



**EESTOR CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE AND NINE MONTHS ENDED**  
**JUNE 30, 2020**  
**(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, 2020	As at September 30, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 11,743	\$ 3,115
Prepaid expenses and sundry assets	277,109	516,459
<b>Total current assets</b>	<b>288,852</b>	<b>519,574</b>
<b>Non-current assets</b>		
Property and equipment (note 4)	85,380	133,311
Right-of-use assets (note 5)	143,742	-
EEStor technology, rights, patents and development costs (note 7)	14,869,388	14,889,047
<b>Total non-current assets</b>	<b>15,098,510</b>	<b>15,022,358</b>
<b>Total assets</b>	<b>\$ 15,387,362</b>	<b>\$ 15,541,932</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	\$ 847,158	\$ 574,825
Bridge loan (note 9)	53,000	-
Loan payable (note 10)	30,000	-
Promissory notes (note 11)	429,393	410,269
Lease liabilities (note 12)	43,940	-
<b>Total current liabilities</b>	<b>1,403,491</b>	<b>985,094</b>
<b>Non-current liabilities</b>		
Lease liabilities (note 12)	107,548	-
<b>Total non-current liabilities</b>	<b>107,548</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,511,039</b>	<b>985,094</b>
<b>Shareholders' equity</b>		
Share capital (note 13)	73,349,665	73,217,135
Contributed surplus	13,185,191	13,364,041
Warrant capital	7,625,755	7,321,183
Accumulated deficit	(75,878,406)	(75,189,572)
	18,282,205	18,712,787
Non-controlling interest (note 7)	(4,405,882)	(4,155,949)
<b>Total shareholders' equity</b>	<b>13,876,323</b>	<b>14,556,838</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 15,387,362</b>	<b>\$ 15,541,932</b>

Nature of operations and going concern (note 1)

Subsequent event (note 21)

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,		Nine Months Ended June 30,	
	2020	2019	2020	2019
<b>Expenses</b>				
General and administrative (notes 16 and 17)	\$ 233,365	\$ 64,372	\$ 832,255	\$ 1,079,046
Financing costs (notes 9 and 11)	6,351	10,363	38,124	146,517
Engineering and research (notes 16 and 17)	23,560	9,622	68,388	345,417
<b>Net and comprehensive loss for the period</b>	<b>\$ (263,276)</b>	<b>\$ (84,357)</b>	<b>\$ (938,767)</b>	<b>\$ (1,570,980)</b>
<b>Net loss for the period attributable to:</b>				
Loss for the period	\$ (428,503)	\$ (198,316)	\$ (688,834)	\$ (1,258,050)
Non-controlling interest in subsidiary (note 7)	165,227	113,959	(249,933)	(312,930)
	<b>\$ (263,276)</b>	<b>\$ (84,357)</b>	<b>\$ (938,767)</b>	<b>\$ (1,570,980)</b>
<b>Net loss per share - basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>				
- basic and diluted	144,857,077	128,446,418	143,339,303	126,344,062

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,	
	2020	2019
<b>Cash flows used in operations</b>		
Net loss for the period	\$ (938,767)	\$ (1,570,980)
Items not affecting cash:		
Depreciation and amortization (notes 4 and 7)	202,649	73,145
Stock-based compensation (note 15)	13,752	231,307
Interest accrual	22,124	10,363
Accretion	17,129	-
Warrants issued as financing cost	16,000	136,154
	(667,113)	(1,120,011)
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	239,350	(187,207)
Accounts payable and accrued liabilities	272,333	(142,868)
<b>Net cash used in operating activities</b>	<b>(155,430)</b>	<b>(1,450,086)</b>
<b>Investing activities</b>		
Purchase of property and equipment (note 4)	-	(5,972)
Purchase of patents and trademarks (note 7)	(798)	(24,240)
<b>Net cash used in investing activities</b>	<b>(798)</b>	<b>(30,212)</b>
<b>Financing activities</b>		
Issuance of units, net of issuance costs	228,500	575,000
Government loan	30,000	-
Bridge loan	50,000	-
Promissory notes	-	393,485
Lease payments	(143,644)	-
<b>Net cash provided by financing activities</b>	<b>164,856</b>	<b>968,485</b>
<b>Net change in cash</b>	<b>8,628</b>	<b>(511,813)</b>
<b>Cash, beginning of period</b>	<b>3,115</b>	<b>648,034</b>
<b>Cash, end of period</b>	<b>\$ 11,743</b>	<b>\$ 136,221</b>

