EESTOR CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED MARCH 31, 2016

(EXPRESSED 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
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
Unaudited

	As at March 31, 2016 $	As at September 30, 2015 $
ASSETS		
Current assets		
Cash	**315,763**	18,602
Restricted cash (note 4)	**678,400**	-
Short-term investments	**5,000**	12,000
Prepaid expenses and sundry assets	**228,523**	158,506
Total current assets	**1,227,686**	189,108
Non-current assets		
Property and equipment	**74,739**	97,986
Deposit for rent	**-**	6,447
Long-term insurance	**-**	2,647
EEStor technology, rights, patents and development costs (note 6)	**19,192,534**	19,200,000
Total non-current assets	**19,267,273**	19,307,080
Total assets	**20,494,959**	19,496,188
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**1,230,766**	861,731
Debt advances (note 13)	**562,000**	459,697
Total liabilities	**1,792,766**	1,321,428
Capital and reserves		
Share capital (note 8)	**64,973,937**	64,272,417
Contributed surplus	**7,441,135**	7,486,137
Warrants	**4,462,907**	3,298,483
Accumulated deficit	**57,285,313)**	56,154,147)
	19,592,666	18,902,890
Non-controlling interest (note 6)	**(890,473)**	(728,130)
Total shareholders' equity	**18,702,193**	18,174,760
Total liabilities and shareholders' equity	**20,494,959**	19,496,188

Nature of operations and going concern (note 1)
Commitment (note 16)
Subsequent event (note)

Approved on behalf of the Board:

"Stewart Somers" Director *"Ian Clifford"* Director

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

EEStor Corporation

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

	Three months ended March 31, 2016 $	Three months ended March 31, 2015 $	Six months ended March 31, 2016 $	Six months ended March 31, 2015 $
Expenses				
General and administrative (notes 10, 11 and 12)	**590,995**	652,454	**1,136,717**	1,257,312
Engineering and development (notes 10, 11 and 12)	**40,988**	225,406	**156,792**	562,010
Net loss and comprehensive loss for the period	**(631,983)**	(877,860)	**(1,293,509)**	(1,819,322)
Net loss for the period attributable to:				
Loss for the period	**(594,299)**	(707,812)	**(1,131,166)**	(1,407,243)
Non-controlling interest in subsidiary (note 6)	**(37,684)**	(170,048)	**(162,343)**	(412,079)
	(631,983)	(877,860)	**(1,293,509)**	(1,819,322)
Net loss per share - basic and diluted	**(0.01)**	(0.01)	**(0.02)**	(0.03)
Weighted average number of shares outstanding - basic and diluted	**74,181,811**	61,418,618	**68,631,228**	60,206,288

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

EEStor Corporation

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Unaudited

	Six months ended March 31, 2016	Six months ended March 31, 2015
Cash flows used in operations		
Net loss from continuing operations	**$ (1,293,509)**	$ (1,819,322)
Items not affecting cash:		
Depreciation and amortization (notes 12 and 6)	**33,547**	22,588
Stock-based compensation (note 10)	**142,089**	411,451
Write off of patents	**-**	43,532
Translation gain	**-**	9,295
	(1,117,873)	(1,332,456)
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	**(70,017)**	(90,851)
Accounts payable and accrued liabilities	**369,035**	(9,995)
Net cash used in operating activities	**(818,855)**	(1,433,302)
Investing activities		
Short-term investments	**7,000**	(25,000)
Purchase of property and equipment	**-**	(37,144)
Purchase of patents and trademarks	**(2,835)**	(35,322)
Sundry long-term assets	**9,095**	2,026
Deferred project costs	**-**	(219,866)
Net cash provided by (used in) investing activities	**13,260**	(315,306)
Financing activities		
Issuance of units, net of issuance costs	**1,678,853**	989,453
Debt advances (note 13)	**205,000**	-
Repayment of debt advances (note 13)	**(102,697)**	-
Restricted cash (note 4)	**(678,400)**	-
Net cash provided by financing activities	**1,102,756**	989,453
Net change in cash	**297,161**	(759,155)
Cash, beginning of period	**18,602**	998,181
Cash, end of period	**$ 315,763**	$ 239,026

