EEStor Corporation

(formerly ZENN Motor Company Inc.)

Consolidated Financial Statements

For the Years Ended September 30, 2015 and 2014

(in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
EEStor Corporation

We have audited the accompanying consolidated financial statements of EEStor Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2015 and September 30, 2014 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended September 30, 2015 and September 30, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of EEStor Corporation and its subsidiaries as at September 30, 2015 and September 30, 2014 and its financial performance and its cash flows for the years ended September 30, 2015 and September 30, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Professional Accountants
February 3, 2016
Toronto, Ontario

EEStor Corporation
(formerly ZENN Motor Company Inc.)
Consolidated Statements of Financial Position
As at September 30, 2015 and 2014
(in Canadian dollars)

	Notes	**2015** $	2014 $
Assets			
Current			
Cash		**18,602**	998,181
Short-term investments		**12,000**	15,000
Prepaid expenses and sundry assets		**158,506**	146,082
Current assets of discontinued operations		**-**	23,333
		189,108	1,182,596
Property and equipment	**5**	**97,986**	51,330
Deposit for rent		**6,447**	5,946
Long term insurance		**2,647**	7,552
EEStor technology, rights, patents and development costs	**7**	**19,200,000**	25,948,442
		19,496,188	27,195,866
Liabilities			
Current			
Accounts payable and accrued liabilities	**8**	**861,731**	438,292
Debt advances	**17**	**459,697**	-
Current liabilities of discontinued operations		**-**	43,220
		1,321,428	481,512
Shareholders' Equity			
Share capital	**10**	**64,272,417**	63,627,231
Contributed surplus		**7,486,137**	7,181,885
Warrant capital		**3,298,483**	2,631,839
Accumulated other comprehensive income		**-**	21,486
Deficit		**(56,154,147)**	(50,266,896)
		18,902,890	23,195,545
Non-controlling interest	**7**	**(728,130)**	3,518,809
		19,496,188	27,195,866

Nature of operations and going concern (Note 1)
Commitments (Note 16)
Subsequent events (Note 20)

Approved by the Board

	"Stewart Somers"	"Ian Clifford"
	Director (Signed)	Director (Signed)

See accompanying notes

EEStor Corporation
(formerly ZENN Motor Company Inc.)
Consolidated Statements of Comprehensive Loss
Years ended September 30, 2015 and 2014
(in Canadian dollars)

	Notes	2015 $	2014 $
Expenses			
General and administrative	12,13, 14	2,094,516	2,230,098
Engineering and development	12,13, 14	680,424	757,851
Business development	13	6,758	105,225
		2,781,698	3,093,174
Interest Income		2,652	10,375
Share of the income/(loss) of associates		-	(91,126)
Loss from continued operations before undernoted item		(2,779,046)	(3,173,925)
EEStor technology rights, patents and development costs impairment	7	(7,375,031)	-
Loss from continued operations		(10,154,077)	(3,173,925)
Loss from discontinued operations		19,887	(28,000)
Net loss		(10,134,190)	(3,201,925)
Translation gain/(loss)		(21,486)	21,486
Total comprehensive loss		(10,155,676)	(3,180,439)
Net loss for the year attributable to:			
Loss for the period		(5,887,251)	(2,601,207)
Non-controlling interest in subsidiary	7	(4,246,939)	(600,718)
		(10,134,190)	(3,201,925)

Loss per share, basic and diluted		$	$
From continuing operations		(0.17)	(0.06)
From discontinued operations		0.00	(0.00)
Loss per share, basic and diluted		(0.17)	(0.06)
Weighted average number of common shares outstanding			
Basic and diluted		61,300,508	50,742,403

See accompanying notes

EEStor Corporation

(formerly ZENN Motor Company Inc.)

Consolidated Statements of Changes in Shareholders' Equity

Years ended September 30, 2015 and 2014

(in Canadian dollars)

