ZECOTEK

ZECOTEK PHOTONICS INC.

Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

October 31, 2016

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ZECOTEK PHOTONICS INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

	October 31, 2016	July 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 23,455	$ 241,258
Trade receivables	182,053	151,341
Restricted investments (note 3(c))	20,000	58,840
Goods and services taxes recoverable	51,093	44,696
Advances to employees (notes 12(c) and 12(d))	23,769	12,723
Inventory	14,659	-
Prepaid expenses	132,460	154,664
Total current assets	447,489	663,522
Non-current assets:		
Deposits	24,678	24,858
Property and equipment (note 4)	68,258	76,149
Patent acquisition costs (note 5)	31,598	39,023
Total non-current assets	124,534	140,030
Total assets	$ 572,023	$ 803,552
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Trade and other payables (notes 8(c), 9 and 12)	$ 5,970,103	$ 5,744,645
Customer deposits	2,305,857	2,448,071
Short term loan	47,452	50,123
	8,323,412	8,242,839
Shareholders' deficiency:		
Share capital (note 6)	60,192,626	59,607,285
Contributed surplus	14,751,061	14,579,655
Deficit	(82,341,758)	(81,168,023)
Accumulated other comprehensive income (loss)	(353,318)	(458,204)
Total shareholders' deficiency	(7,751,389)	(7,439,287)
Nature of business and going concern uncertainty (note 1)		
Commitments and contingencies (note 8)		
Subsequent events (notes 15)		
Total liabilities and shareholders' deficiency	$ 572,023	$ 803,552

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Faouzi Zerrouk" Director *"David Toyoda"* Director

ZECOTEK PHOTONICS INC.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)
Three months ended October 31, 2016 and 2015

	2016	2015
Revenue	$ 207,646	$ 149,589
Cost of sales	177,489	94,518
Gross margin	30,157	55,071
Expenses:		
Operating, general and administrative (note 13)	862,191	867,617
Research and development (note 14)	341,701	356,306
	1,203,892	1,223,923
Loss for the year	(1,173,735)	(1,168,852)
Other comprehensive loss:		
Exchange gain on translation of foreign operations	74,596	124,752
Gain on sale of property and equipment	26,676	-
Comprehensive loss	$ (1,068,849)	$ (1,044,100)
Net loss per common share - basic and diluted	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	127,105,131	117,419,012

See accompanying notes to consolidated financial statements.

ZECOTEK PHOTONICS INC.

Consolidated Statements of Changes in Deficiency
(Expressed in Canadian Dollars)
(Unaudited)
Three months ended October 31, 2016 and 2015

	Number of shares	Share capital	Share subscription received	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders equity (deficiency)
As at August 1, 2015	112,275,304	$ 56,678,306	$ -	$ 13,803,532	$ (362,596)	$ (75,925,819)	$ (5,806,577)
Comprehensive loss	-	-		-	124,752	(1,168,852)	(1,044,100)
Share subscription received	-	-	69,722	-	-	-	69,722
As at October 31, 2015	112,275,304	$ 56,678,306	$ 69,722	$(13,803,532)	$ (237,844)	$ (77,094,671)	$ (6,780,955)
As at August 1, 2016	124,343,196	$ 59,607,285	$ -	$ 14,579,655	$ (458,204)	$ (81,168,023)	$ (7,439,287)
Share issuance on private placements (note 6(b)):							
Issuance of shares	2,761,935	828,581		-	-	-	828,581
Issuance of warrants		(152,701)	-	152,701	-	-	-
Issuance of finder's warrants		(18,705)	-	18,705	-	-	-
Issue costs		(71,834)	-	-	-	-	(71,834)
Comprehensive loss	-	-	-	-	104,886	(1,173,735)	(1,068,489)
As at October 31, 2016	127,105,131	$ 60,192,626	$ -	$ 14,751,061	$ (353,318)	$ (82,341,758)	$ (7,751,389)

See accompanying notes to consolidated financial statements.

ZECOTEK PHOTONICS INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)
Three months ended October 31, 2016 and 2015

	2016	2015
Cash flows provided by (used in):		
Operating activities:		
Loss for the year	$ (1,173,735)	$ (1,168,852)
Adjustments for items not involving cash:		
Amortization of property and equipment	4,684	5,937
Amortization of patent costs	7,096	6,914
Foreign exchange loss (gain)	179,491	56,574
	(982,464)	(1,099,427)
Changes in non-cash operating working items:		
Trade receivables	(30,712)	(56,279)
Goods and services taxes recoverable	(6,397)	106
Disposal of short term investment	38,840	-
Advances to employees	(11,046)	(4,649)
Inventory	(14,659)	-
Prepaid expenses	22,204	35,605
Trade and other payables	45,967	639,453
Customer deposits	(142,214)	(80,132)
Net cash (outflow) used in operating activities	(1,080,481)	(452,765)
Investing activities:		
Disposal of property and equipment	29,308	(1,975)
Loan payable	(2,671)	-
Net cash inflow/(outflow) used in investing activities	26,637	(1,975)
Financing activities:		
Proceeds from shares and units issued	828,581	-
Share issuance costs	(71,834)	-
Share subscriptions received	-	69,722
Net cash inflow provided by financing activities	756,747	69,722
Effects of exchange rate changes on cash	79,294	140,691
(Decrease) in cash and cash equivalents	(217,803)	(244,327)
Cash and cash equivalents, beginning of year	241,258	346,239
Cash and cash equivalents, end of year	$ 23,455	$ 101,912

See accompanying notes to consolidated financial statements.

