Financial Statements of

E. S. I. ENVIRONMENTAL SENSORS INC.

Years ended March 31, 2015 and 2014

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MANAGEMENT’S REPORT TO THE SHAREHOLDERS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. Management has established and maintains a system of internal controls, which is designed to provide assurance, within reasonable limits, that assets are safeguarded and managed efficiently and to facilitate the proper recording of financial transactions and the preparation of reliable and timely financial information in accordance with management’s authorization.

Independent auditors, appointed by the shareholders of the Company, have examined the financial statements and their opinion is expressed herewith. The Audit Committee, consisting of a majority of non-management directors, has reviewed these statements with management and has approved them on behalf of the Company’s Board of Directors.

“Stephan Radermacher”

Stephan Radermacher, Chairman of the Board

July 27, 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of E.S.I. Environmental Sensors Inc.

We have audited the accompanying financial statements of E.S.I. Environmental Sensors Inc., which comprise the statements of financial position as March 31, 2015 and March 31, 2014, the statements of comprehensive loss, changes in shareholder's deficiency and cash flows for the years then ended, and notes, comprising 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 financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' *Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of E.S.I Environmental Sensors Inc. as at March 31, 2015 and March 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 to the financial statements which indicates that E.S.I. Environmental Sensors Inc. has experienced significant losses and negative cash flows from operations over a number of years and has incurred losses of $1,631,809 during the year ended March 31, 2015 and as at March 31, 2015 has an accumulated deficit of $28,103,438, a working capital deficiency of $2,206,549 and a shareholder's deficiency of $2,166,339. These conditions, along with other matters as set forth in note 1 in the financial statements, indicate the existence of a material uncertainty that may cast substantial doubt about E.S.I. Environments Sensors Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Accountants

July 27, 2015
Victoria, Canada

E.S.I. ENVIRONMENTAL SENSORS INC.

Statements of Financial Position

As at March 31, 2015 and 2014

		2015		2014
Assets				
Current assets:				
Cash and cash equivalents	$	26,209	$	19,776
Trade receivables		6,792		17,118
Inventories (note 4)		120,756		132,801
Prepaid expenses		7,271		7,416
		161,028		177,111
Equipment and leasehold improvements (note 5)		39,301		49,436
Intangible assets (note 6)		909		1,817
	$	201,238	$	228,364
Liabilities and Shareholders' Deficiency				
Current liabilities:				
Trade and other payables (note 7)	$	885,057	$	845,907
Other liabilities (note 8)		338,520		338,520
Subscriptions received (note 9)		-		44,000
Payable to related party (note 10)		1,144,000		-
		2,367,577		1,228,427
Shareholders' deficiency:				
Share capital (note 11)		22,433,706		22,058,857
Other paid in capital (note 13)		3,503,393		3,412,709
Deficit		(28,103,438)		(26,471,629)
		(2,166,339)		(1,000,063)
Going concern (note 1)				
Contingent liabilities (note 18)				
Subsequent events (note 21)				
	$	201,238	$	228,364

See accompanying notes to financial statements.

On behalf of the Board:

"Johan Grandin" Director

"Stephan Radermacher" Director

E. S. I. ENVIRONMENTAL SENSORS INC.

Statements of Comprehensive Loss

Years ended March 31, 2015 and 2014

	2015	2014
Revenue	$ 73,161	$ 240,547
Cost of product sales	(56,164)	(113,173)
	16,997	127,374
Operating expenses:		
General and administrative (note 20)	410,872	361,702
Management fee to related party (notes 10 and 20)	1,144,000	-
Selling and marketing (note 20)	29,003	27,290
Research and development (note 20)	66,607	70,069
	1,650,482	459,061
Loss before other expenses	(1,633,485)	(331,687)
Other expenses (income):		
Interest and financing	(664)	72,734
Miscellaneous	(1,012)	(14,006)
	(1,676)	58,728
Loss and comprehensive loss for the year	$ (1,631,809)	$ (390,415)
Basic and diluted loss per share	$ (0.010)	$ (0.003)
Weighted average number of shares outstanding	161,670,368	150,923,331

See accompanying notes to financial statements.