	Notes	No. of Shares	Share Capital $	Contributed Surplus $	Warrant Capital $	Non-contolling Interest $	Accumulated other Comprehensive Income $	Deficit $	Total Shareholders' Equity $
Balances, September 30, 2014		**59,444,505**	**63,627,231**	**7,181,885**	**2,631,839**	**3,518,809**	**21,486**	**(50,266,896)**	**26,714,354**
Loss for the period		-	-	-	-	-	-	(5,887,251)	(5,887,251)
Non-controlling interest in subsidiary	7	-	-	-	-	(4,246,939)	-	-	(4,246,939)
Total loss for the period before adjustment		**-**	**-**	**-**	**-**	**(4,246,939)**	**-**	**(5,887,251)**	**(10,134,190)**
Translation gain/(loss)		-	-	-	-	-	(21,486)	-	(21,486)
Comprehensive loss for the period		**-**	**-**	**-**	**-**	**(4,246,939)**	**(21,486)**	**(5,887,251)**	**(10,155,676)**
Transactions with shareholders									
Extension of warrants in the period	11	-	-	(302,179)	302,179	-	-	-	-
Issuance of units - net of issuance costs	10	2,893,000	645,186	-	371,648	-	-	-	1,016,834
Transfer from warrant capital on expiry	11	-	-	7,183	(7,183)	-	-	-	-
Stock-based compensation	12, 13	-	-	599,248	-	-	-	-	599,248
Balances, September 30, 2015		**62,337,505**	**64,272,417**	**7,486,137**	**3,298,483**	**(728,130)**	**-**	**(56,154,147)**	**18,174,760**
Balances, September 30, 2013		**39,918,413**	**53,489,531**	**5,292,217**	**1,223,960**	-	-	**(47,665,689)**	**12,340,019**
Loss for the period		-	-	-	-	-	-	(2,601,207)	(2,601,207)
Non-controlling interest in subsidiary	7	-	-	-	-	(600,718)	-	-	(600,718)
Total loss for the period		**-**	**-**	**-**	**-**	**(600,718)**	**-**	**(2,601,207)**	**(3,201,925)**
Translation gain/(loss)		-	-	-	-	-	21,486	-	21,486
Comprehensive loss for the period		**-**	**-**	**-**	**-**	**(600,718)**	**21,486**	**(2,601,207)**	**(3,180,439)**
Transactions with shareholders									
Non-controlling interest on investment in EEStor	7	-	-	-	-	4,284,647	-	-	4,284,647
Reduction of non-controlling interest on acquisition of EEStor Series A Preferred Shares	7	-	-	-	-	(165,120)	-	-	(165,120)
Exercise of warrants	11	92,300	124,605	-	-	-	-	-	124,605
Transfer from warrant capital	11	-	45,116	-	(45,116)	-	-	-	-
Extension of warrants in the period	11	-	-	(60,925)	60,925	-	-	-	-
Issuance of units, net of issuance costs	10	8,780,922	2,059,554	-	2,495,270	-	-	-	4,554,824
Issuance of compensation warrants	10	-	-	-	122,220	-	-	-	122,220
Issuance of shares for EEStor pref shares	10	3,756,785	2,329,208	-	-	-	-	-	2,329,208
Issuance of shares for EEStor pref shares	7, 10	6,000,000	5,400,000	-	-	-	-	-	5,400,000
EEStor shares/warrants exchange	7, 10	896,085	179,217	-	16,907	-	-	-	196,124
Expiry EEStor warrants	11	-	-	2,558	(2,558)	-	-	-	-
Transfer from warrant capital on expiry	11	-	-	1,239,769	(1,239,769)	-	-	-	-
Stock-based compensation	12,13	-	-	708,266	-	-	-	-	708,266
Balances, September 30, 2014		**59,444,505**	**63,627,231**	**7,181,885**	**2,631,839**	**3,518,809**	**21,486**	**(50,266,896)**	**26,714,354**

See accompanying notes

EEStor Corporation
(formerly ZENN Motor Company Inc.)
Consolidated Statements of Cash Flows
Years ended September 30, 2015 and 2014
(in Canadian dollars)

	Notes	2015 $	2014 $
Cash flows provided by (used in) operations			
Net loss from continuing operations		**(10,154,077)**	(3,173,925)
Items not affecting cash			
Depreciation and amortization	**5, 14**	**42,499**	30,397
Stock-based compensation	**12, 13**	**599,248**	708,266
Translation gain/(loss)		**(21,486)**	1,815
Write off of patents	**7**	**43,532**	65,101
EEStor technology rights, patents and development costs impairment	**7**	**7,375,031**	-
Share of the loss of associates		**-**	91,126
		(2,115,253)	(2,277,220)
Net changes in non-cash working capital			
Prepaid expenses and sundry assets		**(12,424)**	(9,793)
Accounts payable and accrued liabilities		**423,442**	(210,877)
		(1,704,235)	(2,497,890)
Investing			
Short-term investments		**3,000**	45
EEStor equity investment		**-**	(2,882,793)
Acquisition of cash, EEStor		**-**	954,806
Deferred project costs	**7**	**(621,901)**	-
Rent deposit		**(501)**	-
Purchase of property and equipment		**(82,177)**	(11,653)
Proceeds on disposal of property and equipment		**-**	1,392
Purchase of patents and trademarks	**7**	**(55,201)**	(57,658)
Long term insurance		**4,905**	(7,551)
		(751,875)	(2,003,412)
Financing			
Debt advances	**17**	**459,697**	-
Exercise of warrants	**11**	**-**	124,605
Issuance of units, net of issuance costs	**10**	**1,016,834**	4,677,045
		1,476,531	4,801,650
Cash used in discontinued operations		**-**	(2,991)
Net change in cash		**(979,579)**	297,357
Cash, beginning of year		**998,181**	700,824
Cash, end of year		**18,602**	998,181

See accompanying notes

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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.