1. Nature of business and going concern uncertainty:

(a) Nature of business:

Zecotek Photonics Inc. (the “Company”) was incorporated on November 25, 1983 under the laws of the Province of British Columbia, Canada. The head office for the Company is located at: Unit 1120 - 21331 Gordon Way, Richmond, BC, Canada.

The activities of the Company are focused on the creation of advanced materials and integrated optoelectronic devices for high resolution medical imaging, optical precision surgery and biopharmaceutical research.

The Company has one significant wholly owned subsidiaries, Zecotek Photonics Singapore Pte. Ltd. which holds 100% ownership interests in Zecotek Display Systems Pte. Ltd., Zecotek Imaging Systems Pte. Ltd. and a 90% ownership interest in Zecotek Optronics Systems Pte. Ltd.(formerly Zecotek Laser Systems Pte. Ltd.). These subsidiaries all have principal activities of research and development (and eventual exploitation) of medical laser technologies.

(b) Going concern uncertainty:

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will be able to realize assets and discharge its liabilities in the normal course of business for the foreseeable future. As at October 31, 2016, the Company had limited operating revenue, a working capital deficiency of $7,875,923 shareholders’ deficiency of $7,751,389, and negative operating cash flows of $1,076,867. The Company’s current revenue is not sufficient to sustain operations. These factors, among others, create significant doubt as to the ability of the Company to continue as a going concern.

The Company’s ability to continue to operate and meet its obligations as they come due is dependent upon the ability of the Company to obtain further equity financing as necessary, retain the support of its principal shareholders, and to successfully bring its technologies to market and achieve future profitable operations.

Management believes the Company will be successful at securing additional equity financing, and if it reaches profitable operations, would continue as a going concern for the foreseeable future. The Company expects to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These financial statements do not give effect to adjustments, if any, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

2. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Our accounting policies outlined in note 3 have been applied in preparing our consolidated financial statements as at and for the years ended October 31, 2016 and 2015.

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized to be issued by the Board of Directors on December 30, 2016.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are recorded at fair value.

(c) Significant judgments and estimates:

The preparation of these consolidated financial statements requires management to make judgments, estimates, and assumptions that affect application of accounting policies and the reported amounts of assets, liabilities at the date of the year-end consolidated financial statements and reported amounts of revenue and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Significant items subject to such estimates and assumptions include the assumptions used in determining the fair value of options and warrants. The fair value of stock options granted is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the option or warrant, expected volatility, actual and expected life of the option or warrant, expected dividends based on the dividend yield at the date of the grant, anticipated forfeiture rate, and the risk-free interest rate. The expected life of the options and warrants is based on historical experience and general option holder behavior. Consequently, the actual stock-based compensation expense may vary from the amount estimated.

Significant judgments made by management in the process of applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the application of the going concern assumption. The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

3. Significant accounting policies:

(a) Basis of consolidation:

These consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at October 31, 2016 and 2015 and the results of all its subsidiaries for the years then ended. Subsidiaries are all those entities which the Company controls, where control is defined as having the power to govern the financial and operating policies and exposure to variable returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Company. Inter-entity transactions, balances and unrealized gains on consolidated group are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The Company's accounting policies are applied consistently throughout the organization.

(b) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand, balances on deposit with banks and highly liquid market investments with original terms of maturity of less than ninety days at time of acquisition, intended for use in current operations.

(c) Restricted investments:

Restricted investments are short-term investments pledged as security for various rental leases or otherwise subject to restricted liquidity, and are recorded at fair market value.

(d) Property and equipment:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is provided primarily on the declining balance basis at the following annual rates:

Asset	Basis	Rate
Equipment	Declining balance	20% to 33%
Furniture	Declining balance	20% to 30%
Vehicle	Declining balance	30%
Leasehold improvements	Straight-line (over the shorter of - lease term or useful life)	-

Depreciation rates and salvage values are reviewed annually.

3. Significant accounting policies (continued):

(e) Patents and trademarks:

Product registration costs related to efforts by the Company to acquire legal protections for its proprietary products, such as trademarks and patents, are capitalized if the Company believes that obtaining the trademark or patent, and recovery of the costs from future related revenues is reasonably assured, otherwise the costs are expensed. Capitalized costs are amortized on a straight-line basis over 5 to 20 years. The amortization period is determined based on the anticipated duration of legal protection, an assessment of the period of time over which the Company may be able to generate revenues from the related product, and expected obsolescence.

