EESTOR CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2016

(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 December 31, 2016	As at September 30, 2016
ASSETS		
Current assets		
Cash	**$ 2,109,671**	$ 1,433,749
Short-term investments	**5,000**	5,000
Prepaid expenses and sundry assets	**391,029**	168,818
Total current assets	**2,505,700**	1,607,567
Non-current assets		
Restricted cash (note 4)	**734,600**	734,600
Property and equipment (note 5)	**112,629**	122,762
EEStor technology, rights, patents and development costs (note 7)	**19,230,196**	19,188,935
Total non-current assets	**20,077,425**	20,046,297
Total assets	**$ 22,583,125**	$ 21,653,864
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	**$ 640,528**	$ 614,186
Total current liabilities	**640,528**	614,186
Non-current liabilities		
Notes payable (note 9)	**166,700**	141,565
Total liabilities	**807,228**	755,751
Capital and reserves		
Share capital (note 10)	**69,437,649**	66,477,897
Contributed surplus	**7,690,816**	7,549,853
Warrant capital	**6,169,779**	6,985,155
Accumulated deficit	**(60,169,059)**	(59,100,599)
	23,129,185	21,912,306
Non-controlling interest (note 7)	**(1,353,288)**	(1,014,193)
Total shareholders' equity	**21,775,897**	20,898,113
Total liabilities and shareholders' equity	**$ 22,583,125**	$ 21,653,864

Nature of operations and going concern (note 1)
Commitments (note 15)
Subsequent events (note 20)

Approved on behalf of the Board:

"Paul Mesburis" Director *"Ian Clifford"* Director

EEStor Corporation

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

	Three months ended December 31, 2016	Three months ended December 31, 2015
Expenses		
General and administrative (notes 13 and 14)	**$ 886,308**	$ 545,722
Engineering and development (notes 13 and 14)	**521,247**	115,804
Net loss and comprehensive loss for the period	**(1,407,555)**	(661,526)
Net loss for the period attributable to:		
Loss for the period	**$ (1,068,460)**	$ (536,867)
Non-controlling interest in subsidiary (note 7)	**(339,095)**	(124,659)
	$ (1,407,555)	$ (661,526)
Net loss per share - basic and diluted	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding - basic and diluted	**99,344,837**	63,038,179

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)

	Three months ended December 31, 2016	Three months ended December 31, 2015
Cash flows used in operations		
Net loss for the period	**$ (1,407,555)**	$ (661,526)
Items not affecting cash:		
Depreciation and amortization (notes 14 and 7)	**20,095**	14,870
Stock-based compensation (note 12)	**211,339**	27,295
Accretion (note 9)	**25,135**	-
	(1,150,986)	(619,361)
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	**(222,211)**	(65,690)
Accounts payable and accrued liabilities	**26,342**	182,498
Net cash used in operating activities	**(1,346,855)**	(502,553)
Investing activities		
Short-term investments	**-**	7,000
Purchase of property and equipment	**(3,223)**	-
Purchase of patents and trademarks	**-**	(2,835)
Sundry long-term assets	**-**	9,095
Net cash (used in) provided by investing activities	**(3,223)**	13,260
Financing activities		
Issuance of units, net of issuance costs	**-**	1,282,763
Exercise of warrants	**2,026,000**	-
Debt advances	**-**	205,000
Repayment of debt advances	**-**	(102,697)
Net cash provided by financing activities	**2,026,000**	1,385,066
Net change in cash	**675,922**	895,773
Cash, beginning of period	**1,433,749**	18,602
Cash, end of period	**$ 2,109,671**	$ 914,375