E. S. I. ENVIRONMENTAL SENSORS INC.

Statements of Changes in Shareholder's Deficiency

As at March 31, 2015 and 2014

	Number of common shares	Share capital	Other paid in capital	Deficit	Total shareholder's deficiency
Balance at March 31, 2013	147,340,628	$ 21,548,290	$ 3,318,585	$ (26,081,214)	$ (1,214,339)
Net loss	-	-	-	(390,415)	(390,415)
Shares issued on private placement	11,373,532	474,553	-	-	474,553
Settlement of outstanding share subscription	-	73,275	-	-	73,275
Warrants issued on private placement	-	-	94,124	-	94,124
Share issue costs	-	(37,261)	-	-	(37,261)
Balance at March 31, 2014	158,714,160	22,058,857	3,412,709	(26,471,629)	(1,000,063)
Net loss	-	-	-	(1,631,809)	(1,631,809)
Shares and warrants issued on private placement	9,873,349	402,984	90,684	-	493,668
Share issue costs	-	(28,135)	-	-	(28,135)
Balance at March 31, 2015	168,587,509	$ 22,433,706	$ 3,503,393	$ (28,103,438)	$ (2,166,339)

See accompanying notes to financial statements.

E.S.I. ENVIRONMENTAL SENSORS INC.

Statements of Cash Flows

Years ended March 31, 2015 and 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Loss for the year	$ (1,631,809)	$ (390,415)
Items not involving cash:		
Amortization of:		
Equipment and leasehold improvements	10,135	12,977
Intangible assets	908	1,817
Management fee to related party	1,144,000	-
Changes in non-cash operating working capital:		
Trade receivables	10,326	(749)
Inventories	12,045	3,543
Prepaid expenses	145	2,727
Trade and other payables	39,150	(67,080)
	(415,100)	(437,180)
Financing:		
Subscriptions received	-	44,000
Proceeds from issuance of shares and warrants	449,668	403,677
Share issuance costs paid in cash	(28,135)	(14,593)
	421,533	433,084
Increase (decrease) in cash and cash equivalents	6,433	(4,096)
Cash and cash equivalents, beginning of year	19,776	23,872
Cash and cash equivalents, end of year	$ 26,209	$ 19,776
Supplemental cash flow information:		
Interest and bank charges paid	$ 9,092	$ 8,511
Non-cash transactions:		
During 2014, 400,000 common shares were issued as payment of finders' fees for a total value of $20,000		

See accompanying notes to financial statements.

E.S.I. Environmental Sensors Inc. (the "Company" or "ESI") was incorporated under the laws of British Columbia. The Company is engaged in the development, manufacture, sale and after market servicing of water measurement instrumentation and related technology. The Company's principal location is 2071C Malaview Avenue West, Sidney, BC.

1. Going concern:

These financial statements have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The Company has experienced significant losses and negative cash flow from operations over a number of years, incurred losses of $1,631,809 during the year ended March 31, 2015 (2014 - $390,415), and at March 31, 2015, has an accumulated deficit of $28,103,438 (2014 - $26,471,629), a working capital deficiency of $2,206,549 (2014 - $1,051,316) and a shareholder's deficiency of $2,166,339 (2014 - $1,000,063). These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to meet its obligations in the ordinary course of business is dependent upon its ability to establish profitable operations and positive cash flows from operating activities or to obtain additional funding through public or private equity financing, debt, or collaborative or other arrangements. There can be no assurances that financing will be available on terms acceptable to the Company, or at all. Management is of the opinion that sufficient working capital will be obtained from future cash flows, or additional financing, to meet the Company's liabilities and commitments as they become payable. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the Company is unable to continue as a going concern, assets and liabilities would require re-measurement on a liquidation basis, which would differ materially from the going concern basis.

2. Basis of preparation and statement of compliance:

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and include the significant accounting policies as described in note 3.

The financial statements were approved and authorized for issue by the Board of Directors on July 27, 2015.

(b) Basis of presentation:

These financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Basis of preparation and statement of compliance (continued):

(c) Use of judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these judgments. Information about critical judgments in applying accounting policies with the most significant effect on the amounts recognized in the financial statements relates to the application of the going concern assumption (note 1) and the determination of the Company's functional currency.