(f) Research and development expenditures:

Research costs are expensed in the year as incurred.

Development costs include all expenditures considered directly attributable to efforts by the Company to develop, and bring to commercial production, a new product. Such amounts are charged as an expense in the period incurred except in circumstances where the product or process is clearly defined and the costs attributable thereto can be identified, the technical feasibility has been established, management has indicated its intention to produce and market the product, the future market is clearly defined, adequate resources are available, and recovery of development costs can reasonably be regarded as assured, in which case such costs are capitalized. For the periods ended October 31, 2016 and 2015, no costs have been capitalized.

(g) Impairment:

(*i*) Non-financial assets:

The carrying amounts of non-current assets, including property and equipment, and patent costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in net loss if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a significant change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued):

(g) Impairment (continued):

(*ii*) Financial assets:

Financial assets not carried at fair value through earnings are assessed for impairment at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset. For financial assets measured at amortized cost, the impairment loss is the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. If impairment has occurred, the carrying amount of the asset is reduced, with the amount of the loss recognized in earnings.

(h) Foreign currency translation:

(*i*) Functional and presentation currency:

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Canadian dollar (CAD), which is the functional and presentation currency of Zecotek Photonics Inc. All other entities have a functional currency of the Singapore Dollar (SGD).

(*ii*) Translation of accounts of foreign subsidiaries:

On consolidation, the financial statements of foreign operations are translated into Canadian dollar using exchange rate at the end of reporting period for the statement of financial position and average exchange rate over the reporting period for the income statement. Foreign currency translation differences are recognized in other comprehensive income (loss).

(*iii*) Transactions in foreign currency:

Transactions conducted in a foreign currency are translated using the currency rate at the time of the translation. Monetary assets and liabilities in foreign currency are measured at the currency rate at the closing date and the translation differences are charged in profit and loss.

3. Significant accounting policies (continued):

(i) Employee compensation costs:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The Company recognizes a liability when we have a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(j) Financial instruments:

Financial assets and liabilities are measured at fair value upon their initial recognition. All financial instruments have been classified into one of the following five categories: (1) held-to-maturity; (2) loans and receivables; (3) other financial liabilities; (4) available-for-sale financial assets; and (5) fair value through profit or loss.

Subsequent measurement is based on either fair value or amortized cost, depending upon the classification. Financial assets at fair value through profit or loss are measured at fair value with changes in the fair value recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts in comprehensive income would be recorded in net income. For other financial liabilities, subsequent adjustments to expected cash flows are recorded if and when they occur through adjustments to the related expense.

The Company's financial instruments are classified as follows:

- Cash and cash equivalents, trade receivables, advances to employees and refundable deposits are classified as loans and receivables and are measured at amortized cost using the effective interest method.
- Trade and other payables, customer deposits, and short-term loans are classified as other financial liabilities and are measured at amortized cost using the effective interest method.

(k) Stock-based compensation:

The Company grants stock options to employees, directors, officers and consultants pursuant to the stock option plan described in note 6(e). The fair value method of accounting for stock-based compensation transactions is used. Management uses judgment to determine the inputs to the Black-Scholes option pricing model including the expected plan lives, underlying share price volatility and forfeiture rates. The fair value of stock options is generally estimated at the date of grant using the Black-Scholes Option Pricing Model. For graded vested share

3. Significant accounting policies (continued):

(k) Stock-based compensation (continued):

options, IFRS 2 requires the use of the attribution method, which requires that the company treat each installment as a separate share option grant with a different fair value.

The fair value of stock-based payments to non-employees is based on fair value of the goods or services received, when these can be measured reliably. In the event that no reliable measurement can be made, the fair value of the options granted will be used.

(l) Share Capital:

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and warrants are classified as equity instruments. The fair value of the warrants is estimated using the Black-Scholes option pricing model and the remaining value is assigned to the common shares. In circumstances where finder's warrants are issued coincidentally with a unit offering, the finder's warrants are valued using the Black-Scholes option pricing model.

(m) Share issue costs:

Professional, agent and regulatory fees, as well as, other costs directly attributable to specific financing transactions are reported as deferred financing costs until the transactions are completed, if successful completion is considered reasonably assured. Share issue costs are charged to capital stock when the related shares are issued. Costs relating to financing transactions that are not completed or for which completion is considered unlikely, are charged to net loss.

(n) Income taxes:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized directly in equity.

Current income tax is the expected tax payable (recoverable) on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable (recoverable) in respect of previous years.

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

3. Significant accounting policies (continued):

(n) Income taxes (continued):

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

(o) Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized based on the use of proceeds that could be obtained upon exercise of such options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. In a loss period, stock options and warrants are anti-dilutive.

(p) Revenue recognition:

Revenue is recognized when the Company's product is received, the title is transferred to the customer, and collection of the amount billed is considered reasonably assured.

Customer deposits consist of amounts received in advance from customers who have not had their products shipped. Revenue is recognized as the revenue recognition criteria are met.