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

EEStor Corporation
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(In Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Warrant Capital	Accumulated Deficit	Subtotal	Non-controlling Interest	Total
Balance, September 30, 2016	**96,393,166**	**$ 66,477,897**	**$ 7,549,853**	**$ 6,985,155**	**$ (59,100,599)**	**$ 21,912,306**	**$ (1,014,193)**	**$ 20,898,113**
Loss for the period	-	-	-	-	(1,068,460)	(1,068,460)	-	(1,068,460)
Non-controlling interest in subsidiary	-	-	-	-	-	-	(339,095)	(339,095)
Comprehensive loss for the period	-	-	-	-	(1,068,460)	(1,068,460)	(339,095)	(1,407,555)
Transactions with shareholders:								
Extension of warrants	-	-	(70,376)	70,376	-	-	-	-
Shares issued from exercise of warrants	5,176,922	2,911,752	-	(885,752)	-	2,026,000	-	2,026,000
Shares issued for intellectual property rights (note 7)	100,000	48,000	-	-	-	48,000	-	48,000
Stock-based compensation (note 12)	-	-	211,339	-	-	211,339	-	211,339
Balance, December 31, 2016	**101,670,088**	**$ 69,437,649**	**$ 7,690,816**	**$ 6,169,779**	**$ (60,169,059)**	**$ 23,129,185**	**$ (1,353,288)**	**$ 21,775,897**
Balance, September 30, 2015	**62,337,505**	**$ 64,272,417**	**$ 7,486,137**	**$ 3,298,483**	**$ (56,154,147)**	**$ 18,902,890**	**$ (728,130)**	**$ 18,174,760**
Loss for the period	-	-	-	-	(536,867)	(536,867)	-	(536,867)
Non-controlling interest in subsidiary	-	-	-	-	-	-	(124,659)	(124,659)
Comprehensive loss for the year	-	-	-	-	(536,867)	(536,867)	(124,659)	(661,526)
Transactions with shareholders:								
Extension of warrants	-	-	(187,091)	187,091	-	-	-	-
Issuance of units - net of costs (note 10(b)(i))	10,559,938	484,074	-	798,689	-	1,282,763	-	1,282,763
Stock-based compensation (note 12)	-	-	27,295	-	-	27,295	-	27,295
Balance, December 31, 2015	**72,897,443**	**$ 64,756,491**	**$ 7,326,341**	**$ 4,284,263**	**$ (56,691,014)**	**$ 19,676,081**	**$ (852,789)**	**$ 18,823,292**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

EEStor Corporation (the "Company") is incorporated under the Business Corporations Act (Ontario) and its common shares are listed on the TSX Venture Exchange under the symbol “ESU”. Any specific reference to “EEStor” herein means EEStor, Inc. alone a 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 unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 1, 2017.

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

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 planned operations for at least the next 12 months and as a result may be required to substantially reduce or temporarily cease its operations, including but not limited to the reduction of payroll costs, development activities and other operating expenditures. Any such actions could have a material adverse effect on the Company's business, financial condition and prospects. These conditions may cast significant doubt about the Company’s ability to continue as a going concern into the foreseeable future. These financial statements do not include any adjustments, which could be material, to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

The policies applied in these unaudited consolidated interim condensed financial statements are based on IFRS issued and outstanding as of March 1, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these consolidated interim condensed financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended September 30, 2016. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending September 30, 2017 could result in restatement of these consolidated interim condensed financial statements.

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

Change in Accounting Policies

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

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

Future Accounting Pronouncements

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

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

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

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

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to:

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

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

(ii) Share based transactions

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

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

(iii) Going concern

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

(iv) Development costs

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

4. RESTRICTED CASH

The Company has set aside $734,600 related to amounts owed pursuant to certain notes payable (note 9).

(In Canadian Dollars, unless otherwise indicated)

5. PROPERTY AND EQUIPMENT

Cost	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2015	**$ 60,945**	**$ 43,485**	**$ -**	**$ 139,176**	**$ 243,606**
Additions	-	-	36,707	35,104	71,811
Balance, September 30, 2016	**60,945**	**43,485**	**36,707**	**174,280**	**315,417**
Additions	-	-	-	3,223	3,223
Balance, December 31, 2016	**$ 60,945**	**$ 43,485**	**$ 36,707**	**$ 177,503**	**$ 318,640**

Accumulated Depreciation	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2015	**$ 58,089**	**$ 43,485**	**$ -**	**$ 44,046**	**$ 145,620**
Depreciation	2,325	-	2,294	42,416	47,035
Balance, September 30, 2016	**60,414**	**43,485**	**2,294**	**86,462**	**192,655**
Depreciation	314	-	2,294	10,748	13,356
Balance, December 31, 2016	**$ 60,728**	**$ 43,485**	**$ 4,588**	**$ 97,210**	**$ 206,011**

Net book value	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2016	**$ 531**	**$ -**	**$ 34,413**	**$ 87,818**	**$ 122,762**
Balance, December 31, 2016	**$ 217**	**$ -**	**$ 32,119**	**$ 80,293**	**$ 112,629**

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 Defence and Homeland Security fields. The technology agreement has staged payments that tie to purchasing requirements of EESUs. The aggregate potential payments to be made under the agreement is $120.0 million.

(In Canadian Dollars, unless otherwise indicated)

7. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS

Continuity of Assets

Intangible asset at September 30, 2015	$ 19,200,000
Additional patent cost	15,695
Patent amortization	(26,760)
Intangible asset at September 30, 2016	**19,188,935**
Addition to intellectual property rights (i)	48,000
Patent amortization	(6,739)
Intangible asset at December 31, 2016	**$ 19,230,196**

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

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

EEStor Financial Information

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

	December 31, 2016 US ($)	**September 30, 2016 US ($)**
Current assets	**181,055**	122,160
Long-term assets	**851,739**	834,303
Total assets	**1,032,794**	956,463
Current liabilities	**144,883**	345,401
Long-term liabilities (i)	**7,244,926**	6,461,777
Total liabilities	**7,389,809**	6,807,178
Shareholders' deficiency	**(6,357,015)**	**(5,850,715)**