(d) Use of estimates:

The preparation of financial statements in accordance with IFRS 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 revenue and expenses during the periods, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of management estimates relate to valuation of trade receivables and inventories, share-based compensation, warrants, and the recognition of contingent liabilities (note 18). Actual results could differ from those estimates used in the financial statements.

Estimates and underlying 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.

3. Significant accounting policies:

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Foreign currency translation:

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect period-end exchange rates at the statement of financial position date. The resulting exchange gains and losses are included in profit or loss.

(b) Revenue recognition:

Revenue from the sale of ESI hardware, software, and services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

In the case of revenue derived from the provision of services, revenue is recognized only after the services have been completed and all significant performance obligations have been met. Payments received in advance of satisfaction of the Company's revenue recognition criteria are recorded as customer deposits.

3. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are classified into one of six categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss, and financial liabilities measured at amortized cost. All financial instruments are initially measured in the statement of financial position at fair value. The accounting for subsequent measurement and changes in fair value will depend on their initial classification, as follows: financial assets and liability at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; held-to-maturity investments, loans and receivables, and other financial liabilities are carried at amortized cost.

In estimating fair value, the Company uses quoted market prices when available. Models incorporating observable market data along with transaction specific factors are also used in estimating fair value. Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of observability of inputs that are significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the following fair value hierarchy levels:

Level 1 – quoted prices in active markets for identical assets or liabilities,

Level 2 – techniques (other than quoted prices included in Level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3 – techniques which use inputs which have a significant effect on recorded fair values for the asset or liability that are not based on observable market data (unobservable inputs).

The Company classifies cash and cash equivalents and trade receivables as loans and receivables. Trade and other payables, other liabilities, and subscriptions received are classified as financial liabilities, all of which are measured at amortized cost.

Transaction costs in respect of financial instruments at fair value through profit and loss are recognized in profit and loss immediately. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument.

(d) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and highly liquid investments, consisting primarily of term deposits, with initial terms to maturity of three months or less at the date of purchase.

(e) Inventories:

Inventories consist of raw materials, work-in-progress, and finished goods inventory and are recorded net of provisions for slow moving inventories. Inventories are valued on an average cost basis at the lower of cost and net realizable value. Cost includes all costs of purchase, costs of conversion (direct costs and an allocation of fixed and variable production overhead), and other costs incurred in bringing the inventory to their present location and condition.

3. Significant accounting policies (continued):

(f) Equipment and leasehold improvements:

Equipment and leasehold improvements are recorded at historical cost and amortized at rates which will reduce original cost to estimated residual value over the useful life of each asset. Where components of an asset have different useful lives, amortization is calculated on each separate part.

Asset	Basis	Rate
Equipment and furniture	declining balance	10%-20%
Computer equipment	declining balance	50%
Leasehold improvements	straight-line	shorter of initial lease term or useful life

(g) Intangible assets:

Intangible assets are comprised of computer software, patents, and other intangible assets. Computer software, patents and other intangible assets are recorded at acquisition cost, less accumulated amortization. Computer software is amortized on a 50% declining balance method over the estimated useful life of the asset. Patent and other intangible assets are amortized on a 25% declining balance basis over the estimated useful lives.

(h) Impairment of long-lived assets:

The Company reviews long-lived assets including equipment, leasehold improvements and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of their carrying amount to the recoverable amount. The recoverable amount is the higher of the fair value less selling costs or the value in use. Value in use is determined by the present value of the future cash flows from the asset. If the recoverable amount is less than the carrying amount, then there is impairment. Where an impairment loss exists the portion of the carrying amount exceeding the recoverable amount is recorded as an expense immediately.

Assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstance indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. The reversal is recognized in profit or loss immediately.

3. Significant accounting policies (continued):

(i) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis (temporary differences) and tax loss carryforwards. Changes in deferred tax assets and liabilities are generally included in profit or loss. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the date of enactment or substantive enactment. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Share-based compensation:

The Company has a share-based compensation plan which is described in note 11(c). The Company accounts for all share-based payments and awards under the fair value method. Under this method, compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period, using the graded vesting method. The Company accounts for the fair value of the granted options on the statement of comprehensive loss with related amounts included in the determination of profit or loss.