Currently, the Company is pursuing 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 operations 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. Prior to March 31, 2015, the Company began maintaining a cash management program which encompasses restricting a number of non-discretionary expenses including certain management and director remuneration in addition to extending the payment of various accounts payable amounts. For the period ending September 30, 2015, the Company obtained a $459,697 advance from certain arm’s length shareholders to assist the Company until additional financing can be obtained. These conditions may cast significant doubt about the Company’s ability to continue as a going concern into the foreseeable future. These financial statements do not include any adjustments, which could be material, to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (“IFRS”) as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements of the Company for the years ended September 30, 2015 were approved by the Board of Directors of the Company on February 3, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries EEStor Limited (formerly ZENN Motor Company Limited), ZENN Capital Inc., ZENNergy Inc., ZMC America, Inc., and EEStor, Inc. in which the Company holds a 71.3% controlling interest on an as-converted basis. The loss incurred by EEStor from January 27, 2014 (date of acquisition of control) and onward has been included in the statement of comprehensive loss. Intercompany transactions and balances are eliminated on consolidation.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. The Company's wholly-owned subsidiaries financial year end is September 30. The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and wholly-owned subsidiaries, other than EEStor. EEStor’s financial year end is December 31 and its functional currency has changed to Canadian dollars during the year ended September 30, 2015 (2014 - US dollars).

3. SIGNIFICANT ACCOUNTING POLICIES (cont`d)

Short-term Investments

Short-term investments include short-term instruments with terms to maturity from date of issue of between three and twelve months.

Property and Equipment

Property and equipment are recorded at initially cost and subsequently at costs less accumulated amortization and accumulated impairment (if any) and are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment	36 months	Straight Line
Office furniture	48 months	Straight Line
Production tools	48 months	Straight Line

The Company reviews the carrying value of its property and equipment annually to determine whether there is any indication that those assets have suffered impairment. If any such indication exists the asset is tested for impairment. The recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying value of the assets (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying value does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Investment in EEStor, Inc.

Prior to the acquisition of control of EEStor, the Company had an investment in the common shares of EEStor which was categorized as an “available for sale” financial instrument. The common shares of EEStor did not have a quoted market price in an active market and fair value could not be reliably measured; accordingly, the shares were carried at cost. The Company would recognize a loss on this investment if there is objective evidence that there was an impairment in the value of the investment. Upon acquisition of significant influence on December 20, 2013, the Company accounted for the investment using the equity method. Under the equity method, on initial recognition the investment was recognised at cost and the carrying amount was increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss was recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont`d)

EEStor technology, rights, patents and development costs

Intangible assets with a finite useful life, such as the EEStor technology, rights, patents and development costs, are recorded at cost (being acquisition costs) less the accumulated amortization and the accumulated impairment losses.

Research and development costs are incurred in the design, testing and commercialization of the Company's products. Research related costs are expensed as incurred. Development costs are expensed in the year incurred unless the Company can demonstrate all of the following criteria under IFRS 38, Intangible Assets: (i) technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) intention to complete the intangible asset and use or sell it; (iii) ability to use or sell the intangible asset; (iv) how the intangible asset will generate future economic benefits; (v) availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The EEStor technology, rights, patents and development costs will be amortized over the estimated useful life of the product, commencing when the asset is available for use. As the intangible assets, other than patents, are not yet available for use, no amortization is being taken. Amortization of patents is recognized in profit and loss by applying the straight-line method to the cost of the asset based on the legal life of the patent. The amortization method, residual values and useful lives are reviewed on each reporting date and adjusted as needed.

Intangible assets with finite lives but not yet available for use are assessed annually for impairment. Impairment is determined by comparing the recoverable amount of such assets with their carrying amounts. The Company applies various methodologies in calculating the recoverable amount (being the higher of value in use or fair value less costs to sell). The Company's primary measure is a discounted cash flows method, based on forecasted revenues to determine fair value less costs to sell.

Provisions

A provision is recognized in the consolidated statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it's probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

Accounting for Stock-Based Payments and Compensation

The Company applies a fair value based method of accounting for all stock-based payments ("Payments"). Under this method the Company recognizes compensation expense for employee stock option awards, based on the grant date fair value, for each tranche installment over the vesting period of the options. Each installment is valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each installment's individual tranche vesting period and the offset is credited to contributed surplus. Forfeiture estimates are recognized in the period they are estimated and are revised for actual forfeitures in subsequent periods. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

In situations where non-employee stock-based compensation is issued and some or all of the goods or services received by the entity as consideration cannot be measured reliably, it is measured at the fair value of the stock-based payment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont`d)

Investment Tax Credits

Investment tax credits are accrued when qualifying expenditures are incurred and there is reasonable assurance that the credits will be realized. Investment tax credits earned with respect to current expenditures for qualified research and development activities are included in the consolidated statement of comprehensive loss as a reduction of engineering and development costs. Investment tax credits associated with capital expenditures are reflected as reductions in the carrying amounts of property and equipment.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recorded in the financial statements if realization is considered probable.

Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed using the weighted average number of common and potential common shares outstanding during the period. The diluted effect of outstanding stock options and warrants on earning per share is calculated by determining the proceeds for the exercise of such securities which are then assumed to be used to purchase common shares of the Company. The effect was not dilutive at year end.

