EESTOR CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED JUNE 30, 2019

(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, 2019	As at September 30, 2018
ASSETS		
Current assets		
Cash	**$ 136,221**	$ 648,034
Prepaid expenses and sundry assets	**499,537**	312,330
Total current assets	**635,758**	960,364
Non-current assets		
Property and equipment (note 4)	**148,740**	195,775
EEStor technology, rights, patents and development costs (notes 5 and 6)	**19,467,860**	19,463,758
Total non-current assets	**19,616,600**	19,659,533
Total assets	**$ 20,252,358**	$ 20,619,897
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**$ 372,174**	$ 515,042
Promissory notes (note 8)	**403,848**	-
Total liabilities	**776,022**	515,042
Shareholders' equity		
Share capital (note 9)	**73,155,795**	72,974,855
Contributed surplus	**12,670,820**	12,698,778
Warrant capital	**7,909,744**	7,120,265
Accumulated deficit	**(70,228,462)**	(68,970,412)
	23,507,897	23,823,486
Non-controlling interest (note 6)	**(4,031,561)**	(3,718,631)
Total shareholders' equity	**19,476,336**	20,104,855
Total liabilities and shareholders' equity	**$ 20,252,358**	$ 20,619,897

Nature of operations and going concern (note 1)
Commitments (note 14)
Subsequent events (note 19)

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, 2019	Three Months Ended June 30, 2018	Nine Months Ended June 30, 2019	Nine Months Ended June 30, 2018
Expenses				
General and administrative (notes 12 and 13)	**$ 74,735**	$ 1,014,128	**$ 1,225,563**	$ 2,707,435
Engineering and development (notes 12 and 13)	**9,622**	510,198	**345,417**	1,385,542
Net loss and comprehensive loss for the period	**$ (84,357)**	$ (1,524,326)	**$ (1,570,980)**	$ (4,092,977)
Net loss for the period attributable to:				
Loss for the period	**$ (198,316)**	$ (1,112,418)	**$ (1,258,050)**	$ (2,968,000)
Non-controlling interest in subsidiary (note 6)	**113,959**	(411,908)	**(312,930)**	(1,124,977)
	$ (84,357)	$ (1,524,326)	**$ (1,570,980)**	$ (4,092,977)
Net loss per share - basic and diluted	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.03)
Weighted average number of shares outstanding - basic and diluted	**128,446,418**	116,675,540	**126,344,062**	112,558,287

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, 2019	2018
Cash flows used in operations		
Net loss for the period	**$ (1,570,980)**	$ (4,092,977)
Items not affecting cash:		
Depreciation and amortization (notes 4 and 6)	**73,145**	79,683
Stock-based compensation (note 11)	**231,307**	623,381
Interest accrual	**10,363**	-
Gain on sale of equipment	**-**	(11,124)
Loss on disposal of asset held for sale	**-**	7,510
Asset impairment	**-**	2,736
Warrants issued as financing cost	**136,154**	-
	(1,120,011)	(3,390,791)
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	**(187,207)**	(33,513)
Accounts payable and accrued liabilities	**(142,868)**	108,076
Net cash used in operating activities	**(1,450,086)**	(3,316,228)
Investing activities		
Proceeds from sale of property and equipment	**-**	11,124
Purchase of property and equipment (note 4)	**(5,972)**	(74,383)
Purchase of patents and trademarks (note 6)	**(24,240)**	(55,985)
Proceeds from disposal of asset held for sale	**-**	14,990
Net cash used in investing activities	**(30,212)**	(104,254)
Financing activities		
Issuance of units, net of issuance costs	**575,000**	1,962,711
Exercise of warrants	**-**	37,500
Promissory notes (note 8)	**393,485**	-
Net cash provided by financing activities	**968,485**	2,000,211
Net change in cash	**(511,813)**	(1,420,271)
Cash, beginning of period	**648,034**	2,019,420
Cash, end of period	**$ 136,221**	$ 599,149