(k) Loss per share:

The Company calculates basic and diluted loss per share amounts using the treasury stock method. As all options and warrants are anti-dilutive, basic and diluted loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

(l) Research and development costs:

The Company is engaged in research and development. Research costs are expensed as incurred. Development costs are expensed, unless all of the following can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development. The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above, less investment tax credits, if applicable.

3. Significant accounting policies (continued):

(l) Research and development costs (continued):

The Company is entitled to certain Canadian federal and provincial tax incentives for qualified scientific research and experimental development. These investment tax credits ("ITCs") are recorded as a reduction in the related expenditures when there is reasonable assurance that such credits will be realized. These ITCs are available to reduce current and future income taxes payable. No development costs have been capitalized during the current or prior fiscal years.

(m) Accounting standards issued but not yet effective:

New IFRS pronouncements that have been issued but are not effective are listed below. Pronouncements that are not applicable to the Company have been excluded.

- In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* ("IFRS 9"), which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") and all previous versions of IFRS 9. The new standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company intends to adopt IFRS 9 in its financial statements for the fiscal year beginning April 1, 2018. The extent of the impact of adoption has not yet been determined.
- In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15') establishing a comprehensive framework for revenue recognition. The standard replaces IAS 18, *Revenue* and IAS 11, *Construction Contracts* and related interpretations and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company intends to adopt IFRS 15 in its financial statements for the fiscal year beginning April 1, 2018. The extent of the impact of adoption has not yet been determined.

4. Inventories:

	2015	2014
Raw materials	$ 294,945	$ 295,155
Work-in-progress	37,761	42,678
Finished goods	71,498	79,520
Provision	(283,448)	(284,552)
	$ 120,756	$ 132,801

Cost of sales of $56,164 (2014 - $113,173) include $33,856 (2014 - $81,977) of inventories recognized as an expense during the period.

5. Equipment and leasehold improvements:

	Office furniture and equipment	Manufacturing equipment	Computer hardware	Leasehold improvements	Total
Cost					
Balance at March 31, 2014	$ 278,722	$ 609,801	$ 361,361	$ 68,834	$ 1,318,718
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at March 31, 2015	$ 278,722	$ 609,801	$ 361,361	$ 68,834	$ 1,318,718
Amortization and impairment losses					
Balance at March 31, 2014	$ 275,090	$ 564,822	$ 360,536	$ 68,834	$ 1,269,282
Amortization for the period	728	8,995	412	-	10,135
Disposals	-	-	-	-	-
Balance at March 31, 2015	$ 275,818	$ 573,817	$ 360,948	$ 68,834	$ 1,279,417
Carrying amounts					
At March 31, 2015	$ 2,904	$ 35,984	$ 413	$ -	$ 39,301

	Office furniture and equipment	Manufacturing equipment	Computer hardware	Leasehold improvements	Total
Cost					
Balance at March 31, 2013	$ 278,722	$ 609,801	$ 361,361	$ 68,834	$ 1,318,718
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at March 31, 2014	$ 278,722	$ 609,801	$ 361,361	$ 68,834	$ 1,318,718
Amortization and impairment losses					
Balance at March 31, 2013	$ 274,182	553,577	359,712	68,834	$ 1,256,305
Amortization for the period	908	11,245	824	-	12,977
Disposals	-	-	-	-	-
Balance at March 31, 2014	$ 275,090	$ 564,822	$ 360,536	$ 68,834	$ 1,269,282
Carrying amounts					
At March 31, 2014	$ 3,632	$ 44,979	$ 825	$ -	$ 49,436

6. Intangible assets:

	Intellectual property	Computer software	Total
Cost			
Balance at March 31, 2014	$ 22,188	$ 347,181	$ 369,369
Disposals	-	-	-
Additions	-	-	-
Balance at March 31, 2015	$ 22,188	$ 347,181	$ 369,369
Amortization and impairment losses			
Balance at March 31, 2014	$ 22,188	$ 345,364	$ 367,552
Amortization for the period	-	908	908
Balance at March 31, 2015	$ 22,188	$ 346,272	$ 368,460
Carrying amounts			
At March 31, 2015	$ -	$ 909	$ 909