Financial Instruments

Recognition and Measurement

The Company's financial instruments are classified and measured as follows:

Financial Instrument	Classification	Measurement
Cash	Fair value through profit or loss	Fair value
Short-term investments	Fair value through profit or loss	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Debt advances	Other financial liabilities	Amortized cost

Financial assets and liabilities classified as fair value through profit or loss are measured at fair values initially and at each reporting period with changes in fair value in subsequent periods included in net loss. Transaction costs are expensed when incurred.

Financial assets classified as loans and receivables are measured initially at fair value and transaction costs. Liabilities classified as other financial liabilities are measured initially at the amount required to be paid, less, when material, a discount to reduce the liability to fair value and transaction costs. Subsequently loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method.

Financial assets classified as available for sale are initially measured at fair value plus transaction costs and are subsequently carried at fair value with changes in fair value included in other comprehensive income, except investment in shares without a quoted market price which are measured at cost, if fair value cannot be reliably measured.

3. SIGNIFICANT ACCOUNTING POLICIES (cont`d)

Financial Instruments (cont'd)

Financial instruments measured at fair value are required to be categorized into one of three hierarchy levels that are based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 inputs are determined by reference to quoted prices in active markets for identical assets and liabilities.

Level 2 inputs, other than quoted prices included in Level 1, are based on either directly or indirectly observable market data.

Level 3 inputs used in a valuation technique are not based on observable market data.

The Company's cash and short-term investments are categorized as Level 1.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates at the respective transaction dates. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in general and administrative expenses.

Financial statements of subsidiaries for which the functional currency is not the Canadian Dollar are translated into Canadian Dollar as follows: all asset and liability accounts are translated at the reporting date exchange rate and all earnings and expense accounts are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in "Accumulated Other Comprehensive Income" in equity.

Use of Estimates and Judgements

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

(ii) Share based transactions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont`d)

Use of Estimates and Judgements (cont'd)

(iii) Non-controlling interest in EEStor on the date of acquisition of control

On date of acquisition of control of EEStor, the Company had to determine the fair value of the assets acquired and through the use of estimates, allocate the value of those net assets to the non-controlling interest.

(iv) Deferred tax assets

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on deferred tax assets and liabilities. Currently, the Company has deductible temporary differences which would create a deferred tax asset. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. To date, the Company has determined that none of its deferred tax assets should be recognized. The generation of future taxable income could result in the recognition of some or a portion or all of the remaining benefits, which could result in an improvement in the Company's results of operations through the recovery of future income taxes.

(v) Going concern

The Company makes significant judgements 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.

(vi) Development costs

Management monitors the progress of the EEStor technology. Significant judgement 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. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

IAS 1 Presentation of Financial Statements

Amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

IFRS 9 Financial Instruments

Financial Instruments - IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. Effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Property, Plant and Equipment – IAS 16 and Intangible Assets IAS 38

On May 12, 2014, the IASB amended IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets to clarify that a revenue-based approach to calculate depreciation and amortization generally is not appropriate as it does not reflect the consumption of the economic benefits embodied in the related asset. These amendments must be applied prospectively for annual periods beginning on or after January 1, 2016. The amendments to IAS 16 and IAS 38 are not expected to have a significant impact on the Company’s financial statements.

(in Canadian dollars)

5. PROPERTY AND EQUIPMENT

September 30, 2015

	Computer equipment	Office furniture	Production tools	Total
	$	$	$	$
Cost				
Balance, September 30, 2014	60,444	43,485	57,527	161,456
Purchase	501	-	81,649	82,150
Balance, September 30, 2015	**60,945**	**43,485**	**139,176**	**243,606**
Accumulated Depreciation				
Balance, September 30, 2014	54,689	42,699	12,738	110,126
Provision	3,400	786	31,308	35,494
Balance, September 30, 2015	**58,089**	**43,485**	**44,046**	**145,620**
Net Book Value	**2,856**	**-**	**95,130**	**97,986**

September 30, 2014

	Computer equipment	Office furniture	Production tools	Total
	$	$	$	$
Cost				
Balance, September 30, 2013	52,066	42,029	-	94,095
Investment in EEStor	3,989	1,456	51,396	56,841
Purchase	5,819	-	6,131	11,950
Disposal	(1,430)	-	-	(1,430)
Balance, September 30, 2014	**60,444**	**43,485**	**57,527**	**161,456**
Accumulated Depreciation				
Balance, September 30, 2013	52,066	42,029	-	94,095
Provision	2,661	670	12,738	16,069
Disposal	(38)	-	-	(38)
Balance, September 30, 2014	**54,689**	**42,699**	**12,738**	**110,126**
Net Book Value	**5,755**	**786**	**44,789**	**51,330**

(in Canadian dollars)

6. TECHNOLOGY AGREEMENTS

Light Electric Vehicles

On March 10, 2013, EEStor entered into a new technology agreement with Light Electric Vehicles Company ("LEV") a privately held corporation in the state of Oregon, that provides LEV with the transferable, perpetual, worldwide exclusive rights to purchase electronic energy storage units ("EESU") for one, two and three wheeled commercial passenger vehicles using electricity as the nonhuman energy source for the vehicle's propulsion system. The technology agreement has staged payments that tie to specific technical milestones and the delivery of production quality EESUs. The aggregate potential payments to be made under the agreement is $29.95 million. Previous payments received to date from LEV regarding the technology rights from prior agreements total $1.45 million.