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

EEStor Corporation

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
Unaudited

	Number of Shares	Share Capital	Contributed Surplus	Warrants Capital	Non-controlling Interest	Comprehensive Income	Accumulated Deficit	Total
Balance, September 30, 2015	**62,337,505**	**$ 64,272,417**	**$ 7,486,137**	**$ 3,298,483**	**$ (728,130)**	**$ -**	**$(56,154,147)**	**$ 18,174,760**
Loss for the period	-	-	-	-	-	-	(1,131,166)	(1,131,166)
Non-controlling interest in subsidiary	-	-	-	-	(162,343)	-	-	(162,343)
Comprehensive loss for the period	-	-	-	-	(162,343)	-	(1,131,166)	(1,293,509)
Transactions with shareholders								
Extension of warrants	-	-	(187,091)	187,091	-	-	-	-
Issuance of units - net of costs	13,635,661	701,520	-	977,333	-	-	-	1,678,853
Stock-based compensation	-	-	142,089	-	-	-	-	142,089
Balance, March 31, 2016	**75,973,166**	**$ 64,973,937**	**$ 7,441,135**	**$ 4,462,907**	**$ (890,473)**	**$ -**	**$(57,285,313)**	**$ 18,702,193**
Balance, September 30, 2014	**59,444,505**	**$ 63,627,231**	**$ 7,181,885**	**$ 2,631,839**	**$ 3,523,103**	**$ 21,486**	**$(50,262,411)**	**$ 26,723,133**
Loss for the period	-	-	-	-	-	-	(1,407,243)	(1,407,243)
Non-controlling interest in subsidiary	-	-	-	-	(412,079)	-	-	(412,079)
Net loss for the period	-	-	-	-	(412,079)	-	(1,407,243)	(1,819,322)
Translation gain	-	-	-	-	-	55,659	-	55,659
Comprehensive loss for the period	-	-	-	-	(412,079)	55,659	(1,407,243)	(1,763,663)
Transactions with shareholders								
Issuance of units - net of issuance costs	2,793,000	644,041	-	345,412	-	-	-	989,453
Stock-based compensation	-	-	411,451	-	-	-	-	411,451
Balance, March 31, 2015	**62,237,505**	**$ 64,271,272**	**$ 7,593,336**	**$ 2,977,251**	**$ 3,111,024**	**$ 77,145**	**$(51,669,654)**	**$ 26,360,374**

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

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 unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 30, 2016.

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. In order to assist the Company until additional financing could be identified, the Company obtained advances from certain arm’s length shareholders in the amount of $664,697. After repayments of $102,697 during the period, the remaining debt advances total $562,000 as at March 31, 2016. There is no assurance that this financial support may be available in the future. 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

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 May 30, 2016, 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, 2015. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending September 30, 2016 could result in restatement of these consolidated interim condensed financial statements.

2. STATEMENT OF COMPLIANCE (Continued)

Future Accounting Pronouncements

The accounting pronouncement detailed in this note has been issued but is not yet effective. The Company has not early adopted this standard and is currently evaluating the impact, if any, that this standard 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) 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.

(iii) 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, The amendments are effective for annual periods beginning on or after January 1, 2016, Earlier adoption permitted, The Company has yet to assess the full impact of IAS 1 on its financial statements.

3. 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 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.

3. USE OF ESTIMATES AND JUDGEMENTS (Continued)

(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) 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) 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.

(v) 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. RESTRICTED CASH

The Company has not finalized the terms related to amounts owed pursuant to certain debt advances (note 13) and has set aside $678,400 including associated financing costs.

(Expressed in Canadian Dollars, unless otherwise indicated)

5. 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.

6. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS

Continuity of Assets	
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 (i)	(7,375,031)
Intangible asset at September 30, 2015	19,200,000
Additional patent cost	2,834
Patent amortization	(10,300)
Intangible asset at March 31, 2016	**$ 19,192,534**

(i) 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.

