



EESTOR CORPORATION
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED
JUNE 30, 2017
(IN CANADIAN DOLLARS)
(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of EESTOR Corporation (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

EEStor Corporation

Unaudited Condensed Interim Consolidated Statements of Financial Position (In Canadian Dollars)

	As at June 30, 2017	As at September 30, 2016
ASSETS		
Current assets		
Cash	\$ 3,062,699	\$ 1,433,749
Short-term investments	5,000	5,000
Prepaid expenses and sundry assets	329,849	168,818
Total current assets	3,397,548	1,607,567
Non-current assets		
Restricted cash (note 4)	-	734,600
Property and equipment (note 5)	112,879	122,762
EEStor technology, rights, patents and development costs (notes 6 and 7)	19,408,160	19,188,935
Total non-current assets	19,521,039	20,046,297
Total assets	\$ 22,918,587	\$ 21,653,864
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 124,764	\$ 614,186
Total current liabilities	124,764	614,186
Non-current liabilities		
Notes payable (note 9)	-	141,565
Total liabilities	124,764	755,751
Capital and reserves		
Share capital (note 10)	72,429,198	66,477,897
Contributed surplus	11,502,718	7,549,853
Warrant capital	4,313,701	6,985,155
Accumulated deficit	(63,419,437)	(59,100,599)
	24,826,180	21,912,306
Non-controlling interest (note 7)	(2,032,357)	(1,014,193)
Total shareholders' equity	22,793,823	20,898,113
Total liabilities and shareholders' equity	\$ 22,918,587	\$ 21,653,864

Nature of operations and going concern (note 1)

Commitments (note 15)

Approved on behalf of the Board:

"Paul Mesburis" Director

"Ian Clifford" Director

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

EEStor Corporation

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (In Canadian Dollars)

	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Expenses				
General and administrative (notes 13 and 14)	\$ 1,979,811	\$ 667,573	\$ 3,951,812	\$ 1,804,290
Engineering and development (notes 13 and 14)	432,867	18,761	1,385,190	175,553
Net loss and comprehensive loss for the period	(2,412,678)	(686,334)	(5,337,002)	(1,979,843)
Net loss for the period attributable to:				
Loss for the period	\$ (2,012,097)	\$ (679,567)	\$ (4,318,838)	\$ (1,810,733)
Non-controlling interest in subsidiary (note 7)	(400,581)	(6,767)	(1,018,164)	(169,110)
	\$ (2,412,678)	\$ (686,334)	\$ (5,337,002)	\$ (1,979,843)
Net loss per share - basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.03)
Weighted average number of shares outstanding - basic and diluted	107,918,781	78,775,639	103,063,329	72,000,357

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

EEStor Corporation

Unaudited Condensed Interim Consolidated Statements of Cash Flows (In Canadian Dollars)

	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Cash flows used in operations		
Net loss for the period	\$ (5,337,002)	\$ (1,979,843)
Items not affecting cash:		
Depreciation and amortization (notes 5 and 7)	62,583	53,509
Stock-based compensation (note 12)	1,197,825	271,629
Interest accrual	-	9,937
Accretion (note 9)	54,089	21,928
Loss on early retirement of notes payable (note 9)	410,836	-
	(3,611,669)	(1,622,840)
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	(161,031)	45,986
Accounts payable and accrued liabilities	(489,422)	(158,611)
Net cash used in operating activities	(4,262,122)	(1,735,465)
Investing activities		
Short-term investments	-	7,000
Purchase of property and equipment (note 5)	(32,487)	-
Purchase of patents and trademarks (note 7)	(46,438)	(11,260)
Sundry long-term assets	-	9,095
Net cash (used in) provided by investing activities	(78,925)	4,835
Financing activities		
Issuance of units, net of issuance costs	3,565,737	4,087,019
Exercise of warrants	2,276,150	-
Debt advances	-	205,000
Repayment of debt advances	-	(102,697)
Restricted cash (note 4)	734,600	(734,600)
Share subscriptions payable	-	194,732
Repayment of notes payable (note 9)	(606,490)	-
Net cash provided by financing activities	5,969,997	3,649,454
Net change in cash	1,628,950	1,918,824
Cash, beginning of period	1,433,749	18,602
Cash, end of period	\$ 3,062,699	\$ 1,937,426