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 LCM with a non-transferable, non-sublicensable worldwide exclusive rights to purchase EESU for the Government Defense and Homeland Security fields. The technology agreement has staged payments that tie to purchasing requirements of EESUs. The aggregate potential payments to be made under the agreement is $120.0 million.

7. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS

CONTINUITY OF ASSETS

Intangible asset at January 27, 2014 [(a)]	$	25,968,584
Additional patent cost		57,658
Patent write off		(65,101)
Patent amortization		(12,699)
Intangible asset at September 30, 2014	$	25,948,442
Additional patent cost		55,201
Patent write off		(43,532)
Patent amortization		(6,981)
Deferred development cost		621,901
Impairment of intangible assets [(b)]		(7,375,031)
Intangible asset at September 30, 2015	$	19,200,000

(in Canadian dollars)

7. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS (cont'd)

(a) When the Company acquired control of EEStor, EEStor was evaluated to determine if it is considered a business for purposes of IFRS 3 business combinations. Based on the status of EEStor as a development stage company, which does not yet have fully defined processes and output, the Company determined that the acquisition was not a business combination. The purchase price for the asset acquisition of $26,456,771 was allocated as follows:

Net Assets Acquired	USD$	CDN$
Cash	862,283	954,806
Prepaid expenses	29,552	32,723
Property and equipment	51,333	56,841
Accounts payable and accrued liabilities	(253,138)	(280,300)
Customer deposit	(21,150)	(23,419)
Advanced for technology agreements	(200,000)	(221,460)
Non-controlling interest preferred shares	(28,000)	(31,004)
Net identifiable assets acquired	**440,880**	**488,187**
Intangible asset - EEStor technology, rights and patents		25,968,584
Total investment in EEStor		**26,456,771**

	2014 CDN$
Cash consideration for EEStor Series A Preferred Shares	2,702,190
Cash consideration for EEStor Common shares	8,917,662
Fair value of common shares issued for EEStor Series A Preferred Shares	2,869,207
Fair value of common shares issued for EEStor common shares	4,860,000
Technology rights previously acquired	2,823,065
Non-controlling interest	4,284,647
Consideration paid	**26,456,771**

(b) In September 2015, the Company's annual impairment testing determined that the carrying value of the EEStor technology, rights, patents and development costs exceeded their recoverable amount and as a result the Company recorded an impairment charge of $7,375,031. 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% - 7.5% (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 45% 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.

(in Canadian dollars)

7. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS (cont'd)

(c) EEStor. Financial Information

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

	September 30, 2015 US $	September 30, 2014 US $
Current assets	**20,804**	349,500
Long-term assets	**845,347**	275,314
Current liabilities	**493,645**	-
Long-term liabilities (i)	**5,717,629**	4,049,150
Total net assets	**(4,851,478)**	**(3,424,336)**

(i) Includes preferred stock totalling $4,028,000 in September 30, 2014

EEStor's operating expenses included in the consolidated Statement of Comprehensive Loss are as follows:

	2015 US $	2014 US $
General and administrative expenses	**445,352**	393,910
Engineering and development	**580,895**	661,216
Interest income	**-**	(4)
Impairment loss	**7,375,031**	-
Net loss	**8,401,278**	1,055,122
Loss attributed to the Company	**4,209,040**	506,617
Non-controlling interest in subsidiary	**4,192,238**	548,505
Net Loss	**8,401,278**	1,055,122

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 September 30, 2015, the Company holds 50.1% of the common stock outstanding and there are 3,726 warrants outstanding to purchase EEStor common stock which could dilute the Company's current ownership percentage.

On May 8, 2014, the Company acquired 59,739 common stock and Series A Preferred Stock of EEStor, on the basis of fifteen (15) ZENN common shares for each EEStor stock exchanged. The Company also acquired warrants of EEStor to acquire 18,099 common stock of EEStor in exchange for warrants of ZENN having the same terms and conditions except that upon exercise the former EEStor warrant holders will receive fifteen (15) ZENN common shares for each share they otherwise would have received. Following the transaction, the Company owns 50.1% of the EEStor common stock and an additional 21.2% of voting stock as a result of its ownership of Series A preferred stock on as is converted basis. The total consideration for this transaction was $196,124, which eliminates the previous preferred stock liabilities of $31,004. As a result, there was an adjustment to the non-controlling interest in the amount of $165,120.

(in Canadian dollars)

8. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2015 **$**	September 30, 2014 $
Current liabilities of continued operations		
Trade accounts payable	**738,912**	69,307
Accrued liabilities	**122,819**	368,985
Total current liabilities of continued operations	**861,731**	438,292

9. 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. 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 raise strategy is a function of many factors, including the state of the capital markets, 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 year ended September 30, 2015.

10. SHARE CAPITAL

The Company has authorized an unlimited number of common shares.