	Intellectual property	Computer software	Total
Cost			
Balance at March 31, 2013	$ 22,188	$ 347,181	$ 369,369
Disposals	-	-	-
Additions	-	-	-
Balance at March 31, 2014	$ 22,188	$ 347,181	$ 369,369
Amortization and impairment losses			
Balance at March 31, 2013	$ 22,188	$ 343,547	$ 365,735
Amortization for the period	-	1,817	1,817
Balance at March 31, 2014	$ 22,188	$ 345,364	$ 367,552
Carrying amounts			
At March 31, 2014	$ -	$ 1,817	$ 1,817

7. Trade and other payables:

	2015	2014
Trade payables	$ 294,245	$ 251,923
Accrued liabilities	217,777	210,483
Accrued interest payable	373,035	383,501
	$ 885,057	$ 845,907

8. Other liabilities:

	2015	2014
Notes payable, bearing interest at 10%, due on demand	$ 338,520	$ 338,520

Notes payable represents amounts that are in dispute or in process of being negotiated for settlement. Management anticipates these actions may result in a reduction of the amounts presently recorded as owing. Any reductions will be recorded when the lenders or suppliers formally acknowledge the settlement. There has been no change in these liabilities over the course of the past six fiscal years. Accrued interest on these notes is included in accrued interest payable (note 7).

9. Subscriptions received:

Share subscriptions received in anticipation of future private placement transactions at March 31, 2015 were $nil (2014 - $44,000). The share subscriptions outstanding as at March 31, 2014 were allocated to a private placement closed during 2015 (note 11).

10. Management fee to related party:

Avis Financial Corporation ("Avis"), the majority shareholder of the Company, has provided management services to the Company for the period ended March 31, 2011 through March 31, 2015. During the year ended March 31, 2015, Avis provided the Company with invoices covering the period from March 31, 2011 to March 31, 2015, totaling $1,144,000. The Company and Avis also signed an ongoing management agreement whereby the Company has agreed to pay $12,000 per month for services provided.

The Company has recorded the total cost of the services of $1,144,000 within the statement of comprehensive loss for the year ended March 31, 2015, with a corresponding increase to current liabilities.

The Company sought and obtained disinterested shareholder approval for the settlement of these invoices via issuance of common shares at the Company's most recent annual meeting of the shareholders. Subsequent to March 31, 2015, the Company issued 22,880,000 common shares to Avis for settlement of outstanding invoices and payment for services (note 21).

Due to the related party nature of this transaction, the price or terms may not be the same as would result from a transaction between arm's length parties (note 17).

11. Share capital:

(a) Authorized:

Authorized share capital comprises an unlimited number of common shares and an unlimited amount of preferred shares, none of which are issued.

(b) Issued and outstanding:

During 2015, the Company closed a private placement transaction effective March 31, 2015. A total of 3,600,000 units were issued at at $0.05 per unit. Each unit was comprised of one common share and one share purchase warrant. Each warrant gives the holder the right to purchase one additional common share at an exercise price of $0.10 during the first year, $0.15 during the second year, and $0.20 during the third year. The warrants expire on March 31, 2018. The fair value assigned to the warrants issued was $13,562 (note 12). Gross proceeds from the offering were $180,000. Share issuance costs of $1,650 were incurred resulting in net proceeds of $178,350.

Also during 2015, the Company closed a private placement transaction effective October 10, 2014. A total of 6,273,349 units were issued at $0.05 per unit. Each unit was comprised of one common share and one share purchase warrant. Each warrant gives the holder the right to purchase one additional common share at an exercise price of $0.10 during the first year, $0.15 during the second year, and $0.20 during the third year. The warrants expire on October 10, 2017. The fair value assigned to the warrants issued was $77,122 (note 12). Gross proceeds from the offering were $313,667. Cash finder's fees of $24,167 were paid in conjunction with the closing of the placement as well as issuance costs of $2,318 for net proceeds of $287,182.

During 2014, The Company closed a two tranche private placement transaction effective November 18, 2013, and January 6, 2014. A combined total of 10,973,532 units were issued at $0.05 per unit as part of this private placement with an additional 400,000 common shares issued for finders' fees. Each unit was comprised of one common share and one share purchase warrant. Each warrant gives the holder the right to purchase one additional common share at an exercise price of $0.10 during the first year, $0.15 during the second year, and $0.20 during the third year. The warrants expire on November 18, 2016 and January 6, 2017. The fair value assigned to the warrants issued was $94,124 (see note 12). Gross proceeds from the issue of these units were $548,677, $403,677 of which was received in cash and $145,000 was used to settle shareholder loans outstanding.

