



EESTOR CORPORATION
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED
JUNE 30, 2018
(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, 2018	As at September 30, 2017
ASSETS		
Current assets		
Cash	\$ 599,149	\$ 2,019,420
Prepaid expenses and sundry assets	376,643	343,130
Total current assets	975,792	2,362,550
Non-current assets		
Property and equipment (note 4)	181,628	192,833
EEStor technology, rights, patents and development costs (notes 5 and 6)	19,449,547	19,412,893
Total non-current assets	19,631,175	19,605,726
Total assets	\$ 20,606,967	\$ 21,968,276
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 397,492	\$ 289,416
Total liabilities	397,492	289,416
Shareholders' equity		
Share capital (note 8)	73,105,163	71,721,755
Contributed surplus	12,476,927	11,853,546
Warrant capital	5,637,947	5,021,144
Accumulated deficit	(67,582,569)	(64,614,569)
	23,637,468	23,981,876
Non-controlling interest (note 6)	(3,427,993)	(2,303,016)
Total shareholders' equity	20,209,475	21,678,860
Total liabilities and shareholders' equity	\$ 20,606,967	\$ 21,968,276

Nature of operations and going concern (note 1)

Commitments (note 13)

Subsequent events (note 18)

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, 2018	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2018	Nine Months Ended June 30, 2017
Expenses				
General and administrative (notes 11 and 12)	\$ 1,014,128	\$ 1,979,811	\$ 2,707,435	\$ 3,951,812
Engineering and development (notes 11 and 12)	510,198	432,867	1,385,542	1,385,190
Net loss and comprehensive loss for the period	\$ (1,524,326)	\$ (2,412,678)	\$ (4,092,977)	\$ (5,337,002)
Net loss for the period attributable to:				
Loss for the period	\$ (1,112,418)	\$ (2,012,097)	\$ (2,968,000)	\$ (4,318,838)
Non-controlling interest in subsidiary (note 6)	(411,908)	(400,581)	(1,124,977)	(1,018,164)
	\$ (1,524,326)	\$ (2,412,678)	\$ (4,092,977)	\$ (5,337,002)
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.04)
Weighted average number of shares outstanding - basic and diluted	116,675,540	107,918,781	112,558,287	103,063,329

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, 2018	Nine Months Ended June 30, 2017
Cash flows used in operations		
Net loss for the period	\$ (4,092,977)	\$ (5,337,002)
Items not affecting cash:		
Depreciation and amortization (notes 4 and 6)	79,683	62,583
Stock-based compensation (note 10)	623,381	1,197,825
Accretion	-	54,089
Gain on sale of equipment	(11,124)	-
Loss on disposal of asset held for sale	7,510	-
Asset impairment	2,736	-
Loss on early retirement of notes payable	-	410,836
	(3,390,791)	(3,611,669)
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	(33,513)	(161,031)
Accounts payable and accrued liabilities	108,076	(489,422)
Net cash used in operating activities	(3,316,228)	(4,262,122)
Investing activities		
Proceeds from sale of property and equipment	11,124	-
Purchase of property and equipment (note 4)	(74,383)	(32,487)
Purchase of patents and trademarks (note 6)	(55,985)	(46,438)
Proceeds from disposal of asset held for sale	14,990	-
Net cash used in investing activities	(104,254)	(78,925)
Financing activities		
Issuance of units, net of issuance costs	1,962,711	3,565,737
Exercise of warrants	37,500	2,276,150
Restricted cash	-	734,600
Repayment of notes payable	-	(606,490)
Net cash provided by financing activities	2,000,211	5,969,997
Net change in cash	(1,420,271)	1,628,950
Cash, beginning of period	2,019,420	1,433,749
Cash, end of period	\$ 599,149	\$ 3,062,699