On November 14, 2013, the Company completed a non-brokered private placement of 3,704,000 units of the Company at $1.00 per unit for gross proceeds of $3,704,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.50 and expires on May 14, 2015. The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of $1,808,368 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants are estimated using Black-Scholes pricing model with the following assumptions: share price $1.04, dividend yield 0%, risk free interest rate 1.09%, volatility 123% and an expected life of 1.5 years. Expected volatility is based on historical volatility. In connection with the private placement, the Company paid a finder's fee of $222,240 and issued 222,240 compensation warrants expiring on May 14, 2015. Each compensation warrant is exercisable into one common share at a price of $1.50. The fair value of the compensation warrants was estimated at $108,502 using the Black-Scholes pricing model with the following assumptions: share price $1.04, dividend yield 0%, risk free interest rate 1.09%, volatility 123% and an expected life of 1.5 years. Expected volatility is based on historical volatility. Compensation warrants were not measured at the fair value of the services received as the fair value for such services was not reliably measurable. The total share issuance costs were $383,151.

On December 20, 2013, the Company completed the acquisition of EEStor Series A Preferred Stock and associated rights from third party vendors in consideration for US$1.5 million in cash and the issuance of 3,756,785 common stock of the Company with a fair value of $2,329,207.

On January 27, 2014, the Company completed the acquisition of control of EEStor. The Company received Series A Preferred Stock and associated rights in consideration for US$1.0 million in cash and the issuance of 600,000 common shares of the Company with a fair value of $540,000. EEStor also exercised a put right on the closing date and received an additional 5,400,000 common shares of the Company with a fair value of $4,860,000.

On May 8, 2014, the Company completed the share exchanged offered to all shareholders of EEStor who did not participate in the share exchange announced by the Company on January 27, 2014. The Company acquired 59,739 common stock and Series A Preferred Stock of EEStor, on the basis of fifteen (15) the Company common shares for each EEStor share exchanged. In addition the Company also entered into an agreement by which outstanding warrants of EEStor in the amount of 18,099 could be exchange for shares of ZENN at the rate of fifteen (15) ZENN common shares for each EEStor share they otherwise would have received. Following the offer, the Company owns 71.3% of the voting and equity stock of EEStor on an as converted basis.

On September 15, 2014, the Company completed a non-brokered private placement of 5,076,922 units of the Company at $0.26 per unit for gross proceeds of $1,320,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.39 and expires on March 15, 2016. The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of $686,902 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants are estimated using Black-Scholes pricing model with the following assumptions: share price $0.25, dividend yield 0%, risk free interest rate 1.09%, volatility 152% and an expected life of 1.5 years. Expected volatility is based on historical volatility. In connection with the private placement, the Company paid a finder's fee of $35,724 and issued 101,400 compensation warrants expiring on March 15, 2016. Each compensation warrant is exercisable into one common share at a price of $0.39. The fair value of the compensation warrants was estimated at $13,718 using the Black-Scholes pricing model with the following assumptions: share price $0.25, dividend yield 0%, risk free interest rate 1.09%, volatility 152% and an expected life of 1.5 years. Expected volatility is based on historical volatility. Compensation warrants were not measured at the fair value of the services received as the fair value for such services was not reliably measurable. The total share issuance costs were $86,025.

10. SHARE CAPITAL (cont'd)

On February 5, 2015, the Company completed a non-brokered private placement of 2,793,000 units of the Company at $0.375 per unit for gross proceeds of $1,047,375. Each unit consists of one common share and one half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.58 and expires on August 5, 2016. The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of $330,312 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants is estimated using Black-Scholes pricing model with the following assumptions: share price $0.375, dividend yield 0%, risk free interest rate 0.46%, volatility 169%, and an expected life 1.5 years. Expected volatility is based on historical volatility. In connection with the private placement, the Company paid a finder's fee of $23,940 and issued 63,840 compensation warrants expiring on August 5, 2016. Each compensation warrant is exercisable into one common share at a price of $0.58. The fair value of the compensation warrants estimated at $15,100 Black-Scholes pricing model with the following assumptions: share price $0.375, dividend yield 0%, risk free interest rate 0.46%, volatility 169%, and an expected life 1.5 years. Expected volatility is based on historical volatility. Compensation warrants were not measured at the fair value of the services received as the fair value for such services was not reliably measurable. The total share issuance costs were $403,334.

On April 28, 2015, the Company completed a non-brokered private placement of 100,000 units of the Company at $0.31 per unit for gross proceeds of $31,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.46 and expires on October 28, 2016. The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of $26,236 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants is estimated using Black-Scholes pricing model with the following assumptions: share price $0.31, dividend yield 0%, risk free interest rate 0.49%, volatility 165%, and an expected life 1.5 years. Expected volatility is based on historical volatility. The total share issuance costs were $3,618.

11. STOCK OPTIONS

Stock Option Plan

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 "floating plan". Under the terms of the Plan, the number of shares issuable under stock options and the performance warrants cannot exceed 10% of the outstanding common shares of the Company. The Company sets the exercise price based on the closing market price at the time of the grant. The Company may grant options for a term not to exceed ten years. Vesting periods are assessed at the time of the grant and are documented in more detail in the table below. In the event of a takeover bid which results in the Offeror exercising control of the Company, stock options which might otherwise not be vested may be exercised as part of the takeover transaction.