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

(In Canadian Dollars, unless otherwise indicated)

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

EEStor's operating expenses included in the Consolidated Statement of Loss and Comprehensive Loss for the three months ended December 31, 2016 and 2015 are as follows:

	Three months ended December 31, 2016 US ($)	Three months ended December 31, 2015 US ($)
General and administrative expenses	**115,650**	83,798
Engineering and development	**390,651**	86,732
Net loss	**506,301**	170,530
Loss attributed to the Company	**253,657**	85,436
Non-controlling interest in subsidiary	**252,644**	85,094
Net loss	**506,301**	170,530

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 December 31, 2016, the Company held 50.1% of the common stock outstanding.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2016	As at September 30, 2016
Trade accounts payables	**$ 196,319**	$ 154,496
Accrued liabilities	**444,209**	459,690
Total accounts payable and accrued liabilities	**$ 640,528**	$ 614,186

9. NOTES PAYABLE

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

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

(In Canadian Dollars, unless otherwise indicated)

9. NOTES PAYABLE (Continued)

	As at December 31, 2016	As at September 30, 2016
Opening balance	**$ 141,565**	$ -
Notes payable issued	**-**	664,293
Cost of issue - warrants	**-**	(519,533)
Accretion	**25,135**	55,639
Repayment	**-**	(58,834)
Closing balance	**$ 166,700**	$ 141,565

10. SHARE CAPITAL

(a) Authorized share capital

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

(b) Common shares issued

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

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

(In Canadian Dollars, unless otherwise indicated)

11. WARRANTS

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

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2015	**10,554,457**	**$ 0.96**
Issued (note 10(b)(i))	10,674,738	0.30
Balance, December 31, 2015	**21,229,195**	**$ 0.56**
Balance, September 30, 2016	**48,712,068**	**$ 0.40**
Exercised	(5,176,922)	0.39
Balance, December 31, 2016	**43,535,146**	**$ 0.40**

The Company had the following warrants outstanding at December 31, 2016:

Number of Warrants	Exercise Price	Expiry Date
1,396,500	$0.58	February 5, 2017 (note 20(ii))
366,666	$0.15	March 31, 2017
3,704,000	$1.50	March 31, 2017 (i)
10,674,738	$0.30	December 24, 2018
3,235,723	$0.30	February 22, 2019
4,036,159	$0.15	March 31, 2019
17,117,667	$0.30	June 15, 2019
3,003,693	$0.30	July 11, 2019
43,535,146		

(i) On October 30, 2015, the Company extended the expiry date of these warrants to November 14, 2016. On November 7, 2016, the Company further extended the expiry date of these warrants to March 31, 2017. All other terms remain the same.

12. 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 “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. Subsequent to December 31, 2016, the Company adopted a new stock option plan (see note 20(iii)).

(In Canadian Dollars, unless otherwise indicated)

12. STOCK OPTIONS (Continued)

The following tables outline the stock option transactions and numbers outstanding as at December 31, 2016 and 2015:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2015	**3,657,800**	**$ 0.63**
Expired	(220,000)	(0.32)
Forfeited	(8,337)	(1.27)
Balance, December 31, 2015	**3,429,463**	**$ 0.64**
Balance, September 30, 2016	**7,315,000**	**0.36**
Granted [(1)(2)]	1,479,512	0.49
Expired	(15,000)	(0.79)
Balance, December 31, 2016	**8,779,512**	**$ 0.38**
Exercisable	4,952,500	$ 0.42

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

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

For the three months ended December 31, 2016, the Company recorded $211,339 (2015 - $27,295) in stock-based compensation costs.

For the three months ended December 31, 2016 the fair value of options is determined using the Black-Scholes option pricing model with the following weighted average assumptions: (i) dividend yield of 0%, (ii) expected volatility of approximately 134%, (iii) risk free interest rate of 1.2%, (iv) the average expected life of 5 years, and (v) the average share price on date of issuance ranging from $0.49 to $0.52 and a forfeiture rate of 0%. Expected volatility is based on historical volatility. The Company includes an estimated forfeiture rate, with actual forfeitures reversed in the period they occur. The weighted average fair value of the grants in the period was approximately $0.43 per instrument.