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

EEStor Corporation

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(In Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Warrant Capital	Accumulated Deficit	Subtotal	Non-controlling Interest	Total
Balance, September 30, 2016	96,393,166	\$ 66,477,897	\$ 7,549,853	\$ 6,985,155	\$ (59,100,599)	\$ 21,912,306	\$ (1,014,193)	\$ 20,898,113
Loss for the period	-	-	-	-	(4,318,838)	(4,318,838)	-	(4,318,838)
Non-controlling interest in subsidiary	-	-	-	-	-	-	(1,018,164)	(1,018,164)
Comprehensive loss for the period	-	-	-	-	(4,318,838)	(4,318,838)	(1,018,164)	(5,337,002)
Transactions with shareholders:								
Issuance of units - net of costs (note 10(b)(iv))	7,240,000	2,496,016	-	1,069,721	-	3,565,737	-	3,565,737
Extension of warrants	-	-	(137,048)	137,048	-	-	-	-
Shares issued from exercise of warrants	6,131,088	3,262,285	-	(986,135)	-	2,276,150	-	2,276,150
Shares issued for intellectual property rights (note 7)	350,000	193,000	-	-	-	193,000	-	193,000
Transfer from warrant capital on expiry	-	-	2,892,088	(2,892,088)	-	-	-	-
Stock-based compensation (note 12)	-	-	1,197,825	-	-	1,197,825	-	1,197,825
Balance, June 30, 2017	110,114,254	\$ 72,429,198	\$ 11,502,718	\$ 4,313,701	\$ (63,419,437)	\$ 24,826,180	\$ (2,032,357)	\$ 22,793,823
Balance, September 30, 2015	62,337,505	\$ 64,272,417	\$ 7,486,137	\$ 3,298,483	\$ (56,154,147)	\$ 18,902,890	\$ (728,130)	\$ 18,174,760
Loss for the period	-	-	-	-	(1,810,733)	(1,810,733)	-	(1,810,733)
Non-controlling interest in subsidiary	-	-	-	-	-	-	(169,110)	(169,110)
Comprehensive loss for the period	-	-	-	-	(1,810,733)	(1,810,733)	(169,110)	(1,979,843)
Transactions with shareholders:								
Extension of warrants	-	-	(187,091)	187,091	-	-	-	-
Issuance of units - net of costs (note 10(b)(i)(ii)(iii))	30,637,328	1,814,937	-	2,272,082	-	4,087,019	-	4,087,019
Warrants issued relating to notes payable (note 9)	-	-	-	517,567	-	517,567	-	517,567
Stock-based compensation (note 12)	-	-	271,629	-	-	271,629	-	271,629
Balance, June 30, 2016	92,974,833	\$ 66,087,354	\$ 7,570,675	\$ 6,275,223	\$ (57,964,880)	\$ 21,968,372	\$ (897,240)	\$ 21,071,132

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

EESstor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2017

(In Canadian Dollars, unless otherwise indicated)

1. NATURE OF OPERATIONS AND GOING CONCERN

EESstor Corporation (the "Company") is incorporated under the Business Corporations Act (Ontario) and its common shares are listed on the TSX Venture Exchange under the symbol "ESU". Any specific reference to "EESstor" herein means EESstor, Inc. alone a 71.3% subsidiary of EESstor Corporation. The Company's head office is located at 21 St. Clair Avenue East, Suite 301, Toronto, Ontario, M4T 1L9. The Company's business strategy is to focus on the licensing applications and partnership opportunities of its new ceramic-based capacitor and energy storage technology currently under development by EESstor across a broad spectrum of industries and applications. EESstor is a subsidiary of the Company as of January 27, 2014.

The unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 16, 2017.

The Company's success depends on the commercialization of its technology; however, there is no assurance that EESstor will be successful in the completion of the enhancement phases to warrant the anticipated licensing opportunities in the technology. The Company is in the development stage and therefore does not yet earn revenues from its technology.

From time to time, the Company may pursue the raising of funds by an equity investment, debt borrowing or a combination of both. There can be no assurance that additional financing will be available on commercially reasonable terms or at all. If adequate funds are not available on acceptable terms, the Company may not be able to fund its planned operations for at least the next 12 months and as a result may be required to substantially reduce or temporarily cease its operations, including but not limited to the reduction of payroll costs, development activities and other operating expenditures. Any such actions could have a material adverse effect on the Company's business, financial condition and prospects. These conditions may cast significant doubt about the Company's ability to continue as a going concern into the foreseeable future. These financial statements do not include any adjustments, which could be material, to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These unaudited consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited consolidated interim condensed financial statements are based on IFRS issued and outstanding as of August 16, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these consolidated interim condensed financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended September 30, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending September 30, 2017 could result in restatement of these consolidated interim condensed financial statements.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2017

(In Canadian Dollars, unless otherwise indicated)

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (Continued)

Change in Accounting Policies

(i) On May 12, 2014, the IASB amended IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets to clarify that a revenue-based approach to calculate depreciation and amortization generally is not appropriate as it does not reflect the consumption of the economic benefits embodied in the related asset. At October 1, 2016, the Company adopted this pronouncement and there was no impact on the unaudited condensed interim consolidated financial statements as a result of this adoption.