(in Canadian dollars)

11. STOCK OPTIONS (cont'd)

The following tables outline the stock option transactions and numbers outstanding:

	2015		2014	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding, beginning of year	**4,369,300**	**0.94**	3,069,163	1.38
Granted[(1)(2)]	**1,296,000**	**0.50**	2,266,000	0.52
Exercised	**-**	**-**	-	-
Expired	**(2,007,500)**	**(1.25)**	(778,363)	(1.46)
Forfeited	**-**	**-**	(187,500)	(0.85)
Outstanding, end of year	**3,657,800**	**0.63**	4,369,300	0.94
Exercisable	**3,133,786**	**0.64**	2,985,123	1.16

(1) Includes 440,000 options granted for investor relations consulting services and vest equally on each 3, 6, 9 and 12 month anniversaries with half of the options expiring six months (June 22, 2015) from the grant date and the remainder expiring one year (December 22, 2015) from the grant date.

(2) Includes 850,000 options granted to officers and certain directors, including an EEStor director, 400,000 vest equally over a twelve month period and 450,000 vest equally over an eighteen month period. These options will expiry five years from the date of grant.

Options outstanding at the end of September 30, 2015:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number outstanding	Weighted average exercise price $
$0.25 to $0.50	**1,630,000**	**3.21**	**0.32**	1,520,000	0.32
$0.51 to $0.75	**1,016,000**	**3.86**	**0.59**	687,986	0.60
$0.76 to $1.00	**341,000**	**3.21**	**0.85**	257,000	0.85
$1.01 to $1.25	**156,000**	**2.34**	**1.13**	154,000	1.13
$1.26 to $1.50	**514,800**	**0.81**	**1.35**	514,800	1.35
Total	**3,657,800**	**3.02**	**0.63**	3,133,786	0.64

(in Canadian dollars)

11. STOCK OPTIONS (cont'd)

Warrant Transactions

The following table outlines the warrant transactions and numbers outstanding:

	2015		2014	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
		$		$
Outstanding and exercisable, beginning of year	**9,338,772**	**0.91**	2,504,000	1.35
Issued	**1,560,340**	**1.50**	9,104,562	0.87
Exercised	**-**	**0.00**	(92,300)	(1.35)
Expired	**(222,240)**	**(1.50)**	(2,411,700)	(1.35)
EEStor warrants exchange	**-**	**0.00**	271,485	2.52
EEStor warrants expired	**(122,415)**	**(2.94)**	(37,275)	(2.18)
Outstanding and exercisable, end of year	**10,554,457**	**0.96**	9,338,772	0.91

12. STOCK-BASED COMPENSATION AND STOCK-BASED PAYMENTS

In the year ended September 30, 2015, the Company recorded $599,248 (2014 - $708,266) in stock based compensation costs.

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% (2014 – 0%), (ii) expected volatility of approximately 170% (2014 – 150%), (iii) risk free interest rate of 1.02% (2014 – 1.06%), (iv) the average expected life of 1.09 years (2014 – 1.17 years), and (v) the average share price on date of issuance of $0.57 (2014 - $0.52). 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 cost of grants in the period was approximately $0.37 (2014 - $0.33) per instrument.

13. EMPLOYEE BENEFITS EXPENSE

Salaries and employee benefits expense included in the general and administrative expenses are as follows:

	2015	2014
	$	$
Wages and salaries	**644,940**	810,999
Statutory deductions	**83,119**	63,077
Severance	**-**	(200)
Stock-based compensation	**442,178**	646,998
	1,170,237	1,520,874

(in Canadian dollars)

13. EMPLOYEE BENEFITS EXPENSE (cont'd)

Salaries and employee benefits expense included in the engineering and development expenses are as follows:

	2015 **$**	2014 $
Wages and salaries	**771,095**	458,274
Statutory deductions	**149,907**	90,838
Stock-based compensation	**3,326**	6,265
	924,328	555,377

Salaries and employee benefits expense included in the business development expenses are as follows:

	2015 **$**	2014 $
Wages and salaries	**-**	31,945
Statutory deductions	**-**	5,346
Stock-based compensation	**-**	55,003
	-	92,294

14. DEPRECIATION

The components of the Company's depreciation and amortization expense included in the general and administrative expenses for the year ended September 30, 2015, is $4,212 (2014 – $3,330) and the amortization expense included in engineering and development expenses is $31,310 (2014 – $12,739).