In addition, during 2014 an agreement was reached on the settlement of an outstanding share subscription for $73,275. The Company confirmed settlement of an outstanding amount owed to a former Director of the Company and thus, the related value has been transferred to share capital.

(c) Options:

Options to purchase common shares of the Company may be granted by the Board of Directors. There are no stock options outstanding at March 31, 2015 and 2014. No share-based compensation costs were recorded during fiscal 2014 or 2015 as all previously granted options had expired and all expense associated with the options was fully amortized in prior fiscal years.

12. Warrants:

A summary of the status of the warrants outstanding at March 31, 2015 and March 31, 2014 and changes during the years then ended is presented below:

	Amount	Number of warrants	Weighted average exercise price	Weighted average remaining contractual life
Balance, March 31, 2013	$ 42,115	4,679,486	$ 0.20	0.99
Issued	55,996	6,940,000	0.15	1.64
Issued	38,128	4,033,532	0.15	1.77
Balance, March 31, 2014	136,239	15,653,018	0.17	1.38
Issued	77,122	6,273,349	0.10	2.53
Issued	13,562	3,600,000	0.10	3.00
Balance, March 31, 2015	$ 226,923	25,526,367	$ 0.14	1.95

For each private placement warrant issuance, that portion of the subscription proceeds representing the fair value of the warrants issued is allocated from share capital upon issuance of the warrants.

As described in note 11(b), there were two separate warrant issuances during 2015 in conjunction with the closing of private placements. On October 10, 2014, 6,273,349 were issued and on March 31, 2015, 3,600,000 warrants were issued. Each warrant gives the holder the right to purchase one common share at an exercise price of $0.10 during the first year, $0.15 during the second year, and $0.20 during the third year. The warrants from each private placement expire on October 10, 2017 and March 31, 2018, respectively.

The weighted average fair value of the warrants issued during 2015 was $0.009 per warrant calculated using the Black-Scholes pricing model with the following weighted average assumptions:

Risk free interest rate	0.5%
Expected dividend yield	0%
Stock price volatility	90%
Expected life of warrants	3 years

During 2014, a total of 10,973,532 warrants were issued on November 18, 2013 and January 6, 2014 as part of a private placement. Each warrant gives the holder the right to purchase one common share at an exercise price of $0.10 during the first year, $0.15 during the second year, and $0.20 during the third year. The warrants expire on November 18, 2016 and January 6, 2017.

The weighted average fair value of the warrants issued during 2014 was $0.008 per warrant calculated using the Black-Scholes pricing model with the following weighted average assumptions:

Risk free interest rate	1.02%
Expected dividend yield	0%
Stock price volatility	70%
Expected life of warrants	3 years

13. Other paid in capital:

Other paid in capital includes amounts recorded as share-based compensation and the fair value of warrants of issued. The components of other paid in capital are as follows:

	Warrants	Contributed surplus	Total
Balance, March 31, 2013	$ 42,115	$ 3,276,470	$ 3,318,585
Warrants issued	94,124	-	94,124
Share-based compensation	-	-	-
Balance, March 31, 2014	136,239	3,276,470	3,412,709
Warrants issued	90,684	-	90,684
Balance, March 31, 2015	$ 226,923	$ 3,276,470	$ 3,503,393

14. Income taxes:

Income tax expense differs from the amounts computed by applying the combined federal and provincial tax rates of 26% for 2015 (2014 - 26%) to pre-tax income from continuing operations as a result of the following:

	2015	2014
Loss for the year	$ 1,631,809	$ 390,415
Computed expected tax recovery	$ (424,270)	$ (101,508)
Unrecognized loss carry forwards	421,070	101,459
Non-deductible expenses	3,200	49
Income tax expense	$ -	$ -

At March 31, 2015, the Company did not record any deferred tax assets resulting from the following deductible temporary differences for financial statement and income tax purposes. Deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

	2015	2014
Losses available for future periods	$ 15,880,000	$ 14,676,000
Equipment, leasehold improvements and patents	281,000	334,000
Total deductible temporary differences not recognized	$ 16,161,000	$ 15,010,000