(ii) IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality considerations apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. At October 1, 2016, the Company adopted this pronouncement and there was no impact on the unaudited condensed interim consolidated financial statements as a result of this adoption.

Future Accounting Pronouncements

The accounting pronouncements detailed in this note have been issued but are not yet effective. The Company has not early adopted these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

(i) IFRS 9 - Financial Instruments (“IFRS 9”) was issued by the IASB in July 2014 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 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The effective date of IFRS 9 was deferred to years beginning on or after January 1, 2018. Earlier application is permitted.

(ii) In January 2016, the IASB issued the disclosure initiative amendments to IAS 7, Statement of cash Flow. The amendment will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

(iii) IFRS 16 – Leases (“IFRS 16”) sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (“lessee”) and the supplier (“lessor”). This will replace IAS 17, Leases and related Interpretations. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the income statement. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2017

(In Canadian Dollars, unless otherwise indicated)

3. USE OF ESTIMATES AND JUDGMENTS

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to:

(i) Impairment of EEStor technology, rights, patents and development costs

Management has assessed the Company as one cash generating unit. Determination of the amount of an impairment is based on management's estimate of the fair value less costs to sell of the intangible assets. The basis of calculation (relief from royalty method) involves many estimates such as projected revenues, discount rates and royalty rates.

(ii) Share based transactions

The Company uses an option pricing model to determine the fair value of share based compensation. Inputs to the model are subject to various estimates relating to volatility, interest rate and expected life of the instrument. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

Separate from the fair value calculation, the Company is required to estimate the expected forfeiture rate of stock-based compensation.

(iii) Going concern

The Company makes significant judgments with respect to uncertainties in the ability of the Company to continue as a going concern based on estimates of future operations. The ability of the Company to continue as a going concern is dependent on the successful generation of revenue and financing.

(iv) Development costs

Management monitors the progress of the EEStor technology. Significant judgment is required to distinguish between the research and development phases. Development costs are recognized as an asset when the following criteria are met: (i) technical feasibility; (ii) management's intention to complete the project; (iii) the ability to use or sell; (iv) the ability to generate future economic benefits; (v) availability of technical and financial resources; (vi) ability to measure the expenditures reliably. Research costs are expensed as incurred. Management also monitors whether the recognition requirements for development assets continue to be met and whether there are any indicators that capitalized costs may be impaired.

4. RESTRICTED CASH

The Company had set aside \$734,600 related to amounts owed pursuant to certain notes payable (note 9), and during the period ended June 30, 2017, the notes payable were repaid in full.

EESstor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2017

(In Canadian Dollars, unless otherwise indicated)

5. PROPERTY AND EQUIPMENT

Cost	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2015	\$ 60,945	\$ 43,485	\$ -	\$ 139,176	\$ 243,606
Additions	-	-	36,707	35,104	71,811
Balance, September 30, 2016	60,945	43,485	36,707	174,280	315,417
Additions	-	-	-	32,487	32,487
Balance, June 30, 2017	\$ 60,945	\$ 43,485	\$ 36,707	\$ 206,767	\$ 347,904

Accumulated Depreciation	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2015	\$ 58,089	\$ 43,485	\$ -	\$ 44,046	\$ 145,620
Depreciation	2,325	-	2,294	42,416	47,035
Balance, September 30, 2016	60,414	43,485	2,294	86,462	192,655
Depreciation	531	-	6,883	34,956	42,370
Balance, June 30, 2017	\$ 60,945	\$ 43,485	\$ 9,177	\$ 121,418	\$ 235,025

Net book value	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2016	\$ 531	\$ -	\$ 34,413	\$ 87,818	\$ 122,762
Balance, June 30, 2017	\$ -	\$ -	\$ 27,530	\$ 85,349	\$ 112,879

6. TECHNOLOGY AGREEMENTS

Light Electric Vehicles

On March 10, 2013, EESstor entered into a new technology agreement with Light Electric Vehicles Company ("LEV") a privately held corporation in the state of Oregon, that provides LEV with the transferable, perpetual, worldwide exclusive rights to purchase electronic energy storage units ("EESU") for one, two and three wheeled commercial passenger vehicles using electricity as the nonhuman energy source for the vehicle's propulsion system. The technology agreement has staged payments that tie to specific technical milestones and the delivery of production quality EESUs. The aggregate potential payments to be made under the agreement is US\$30 million. Previous payments received to date from LEV regarding the technology rights from prior agreements total US\$1.5 million.