(in Canadian dollars)

15. INCOME TAXES

Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in the financial statements:

	2015	2014
	$	$
Loss from continuing operations	**(10,154,077)**	(3,173,925)
Statutory rate	**26.5%**	26.5%
Expected income tax recovery	**(2,690,830)**	(841,090)
Share issue costs	**16,221**	91,943
Non-deductible expenses	**2,126,031**	229,784
Non capital losses expiring	**138,023**	65,437
Change in deferred taxes not recognized related to operations	**658,145**	321,079
Change in expected future tax rates and other	**(247,590)**	132,847
Income tax expense	**-**	-

Deferred Income Taxes

The temporary differences and unused tax losses that give rise to deferred income tax assets are presented below:

	2015	2014
	$	$
Amounts related to tax loss and other credits carry forwards	**14,101,148**	13,419,571
Property and equipment	**281,429**	926,150
Reserves	**-**	11,453
Share issue costs	**77,260**	91,789
Less: Deferred taxes not recognized	**(14,459,837)**	(14,448,963)
	-	-

(in Canadian dollars)

15. INCOME TAXES (cont'd)

Loss and Tax Credit Carryforwards

As at September 30, 2015, the Company has non-capital losses of approximately $51,399,049 expiring as follows:

2025	824,771
2026	2,696,943
2027	7,005,069
2028	7,143,713
2029	11,165,545
2030	7,221,918
2031	5,834,433
2032	1,859,444
2033	3,012,811
2034	2,414,991
2035	2,219,411
	$51,399,049

The Company has undeducted scientific research and experimental development costs of approximately $1,812,830 and investment tax credits relating to scientific research and development costs of approximately $450,537 available to apply against future taxable income.

The potential tax benefit relating to the non-capital losses and tax credit carryforwards has not been reflected in these consolidated financial statements.

16. COMMITMENTS

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

2016	$	244,735
2017		250,180
2018		177,367
2019		77,369
2020		77,369
	$	**827,020**

(in Canadian dollars)

17. 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, Chief Executive Officer and the Chief Financial Officer.

Key management personnel may also participate in the Company's stock-based compensation plans. See Note 11 above.

The remuneration of key management personnel were as follows:

	2015 **$**	2014 $
Wages and salaries	**499,505**	624,265
Statutory deductions	**26,573**	30,862
Stock-based compensation	**406,397**	654,201
	932,475	1,309,328

As at September 30, 2015, the outstanding compensation for key management personnel, as defined above, amount to $214,585. In addition, the outstanding compensation for EEStor employees amounted to $181,340.

The outstanding balance payable to the Company's Directors is $81,750 (2014 – $32,610).

Consulting Agreement

An agreement was entered into with Mr. J. Gregory Gooch, a member of the EEStor Board of Directors for his weekly consulting services relating to the EEStor technology. During the year ended September 30, 2015, fees and other expenses of $52,975 (2014 - $23,099) were incurred. As at September 30, 2015, the amount $24,750 (2014 - $NIL) remains outstanding.

Employee Advance

The Company previously entered into an agreement to advance $35,000 (2014 - $13,500) to Mr. Ian Clifford, a director and CEO of the Company. A promissory note was issued evidencing the advance and provides for a 2% annual interest charge and a maturity date of March 31, 2015. Further advances of $5,851 were made and accrued interest of $702 increased the balance owing at year end. Subsequent to the year end, the Company signed a new promissory note for $41,553 with the same terms as the original note with a maturity date of September 30, 2016.

Debt Advance

As at September 30, 2015, the Company obtained a $459,697 (2014 - $NIL) advance from certain arm's length shareholders to assist the Company until additional financing can be obtained. No terms have been set related to the advances provided as at September 30, 2015.

18. FINANCIAL INSTRUMENTS

Fair Value

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

FINANCIAL INSTRUMENTS (cont'd)

Interest Risk

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

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The only significant financial instrument of the Company denominated in US dollars is cash of $5,166. The Company's exposure to currency risk is negligible.

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. Since the Company no longer sells its LSV products, its sales credit risk is negligible.

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 September 30, 2015, the Company has current liabilities of $1,321,428 due within 12 months and has a cash balance of $18,602. As at September 30, 2015 the Company has working capital deficiency of $1,132,320 and accordingly, the Company is subject to liquidity risk. Management will continue to raise capital to continue the development of the EEStor technology, rights, patents and development costs and to maintain its operations.

19. SEGMENTED INFORMATION

As at September 30, 2015, 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. SUBSEQUENT EVENTS

Shareholder Advances

As part of the continuing efforts to obtain financing for the Company, the Company has received an additional $205,000 as an advance from certain arms length shareholders subsequent to September 30, 2015.

20. SUBSEQUENT EVENTS (cont'd)

Warrant Extension

On October 3, 2015, the Company announced that it had applied for a further extension to November 14, 2016 to the expiry date of 3,704,000 warrants issued as part of the November 14, 2013, private placement financing. The warrants were set to expire on November 13, 2015 and the previous expiry date was May 14, 2015.

Non-brokered Private Placement

On December 24, 2015 the Company completed the first tranche of a non-brokered private placement. The Company issued and sold 10,559,938 units at a price of $0.15 per unit raising gross proceeds of $1,583,990. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at a price of $0.30 until December 24, 2018. All securities issued pursuant to the private placement are subject to a 4-month hold period until April 25, 2016.

The Company paid cash finders' fee of $17,220 and issued 114,800 non-transferable finder's warrants to registered dealers in connection with the offering. Each finder's warrant entitles the holder to acquire one common share at a price of $0.30 until December 24, 2018.