14. Income taxes (continued):

As at March 31, 2015, the Company has approximately $15.9 million of non-capital loss carry forwards available to reduce taxable income otherwise calculated in future years. These non-capital losses will expire as follows:

2026	$ 1,448,000
2027	2,171,000
2028	2,158,000
2029	2,146,000
2030	1,332,000
2031	2,301,000
2032	1,356,000
2033	806,000
2034	465,000
2035	1,697,000
	$ 15,880,000

15. Financial instruments:

Risk disclosures:

(a) Credit risk:

Credit risk is the risk of loss resulting from the failure of a customer or counterparty to meet its contractual obligations to the Company. The carrying value of these financial assets represents the Company's estimate of maximum credit exposure.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. Trade receivables are not concentrated with any single major customer, which reduces the Company's exposure to credit risk. In addition, the vast majority of the Company's customers are located in the United States and Canada. Allowance for doubtful accounts is reviewed by the Company on an annual basis, while past due trade receivables are reviewed monthly. The Company's historical bad debts have been nominal.

(b) Currency risk:

The Company both purchases inventory from and sells its products into foreign markets, primarily the United States, which gives rise to exposure to market risks from changes in foreign currency values. Most significantly, the Company is exposed to potential currency fluctuations between US and Canadian dollars, as approximately 84% (2014 - 44%) of the Company's sales and approximately 2% (2014 - 3%) of the Company's purchases are transacted in US dollars. Fluctuations in the exchange rate could impact profitability. At March 31, 2015, a 100 basis point change in foreign exchange rates would not have a significant impact on net loss.

As at March 31, 2015, the balances of the Company's financial instruments were as follows (presented in Canadian dollars):

	US$	CAD$	Total
Cash and cash equivalents	$ 5,809	$ 20,400	$ 26,209
Trade receivables	6,369	423	6,792
Trade and other payables	84,715	800,342	885,057
Other liabilities	-	338,520	338,520

15. Financial instruments (continued):

(b) Currency risk (continued):

As at March 31, 2014, the balances of the Company's financial instruments were as follows (presented in Canadian dollars):

	US$	CAD$	Total
Cash and cash equivalents	$ 1,336	$ 18,440	$ 19,776
Trade receivables	815	16,303	17,118
Trade and other payables	73,662	772,245	845,907
Other liabilities	-	338,520	338,520
Subscriptions received	-	44,000	44,000

(c) Liquidity risk:

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to raise sufficient funds through loans, issuance of common shares and convertible debt in order to meet financial obligations. As at March 31, 2015, the Company had a working capital deficiency of $2,206,549 (2014 - $1,051,316).

(d) Fair values:

The fair values of the Company's cash and cash equivalents, trade receivables, trade and other payables and share subscriptions received are estimated to approximate their carrying values due to the immediate or short-term to maturity of these financial instruments. The fair value of other liabilities, and payable to related party are not readily determinable due to the lack of a commercial market for these obligations.

(e) Interest rate risk:

The Company has outstanding fixed rate debt in the form of notes payable. At March 31, 2015 a 100 basis point change in interest rates would have increased net loss by approximately $3,000.

16. Segmented information:

The Company's operations consist of one reportable operating segment: Moisture Monitoring Instrumentation. All of the assets related to the Company's operations are located in Canada. Revenue is attributable to geographic location based on the location of the customer, as follows:

	2015	2014
North America	$ 65,871	$ 137,553
South America	4,750	15,943
Australasia	2,540	85,456
Europe	-	1,595
	$ 73,161	$ 240,547

17. Related party transactions:

(a) Key management compensation:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management consists of the Chief Executive Officer and Chief Operating Officer. The compensation of the Chief Executive Officer is included within the management fee to Avis Financial Corporation discussed below. The compensation for other key management is as follows:

	2015	2014
Salaries and other short term benefits	$ 80,837	$ 79,655
Share based compensation	-	-
	$ 80,837	$ 79,655

(b) Deferred salaries:

Included in trade and other payables at March 31, 2015 are deferred salaries and accruals payable to employees of $1,905 (2014 - $nil).