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, 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 9(b)(i))	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 11)	-	-	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**
Balance, September 30, 2018	**125,287,077**	**$ 72,974,855**	**$ 12,698,778**	**$ 7,120,265**	**$ (68,970,412)**	**$ 23,823,486**	**$ (3,718,631)**	**$ 20,104,855**
Loss for the period	-	-	-	-	(1,258,050)	(1,258,050)	-	(1,258,050)
Non-controlling interest in subsidiary	-	-	-	-	-	-	(312,930)	(312,930)
Comprehensive loss for the period	-	-	-	-	(1,258,050)	(1,258,050)	(312,930)	(1,570,980)
Transactions with shareholders:								
Extension of warrants	-	-	(259,265)	259,265	-	-	-	-
Issuance of units - net of costs (note 9(b)(ii)(iii))	11,500,000	180,940	-	394,060	-	575,000	-	575,000
Warrants issued relating to promissory notes (note 8)	-	-	-	136,154	-	136,154	-	136,154
Stock-based compensation (note 11)	-	-	231,307	-	-	231,307	-	231,307
Balance, June 30, 2019	**136,787,077**	**$ 73,155,795**	**$ 12,670,820**	**$ 7,909,744**	**$ (70,228,462)**	**$ 23,507,897**	**$ (4,031,561)**	**$ 19,476,336**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

EEStor 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 “EEStor” herein means EEStor, Inc. alone a 50.1% subsidiary of EEStor Corporation. EEStor Corporation owns 50.1% of the common shares of EEStor. EEStor Corporation also owns 100% of the preference shares of EEStor, which can be converted to common shares on a 1 to 1 basis. This results in an as converted basis control of 71.3% of EEStor.

The Company’s head office is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1. The Company's business strategy is to focus on the licensing applications and collaboration opportunities of its new ceramic-based capacitor technology, currently under development by EEStor across a broad spectrum of industries and applications. EEStor became a subsidiary of the Company on 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, 2019.

The Company's success depends on the commercialization of its technology; however, there is no assurance that EEStor 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.

The Company is currently actively involved in negotiating both equity and debt financing initiatives, and continues to be in licensing and joint venture discussions with potential partners. Although the Company believes that it will be able to obtain the necessary funding as in the past, there can be no assurance of its access to further financing nor any assuarance that it will successfully complete licensing discussions with potential partners. These circumstances indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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, 2019, 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, 2018. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending September 30, 2019 could result in restatement of these consolidated interim condensed financial statements.

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:

IFRS 9, Financial Instruments

Effective October 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance had no impact on the Company's unaudited condensed interim consolidated financial statements.

Below is a summary showing the classification and measurement bases of our financial instruments as at October 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash	Loans and receivables (FVTPL)	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Debt advances	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company’s September 30, 2018 consolidated financial statements has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest".

The Company’s cash is classified as financial assets and measured at FVTPL.

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

Changes in Accounting Policies (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following five categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable, accrued liabilities and debt advance do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

- Financial liabilities recorded at FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

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

Changes in Accounting Policies (continued)

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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 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.

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 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) Stock-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.

3. USE OF ESTIMATES AND JUDGMENTS (Continued)

(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. PROPERTY AND EQUIPMENT

Cost	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2017	**$ 60,945**	**$ 43,485**	**$ 36,707**	**$ 307,286**	**$ 448,423**
Additions	-	-	-	112,758	112,758
Disposals (a)	-	-	(36,707)	-	(36,707)
Balance, September 30, 2018	**60,945**	**43,485**	**-**	**420,044**	**524,474**
Additions	-	-	-	5,972	5,972
Balance, June 30, 2019	**$ 60,945**	**$ 43,485**	**$ -**	**$ 426,016**	**$ 530,446**

Accumulated Depreciation	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2017	**$ 60,945**	**$ 43,485**	**$ 11,471**	**$ 139,689**	**$ 255,590**
Depreciation	-	-	-	84,580	84,580
Disposals (a)	-	-	(11,471)	-	(11,471)
Balance, September 30, 2018	**60,945**	**43,485**	**-**	**224,269**	**328,699**
Depreciation	-	-	-	53,007	53,007
Balance, June 30, 2019	**$ 60,945**	**$ 43,485**	**$ -**	**$ 277,276**	**$ 381,706**

Net book value	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2018	**$ -**	**$ -**	**$ -**	**$ 195,775**	**$ 195,775**
Balance, June 30, 2019	**$ -**	**$ -**	**$ -**	**$ 148,740**	**$ 148,740**

(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.