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 8(b)(i))	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 6)	350,000	193,000	-	-	-	193,000	-	193,000
Transfer from warrant capital on expiry	-	-	2,892,088	(2,892,088)	-	-	-	-
Stock-based compensation (note 10)	-	-	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, 2017	110,114,254	\$ 71,721,755	\$ 11,853,546	\$ 5,021,144	\$ (64,614,569)	\$ 23,981,876	\$ (2,303,016)	\$ 21,678,860
Loss for the period	-	-	-	-	(2,968,000)	(2,968,000)	-	(2,968,000)
Non-controlling interest in subsidiary	-	-	-	-	-	-	(1,124,977)	(1,124,977)
Comprehensive loss for the period	-	-	-	-	(2,968,000)	(2,968,000)	(1,124,977)	(4,092,977)
Transactions with shareholders:								
Issuance of units - net of costs (note 8(b)(ii)(iii))	6,798,000	1,335,488	-	627,223	-	1,962,711	-	1,962,711
Shares issued from exercise of warrants	125,000	47,920	-	(10,420)	-	37,500	-	37,500
Stock-based compensation (note 10)	-	-	623,381	-	-	623,381	-	623,381
Balance, June 30, 2018	117,037,254	\$ 73,105,163	\$ 12,476,927	\$ 5,637,947	\$ (67,582,569)	\$ 23,637,468	\$ (3,427,993)	\$ 20,209,475

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

EESor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

1. NATURE OF OPERATIONS AND GOING CONCERN

EESor 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 "EESor" herein means EESor, Inc. alone a 71.3% subsidiary of EESor 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 capacitor and energy storage technology currently under development by EESor across a broad spectrum of industries and applications. EESor 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 29, 2018.

The Company's success depends on the commercialization of its technology; however, there is no assurance that EESor 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 29, 2018, 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, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending September 30, 2018 could result in restatement of these consolidated interim condensed financial statements.

EESstor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

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

Changes in Accounting Policies

The Company adopted the following new standards issued by the IASB or the IFRIC:

(i) 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. At October 1, 2017, the Company adopted this pronouncement and there was no material impact on the Company's unaudited consolidated interim condensed financial statements.

(ii) The IASB issued amendments to IFRS 2, Share-based Payments. The new requirements could affect the classification and/or measurement of cash settled share-based payments, classification of share-based payments settled net of tax advantage, and share-based payment from cash-settled to equity settled – and potentially the timing and amount of expense recognized for new and outstanding awards. At October 1, 2017, the Company adopted this pronouncement and there was no material impact on the Company's unaudited consolidated interim condensed financial statements.

Future Accounting Pronouncements

The accounting pronouncements detailed in this note and those that have been issued but are not yet effective and may have an impact on the financial statements. The Company has not early adopted these standards and is currently evaluating the impact, if any, that these standards might have on its unaudited consolidated interim condensed 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 annual periods beginning on or after January 1, 2018. Earlier application is permitted.

(ii) 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 to 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, 2018

(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 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.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

4. PROPERTY AND EQUIPMENT

Cost	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2016	\$ 60,945	\$ 43,485	\$ 36,707	\$ 174,280	\$ 315,417
Additions	-	-	-	133,006	133,006
Balance, September 30, 2017	60,945	43,485	36,707	307,286	448,423
Additions	-	-	-	74,383	74,383
Impairment and transfer to assets held for sale (a)	-	-	(36,707)	-	(36,707)
Balance, June 30, 2018	\$ 60,945	\$ 43,485	\$ -	\$ 381,669	\$ 486,099

Accumulated Depreciation	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2016	\$ 60,414	\$ 43,485	\$ 2,294	\$ 86,462	\$ 192,655
Depreciation	531	-	9,177	53,227	62,935
Balance, September 30, 2017	60,945	43,485	11,471	139,689	255,590
Depreciation	-	-	-	60,352	60,352
Transfer to assets held for sale (a)	-	-	(11,471)	-	(11,471)
Balance, June 30, 2018	\$ 60,945	\$ 43,485	\$ -	\$ 200,041	\$ 304,471

Net book value	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2017	\$ -	\$ -	\$ 25,236	\$ 167,597	\$ 192,833
Balance, June 30, 2018	\$ -	\$ -	\$ -	\$ 181,628	\$ 181,628

(a) Total transfer to asset held for sale was \$22,500 and asset impairment of \$2,736 was recognized. On May 5, 2018, the Company sold the asset held for sale for \$14,990 resulting in a loss of \$7,510.

EESor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

5. TECHNOLOGY AGREEMENTS

Light Electric Vehicles

On March 10, 2013, EESor entered into a 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.

Lockheed Martin Corporation

On December 10, 2007, EESor 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 LMC 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.

6. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS

Continuity of Assets

Intangible asset at September 30, 2016	\$ 19,188,935
Additional patent cost	57,497
Addition to intellectual property rights (i)	193,000
Patent amortization	(26,539)
Intangible asset at September 30, 2017	19,412,893
Additional patent cost	55,985
Patent amortization	(19,331)
Intangible asset at June 30, 2018	\$ 19,449,547

(i) On December 2, 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 EESor's capacitor and electrical energy storage technologies. This agreement with ASG augments and accelerates the ongoing internal development at EESor 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 year ended September 30, 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, 2018

(In Canadian Dollars, unless otherwise indicated)

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

EEStor Financial Information

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

	June 30, 2018 US (\$)	September 30, 2017 US (\$)
Current assets	215,644	214,533
Long-term assets	1,095,460	1,055,208
Total assets	1,311,104	1,269,741
Current liabilities	110,539	120,016
Long-term liabilities (i)	10,481,264	8,962,540
Total liabilities	10,591,803	9,082,556
Shareholders' deficiency	(9,280,699)	(7,812,815)

(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, 2018 and 2017 are as follows:

	Three Months Ended June 30, 2018 US (\$)	Three Months Ended June 30, 2017 US (\$)	Nine Months Ended June 30, 2018 US (\$)	Nine Months Ended June 30, 2017 US (\$)
General and administrative expenses	113,117	115,528	381,949	327,275
Engineering and development	395,600	321,509	1,085,934	1,038,296
Net loss	508,717	437,037	1,467,883	1,365,571
Loss attributed to the Company	254,867	218,955	735,409	684,151
Non-controlling interest in subsidiary	253,850	218,082	732,474	681,420
Net loss	508,717	437,037	1,467,883	1,365,571

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, 2018, 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, 2018

(In Canadian Dollars, unless otherwise indicated)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at June 30, 2018	As at September 30, 2017
Trade accounts payables	\$ 207,034	\$ 132,202
Accrued liabilities	190,458	157,214
Total accounts payable and accrued liabilities	\$ 397,492	\$ 289,416

8. SHARE CAPITAL

(a) Authorized share capital

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

(b) Common shares issued

As at June 30, 2018, the total number of shares issued was 117,037,254 and valued at \$73,105,163.

(i) 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. 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.

(ii) On March 16, 2018, the Company completed the first tranche of a non-brokered private placement raising gross proceeds of \$1,216,500 from the sale of 4,055,000 units. Each unit was priced at \$0.30 and consisted 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 \$0.45 and expires on March 16, 2020. The Company also paid \$21,600 in finder's fee and issued 60,000 finder's warrants with the same terms as the warrants issued to subscribers under the offering.

The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of \$353,865 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants and finder's warrants is estimated using Black-Scholes pricing model with the following assumptions: share price \$0.275, dividend yield 0%, risk free interest rate 1.76%, volatility 107%, and an expected life 2.0 years. Expected volatility is based on historical volatility.

(iii) On April 12, 2018, the Company completed the final tranche of a non-brokered private placement raising gross proceeds of \$822,900 from the sale of 2,743,000 units. Each unit was priced at \$0.30 and consisted 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 \$0.45 and expires on April 12, 2020. The Company also paid \$14,994 in finder's fee and issued 49,980 finder's warrants with the same terms as the warrants issued to subscribers under the offering.

The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of \$273,358 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants and finder's warrants is estimated using Black-Scholes pricing model with the following assumptions: share price \$0.365, dividend yield 0%, risk free interest rate 1.88%, volatility 107%, and an expected life 2.0 years. Expected volatility is based on historical volatility.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

9. WARRANTS

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

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2016	48,712,068	\$ 0.40
Issued (note 8(b)(i))	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
Balance, September 30, 2017	44,787,980	\$ 0.40
Issued (note 8(b)(ii)(iii))	6,907,980	0.45
Exercised	(125,000)	0.30
Balance, June 30, 2018	51,570,960	\$ 0.41

The Company had the following warrants outstanding at June 30, 2018:

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
2,858,693	\$0.30	July 11, 2019
7,240,000	\$1.00	April 24, 2019
4,115,000	\$0.45	March 16, 2020
2,792,980	\$0.45	April 12, 2020
51,570,960		