(q) Government assistance:

Government grants are recognized when there is reasonable assurance that the Company has complied with the conditions of the grant. Such grants are accounted for as a reduction of the related expense or asset, or as income, as appropriate. When circumstances arise that indicate repayment is likely or when there is a formal demand for repayment, government grants previously recorded as a reduction of related expenditures or expenses is recorded as a liability in the year the condition for repayment arises.

(r) New standards and interpretations not yet adopted:

The following standards and interpretations, that have been issued but are not yet effective as of July 31, 2016, have not been applied in preparing the financial statements.

(i) IFRS 9 - *Financial Instruments*:

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing

3. Significant accounting policies (continued):

(i) IFRS 9 - Financial Instruments (continued):

the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company intends to adopt IFRS 9 for the annual period beginning August 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(*ii*) IFRS 15 - Revenue from Contracts with Customers:

In May 2015, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*, which replaces IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and other interpretive guidance associated with revenue recognition. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for fiscal years ending on or after December 31, 2017 and is available for early adoption.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on August 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(*iii*) IFRS 16 - Leases:

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lease accounting model, requiring leases recognize assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has an insignificant value. IFRS 16 was issued January 2016 and will be applicable to the Company's annual financial statements for the year beginning August 1, 2019. The Company is evaluating the impact of this new standard.

(s) Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

(Expressed in Canadian dollars)

4. Property and equipment:

	Equipment	Furniture	Leasehold improvements	Vehicle	Total
August 1, 2015	303,991	54,400	472,037	75,628	906,056
Additions	1,976	-	-	-	1,976
Foreign Exchange Impact	(4,969)	(694)	(9,166)	(1,468)	(16,297)
October 31, 2015	300,998	53,706	462,871	74,160	891,735
August 1, 2016	312,484	55,087	481,104	77,081	925,756
Disposal	-	-	-	(77,081)	(77,081)
Foreign Exchange Impact	(2,128)	(297)	(3,914)	-	(6,339)
October 31, 2016	$ 310,356	$ 54,790	$ 477,190	$ -	$ 842,336

Accumulated depreciation:

	Equipment	Furniture	Leasehold improvements	Vehicle	Total
August 1, 2015	217,904	47,300	472,037	71,922	809,163
Depreciation	5,049	324	-	240	5,613
Foreign Exchange Impact	(2,592)	(478)	(9,166)	(1,159)	(13,395)
October 31, 2015	220,361	47,146	462,871	71,003	801,381
August 1, 2016	244,740	49,326	481,104	74,437	849,607
Depreciation	4,396	286	-	(74,437)	(69,755)
Foreign Exchange Impact	(1,599)	(261)	(3,914)	-	(5,774)
October 31, 2016	$ 247,537	$ 49,351	$ 477,190	$ -	$ 774,078

(Expressed in Canadian dollars)

4. Property and equipment (continued):

	Equipment	Furniture	Leasehold improvements	Vehicle	Total
Carrying amount:					
October 31, 2016	$ 62,819	$ 5,439	$ -	$ -	$ 68,258
October 31, 2015	$ 80,637	$ 6,560	$ -	$ 3,157	$ 90,354

5. Patent costs:

Costs:	
August 1, 2015	$ 317,829
Effect of movements in exchanges rates	(5,461)
October 31, 2015	$ 312,368
August 1, 2016	323,232
Effect of movements in exchange rates	(2,332)
October 31, 2016	$ 320,900
Accumulated depreciation:	
August 1, 2015	$ 251,418
Depreciation	6,915
Effect of movements in exchange rates	(4,193)
October 31, 2015	$ 254,140
August 1, 2016	284,209
Depreciation	7,098
Effect of movements in exchange rates	(2,005)
October 31, 2016	$ 289,302
Carrying amount:	
October 31, 2016	$ 31,598
October 31, 2015	$ 58,228

6. Share capital:

(a) Authorized:

The authorized share capital of the Company is an unlimited number of common voting shares with no par value.

(b) Issued and outstanding common shares:

(*i*) On August 26, 2016, the Company completed the share subscription agreements for the financing announced on August 12, 2016. Under the agreements, the subscribers purchased 2,761,935 units of the Company at a price of $0.30 per unit, for gross proceeds of $828,581. Each unit consists of one common share and one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.43 per share for a period of 24 months after the date of the private placement. Pursuant to the closing of the financing, the Company paid finder's fees and agents commission of $57,161 and issued non-transferable finder's warrants to purchase 190,535 Common Shares at $0.30 per share before August 29, 2018. All shares and warrants are subject to a four-month hold period expiring on December 30, 2016.

(*ii*) On June 20, 2016, the Company completed the second tranche of the share subscription agreements for the financing announced May 9, 2016. Under the agreements, the subscribers purchased 2,989,333 units of the Company at a price of $0.30 per unit, for gross proceeds of $896,800. Each unit consists of one common share and one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.43 per share for a period of 24 months after the date of the private placement. Pursuant the closing of the second tranche of the financing, the Company paid finder's fees and agents commission of $60,676 and issued non-transferable finder's warrants to purchase 202,253 Common Shares at $0.43 per share before June 20, 2018. All shares and warrants are subject to a four-month hold period expiring on October 20, 2016.