Lockheed Martin Corporation

On December 10, 2007, EESstor entered into a technology agreement with Lockheed Martin Corporation ("LMC") a Maryland corporation acting through its Missiles and Fire Control business unit located in Grand Prairie, Texas, that provides LCM with a non-transferable, non-sublicensable worldwide exclusive rights to purchase EESU for the Government Defence and Homeland Security fields. The technology agreement has staged payments that tie to purchasing requirements of EESUs. The aggregate potential payments to be made under the agreement is US\$120 million.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2017

(In Canadian Dollars, unless otherwise indicated)

7. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS

Continuity of Assets

Intangible asset at September 30, 2015	\$ 19,200,000
Additional patent cost	15,695
Patent amortization	(26,760)

Intangible asset at September 30, 2016	19,188,935
Additional patent cost	46,438
Addition to intellectual property rights (i)	193,000
Patent amortization	(20,213)

Intangible asset at June 30, 2017	\$ 19,408,160
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(i) On December 5, 2016, the Company entered into a binding letter of intent (the "LOI") with Alchemy Synergy Group, Inc. ("ASG") for the joint development of highly polar silicone-based custom polymers to be used in EEStor's capacitor and electrical energy storage technologies. This agreement with ASG augments and accelerates the ongoing internal development at EEStor of custom polymers designed for high energy density applications.

Under the LOI, ASG will develop sample custom polymers for testing by the Company and, if successfully tested, will license the developed polymers to the Company and assist the Company in sourcing the materials to produce the polymers in commercial quantities. All polymer technologies developed by the parties will be jointly owned and the parties will enter into a technology license agreement to cross-license such technologies. The Company will also have the right to acquire ASG's interest in the developed technologies in certain circumstances. Other than an initial payment of US\$21,000 for consulting services and materials, and the issuance of 100,000 common shares (issued and valued at \$48,000) in the capital of the Company, the consideration payable to ASG by the Company is graduated and based on the achievement of a number of energy density and time-constant milestones. If all milestones are achieved, the Company will be required to make cash payments aggregating US\$106,000 and issue an aggregate of 1,950,000 common shares to ASG under the LOI. Any shares issued will be subject to a 4-month hold period.

During the quarter ended March 31, 2017, ASG achieved a defined milestone and pursuant to the LOI, the Company made a payment of US\$25,000 for consulting services and materials and issued 250,000 common shares (valued at \$145,000) in the capital of the Company.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
Three and Nine months Ended June 30, 2017
(In Canadian Dollars, unless otherwise indicated)

7. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS (Continued)

EEStor Financial Information

The following tables set out the financial information related to EEStor.

	June 30, 2017 US (\$)	September 30, 2016 US (\$)
Current assets	147,746	122,160
Long-term assets	989,032	834,303
Total assets	1,136,778	956,463
Current liabilities	876	345,401
Long-term liabilities (i)	11,244,285	6,461,777
Total liabilities	11,245,161	6,807,178
Shareholders' deficiency	(10,108,383)	(5,850,715)

(i) Includes preferred stock totalling \$4,028,000

EEStor's operating expenses included in the Consolidated Statement of Loss and Comprehensive Loss for the three and nine months ended June 30, 2017 and 2016 are as follows:

	Three months ended June 30, 2017 US (\$)	Three months ended June 30, 2016 US (\$)	Nine months ended June 30, 2017 US (\$)	Nine months ended June 30, 2016 US (\$)
General and administrative expenses	115,528	55,270	327,275	178,526
Engineering and development	321,509	16,143	1,038,296	134,350
Net loss	437,037	71,413	1,365,571	312,876
Loss attributed to the Company	218,955	35,778	684,151	156,751
Non-controlling interest in subsidiary	218,082	35,635	681,420	156,125
Net loss	437,037	71,413	1,365,571	312,876