5. TECHNOLOGY AGREEMENTS

Light Electric Vehicles

On March 10, 2013, EEStor 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 non-human 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, EEStor 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. As at June 30, 2019, EEStor has not satisfied the performance targets specified by LMC and as such has not triggered any staged payments.

6. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS

Continuity of Assets	
Intangible asset at September 30, 2017	$ 19,412,893
Additional patent cost	76,796
Patent amortization	(25,931)
Intangible asset at September 30, 2018	**19,463,758**
Additional patent cost	24,240
Patent amortization	(20,138)
Intangible asset at June 30, 2019	**$ 19,467,860**

At the end of each reporting period, the Company reviews the carrying value of the EEStor technology, rights, patents and development costs to determine whether there is any indication that those assets have suffered an impairment loss. The recoverable amount is the higher of the fair value less costs to sell and value in use (2017 - no impairment charge). The recoverable amount was determined using a discounted cash flows valuation method to reflect the fair value less costs to sell. Significant inputs into the calculation are the estimated potential royalty rate of 3.5% - 6.5% (based on comparable publicly available licensing data), projected after-tax revenues, a growth rate of 5% (2% beyond the 5 year period) and a discount rate of 30% to 40% per annum. The benefit of unused tax losses has not been reflected in the determination of the fair value less costs to sell. The recoverable amount has been determined at a Level 3 of the fair value hierarchy.

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, 2019 US ($)	September 30, 2018 US ($)
Current assets	**169,641**	325,223
Long-term assets	**1,077,735**	1,117,235
Total assets	**1,247,376**	1,442,458
Current liabilities	**112,124**	154,516
Long-term liabilities (i)	**11,384,126**	11,124,619
Total liabilities	**11,496,250**	11,279,135
Shareholders' deficiency	**(10,248,874)**	(9,836,677)

(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, 2019 and 2018 are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019 US ($)	2018 US ($)	2019 US ($)	2018 US ($)
General and administrative expenses [1]	**(180,054)**	113,117	**211,809**	381,949
Engineering and development	**6,435**	395,600	**267,069**	1,085,934
Net loss	**(173,619)**	508,717	**478,878**	1,467,883
(Income) loss attributed to the Company	**(86,983)**	254,867	**239,918**	735,409
Non-controlling interest in subsidiary	**(86,636)**	253,850	**238,960**	732,474
Net (income) loss	**(173,619)**	508,717	**478,878**	1,467,883

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, 2019, the Company held 50.1% of the common stock outstanding.

[1] During the three months ended June 30, 2019, the recovery of $180,054 in general and administrative expenses is mainly due to unrealized foreign exchange gain on the financial assets and liabilities of EEStor as at the reporting date as well as the reversal of over accrued expenses.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at June 30, 2019	As at September 30, 2018
Trade accounts payables	**$ 244,787**	$ 366,788
Accrued liabilities	**127,387**	148,254
Total accounts payable and accrued liabilities	**$ 372,174**	$ 515,042

8. PROMISSORY NOTES

(i) On January 21, 2019, the Company entered into a loan agreement for a secured credit facility of $300,000 from Dr. Robert Tocchio, a shareholder of the Company. The credit facility is secured by a pledge of all of the Company's shares in Zenn Capital Inc, the holding company which owns all of the Company's equity interests in subsidiary, EEStor, Inc., as well as an assignment of loans made by the Company to EEStor, Inc. and related security. Draws under the credit facility bear interest at the rate of 6.0% per annum and must be repaid by January 21, 2020. The lender is entitled to elect to receive repayments of principal under the credit facility in common shares of the Company based on the market price at the time of repayment. As partial consideration for the provision of the credit facility, the Company has agreed to grant to the lender warrants to acquire up to 2,307,692 common shares, each warrant exercisable until January 21, 2020 at a price of $0.13 per share.