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
<b>Balance, September 30, 2018</b>	<b>125,287,077</b>	<b>\$ 72,974,855</b>	<b>\$ 12,698,778</b>	<b>\$ 7,120,265</b>	<b>\$ (68,970,412)</b>	<b>\$ 23,823,486</b>	<b>\$ (3,718,631)</b>	<b>\$ 20,104,855</b>
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:								
Issuance of units - net of costs (note 13(b)(i))	11,500,000	180,940	-	394,060	-	575,000	-	575,000
Extension of warrants	-	-	(259,265)	259,265	-	-	-	-
Warrants issued relating to promissory notes (note 11)	-	-	-	136,154	-	136,154	-	136,154
Stock-based compensation (note 15)	-	-	231,307	-	-	231,307	-	231,307
<b>Balance, June 30, 2019</b>	<b>136,787,077</b>	<b>\$ 73,155,795</b>	<b>\$ 12,670,820</b>	<b>\$ 7,909,744</b>	<b>\$ (70,228,462)</b>	<b>\$ 23,507,897</b>	<b>\$ (4,031,561)</b>	<b>\$ 19,476,336</b>
<b>Balance, September 30, 2019</b>	<b>140,287,077</b>	<b>\$ 73,217,135</b>	<b>\$ 13,364,041</b>	<b>\$ 7,321,183</b>	<b>\$ (75,189,572)</b>	<b>\$ 18,712,787</b>	<b>\$ (4,155,949)</b>	<b>\$ 14,556,838</b>
Loss for the period	-	-	-	-	(688,834)	(688,834)	-	(688,834)
Non-controlling interest in subsidiary	-	-	-	-	-	-	(249,933)	(249,933)
Comprehensive loss for the period	-	-	-	-	(688,834)	(688,834)	(249,933)	(938,767)
Transactions with shareholders:								
Issuance of units - net of costs (note 13(b)(i))	4,570,000	132,530	-	95,970	-	228,500	-	228,500
Extension of warrants	-	-	(192,602)	192,602	-	-	-	-
Warrants issued relating to bridge loan (note 9)	-	-	-	16,000	-	16,000	-	16,000
Stock-based compensation (note 15)	-	-	13,752	-	-	13,752	-	13,752
<b>Balance, June 30, 2020</b>	<b>144,857,077</b>	<b>\$ 73,349,665</b>	<b>\$ 13,185,191</b>	<b>\$ 7,625,755</b>	<b>\$ (75,878,406)</b>	<b>\$ 18,282,205</b>	<b>\$ (4,405,882)</b>	<b>\$ 13,876,323</b>

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, 2020**

**(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 ("TSXV") 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 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 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 31, 2020.

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.

These unaudited condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Realization values may be substantially different from carrying values as shown and the financial statements do not give effect to adjustments that would be necessary to the carrying values and the classification of assets and liabilities should the Company be unable to continue operating as a going concern.

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.

The Company has incurred a net and comprehensive loss of \$938,767 during the nine months ended June 30, 2020 and as of that date, the Company's deficit was \$75,878,406. These conditions raise material uncertainties which may cast significant doubt as to whether the Company will be able to continue as a going concern. The Company's ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments, the continued support of certain shareholders and trade creditors, and on achieving profitable commercial operations.

These unaudited 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 in business. 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.