(*iii*) On May 26, 2016, the Company completed the first tranche of the share subscription agreements for the financing announced May 9, 2016. Under the agreements, the subscribers purchased 2,259,997 units of the Company at a price of $0.30 per unit, for gross proceeds of $678,000. Each unit consists of one common share and one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.43 per share for a period of 24 months after the date of the private placement. Pursuant the closing of the second tranche of the financing, the Company paid finder's fees and agents commission of $47,460 and issued 158,200 non-transferable finder's warrants. Each finder’s warrant is exercisable into units at $0.30 per unit for a 24 month period. Each unit consists of one common share and one half of a share purchase warrant. Each whole warrant is exercisable into one common share at $0.43 per share before May 26, 2018. All shares and warrants are subject to a four-month hold period expiring on September 27, 2016.

6. Share capital (continued):

(b) Issued and outstanding common shares (continued):

(*iv*) On February 2, 2016, the Company completed the share subscription agreements for the financing announced on October 30, 2015. Under the agreements, the subscribers purchased 1,301,889 units of the Company at a price of $0.36 per unit, for gross proceeds of $468,680. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $0.53 per common until February 4, 2018. Pursuant the closing of the financing, the Company paid finder's fees consisting of cash totaling $17,180 and issued 47,724 finder’s warrants. Each finder’s warrant entitles the holder to acquire one common share at an exercise price of $0.53 per common share until February 4, 2018. All securities issued are subject to a four-month hold period expiring on June 5, 2016.

(*v*) On December 15, 2015, the Company completed the share subscription agreements for the financing announced on December 9, 2015. Under the agreements, the subscribers purchased 3,084,000 units of the Company at a price of $0.36 per unit, for gross proceeds of $1,110,240. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $0.53 per common share until December 15, 2017. Pursuant the closing of the financing, the Company paid finder's fees consisting of cash totaling $77,716 and issued 215,880 finder's warrants. Each finder’s warrant entitles the holder to acquire one common share at an exercise price of $0.53 per common share until December 15, 2017. All securities issued are subject to a four-month hold period expiring on April 16, 2016.

(*vi*) On November 5, 2015, the Company completed the share subscription agreements for the financing announced on October 30, 2015. Under the agreements, the subscribers purchased 2,432,673 units of the Company at a price of $0.36 per unit, for gross proceeds of $875,762. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $0.53 per common until November 5, 2017. Pursuant the closing of the financing, the Company paid finder's fees consisting of cash totaling $53,147 and issued 147,630 finder’s warrants. Each finder’s warrant entitles the holder to acquire one common share at an exercise price of $0.53 per common share until November 5, 2017. All securities issued are subject to a four-month hold period expiring on March 6, 2016.

(Expressed in Canadian dollars)

6. Share capital (continued):

(c) Common share purchase warrants:

	Number of warrants	Weighted average exercise price
Balance, July 31, 2015	18,230,403	$ 0.54
Warrants expired	(1,264,443)	(0.50)
Balance, October 31, 2015	16,965,960	$ 0.51
Balance, July 31, 2016	25,128,105	0.49
Warrants granted	2,761,935	0.43
Balance, October 31, 2016	27,890,040	$ 0.49

Common share purchase warrants outstanding at October 31, 2016 are summarized as follows:

Exercise price	Number of warrants	Weighted average remaining life (years)
$ 0.50	13,060,213	2.04
$ 0.53	6,818,562	1.11
$ 0.43	8,011,235	1.05
	27,890,040	1.53

(d) Finder's warrants:

	Number of warrants	Weighted average exercise price
Balance, July 31, 2015	1,289,828	$ 0.65
Warrants expired	(403,516)	(0.75)
Balance, October 31, 2015	886,312	$ 0.50
Balance, July 31, 2016	1,838,226	$ 0.46
Warrants granted	190,535	0.30
Balance, October 31, 2016	2,028,761	$ 0.45

(Expressed in Canadian dollars)

6. Share capital (continued):

(d) Finder's warrants (continued):

Finder's warrants outstanding at October 31, 2016 are summarized as follows:

Exercise price	Number of warrants	Weighted average remaining life (years)
$ 0.30	550,988	1.68
$ 0.43	180,227	1.61
$ 0.50	886,312	0.05
$ 0.53	411,234	1.10
	2,028,761	0.84

The fair value of finder's and common share purchase warrants has been estimated at the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	2016	2015
Annualized stock volatility	72.53%	65.01%
Risk-free interest rate	0.57%	0.56%
Expected option/warrant life	2.0 years	2.0 years
Dividend payments	0.0%	0.0%

(e) Stock options:

On December 30, 2015, the Board of Directors approved a new stock option plan. Under the plan, the Company may grant options to purchase common shares in the Company to employees, directors, officers, and consultants of the Company. The exercise price of the options is to be determined by the Board of Directors but generally will be equal to or greater than the market price of the shares at the grant date. Options will generally vest according to the following schedule:

25%	on grant date
25%	3 months after grant date
25%	6 months after grant date
25%	9 months after grant date

(Expressed in Canadian dollars)

6. Share capital (continued):

(e) Stock options (continued):

As of October 31, 2016, the Company has reserved 22,941,000 common shares for issuance of stock options to employees, directors, officers and consultants of the Company of which 12,281,000 were available for future issuance.