The grant date fair value of $136,154 was assigned to the 2,307,692 warrants as estimated by using the Black-Scholes pricing model with the following assumptions: share price $0.13, dividend yield 0%, risk free interest rate 1.92%, volatility 119%, and an expected life one year. Expected volatility is based on historical volatility. This was expensed as financing cost in the statement of loss and comprehensive loss.

(ii) During February 2019, the Company received $60,000 and US$25,025 ($33,485) of promissory notes from various investors. These promissory notes are unsecured, bear interest at the rate of 8.0% per annum and are repayable within one year.

As at June 30, 2019, the Company accrued interest of $10,363 for the promissory notes.

9. 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, 2019, the total number of shares issued was 136,787,077 and valued at $73,155,795.

(i) 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.

9. SHARE CAPITAL (Continued)

(ii) 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.

(iii) On May 29, 2019 and June 5, 2019, the Company completed the first and second tranche of a non-brokered private placement raising gross proceeds of $575,000 from the sale of 11,500,000 units. Each unit was priced at $0.05 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 $0.10 and expires 60 months from date of issue. The Company also issued 90,000 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 $391,000 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 $0.045, dividend yield 0%, risk free interest rate 1.49%, volatility 122%, and an expected life 5.0 years. Expected volatility is based on historical volatility.

10. WARRANTS

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

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2017	**44,787,980**	**$ 0.40**
Issued (note 9(b)(i)(ii))	6,907,980	0.45
Exercised	(125,000)	0.30
Balance, June 30, 2018	**51,570,960**	**$ 0.41**
Balance, September 30, 2018	**59,997,243**	**$ 0.40**
Issued (notes 8 and 9(b)(iii))	13,897,692	0.10
Expired	(4,426,959)	0.15
Balance, June 30, 2019	**69,467,976**	**$ 0.40**

10. WARRANTS (Continued)

The Company had the following warrants outstanding at June 30, 2019:

Number of Warrants	Exercise Price	Expiry Date
10,559,938	$0.30	August 24, 2019 (i)
3,075,723	$0.30	August 24, 2019 (i)
16,501,667	$0.30	June 15, 2020 (iii)
2,858,693	$0.30	July 11, 2019
7,240,000	$0.60	April 24, 2020 (ii)
4,115,000	$0.45	March 16, 2020
2,792,980	$0.45	April 12, 2020
3,151,640	$0.34	August 21, 2023
5,274,643	$0.34	September 5, 2023
2,307,692	$0.13	January 21, 2020
6,500,000	$0.10	May 29, 2024
5,090,000	$0.10	June 5, 2024
69,467,976		

(i) On December 17, 2018, the Company received approval from the TSX to extend the expiry dates of 10,559,938 and 3,075,723 outstanding common share purchase warrants with an exercise price of $0.30 and original expiries of December 24, 2018 and February 22, 2019, respectively to August 24, 2019 (see note 19(ii)).

(ii) On April 23, 2019, the Company received approval from the TSX to reprice and extend the expiry date of 7,240,000 outstanding common share purchase warrants originally issued in April 2017. This amendment changes the exercise price of the warrants from $1.00 to $0.60 and the expiry from April 24, 2019 to April 24, 2020.

(iii) On June 5, 2019, the Company received approval from the TSX to extend the expiry date of 16,501,667 outstanding common share purchase warrants originally issued in June 2017. This amendment changes the expiry from June 15, 2019 to June 15, 2020.

11. 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.

11. 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, 2017	**14,789,024**	**$ 0.44**
Granted [1][2]	2,700,000	0.59
Expired	(150,000)	1.13
Balance, June 30, 2018	**17,339,024**	**$ 0.44**
Balance, September 30, 2018	**17,339,024**	**$ 0.44**
Expired	(2,210,000)	0.45
Balance, June 30, 2019	**15,129,024**	**$ 0.44**
Exercisable	10,679,024	$ 0.40

[1] 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.

[2] 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.

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 2.0%, (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 grant in the period was approximately $0.25 per instrument.

For the three and nine months ended June 30, 2019, the Company recorded $30,307 and $231,307, respectively (three and nine months ended June 30, 2018 - $300,627 and $623,381, respectively) in stock-based compensation costs.