---

# EEStor Corporation

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements Three and Nine months Ended June 30, 2020 (In Canadian Dollars, unless otherwise indicated)

---

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

The policies applied in these unaudited consolidated interim condensed financial statements are based on IFRS issued and outstanding as of August 31, 2020, 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, 2019. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending September 30, 2020 could result in restatement of these consolidated interim condensed financial statements.

#### New accounting policies

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

##### **Leases**

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company adopted IFRS 16, effective October 1, 2019, under the modified retrospective approach. Comparatives for 2019 were not restated. At transition, the Company elected to use the practical expedient available under the standard that allows lease assessments made under IAS 17 and IFRIC 4 to be used for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified after October 1, 2019. At October 1, 2019, the Company adopted IFRS 16 and recognized right-of-use assets of \$278,004 and lease liabilities of \$278,004 (notes 5 and 12).

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

---

# **EESstor Corporation**

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
Three and Nine months Ended June 30, 2020  
(In Canadian Dollars, unless otherwise indicated)**

---

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

### **New accounting policies (continued)**

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

## **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 and judgments relate to:

(i) Impairment of EESstor 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 higher of fair value less costs to sell and value in use of the intangible assets. The basis of calculation (relief from royalty method) involves many estimates such as projected revenues, growth rates, discount rates and royalty rates. Judgment is also involved as it relates to the Company's ability to secure strategic partnership relationships as a precursor to entering into licensing arrangements to monetize EESstor technology.

(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.

(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.

# EEStor Corporation

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2020

(In Canadian Dollars, unless otherwise indicated)

### 3. USE OF ESTIMATES AND JUDGMENTS (Continued)

(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	Production Tools	Total
Balance, September 30, 2018	\$ 60,945	\$ 43,485	\$ 420,044	\$ 524,474
Additions	-	-	5,962	5,962
Balance, September 30, 2019 and June 30, 2020	60,945	43,485	426,006	530,436

Accumulated Depreciation	Computer Equipment	Office Furniture	Production Tools	Total
Balance, September 30, 2018	\$ 60,945	\$ 43,485	\$ 224,269	\$ 328,699
Depreciation	-	-	68,426	68,426
Balance, September 30, 2019	60,945	43,485	292,695	397,125
Depreciation	-	-	47,931	47,931
Balance, June 30, 2020	\$ 60,945	\$ 43,485	\$ 340,626	\$ 445,056

Net book value	Computer Equipment	Office Furniture	Production Tools	Total
Balance, September 30, 2019	\$ -	\$ -	\$ 133,311	\$ 133,311
Balance, June 30, 2020	\$ -	\$ -	\$ 85,380	\$ 85,380

### 5. RIGHT-OF-USE ASSETS

Right-of-use assets are as follows:

	Warehouse space
Balance - September 30, 2019	\$ -
Additions (note 12)	278,004
Amortization	(134,262)
Balance - June 30, 2020	\$ 143,742

---

# EESstor Corporation

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2020

(In Canadian Dollars, unless otherwise indicated)

---

### 6. TECHNOLOGY AGREEMENTS

#### Light Electric Vehicles

On March 10, 2013, EESstor 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, 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 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, EESstor has not satisfied the performance targets specified by LMC and as such has not triggered any staged payments.

### 7. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS

#### Continuity of Assets

Intangible asset at September 30, 2018	\$ 19,463,758
Additional patent cost	28,193
Patent amortization	(26,807)
Impairment of intangible assets (i)	(4,576,097)
<b>Intangible asset at September 30, 2019</b>	<b>14,889,047</b>
Additional patent cost	798
Patent amortization	(20,457)
<b>Intangible asset at June 30, 2020</b>	<b>\$ 14,869,388</b>

(i) At the end of each reporting period, the Company reviews the carrying value of the EESstor 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. In September 2019, the Company’s annual impairment testing determined that the carrying value of the EESstor technology, rights, patents and development costs exceeded their recoverable amount and as a result, the Company recorded an impairment charge of \$4,576,097 for the year ended September 30, 2019. 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 modeled as a function of the estimated total industry revenues of \$2,100,000,000, projected cash flows for 5 years, a growth rate of 5% and a discount rate of 15% to 20% per annum. The benefit of unused tax losses has not been reflected in the determination of the value in use. The recoverable amount has been determined at a Level 3 of the fair value hierarchy.