Stock option transactions and numbers outstanding are summarized below:

	Number of options	Weighted average exercise price
Balance, July 31 and October 31, 2015	14,345,000	$ 0.64
Balance, July 31, 2016	10,660,000	$ 0.64
Options expired	(2,175,000)	(0.65)
Balance, July 31, 2016	8,485,000	$ 0.63

Options outstanding at October 31, 2016 are summarized as follows:

Exercise price	Number of options	Number of options exercisable	Weighted average remaining life (years)
$ 0.43	1,350,000	1,350,000	1.53
$ 0.45	1,515,000	1,515,000	0.67
$ 0.57	1,135,000	1,135,000	0.25
$ 0.70	1,785,000	1,785,000	2.52
$ 0.82	2,700,000	2,700,000	2.22
	8,485,000	8,485,000	1.64

(Expressed in Canadian dollars)

7. Capital disclosures:

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The Company includes shareholders' equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or undertake other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2016.

8. Commitments and contingencies:

(a) Commitments:

Years ending October 31	Rental leases	Research contracts	Total
2017	73,630	41,000	114,630
2018	35,254	41,000	76,254
2019	-	41,000	41,000
	$ 108,884	$ 123,000	$ 231,884

Rental leases relate to the Company and its subsidiaries commitments under operating leases for rental of properties. Research contract commitments relate to contractual obligations entered into by the Company and its subsidiaries for research and development.

(b) Litigation:

Zecotek Imaging Systems Pte Ltd., a wholly owned subsidiary had filed legal action in United States Federal District Court in Los Angeles against defendants Saint-Gobain Corporation and Philips for infringement of Zecotek's U.S. Patent Number 7,132,060. The patent covers the substances and chemical formulations used to grow lutetium fine silicate ("LFS") scintillation crystals which are characterized by their combined high light yield and ultra-fast decay times and are typically used in medical scanning devices. On December 22, 2014 the Company reached a settlement with both Philips and Saint Gobain.

8. Commitments and contingencies (continued):

(c) Compensation waivers (continued):

In March of 2011, the Company entered into agreements with certain of its consultants, directors and employees (the "individuals"). Under these agreements, the individuals waived salaries and fees owed to them totaling $976,777 (2015 - $976,777) in favor of bonus payments of the same amounts, which are to be paid upon certain triggering events, including a sale of substantially all of the assets of the Company, or the shares of the Company, commercialization of any of the technologies of the Company, a public listing of shares of a subsidiary of the Company, or cash inflows exceeding $3,000,000 in any three month period.

The liability for this compensation will remain included in accounts payable and accrued liabilities until such time as it can be determined that the liability is legally extinguished or that the Company's obligation to pay is unlikely.

(d) Intellectual property:

On June 26, 2013, Zecotek Photonics Inc. entered into a joint collaboration agreement with Invention Development Management Company, LLC ("IDMC") for collaboration on intellectual property strategy, including the sourcing, development and monetization of new inventions related to photonics. The agreement will also provide the Company with the opportunity to licence intellectual properties and technologies from IDMC's own portfolio of photonics related inventions and patents created with its network of inventors.

In consideration, the Company agreed to:

(*i*) issue to IDMC 5,393,951 common shares over a period of 6 months;

(*ii*) pay IDMC 5% of the gross proceed on any settlement of or damage award in any of the Company's patent infringement litigation involving U.S. patent number 7.132.060 (or any of its related family members) commenced before date of the Agreement; and

(*iii*) if a settlement includes any licensing royalty settlement component ("Licensing Component") for a period of 60 months commencing on receipt of first licensing royalty settlement payment, pay IDMC 5% of such Licensing Component.

No payments were required under clause (ii) and (iii) based on the settlement reached for the litigation involving U.S. patent number 7.132.060 as disclosed in note 8(b).

9. Government grants:

The Company has received grants from the Government of Singapore - Economic Development Board ("EDB") and the Government of Malaysia - Industrial Development Authority ("MIDA"). During the 2009 year, the Company received Singapore dollars $1,554,778 (Canadian dollars $1,232,162) and recorded this as a reduction in expenditures and expenses as management believed there was reasonable assurance that the amounts would not have to be repaid. The EDB grant is contingently repayable should the Company not meet certain requirements in respect to local employment, expenditures and production. As at July 31, 2010, it was determined that these conditions were not met.