11. STOCK OPTIONS (Continued)

The Company had the following stock options outstanding as of June 30, 2019:

Number of Options		Exercise	Weighted Average Remaining Contractual	
Outstanding	Exercisable	Price	Life (years)	Expiry Date
750,000	750,000	$ 0.57	0.48	December 22, 2019
250,000	-	$ 0.50	0.62	February 10, 2020
550,000	550,000	$ 0.34	0.63	February 14, 2020
250,000	250,000	$ 0.75	0.63	February 14, 2020
250,000	250,000	$ 1.00	0.63	February 14, 2020
2,630,000	2,630,000	$ 0.20	1.65	February 23, 2021
180,000	180,000	$ 0.19	1.92	May 30, 2021
1,565,000	1,565,000	$ 0.27	2.10	August 4, 2021
40,000	40,000	$ 0.52	2.38	November 16, 2021
1,439,512	1,439,512	$ 0.49	2.48	December 20, 2021
50,000	50,000	$ 0.53	2.52	January 6, 2022
25,000	25,000	$ 0.495	2.56	January 18, 2022
5,499,512	1,799,512	$ 0.57	2.77	April 6, 2022
1,650,000	1,150,000	$ 0.36	3.80	April 16, 2023
15,129,024	10,679,024		2.28	

12. 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, 2019 and 2018 are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Wages and salaries	**$ -**	$ 187,074	**$ 247,993**	$ 650,544
Stock-based compensation (note 11)	**30,307**	300,627	**231,307**	623,381
	$ 30,307	$ 487,701	**$ 479,300**	$ 1,273,925

Salaries and employee benefits expense included in the engineering and development expenses during the three and nine months ended June 30, 2019 and 2018 are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Wages and salaries	**$ 27,035**	$ 349,330	**$ 285,825**	$ 920,939

13. DEPRECIATION

The Company's depreciation expense included in engineering and development expenses is $15,622 and $53,007, respectively (three and nine months ended June 30, 2018 – $20,657 and $60,352, respectively).

14. COMMITMENTS

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

2019	$ 46,083
2020	186,784
2021	110,961
	$ 343,828

15. 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 11).

The remuneration of key management personnel were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Wages and salaries	**$ -**	$ 189,554	**$ 246,557**	$ 630,885
Stock-based compensation	**7,192**	168,180	**116,484**	413,406
	$ 7,192	$ 357,734	**$ 363,041**	$ 1,044,291

Employee Advance

As at June 30, 2019, an officer and director of the Company owed $161,930 for advances related primarily to the filing of his 2017 Canadian and US tax returns. These advances are included in prepaid expenses and sundry assets. The ultimate treatment of these advances is under discussion.

16. 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 $23,507,897 (September 30, 2018 - $23,823,486). 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, 2019.

17. 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, 2019, the Company's foreign exchange gain was $2,337 (nine months ended June 30, 2018 - loss of $15,124). The U.S. dollar to Canadian dollar exchange rate as at June 30, 2019 was $1.3087 (September 30, 2018 - $1.2945).

17. FINANCIAL INSTRUMENTS (Continued)

Foreign Currency Risk (continued)

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

Cash	$ 13,583
Accounts payable and accrued liabilities	(130,053)
	$ (116,470)

The impact of a 10% fluctuation in the US dollar exchange rate on the statement of comprehensive loss and equity would be $13,005. 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 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, 2019, the Company has a cash balance of $136,221 and current liabilities of $776,022 due within 12 months. As at June 30, 2019, the Company has a working capital deficiency of $140,264. 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.

18. SEGMENTED INFORMATION

As at June 30, 2019, 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.

19. SUBSEQUENT EVENTS

(i) On July 12, 2019, the Company announced that it will conduct a final tranche of its previously announced non-brokered private placement to raise gross proceeds of $175,000 from the sale of 3,500,000 units. Each unit is priced at $0.05 and consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one additional common share at a price of $0.10 for a period of 60 months from the closing date of the offering. All securities issued pursuant to the private placement are subject to a 4-month hold period in Canada.

(ii) On August 9, 2019, the announced that it will extend the expiry date of 13,635,661 outstanding common share purchase warrants through until December 24, 2020. This warrants are currrently exercisable at a price of $0.30 and were previously scheduled to expire on August 24, 2019.