 131,523
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Westech Advanced Materials Ltd.
Notes to Financial Statements
(Unaudited)
(Expressed in Canadian Dollars)

March 31, 2016

1. Significant Accounting Policies

The following is a summary of significant accounting policies of the Company:

(a) Nature of Business

Westech Advanced Materials Ltd. (the "Company") was incorporated on May 29, 2015 under the laws of British Columbia and is in the business of distributing industrial fabrics.

(b) Basis of Accounting and Presentation

The financial statements have been prepared using Canadian accounting standards for private enterprises.

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

(c) Revenue Recognition

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

(d) Financial Instruments

Financial instruments are recorded at fair value at initial recognition and subsequently reported at cost or amortized cost less impairment.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Westech Advanced Materials Ltd.
Notes to Financial Statements
(Unaudited)
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March 31, 2016

1. Significant Accounting Policies - (Continued)

(e) Inventory

Finished goods inventory is stated at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis.

(f) Intangible Assets

Intangible assets are recorded at cost less accumulated amortization. The useful lives of intangible assets are assessed as finite. Amortization is calculated using the straight-line basis over the estimated useful life of the asset as follows:

Business name	-	Straight-line basis over 10 years
Customer relations	-	Straight-line basis over 10 years

(g) Asset Impairment

The Company monitors events or changes in circumstances which may require an assessment of the recoverability of its long-lived assets. In the event that facts and circumstances indicate that the Company's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to fair value or discounted cash flow value is required. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

(h) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is not amortized. Goodwill is tested for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds the fair value.

(i) Future Income Taxes

The Company follows the future income taxes method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws expected to be in effect when the differences are realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs.

Westech Advanced Materials Ltd.
Notes to Financial Statements
(Unaudited)
(Expressed in Canadian Dollars)

March 31, 2016

1. Significant Accounting Policies - (Continued)

(j) Foreign Currencies

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into United States dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into United States 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 cumulative foreign currency translation adjustments in shareholders' equity.

(k) Use of Estimates

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include future income taxes. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Business Combination

On June 19, 2015, the Company acquired the key business assets from Bodam Corp. for total consideration of \$6,175,717. This acquisition has been recorded as a business acquisition and the results of operations have been included in these financial statements from the date of acquisition.

Assets

Intangible Assets - Business name	\$ 350,000
Intangible Assets - Customer relations	2,660,000
Goodwill	3,165,717
	<u>\$ 6,175,717</u>

Consideration

Class A Shares	\$ 2,702,770
Cash	3,472,947
	<u>\$ 6,175,717</u>

Westech Advanced Materials Ltd.
Notes to Financial Statements
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March 31, 2016

3. Inventory

During the period the Company expensed \$4,978,709 of inventory in cost of goods sold.

4. Intangible Assets

	2016	
	Cost	Accumulated Amortization
Business name	\$ 350,000	\$ 29,167
Customer relations	2,660,000	221,667
Currency translation adjustment	177,079	14,757
	3,187,079	265,591
Net book value		\$ 2,921,488

During the period, the Company acquired intangible assets of \$3,187,079 as part of the acquisition described in Note 2.

5. Related Party Balances and Transactions

Transactions with related companies under common control are as follows:

	2016
Reimbursements from Arvind Limited	\$ 95,838
Inventory purchases from Bodam Corp.	2,596,809
Inventory purchases from Arvind Limited	2,056,912
Rent paid to Westech Group Ltd.	27,000

All intercompany transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

Due to related companies

	2016
Bodam Corp.	\$ 468,275
Westech Group Ltd.	174,660
Arvind Limited	951,301
	\$ 1,594,236

\$114,935 of the balance due to Westech Group Ltd. bears interest at 4.95%. The remaining balance due to related companies is non-interest bearing and has no fixed terms of repayment.

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Notes to Financial Statements
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March 31, 2016

6. Accounts Payable and Accrued Liabilities

Included in accounts payable is \$8,807 owing to federal and provincial governments.

7. Share Capital

Authorized
Unlimited Common shares
Issued

	2016
2,717,447 Class A common shares	\$ 2,702,770
2,828,363 Class B common shares	3,472,947
	\$ 6,175,717

8. Commitments

On June 19, 2015, the Company entered into a property rental agreement with a company under common control for premises for a term of three years. The annual payments are as follows:

2017		\$	36,000
2018			36,000
2019			9,000
		\$	81,000

9. Income Taxes

The Company had deductible temporary differences of \$60,448 related primarily to intangibles.

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March 31, 2016

10. Financial Instruments Risks

The Company is exposed to risks that arise from its use of financial instruments as described below.

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 credit risk relates primarily to the accounts receivable. Allowance for doubtful accounts at year end is \$Nil.

Liquidity Risk

Liquidity risk is the risk that the Company encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Company will not have sufficient funds to settle a transaction on the due date, will be forced to sell financial assets at a value which is less than what they are worth, or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities, due to related parties and commitments.

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 Company considers the risk to be acceptable and therefore does not hedge its foreign exchange rate risk. A portion of the Company's transactions are denominated in Euros and Canadian dollars. As at March 31, 2016, the Company had the following Canadian dollar balances outstanding.

	<u>2016</u>
Cash	\$ 50,647
Accounts receivable	282
Due from related parties	63,674

In addition, the following Euro balances were outstanding, expressed in Canadian dollars:

	<u>2016</u>
Cash	\$ 84,291
Accounts receivable	172,126
Due from related parties	19,735
Accounts payable and accrued liabilities	244
Due to related parties	248,252