The Company received correspondence from the EDB in August 2010 in which the EDB required repayment of the grants received by the Company not meeting all original conditions of the grant. The amount has been recognized as a liability, in trade and other payables, as at July 31, 2015 and 2016. The Company disputes the repayment requirement.

In May 2012, EDB requested the Company to provide an update on all the grant conditions to better evaluate the Company's appeal for changes to the grant conditions in order to reduce the repayment to EDB. As at the date of these financial statements, EDB had not yet completed reviewing the information provided by the Company. As at October 31, 2016 $1,497,407 (2015: $1,452,474) was included in trade and other payables in relation to this grant.

10. Financial instruments:

(a) Fair value:

The Company's financial instruments consist of cash and cash equivalents, trade receivables, advances to employees, restricted investments, customer deposits, trade and other payables and short-term loan. The fair values of cash and cash equivalents, trade receivable, advances to employees, trade and other payables, and short-term loans payable approximate carrying value because of the short-term nature of these instruments.

Fair value measurements recognized in the balance sheet must be categorized in accordance with the following levels:

(*i*) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(*ii*) Level 2: inputs 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);

(*iii*) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company categorized the fair value measurement of its restricted investments in Level 1 as they are primarily derived directly from reference to quoted (unadjusted) prices in active markets.

(Expressed in Canadian dollars)

10. Financial instruments (continued):

(b) Financial risk management:

The Company primarily has exposure to credit risk, foreign exchange rate risk, interest rate risk, and liquidity risk.

(*i*) Credit risk:

Financial instruments that potentially subject the Company to concentration of credit risks include cash and restricted short-term investments. The Company places its cash and restricted short-term investments with high credit quality financial institutions. Short-term investments are generally held in fixed rate securities. Concentration of credit risks with respect to receivables is limited.

(*ii*) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Company has significant operations in Singapore, which gives rise to significant foreign currency translation risks from fluctuations and volatility of foreign exchange rate between the Canadian dollar and the Singapore dollar ("SGD"). A significant change in the currency exchange rates between the SGD relative to the Canadian dollar could have an effect on the Company's financial performance, financial position and cash flows. The

Company does not use derivative instruments to reduce its exposure to exchange rate risk.

The Company's financial instruments subject to exchange rate risk are listed below.

SGD	2016	2015
Financial assets:		
Cash and cash equivalents	$ 7,587	$ 93,416
Restricted investments	-	40,000
Financial liabilities:		
Trade and other payables	(5,008,365)	(3,740,599)
Gross financial position exposure	$ (5,000,778)	$ (3,607,183)
Canadian dollar equivalents	$ (4,816,249)	$ (3,369,831)

(Expressed in Canadian dollars)

10. Financial instruments (continued):

(*ii*) Foreign exchange risk:

The following are exchange rates applied to presentation of the consolidated financial statements for the years ended October 31, 2016 and 2015:

SGD		2016		2015
Canadian dollar:				
Average rate	$	1.04	$	1.06
Closing rate		1.03		1.07

A 10% strengthening (weakening) of the Canadian dollar against SGD would have decreased (increased) deficiency and comprehensive loss by the amounts below. This analysis assumes all other variables, such as interest rates, remain constant.

		2016		2015
Canadian dollar	$	481,625	$	336,984

The Company also has subsidiary in Malaysia, but the operations have not been significant; therefore, the Company is not exposed to significant foreign exchange risk between Canadian dollar and Malaysian ringgit.

(*iii*) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Restricted investments with fixed interest rates include guaranteed investment certificates with original maturities of greater than three months expose the Company to interest rate risk. The Company does not use financial instruments to mitigate this interest rate risk.

(*iv*) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company currently settles its financial obligations using cash and cash equivalents. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Trade and other payables have contractual maturity of 6 months or less.

(Expressed in Canadian dollars)

11. Segmented information:

The Company has principal operations in Canada and Singapore (Asia) and is organized into three sales geographic areas consisting of Asia, Europe, and North America. Reporting information by geographic area is as follows:

October 31, 2016	Asia	Europe	America	Total
Revenue	$ 205,695	$ -	$ 1,951	$ 207,646
Property and equipment	63,625	-	4,633	68,258
Patent costs	31,598	-	-	31,598

October 31, 2015	Asia	Europe	America	Total
Revenue	$ 143,099	$ 3,364	$ 3,126	$ 149,589
Property and equipment	83,770	-	6,584	90,354
Patent costs	58,228	-	-	58,228

12. Related party transactions:

The Company undertook the following transactions with related parties. These transactions were measured at the exchange amounts which are the amounts of consideration established and agreed upon by the related parties.

(a) The Company incurred $9,535 (2015 - $9,998) in legal fees to Boughton Law Corporation, legal counsel to the Company, for legal services rendered during the quarter. A director of the Company is an Associate Counsel of Boughton Law Corporation. At October 31, 2016, $41,105 (2015 - $30,110) was outstanding and included in trade and other payables.