The amount of non-controlling interest is determined by multiplying the net loss for the period by the percentage of common stock held by a third party. As at June 30, 2017, the Company held 50.1% of the common stock outstanding.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2017

(In Canadian Dollars, unless otherwise indicated)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at June 30, 2017	As at September 30, 2016
Trade accounts payables	\$ 25,029	\$ 154,496
Accrued liabilities	99,735	459,690
Total accounts payable and accrued liabilities	\$ 124,764	\$ 614,186

9. NOTES PAYABLE

On April 1, 2016 a series of previously unsecured, non-interest bearing debt advances (note 16) were converted into unsecured notes ("Notes Payable") bearing interest at a rate of 6% per annum and repayable on March 31, 2019. For each \$1.00 of Notes Payable issued, each lender also received approximately 6.66 common share purchase warrants exercisable until March 31, 2019 at a price of \$0.15 per share. In accordance with the policies of the TSX Venture Exchange, in the event that all or any part of the Notes Payable are repaid on or before March 31, 2017, the expiry date of a proportionate number of warrants would accelerate to the later of: (i) 30 days after the date on which the Company repays all or part of the Notes Payable; and (ii) March 31, 2017.

The grant date fair value of \$519,533 was assigned to the 4,402,825 warrants as estimated by using the Black-Scholes pricing model with the following assumptions: share price \$0.15, dividend yield 0%, risk free interest rate 0.53%, volatility 143%, and an expected life 3.0 years. Expected volatility is based on historical volatility. The effective interest rate was 70%.

	As at June 30, 2017	As at September 30, 2016
Opening balance	\$ 141,565	\$ -
Notes payable issued	-	664,293
Cost of issue - warrants	-	(519,533)
Accretion	54,089	55,639
Repayment	(606,490)	(58,834)
Accelerated recognition of non-cash accretion	410,836	-
Closing balance	\$ -	\$ 141,565

In April 2017, the Company made payments of approximately \$780,100 and US\$6,500 for the early retirement of Notes Payable originally issued by the Company in April 2016. These payments included early retirement penalties of \$180,600 and US\$1,500, respectively.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2017

(In Canadian Dollars, unless otherwise indicated)

10. SHARE CAPITAL

(a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares.

(b) Common shares issued

(i) On December 24, 2015, the Company completed a non-brokered private placement of 10,559,938 units of the Company at \$0.15 per unit for gross proceeds of \$1,583,991. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$0.30 and expires on December 24, 2018. The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of \$985,780 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants is estimated using Black-Scholes pricing model with the following assumptions: share price \$0.135, dividend yield 0%, risk free interest rate 0.62%, volatility 143%, and an expected life 3.0 years. Expected volatility is based on historical volatility.

In connection with the private placement, the Company paid a finder's fee of \$17,220 and issued 114,800 compensation warrants expiring on December 24, 2018. Each compensation warrant is exercisable into one common share at a price of \$0.30. The fair value of the compensation warrants estimated at \$10,717 Black-Scholes pricing model with the following assumptions: share price \$0.135, dividend yield 0%, risk free interest rate 0.62%, volatility 143%, and an expected life 3.0 years. Expected volatility is based on historical volatility. Compensation warrants were not measured at the fair value of the services received as the fair value for such services was not reliably measurable.

(ii) On February 22, 2016, the Company completed a non-brokered private placement of 3,075,723 units of the Company at \$0.15 per unit for gross proceeds of \$461,358. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$0.30 and expires on February 22, 2019. The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of \$178,644 being allocated to warrant capital and the residual allocated to share capital using the relative fair value method. The fair value of the warrants is estimated using Black-Scholes pricing model with the following assumptions: share price \$0.20, dividend yield 0%, risk free interest rate 0.44%, volatility 143%, and an expected life 3.0 years. Expected volatility is based on historical volatility.

In connection with the private placement, the Company paid a finder's fee of \$24,000 and issued 160,000 compensation warrants expiring on February 22, 2019. Each compensation warrant is exercisable into one common share at a price of \$0.30. The fair value of the compensation warrants estimated at \$9,472 Black-Scholes pricing model with the following assumptions: share price \$0.20, dividend yield 0%, risk free interest rate 0.44%, volatility 143%, and an expected life 3.0 years. Expected volatility is based on historical volatility. Compensation warrants were not measured at the fair value of the services received as the fair value for such services was not reliably measurable.