(In Canadian Dollars, unless otherwise indicated)

12. STOCK OPTIONS (Continued)

The Company had the following stock options outstanding as of December 31, 2016:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
15,000	15,000	$ 0.89	0.01	January 3, 2017
60,000	60,000	$ 0.73	0.01	January 3, 2017
70,000	70,000	$ 0.85	0.01	January 3, 2017
100,000	100,000	$ 0.57	0.01	January 3, 2017
120,000	120,000	$ 0.20	0.01	January 3, 2017
200,000	200,000	$ 1.35	0.30	April 18 2017
150,000	150,000	$ 1.13	1.08	January 31 2018
250,000	250,000	$ 0.85	2.04	January 13, 2019
30,000	30,000	$ 0.63	2.26	April 4, 2019
1,180,000	1,180,000	$ 0.32	2.42	June 3, 2019
750,000	750,000	$ 0.57	2.98	December 22, 2019
2,630,000	1,631,250	$ 0.20	4.15	February 23, 2021
180,000	45,000	$ 0.19	4.41	May 30, 2021
1,565,000	351,250	$ 0.27	4.59	August 4, 2021
40,000	-	$ 0.52	4.88	November 16, 2021
1,439,512	-	$ 0.49	4.97	December 20, 2021
8,779,512	4,952,500		3.66	

13. EMPLOYEE BENEFITS EXPENSE

Salaries and employee benefits expense included in the general and administrative expenses during the three months ended December 31, 2016 and 2015 are as follows:

	Three months ended December 31, 2016	Three months ended December 31, 2015
Wages and salaries	**$ 198,307**	$ 230,544
Stock-based compensation	**211,339**	27,295
	$ 409,646	$ 257,839

(In Canadian Dollars, unless otherwise indicated)

13. EMPLOYEE BENEFITS EXPENSE (Continued)

Salaries and employee benefits expense included in the engineering and development expenses during the three months ended December 31, 2016 and 2015 are as follows:

	Three months ended December 31, 2016	Three months ended December 31, 2015
Wages and salaries	**$ 329,361**	$ 96,050

14. DEPRECIATION AND AMORTIZATION

The Company's depreciation and amortization expense included in the general and administrative expenses for the three months ended December 31, 2016 is $2,608 (three months ended December 31, 2015 – $773) and the amortization expense included in engineering and development expenses is $10,748 (three months ended December 31, 2015 – $14,097).

15. COMMITMENTS

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

2017	188,440
2018	177,993
2019	77,369
2020	77,369
	$ 521,171

16. RELATED PARTY TRANSACTIONS

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

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

(In Canadian Dollars, unless otherwise indicated)

16. RELATED PARTY TRANSACTIONS (Continued)

The remuneration of key management personnel were as follows:

	Three months ended December 31, 2016	Three months ended December 31, 2015
Wages and salaries	**$ 149,130**	$ 212,695
Stock-based compensation	**105,705**	21,969
	$ 254,835	$ 234,664

As at December 31, 2016, the outstanding compensation for key management personnel, as defined above, was $99,800; for management $99,800 (September 30, 2016 - $249,500) and for directors $nil (September 30, 2016 - $18,014).

17. MANAGEMENT OF CAPITAL

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

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

The Company includes equity in its definition of capital. Equity is comprised of share capital, contributed surplus, warrant capital and deficit and amounted to $23,129,185 (September 30, 2016 - $21,912,306). The Company's approach to raising equity has been to raise sufficient capital to take the Company toward a target milestone, with an objective of successive capital raises being at a higher price and therefore less dilutive for shareholders. To secure additional capital to pursue its objectives, the Company may raise additional funds through the issuance of equity. The Company's ability to continue with its incremental 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 three months ended December 31, 2016.

18. FINANCIAL INSTRUMENTS

Fair Value

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

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 minimal.

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 $151,909. The Company's exposure to currency risk is minimal.

Credit Risk

Credit risk arises from the possibility that the entities to which the Company sells products may experience financial difficulties and be unable to fulfill their contractual obligations. The Company's exposure to credit risk is minimal.

Liquidity Risk

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

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

As at December 31, 2016, the Company has current liabilities of $640,528 due within 12 months and has a cash balance of $2,109,671. As at December 31, 2016, the Company has a working capital of $1,865,172 and accordingly, the Company is subject to liquidity risk. Management plans to raise additional capital through the private placement of securities and the exercise of warrants in order to continue the development of the EEStor technology and to maintain its operations. As at December 31, 2016, the Company's exposure to liquidity risk is minimal.

The contractual maturity of the Notes Payable is in note 9.

19. SEGMENTED INFORMATION

As at December 31, 2016, 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

(i) On January 3, 2017, 365,000 stock options with varying exercise prices expired unexercised.

(ii) On January 13, 2017, the Company announced that it had applied to the TSX Venture Exchange for acceptance to extend the expiry date of 1,396,500 outstanding common share purchase warrants to March 15, 2017. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.58 per share. Acceptance of the TSX Venture Exchange for the extension was subsequently received.

(iii) On February 15, 2017, the Company announced that its Board of Directors has adopted an amended and restated stock option plan (the “New Plan”) which converts the prior 10% rolling plan into a 20% fixed stock option plan. Pursuant to the New Plan, options to acquire an aggregate of 20,407,350 common shares may be granted to Eligible Persons (as such term is defined in the New Plan) from time to time.