# EEStor Corporation

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements Three and Nine months Ended June 30, 2020 (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, 2020 US (\$)	September 30, 2019 US (\$)
Current assets	63,618	147,631
Long-term assets	1,124,451	1,064,016
<b>Total assets</b>	<b>1,188,069</b>	<b>1,211,647</b>
Current liabilities	315,353	112,657
Long-term liabilities (i)	11,391,990	11,452,634
<b>Total liabilities</b>	<b>11,707,343</b>	<b>11,565,291</b>
<b>Shareholders' deficiency</b>	<b>(10,519,274)</b>	<b>(10,353,644)</b>

(i) Includes preferred stock totaling \$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, 2020 and 2019 are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020 US (\$)	2019 US (\$)	2020 US (\$)	2019 US (\$)
General and administrative (recovery) expenses <sup>(1)</sup>	(270,429)	(180,054)	320,308	211,809
Engineering and research	17,008	6,435	50,651	267,069
<b>Net (income) loss</b>	<b>(253,421)</b>	<b>(173,619)</b>	<b>370,959</b>	<b>478,878</b>
(Income) loss attributed to the Company	(126,964)	(86,983)	185,850	239,918
Non-controlling interest in subsidiary	(126,457)	(86,636)	185,109	238,960
<b>Net (income) loss</b>	<b>(253,421)</b>	<b>(173,619)</b>	<b>370,959</b>	<b>478,878</b>

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, 2020, the Company held 50.1% of the common stock outstanding.

<sup>(1)</sup> During the three and nine months ended June 30, 2020, the (recovery) expense of \$(270,429) and \$320,308 in general and administrative expenses are mainly due to unrealized foreign exchange gain on the financial assets and liabilities of EEStor as at the reporting date.

---

## EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
Three and Nine months Ended June 30, 2020  
(In Canadian Dollars, unless otherwise indicated)

---

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at June 30, 2020	As at September 30, 2019
Trade accounts payables	\$ 306,432	\$ 181,125
Accrued liabilities	540,726	393,700
Total accounts payable and accrued liabilities	\$ 847,158	\$ 574,825

The Company's standard term for trade payable is 30 - 60 days.

### 9. BRIDGE LOAN

On February 20, 2020, the Company entered into a loan agreement with an arms-length third party for a bridge loan of \$50,000 which matures on August 20, 2020. The loan does not bear interest, but the Company will pay a one-time financing fees of \$3,000. In addition, the Company granted to the lender 1,000,000 common shares, each warrant exercisable until February 20, 2021 at a price of \$0.05 per share.

The grant date fair value of \$16,000 was assigned to the 1,000,000 warrants as estimated by using the Black-Scholes pricing model with the following assumptions: share price \$0.03, dividend yield 0%, risk free interest rate 1.48%, volatility 180%, 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.

### 10. LOAN PAYABLE

In May 2020, the Company received a government guaranteed loan of \$30,000 to help with operating costs during COVID-19. The loan is interest-free until December 31, 2022. 25% of the loan amount is eligible for forgiveness provided that the Company pays back 75% of the loan on or before December 31, 2022. If the Company does not repay the loan by December 31, 2022, the loan may be converted into a 3-year term loan at an interest rate of 5%.

### 11. 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.

---

# EEStor Corporation

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2020

(In Canadian Dollars, unless otherwise indicated)

---

### 11. PROMISSORY NOTES (Continued)

In December 2019, in full and final settlement of the secured credit facility, Mr. Tocchio has agreed to accept a cash payment in the amount of \$18,000 an unsecured convertible debenture (the "Debenture") in the principal amount of \$300,000. The Debenture will bear interest at a rate of twelve percent per annum, payable annually, and will have a term of sixty months. At the option of Mr. Tocchio, all or any portion of the principal amount of the Debenture may be converted into common shares of the Company, at a price of \$0.05 per share during the initial twelve months of the term, and at a price of \$0.10 per share for the remainder of the term.