(iii) On June 15, 2016, the Company completed a non-brokered private placement of 17,001,667 units of the Company at \$0.15 per unit for gross proceeds of \$2,550,250. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$0.30 and expires on June 15, 2019. The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of \$1,294,749 being allocated to warrant capital and the residual allocated to share capital using the relative fair value method. The fair value of the warrants is estimated using Black-Scholes pricing model with the following assumptions: share price \$0.25, dividend yield 0%, risk free interest rate 0.53%, volatility 143%, and an expected life 3.0 years. Expected volatility is based on historical volatility.

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(In Canadian Dollars, unless otherwise indicated)

10. SHARE CAPITAL (Continued)

(b) Common shares issued (continued)

(iii)(continued) In connection with the private placement, the Company paid finders' fees of \$80,220 and issued 116,000 compensation warrants expiring on June 15, 2019. Each compensation warrant is exercisable into one common share at a price of \$0.30. The fair value of the compensation warrants estimated at \$11,878 Black-Scholes pricing model with the following assumptions: share price \$0.25, dividend yield 0%, risk free interest rate 0.53%, volatility 143%, and an expected life 3.0 years. Expected volatility is based on historical volatility. Compensation warrants were not measured at the fair value of the services received as the fair value for such services was not reliably measurable.

(iv) On April 24, 2017, the Company completed a non-brokered private placement of 7,240,000 units of the Company at \$0.50 per unit for gross proceeds of \$3,620,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.00 and expires on April 24, 2019. The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of \$1,069,721 being allocated to warrant capital and the residual allocated to share capital using the relative fair value method. The fair value of the warrants is estimated using Black-Scholes pricing model with the following assumptions: share price \$0.58, dividend yield 0%, risk free interest rate 0.74%, volatility 107%, and an expected life 2.0 years. Expected volatility is based on historical volatility.

11. WARRANTS

The following table reflects the continuity of warrants for the periods presented:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2015	10,554,457	\$ 0.96
Issued (note 10(b)(i)(ii)(iii))	35,414,286	0.28
Expired	(175,635)	0.58
Balance, June 30, 2016	45,793,108	\$ 0.44
Balance, September 30, 2016	48,712,068	\$ 0.40
Issued (note 10(b)(iv))	7,240,000	1.00
Exercised	(6,131,088)	(0.37)
Expired	(5,033,000)	(0.89)
Balance, June 30, 2017	44,787,980	\$ 0.40

EEStor Corporation

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(In Canadian Dollars, unless otherwise indicated)

11. WARRANTS (Continued)

The Company had the following warrants outstanding at June 30, 2017:

Number of Warrants	Exercise Price	Expiry Date
10,674,738	\$0.30	December 24, 2018
3,235,723	\$0.30	February 22, 2019
4,036,159	\$0.15	March 31, 2019
16,617,667	\$0.30	June 15, 2019
2,983,693	\$0.30	July 11, 2019
7,240,000	\$1.00	April 24, 2019
44,787,980		

12. STOCK OPTIONS

On February 15, 2017, the Company adopted an amended and restated stock option plan (the "New Plan") which converts the prior 10% rolling plan into a 20% fixed stock option plan. The New Plan, authorizes the Board to issue options to employees, directors and consultants providing services to the Company or its subsidiaries. The New Plan is structured as a "fixed plan". Under the terms of the New Plan, the number of shares issuable under stock options and the performance warrants cannot exceed 20% of the outstanding common shares of the Company. The Company sets the exercise price based on the closing market price at the time of the grant. The Company may grant options for a term not to exceed ten years. Vesting periods are assessed at the time of the grant and are documented in more detail in the table below. In the event of a takeover bid which results in the Offeror exercising control of the Company, stock options which might otherwise not be vested may be exercised as part of the takeover transaction.

The following table reflects the continuity of stock options for the periods presented:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2015	3,657,800	\$ 0.63
Granted ⁽¹⁾⁽²⁾	3,170,000	0.20
Expired	(534,463)	(0.30)
Forfeited	(8,337)	(1.27)
Balance, June 30, 2016	6,285,000	\$ 0.38
Balance, September 30, 2016	7,315,000	\$ 0.36
Granted ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾	8,054,024	0.55
Expired	(580,000)	(0.83)
Balance, June 30, 2017	14,789,024	\$ 0.44
Exercisable	6,251,214	\$ 0.36

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2017

(In Canadian Dollars, unless otherwise indicated)

12. STOCK OPTIONS (Continued)

(1) Includes 2,990,000 options granted to officers and certain directors, 200,000 vest equally over a twelve month period, 1,680,000 vest equally over an eighteen month period and 750,000 vest over a twenty-four month period. Due to the departure of an officer during the quarter, 360,000 vest immediately during the quarter. These options will expire five years from the date of grant.