10. STOCK OPTIONS

The Company has a stock option plan (the "Plan") which authorizes the Board to issue options to employees, directors and consultants providing services to the Company or its subsidiaries. The Plan is structured as a "fixed plan". Under the terms of the 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 acquiror exercising control of the Company, stock options which might otherwise not be vested may be exercised as part of the takeover transaction.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

10. STOCK OPTIONS (Continued)

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

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2016	7,315,000	\$ 0.36
Granted ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	8,054,024	0.55
Expired	(580,000)	0.83
Balance, June 30, 2017	14,789,024	\$ 0.44
Balance, September 30, 2017	14,789,024	\$ 0.44
Granted ⁽⁷⁾⁽⁸⁾	2,700,000	0.59
Expired	(150,000)	1.13
Balance, June 30, 2018	17,339,024	\$ 0.44
Exercisable	9,296,265	\$ 0.37

(1) 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.

(2) 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.

(3) 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.

(4) Includes 750,000 options granted to a consultant which vest based on certain performance achievement. These options will expire two years from the date of grant.

(5) Includes 250,000 options granted to an employee which vest based on certain performance achievements. These options will expire three years from the date of grant.

(6) 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 certain performance achievement. These options will expire five years from the date of grant.

(7) Includes 1,050,000 options granted to a consultant. Vesting will commence on April 12, 2018, the date of completing the equity financing, one-quarter of each of the \$0.34, \$0.75 and \$1.00 options granted shall vest and become exercisable on each of the 3, 6, 9 and 12 month anniversaries of the date of grant. These options will expire two years from the date of grant.

(8) Includes 1,650,000 options granted to officers, directors, employees and consultants, 650,000 options vest equally over a twelve month period; 1,000,000 vest over a twenty-four month period. These options will expire five years from the date of grant.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

10. STOCK OPTIONS (Continued)

For the three and nine months ended June 30, 2018, the Company recorded \$300,627 and \$623,381, respectively (three and nine months ended June 30, 2017 - \$632,338 and \$1,197,825, respectively) in stock-based compensation costs.

For the nine months ended June 30, 2018, 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 124%, (iii) risk free interest rate of 2.00%, (iv) the average expected life of 3.83 years, and (v) the average share price on date of issuance of \$0.34 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 \$0.25 per instrument.

The Company had the following stock options outstanding as of June 30, 2018:

<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>			
250,000	250,000	\$ 0.85	0.54	January 13, 2019
750,000	-	\$ 0.50	0.62	February 10, 2019
30,000	30,000	\$ 0.63	0.76	April 4, 2019
1,180,000	1,180,000	\$ 0.32	0.93	June 3, 2019
750,000	750,000	\$ 0.57	1.48	December 22, 2019
250,000	-	\$ 0.50	1.62	February 10, 2020
550,000	-	\$ 0.34	1.63	February 14, 2020
250,000	-	\$ 0.75	1.63	February 14, 2020
250,000	-	\$ 1.00	1.63	February 14, 2020
2,630,000	2,630,000	\$ 0.20	2.65	February 23, 2021
180,000	180,000	\$ 0.19	2.92	May 30, 2021
1,565,000	1,555,000	\$ 0.27	3.10	August 4, 2021
40,000	30,000	\$ 0.52	3.38	November 16, 2021
1,439,512	1,254,634	\$ 0.49	3.48	December 20, 2021
50,000	31,250	\$ 0.53	3.52	January 6, 2022
25,000	15,625	\$ 0.495	3.56	January 18, 2022
5,499,512	1,389,756	\$ 0.57	3.77	April 6, 2022
1,650,000	-	\$ 0.36	4.80	April 16, 2023
17,339,024	9,296,265		2.96	

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

11. SALARIES AND EMPLOYEE BENEFITS EXPENSE

Salaries and employee benefits expense included in the general and administrative expenses during the three and nine months ended June 30, 2018 and 2017 are as follows:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2018	Nine Months Ended June 30, 2017
Wages and salaries	\$ 187,074	\$ 331,640	\$ 650,544	\$ 857,119
Stock-based compensation (note 10)	300,627	632,338	623,381	1,197,825
	\$ 487,701	\$ 963,978	\$ 1,273,925	\$ 2,054,944