Following issuance of the Debenture Mr. Tocchio will release all obligations due and owing by the Company in respect of the secured credit facility, as well as all collateral securing the secured credit facility. The Debenture will be subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws and the policies of the TSXV.

On March 2, 2020, the Company announced that it has elected not to proceed with the proposed settlement of the secured credit facility. The Company and Mr. Tocchio have determined that it is in the best interest of the Company to preserve available cash at this time. The Company intends to revisit the settlement with Mr. Tocchio once additional capital is available, and in the interim the secured credit facility will continue to be governed by the terms of the loan agreement previously entered into between the Company and Mr. Tocchio.

(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, 2020, the Company accrued interest of \$35,908 for the promissory notes.

### 12. LEASE LIABILITIES

On October 1, 2019, the Company early adopted IFRS 16. As at October 1, 2019, the Company recognized right-of-use asset of \$278,004 and lease liability of \$278,004. The Company did not apply IFRS 16 on a fully retrospective basis.

The Company recorded right-of-use assets (note 5) and lease liabilities for warehouse space in the statement of financial position as at June 30, 2020. At the commencement date of the leases, the lease liabilities were measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate.

The continuity of lease liabilities is presented in the table below:

	<b>Warehouse space</b>	
<b>Balance - September 30, 2019</b>	<b>\$</b>	<b>-</b>
Additions		278,004
Accretion expense		17,129
Lease payments		(143,645)
<b>Balance - June 30, 2020</b>	<b>\$</b>	<b>151,488</b>
Current portion	\$	43,940
Non-current portion		107,548
	<b>\$</b>	<b>151,488</b>

---

## EEStor Corporation

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2020

(In Canadian Dollars, unless otherwise indicated)

---

#### 12. LEASE LIABILITIES (Continued)

##### Maturity analysis - contractual undiscounted cash flows

###### As at June 30, 2020

Due less than one year	\$	36,338
Due thereafter		84,787
Total undiscounted lease obligations	\$	121,125

---

#### 13. 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, 2020, the total number of shares issued was 144,857,077 and valued at \$73,349,665.

(i) 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.

(ii) On December 30, 2019, the Company completed the first tranche of a non-brokered private placement raising gross proceeds of \$228,500 from the sale of 4,570,000 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 24 months from date of issue.

The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of \$95,970 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 \$0.04, dividend yield 0%, risk free interest rate 1.68%, volatility 142%, and an expected life 2 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, 2020

(In Canadian Dollars, unless otherwise indicated)

### 14. WARRANTS

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

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, September 30, 2018</b>	<b>59,997,243</b>	<b>\$ 0.40</b>
Issued (notes 9 and 13(b)(i))	13,897,692	0.10
Expired	(4,426,959)	0.15
<b>Balance, June 30, 2019</b>	<b>69,467,976</b>	<b>\$ 0.40</b>
<b>Balance, September 30, 2019</b>	<b>70,099,283</b>	<b>\$ 0.30</b>
Issued (notes 9 and 13(b)(ii))	5,570,000	0.21
Expired	(2,417,672)	0.14
<b>Balance, June 30, 2020</b>	<b>73,251,611</b>	<b>\$ 0.26</b>

The Company had the following warrants outstanding at June 30, 2020:

Number of Warrants	Exercise Price	Expiry Date
7,240,000	\$0.60	April 24, 2021 (ii)
16,501,667	\$0.30	June 15, 2021 (iii)
10,559,938	\$0.30	December 24, 2020 (i)
3,075,723	\$0.30	December 24, 2020 (i)
1,000,000	\$0.05	February 20, 2021 (note 9)
4,055,000	\$0.10	March 16, 2021 (iv)
2,743,000	\$0.10	April 12, 2021 (iv)
4,570,000	\$0.10	December 30, 2021
3,151,640	\$0.34	August 21, 2023
5,274,643	\$0.34	September 5, 2023
6,500,000	\$0.10	May 29, 2024
5,080,000	\$0.10	June 5, 2024
3,500,000	\$0.10	July 30, 2024
<b>73,251,611</b>		

- (i) On December 17, 2018, the Company received approval from the TSXV 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. On August 9, 2019, the Company received approval from the TSXV to further extend the expiry dates of these 13,635,661 common share purchase warrants to December 24, 2020, the exercise price remains unchanged.
- (ii) On April 23, 2019, the Company received approval from the TSXV 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.

On April 8, 2020, the Company received approval from the TSXV to extend the expiry date of 7,240,000 outstanding common share purchase warrants to April 24, 2021.

---

# EEStor Corporation

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2020

(In Canadian Dollars, unless otherwise indicated)

---

### 14. WARRANTS (Continued)

- (iii) On June 5, 2019, the Company received approval from the TSXV 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.

On June 3, 2020, the Company received approval from the TSXV to extend the expiry date of 16,501,667 outstanding common share purchase warrants to June 15, 2021.

- (iv) On March 2, 2020, the Company received approval from the TSXV to reprice and extend the expiry date of 4,055,000 and 2,743,000 outstanding common share purchase warrants originally issued on March 16, 2020 and April 12, 2020, respectively. This amendment changes the exercise price of the warrants from \$0.45 to \$0.10 and the expiry dates to March 16, 2021 and April 12, 2021, respectively. The amendment also provides that the exercise period of the warrants be reduced to thirty days if, for any ten consecutive trading days, the closing price of the common shares of the Company on the TSXV is \$0.125 or greater. The reduced thirty-day period will begin seven calendar days after such ten-consecutive-trading-day period.

### 15. 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.

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

	Number of Options	Weighted Average Exercise Price
<b>Balance, September 30, 2018</b>	<b>17,339,024</b>	<b>\$ 0.44</b>
Expired	(2,210,000)	0.45
<b>Balance, June 30, 2019</b>	<b>15,129,024</b>	<b>\$ 0.44</b>
<b>Balance, September 30, 2019 and June 30, 2020</b>	<b>7,265,524</b>	<b>\$ 0.45</b>
Exercisable	5,097,274	\$ 0.39

For the three and nine months ended June 30, 2020, the Company recorded \$640 and \$13,752, respectively (three and nine months ended June 30, 2019 - \$30,307 and \$231,307, respectively) in stock-based compensation costs.

## EEStor Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
Three and Nine months Ended June 30, 2020  
(In Canadian Dollars, unless otherwise indicated)

### 15. STOCK OPTIONS (Continued)

The Company had the following stock options outstanding as of June 30, 2020:

<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>			
1,490,000	1,490,000	\$ 0.20	0.65	February 23, 2021
380,000	380,000	\$ 0.27	1.10	August 4, 2021
40,000	40,000	\$ 0.52	1.38	November 16, 2021
487,762	487,762	\$ 0.49	1.47	December 20, 2021
50,000	50,000	\$ 0.53	1.52	January 6, 2022
3,967,762	1,799,512	\$ 0.57	1.77	April 6, 2022
850,000	850,000	\$ 0.36	2.79	April 16, 2023
7,265,524	5,097,274		1.60	

### 16. 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, 2020 and 2019 are as follows:

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Wages and salaries	\$ 115,509	\$ -	\$ 328,930	\$ 247,993
Stock-based compensation (note 15)	640	30,307	13,752	231,307
	\$ 116,149	\$ 30,307	\$ 342,682	\$ 479,300

Salaries and employee benefits expense included in the engineering and research expenses during the three and nine months ended June 30, 2020 and 2019 are as follows:

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Wages and salaries	\$ -	\$ 27,035	\$ -	\$ 285,825

### 17. DEPRECIATION

During the three and nine months ended June 30, 2020, depreciation expense included in engineering and research expenses is \$16,562 and \$47,931, respectively (three and nine months ended June 30, 2019 – \$15,622 and \$53,007, respectively).