(2) Includes 180,000 options granted to an officer and director and vest over a twenty-four month period. These options will expire five years from the date of grant.

(3) Includes 40,000 options granted to employees which vest over a twenty-four month period. These options will expire five years from the date of grant.

(4) Includes 1,439,512 options granted to officers and certain directors, 700,000 vest equally over a twelve month period and 739,512 vest over a twenty-four month period. These options will expire five years from the date of grant.

(5) Includes 75,000 options granted to employees which vest over a twenty-four month period. These options will expire five years from the date of grant.

(6) Includes 750,000 options granted to a consultant which vest over a twenty-four month period. These options will expire two years from the date of grant.

(7) Includes 250,000 options granted to an employee which vest over a thirty-six month period. These options will expire three years from the date of grant.

(8) Includes 5,499,512 options granted to officers, directors, employees and consultants, 980,000 options vest equally over a twelve month period; 819,512 vest over a twenty-four month period; 2,500,000 options shall vest based on the achievement of average share price; and 1,200,000 options shall vest based on the specific of certain performance achievement. These options will expire five years from the date of grant.

For the three and nine months ended June 30, 2017, the Company recorded \$632,338 and \$1,197,825, respectively (three and nine months ended June 30, 2016 - \$129,540 and \$271,629, respectively) in stock-based compensation costs.

For the nine months ended June 30, 2017, the fair value of options is determined using the Black-Scholes option pricing model with the following weighted average assumptions: (i) dividend yield of 0%, (ii) expected volatility of approximately 131.5%, (iii) risk free interest rate of 1.05%, (iv) the average expected life of 4.66 years, and (v) the average share price on date of issuance of \$0.56 and a forfeiture rate of 0%. Expected volatility is based on historical volatility. The Company includes an estimated forfeiture rate, with actual forfeitures reversed in the period they occur. The weighted average fair value of the grants in the period was approximately \$0.47 per instrument.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2017

(In Canadian Dollars, unless otherwise indicated)

12. STOCK OPTIONS (Continued)

The Company had the following stock options outstanding as of June 30, 2017:

<u>Number of Options</u>		<u>Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (years)</u>	<u>Expiry Date</u>
<u>Outstanding</u>	<u>Exercisable</u>			
150,000	150,000	\$ 1.13	0.59	January 31, 2018
250,000	250,000	\$ 0.85	1.54	January 13, 2019
750,000	93,750	\$ 0.50	1.62	February 10, 2019
30,000	30,000	\$ 0.63	1.76	April 4, 2019
1,180,000	1,180,000	\$ 0.32	1.93	June 3, 2019
750,000	750,000	\$ 0.57	2.48	December 22, 2019
250,000	20,833	\$ 0.50	2.62	February 10, 2019
2,630,000	2,068,750	\$ 0.20	3.65	February 23, 2021
180,000	90,000	\$ 0.19	3.92	May 30, 2021
1,565,000	1,053,750	\$ 0.27	4.10	August 4, 2021
40,000	10,000	\$ 0.52	4.38	November 16, 2021
1,439,512	544,756	\$ 0.49	4.48	December 20, 2021
50,000	6,250	\$ 0.53	4.52	January 6, 2022
25,000	3,125	\$ 0.495	4.56	January 18, 2022
5,499,512	-	\$ 0.57	4.77	April 6, 2022
14,789,024	6,251,214		3.82	

13. EMPLOYEE BENEFITS EXPENSE

Salaries and employee benefits expense included in the general and administrative expenses during the three and nine months ended June 30, 2016 and 2017 are as follows:

	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>	<u>Nine months ended June 30, 2017</u>	<u>Nine months ended June 30, 2016</u>
Wages and salaries	\$ 331,640	\$ 369,260	\$ 857,119	\$ 797,321
Stock-based compensation (note 12)	632,338	129,540	1,197,825	271,629
	\$ 963,978	\$ 498,800	\$ 2,054,944	\$ 1,068,950

Salaries and employee benefits expense included in the engineering and development expenses during the three and nine months ended June 30, 2016 and 2017 are as follows:

	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>	<u>Nine months ended June 30, 2017</u>	<u>Nine months ended June 30, 2016</u>
Wages and salaries	\$ 306,837	\$ (2,005)	\$ 979,007	\$ 115,533

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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14. DEPRECIATION

The Company's depreciation expense included in the general and administrative expenses for the three and nine months ended June 30, 2017 is \$2,294 and \$7,414, respectively (three and nine months ended June 30, 2016 – \$728 and \$2,288, respectively) and included in engineering and development expenses is \$12,809 and \$34,956 (three and nine months ended June 30, 2016 – \$10,288 and \$31,975, respectively).