Salaries and employee benefits expense included in the engineering and development expenses during the three and nine months ended June 30, 2018 and 2017 are as follows:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2018	Nine Months Ended June 30, 2017
Wages and salaries	\$ 349,330	\$ 306,837	\$ 920,939	\$ 979,007

12. DEPRECIATION

The Company's depreciation expense included in the general and administrative expenses for the three and nine months ended June 30, 2018 is \$nil (three and nine months ended June 30, 2017 – \$2,294 and \$7,414, respectively) and included in engineering and development expenses is \$20,657 and \$60,352, respectively (three and nine months ended June 30, 2017 – \$12,809 and \$34,956, respectively).

13. COMMITMENTS

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

2018	\$ 18,857
2019	77,369
2020	77,369
	\$ 173,595

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

14. 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 10).

The remuneration of key management personnel were as follows:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2018	Nine Months Ended June 30, 2017
Wages and salaries	\$ 189,554	\$ 384,077	\$ 630,885	\$ 721,207
Stock-based compensation	168,180	388,870	413,406	729,287
	\$ 357,734	\$ 772,947	\$ 1,044,291	\$ 1,450,494

As at June 30, 2018, the outstanding compensation for key management personnel, as defined above, was \$nil; for management \$nil (September 30, 2017 - \$7,923) and for directors \$nil (September 30, 2017 - \$7,308).

Employee Advance

As at June 30, 2018, Mr. Ian Clifford, a director and CEO of the Company owed \$106,246 for advances related, primarily to his 2017 Canadian and US tax returns. These advances will be repaid upon receipt of Mr. Clifford's Canadian income tax refund. These advances are included in prepaid expenses and sundry assets.

15. 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 \$23,637,468 (September 30, 2017 - \$23,981,876). 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, 2018.

EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

16. FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash and accounts payable and accrued liabilities approximates their carrying value due to the short term nature of these financial instruments.

Interest Rate Risk

The Company invests surplus cash in bank demand deposits at two different financial institution at minimal interest rates which, due to their short-term nature, do not expose the Company to any significant interest rate risks.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities, when revenues or expenses 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 the majority of its expenses are denominated in U.S. dollars, while the minority of expenditures are denominated in Canadian dollars. For the nine months ended June 30, 2018, the Company's foreign exchange losses were \$15,124 (nine months ended June 30, 2017 - \$64,077). The U.S. dollar to Canadian dollar exchange rate as at June 30, 2018 was \$1.3168 (September 30, 2017 - \$1.2480).

The Canadian dollar carrying value of US dollar financial instruments are as follows:

Cash	\$ 116,065
Accounts payable and accrued liabilities	<u>(149,239)</u>
	<u>\$ (33,174)</u>

The impact of a 10% fluctuation in the US dollar exchange rate on the statement of comprehensive loss and equity would be \$4,368. The Company's exposure to currency risk is significant.

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.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations on a timely basis or at a reasonable cost.

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.

EESTor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2018

(In Canadian Dollars, unless otherwise indicated)

16. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (continued)

As at June 30, 2018, the Company has a cash balance of \$599,149 and current liabilities of \$397,492 due within 12 months. As at June 30, 2018, the Company has working capital of \$578,300. 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.

As at June 30, 2018, the Company's exposure to liquidity risk is significant (see going concern note in Note 1).

17. SEGMENTED INFORMATION

As at June 30, 2018, 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 6.

18. SUBSEQUENT EVENTS

(i) On August 13, 2018, the Company announced that it intends to pursue a non-brokered private placement of units ("Units") to raise gross proceeds of up to \$1,500,000 (the "Financing"). The Units are offered at a price of \$0.17 per Unit, with each Unit consisting of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.34 for a period of 60 months following closing. All securities issued in the Financing are subject to a 4-month hold period in Canada and such longer periods as may be required under other applicable securities laws.

(ii) On August 21, 2018, the Company announced that it had completed the first tranche of the Financing raising gross proceeds of \$517,480 from the sale of 3,044,000 units. Subject to regulatory approval, EESTor will pay cash finder's fees of \$18,299 and issue 107,640 finder's warrants having the same terms as the Warrants issued to subscribers in connection with the closing of the first tranche of the Financing.