(c) Management fee to related party:

The majority shareholder of the Company, Avis Financial Corporation provides ongoing management services to the Company. During the year ended March 31, 2015, Avis issued an invoice to the Company in the amount of $1,144,000 for services rendered for the year ended March 31, 2011 to March 31, 2015 (note 10). The Company and Avis have also signed an agreement for ongoing management services in the amount of $12,000 per month.

These transactions are in the normal course of operations and measured at the fair value of the consideration issued. Due to the related party relationship, these transactions may not be on the same price or terms as those that would result from transactions among non-related parties.

18. Contingent liabilities:

(a) Indemnification:

The Company is party to a variety of agreements in the ordinary course of business under which it may be obligated to indemnify a third party with respect to certain matters. The impact on the Company's future financial results is not subject to reasonable estimation because considerable uncertainty exists as to whether claims will be made and the final outcome of potential claims. To date, the Company has not incurred material costs related to these types of indemnifications.

18. Contingent liabilities (continued):

(b) Government assistance:

In 2006 and prior years, the Company received financial assistance from the Government of Canada's National Research Council under its Technology Partnership Canada Program ("TPC") administered by the Industrial Research Assistance Program ("IRAP") and now Industry Canada. Government assistance received totaled $227,119, including $nil for the year ended March 31, 2015 (2014 - $nil) and was applied to reduce related development costs. The assistance received is repayable over a period not exceeding ten years from April 1, 2006 under a royalty arrangement based on the Company's gross revenue from all products. Repayments will be accrued and reported in the period(s) when sales of said products are recognized or when the liability is determined likely to be repayable. As at March 31, 2015, $1,081 was recognized and outstanding as payable (2014 - $2,073 was paid).

(c) Contingencies:

The Company has provided for certain amounts that are in dispute or in the process of being negotiated for settlement (note 8).

19. Capital management:

The Company's objectives when managing capital are to ensure sufficient liquidity for operations and adequate funding for growth and capital expenditures while maintaining an efficient balance between debt and equity. The capital structure of the Company currently consists of shareholders' deficiency.

The Company makes adjustments to its capital structure upon approval from its Board of Directors, in light of economic conditions and the Company's working capital requirements. There were no changes in the Company's approach to capital management during the period. The Company does not presently utilize any quantitative measures to monitor its capital.

20. Operating expenditures:

	2015	2014
Salaries, commissions and other direct compensation	$ 230,469	$ 231,587
Management fee to related party	1,144,000	-
Amortization	11,043	14,795
Other expenses	264,970	212,679
	$ 1,650,482	$ 459,061

20. Operating expenditures (continued):

During 2014, the Company reversed an accrual in the amount of $95,000 related to services provided by a Director of the Company. This amount was recognized over the past three fiscal years and was credited to general and administrative expenses where the costs were originally incurred. The Company obtained formal confirmation from the individual acknowledging the forgiveness.

21 Subsequent events:

(a) Private placement:

On April 8, 2015, the Company announced its intention to complete a private placement of up to 24,000,000 units (“Units”) at $0.05 per Unit to raise gross proceeds of up to $1,200,000. Each Unit will consist of one common share. As of July 27, 2015, the Company has received participation of $600,000.

The Private Placement is subject to TSX Venture Exchange (“Exchange”) acceptance. The proceeds from this financing will be used for general working capital purposes. Subject to Exchange approval, the Company will pay a finder's fee in connection with the private placement.

(b) On May 22, 2015, the Company loaned $200,000 to Dycor Technologies Ltd (“Dycor”). Dycor has provided the Company with a promissory note bearing 12% interest per annum. The loan amount of $200,000, and all interest thereon, is due and payable 90 days from the date of the advance of the funds. Interest is calculated monthly, on the last day of each month.

(c) Management fee to related party:

On June 4, 2015, the Company filed a “Shares for Debt” transaction with the Exchange along with an agreement for ongoing services between the Company and Avis Financial Corporation (note 10). Under the terms of this transaction, the amount owing of $1,144,000 is being settled by the issuance of 22,880,000 common shares. The transaction was accepted by the Exchange on June 19, 2015, and the Company has issued 22,880,000 common shares to Avis Financial Corp. for settlement of outstanding invoices and payment for services. The transaction was approved by the disinterested shareholders of the Company at an annual general and special meeting of the shareholders.