15. COMMITMENTS

The Company and EEStor are contracted for minimum lease payments relating to the Toronto and Cedar Park offices as follows:

2017	\$	54,288
2018		146,347
2019		47,219
2020		47,219
		<hr/>
		\$ 295,073

16. RELATED PARTY TRANSACTIONS

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company, including members of the Company's Board of Directors. The Company considers key management to be the members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer.

Key management personnel may also participate in the Company's stock-based compensation plans (note 12).

The remuneration of key management personnel were as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Wages and salaries	\$ 384,077	\$ 116,180	\$ 721,207	\$ 476,875
Stock-based compensation	388,870	129,546	729,287	266,309
		<hr/>	<hr/>	<hr/>
		\$ 772,947	\$ 1,450,494	\$ 743,184

As at June 30, 2017, the outstanding compensation for key management personnel, as defined above, was \$nil; for management \$nil (September 30, 2016 - \$249,500) and for directors \$nil (September 30, 2016 - \$18,014).

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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(In Canadian Dollars, unless otherwise indicated)

17. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to maintain its ability to continue as a going concern for the benefit of shareholders and other stakeholders by balancing cash conservation and prudent investment in its operations in order to further its business objectives.

Working capital management is fundamental to the broader management of capital. The Company has a defined investment policy restricting the investment of cash balances to term deposits and bankers' acceptances. Non-cash working capital is managed with defined business practices and policies intended to optimize the investment and safeguard the assets.

The Company includes equity in its definition of capital. Equity is comprised of share capital, contributed surplus, warrant capital and deficit and amounted to \$24,826,180 (September 30, 2016 - \$21,912,306). The Company's approach to raising equity has been to raise sufficient capital to take the Company toward a target milestone, with an objective of successive capital raises being at a higher price and therefore less dilutive for shareholders. To secure additional capital to pursue its objectives, the Company may raise additional funds through the issuance of equity. The Company's ability to continue with its incremental capital raise strategy is a function of many factors, including the state of the capital markets and achievement of target milestones, and there is no assurance that this approach will be practical on a go forward basis.

The Company is not subject to any external capital requirements. There have been no changes with respect to the overall capital management strategy during the nine months ended June 30, 2017.

18. FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash, short-term investments, restricted cash, accounts payable and accrued liabilities approximates their carrying value due to the short term nature of these financial instruments. The fair value of the Notes Payable is \$nil (September 30, 2016 - \$664,293).

Interest Rate Risk

Interest rate risk is the impact that changes in interest rates could have on the Company's income and liabilities. The Company's exposure to interest rate risk is minimal.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities, when revenue or expense are denominated in a different currency from the Company's functional currency. The Company is exposed to foreign exchange fluctuations against the Canadian dollar as some of its expenses are denominated in U.S. dollars, while the majority of expenditures are denominated in Canadian dollars. For the nine month period ended June 30, 2017, the Company's foreign exchange losses were \$64,077 (nine month period ended June 30, 2016 - gain of \$46,747). The significant financial instrument of the Company denominated in US dollars is cash of \$109,793.

EEStor Corporation

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(In Canadian Dollars, unless otherwise indicated)

18. FINANCIAL INSTRUMENTS (Continued)

Credit Risk

Credit risk arises from the possibility that the entities to which the Company sells products may experience financial difficulties and be unable to fulfill their contractual obligations. The Company's exposure to credit risk is minimal. The Company will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at June 30, 2017, the Company has current liabilities of \$124,764 due within 12 months and has a cash balance of \$3,062,699. As at June 30, 2017, the Company has a working capital of \$3,272,784. Management plans to raise additional capital through the private placement of securities and the exercise of warrants in order to continue the development of the EEStor technology and to maintain its operations. As at June 30, 2017, the Company's exposure to liquidity risk is minimal.

19. SEGMENTED INFORMATION

As at June 30, 2017, the operations and assets of the Company's wholly-owned subsidiaries are located in Canada. The operations and assets of EEStor are located in Cedar Park, Texas, and are summarized in note 7.