(b) The Company incurred fees of $45,000 (2015 - $46,648) during the quarter for consulting services provided by the chief financial officer. At October 31, 2016, $69,318 (2015 - $57,860) of the fees was unpaid and included in trade and other payables.

(c) During the quarter, the Company incurred salaries of $53,374 (2015 - $51,998) for the Executive Vice President, Operations. At October 31, 2016, $77,580 (2015 - $nil) of the salaries was unpaid and included in trade and other payables. The advances to the Executive Vice President, Operations amounted to $3,997 as at October 31, 2016 (2015 - $1,344).

(d) During the quarter, the Company incurred salaries and benefits of $61,546 (2015 - $77,629) for the President and Chief Executive Officer ("CEO") and fees of $122,625 (2015 - $119,289) for consulting services to a company controlled by the President and CEO. At October 31, 2016, $64,665 (2015- nil) of the salaries and benefits; and $286,125 (2015 – $79,526) of the fees were unpaid and included in trade and other payables.

(Expressed in Canadian dollars)

12. Related party transactions (continued):

(e) The Company incurred fees of of $19,500 (2015 - $19,500) during the quarter for directors' services. At October 31, 2016, $189,000 (2015 - $121,000) was unpaid and included in trade and other payables.

(f) The Company incurred fees of $30,000 (2015 - $30,000) during the quarter for accounting and related services provided by the Corporate Secretary. At October 31, 2016, $21,000 (2015 - $nil) was unpaid and included in trade and other payables.

(g) The following table summarizes the compensation of the Company's key management:

	2016	2015
Short-term employee salary and benefits	$ 1,231,962	$ 1,227,899
Termination benefits	661,791	660,774
Share based payments to officers and directors	-	155,067

13. General and administrative expenses:

The following table presents the Company's general and administrative expenses according to their nature:

	2016	2015
Professional fees	$ 314,307	$ 364,999
Insurance	6,042	5,792
Marketing and promotion	12,972	13,256
Office and miscellaneous	32,340	32,583
Rent	32,773	48,385
Salaries and benefits	243,129	277,219
Travel	38,555	65,435
Foreign exchange loss (gain)	179,493	56,574
Amortization of property and equipment	2,580	3,374
Total	$ 862,191	$ 867,617

(Expressed in Canadian dollars)

14. Research and development expenses:

The following table presents the Company's research and development expenses according to their nature:

	2016	2015
Consulting fees	$ 193,427	$ 151,554
Overhead costs	769	5,575
Supplies	8,952	79,103
Salaries and benefits	65,580	37,754
Patent costs	63,773	72,843
Amortization of property and equipment	2,104	2,563
Amortization of patent costs	7,096	6,914
Total	$ 341,701	$ 356,306

15. Subsequent events:

(a) On October 24, 2016, the Company amended the term an aggregate of 13,060,213 of outstanding share purchase warrants (the "Warrants") issued to subscribers of a private placement which closed in three tranches on November 6, November 12 and November 28, 2014. The expiry date is extended from November 6, November 12, and November 28, 2016 to November 6, November 12 and November 28, 2018 respectively. The Warrants contain an acceleration provision, if, for a period of 10 trading days (the "Premium Trading Days") the closing price of the Company's shares is $1.00 per share or higher, the warrant exercise period for one-third of the holder's Warrants will be shortened to a period of 30 days. This 30-day period will commence seven calendar days after the tenth Premium Trading Day. An additional one-third of holder's Warrants will accelerate at $1.50 and the final one-third at $2.00.

(b) 2,175,000 stock options expired on September 23, 2016.

(c) On November 18, 2016, the Company completed the first tranche of share subscription agreements for the financing announced on November 7, 2016. Under the agreements, the subscribers purchased 1,000,000 units of the Company at a price of $0.30 per unit, for gross proceeds of $300,000. Each unit consists of one common share and one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.43 per share for a period of 24 months after the date of the private placement. Pursuant to the closing of the financing, the Company paid finder's fees and agents commission of $21,000 and issued 70,000 non-transferable finder's warrants. Each finder's warrant is exercisable into units at $0.30 per unit for a 24 month period. Each unit consists of one common share and one half of a share purchase warrant. Each whole warrant is exercisable into one common share at $0.43 per share for a 24 month period. All shares and warrants are subject to a four-month hold period.

15. Subsequent events (continued):

(d) On November 25, 2016, the Company completed the second tranche of share subscription agreements for the financing announced on November 7, 2016. Under the agreements, the subscribers purchased 3,620,000 units of the Company at a price of $0.30 per unit, for gross proceeds of $1,086,000. Each unit consists of one common share and one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.43 per share for a period of 24 months after the date of the private placement. Pursuant to the closing of the financing, the Company paid finder's fees and agents commission of $69,020 and issued 230,067 non-transferable finder's warrants. Each finder's warrant is exercisable into units at $0.30 per unit for a 24 month period. Each unit consists of one common share and one half of a share purchase warrant. Each whole warrant is exercisable into one common share at $0.30 per share before November 25, 2018. All shares and warrants are subject to a four-month hold period.