---

# EEStor Corporation

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Nine months Ended June 30, 2020

(In Canadian Dollars, unless otherwise indicated)

---

### 18. 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 15). The remuneration of key management personnel were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Wages and salaries	\$ 129,730	\$ -	\$ 327,078	\$ 246,557
Professional fees <sup>(1)</sup>	13,002	-	37,883	-
Stock-based compensation	-	7,192	-	116,484
	<b>\$ 142,732</b>	<b>\$ 7,192</b>	<b>\$ 364,961</b>	<b>\$ 363,041</b>

<sup>(1)</sup> Mr. Jing Peng, the Chief Financial Officer, is also a senior employee of Marrelli Support Services Inc. ("Marrelli Support"). Marrelli Support provides accounting services to the Company.

As at June 30, 2020, the outstanding compensation for key management personnel was \$328,412 (September 30, 2019 - \$197,329).

### 19. SEGMENTED INFORMATION

As at June 30, 2020, 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.

### 20. OTHER EVENTS

(i) On March 19, 2020, the Company announced that it will offer (the "Offering") up to 16,666,667 units (each, a "Unit") by way of non-brokered private placement at a price of \$0.03 per Unit to raise gross proceeds of up to \$500,000. Each "Unit" will consist of one common share of the Company, and one share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.05 for a period of twenty-four months.

(ii) Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

---

## **EESstor Corporation**

### **Notes to the Unaudited Condensed Interim Consolidated Financial Statements**

**Three and Nine months Ended June 30, 2020**

**(In Canadian Dollars, unless otherwise indicated)**

---

#### **21. SUBSEQUENT EVENT**

On August 6, 2020, the Company announced it has entered into a letter of intent, pursuant to which it proposes to acquire all of the outstanding share capital of Green NH3 Inc. ("GREEN NH3"). Based in Georgetown, Ontario, Canada, GREEN NH3 is a private company involved in research, development and commercialization of zero-emission NH3 fuel, generated from its patented and scalable process.

##### **Proposed terms of the Acquisition**

Subject to customary due diligence, negotiation of definitive documentation, board and regulatory approvals, in consideration for all of the outstanding share capital of GREEN NH3, the shareholders of GREEN NH3 are entitled to receive common shares of EESstor which will represent 25% of the outstanding share capital of EESstor following completion of the acquisition. Based on its current outstanding share capital, EESstor anticipates issuing approximately 48,300,000 common shares to the shareholders of GREEN NH3. Following completion of the acquisition, GREEN NH3 will continue as a wholly owned subsidiary of EESstor. Additional non-voting performance related shares will be available to GREEN NH3 shareholders once key performance and commercial milestones are met.

The acquisition of GREEN NH3 is not expected to result in a "change of control" of EESstor, as that term is defined by the policies of the TSX Venture Exchange. All securities to be issued to the shareholders of GREEN NH3 in connection with the acquisition will be subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws. No finders fees or commissions are payable in connection with the acquisition of GREEN NH3.

Following completion of the acquisition, EESstor intends to reconstitute its board of directors to consist of five members, of which two will initially be nominated by GREEN NH3. EESstor anticipates that the reconstituted board and the performance based, non-voting share class will be presented to shareholders for approval at its annual general and special meeting which is anticipated to be held in the fourth quarter of 2020.

Prior to completion of the acquisition of GREEN NH3, EESstor intends to pursue private placement financing to rapidly advance third-party certification of technologies, investor and stakeholder relations activities and for general working capital purposes. The acquisition is not contingent on completion of the financing, but EESstor does anticipate requiring additional working capital prior to completion of the acquisition.