(Expressed in Canadian Dollars, unless otherwise indicated)

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

EEStor Financial Information

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

	March 31, 2016 US ($)	**September 30, 2015 US ($)**
Current assets	**57,924**	20,804
Long-term assets	**818,773**	845,347
Other receivables	**75,699**	-
Total assets	**952,396**	866,151
Current liabilities	**544,632**	493,645
Long-term liabilities	**5,918,651**	5,717,629
Other receivables	**75,699**	-
Total liabilities	**6,538,982**	6,211,274
Shareholders' deficiency	**(5,586,586)**	**(5,345,123)**

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

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

	Three months ended March 31, 2016 US ($)	**Three months ended March 31, 2015 US ($)**	**Six months ended March 31, 2016 US ($)**	**Six months ended March 31, 2015 US ($)**
General and administrative expenses	**39,458**	92,958	**123,256**	223,605
Engineering and development	**31,475**	181,619	**118,207**	477,899
Net loss	**70,933**	274,577	**241,463**	701,504
Loss attributed to the Company	**35,537**	137,563	**120,973**	351,454
Non-controlling interest in subsidiary	**35,396**	137,014	**120,490**	350,050
Net loss	**70,933**	274,577	**241,463**	701,504

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 March 31, 2016, 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.

(Expressed in Canadian Dollars, unless otherwise indicated)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at March 31, 2016	As at September 30, 2015
Current liabilities of continued operations		
Trade accounts payables and accrued liabilities (i)	**$ 1,230,766**	$ 861,731
Debt advances (note)	**562,000**	459,697
Total current liabilities of continued operations	**$ 1,792,766**	$ 1,321,428

(i) The Company has recorded for the six months ended March 31, 2016, a provision for costs associated with the debt advances in the amount of $112,400.

8. SHARE CAPITAL

(a) Authorized share capital

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

(b) Common shares issued

At March 31, 2016, the issued share capital amounted to $64,973,937.

(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.

(ii) On February 23, 2016, the Company completed a non-brokered private placement of 3,075,723 units of the Company at $0.15 per unit for gross proceeds of $461,358. 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 February 22, 2019. The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of $178,644 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 $0.20, dividend yield 0%, risk free interest rate 0.44%, volatility 143%, and an expected life 3.0 years. Expected volatility is based on historical volatility.

(Expressed in Canadian Dollars, unless otherwise indicated)

8. SHARE CAPITAL (Continued)

(ii)(continued) In connection with the private placement, the Company paid a finder's fee of $24,000 and issued 160,000 compensation warrants expiring on February 22, 2019. Each compensation warrant is exercisable into one common share at a price of $0.30. The fair value of the compensation warrants estimated at $9,472 Black-Scholes pricing model with the following assumptions: share price $0.20, dividend yield 0%, risk free interest rate 0.44%, 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.

9. WARRANTS

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

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2014	**9,338,772**	**$ 0.91**
Issued	1,460,340	0.58
Expired	(47,880)	2.12
Balance, March 31, 2015	**10,751,232**	**0.85**
Balance, September 30, 2015	**10,554,457**	**0.96**
Issued (note 8(i)(ii))	13,910,461	0.30
Balance, March 31, 2016	**24,464,918**	**$ 0.58**

10. STOCK OPTIONS

The Company has a stock option plan (the "Plan") which authorizes the Board to issue options to employees, directors and consultants providing services to the Company or its subsidiaries. The Plan is structured as a "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.

(Expressed in Canadian Dollars, unless otherwise indicated)

10. STOCK OPTIONS (Continued)

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

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2014	**4,369,300**	**$ 0.94**
Granted (1)(2)	1,296,000	0.50
Balance, March 31, 2015	**5,665,300**	**$ 0.84**
Balance, September 30, 2015	**3,657,800**	**0.24**
Granted (3)	2,990,000	0.20
Expired	(534,463)	0.30
Forfeited	(8,337)	-
Balance, March 31, 2016	**6,105,000**	**$ 0.39**
Exercisable	3,475,000	$ 0.53

(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 on December 22, 2015.

(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.

(3) Includes 2,990,000 options granted to officers and certain directors, 200,000 vest equally over a twelve month period, 1,680,000 vest equally over an eighteen month period and 750,000 vest over a twenty-four month period. Due to the departure of an officer during the quarter, 360,000 vest immediately during the quarter. These options will expiry five years from the date of grant.

For the three and six months ended March 31, 2016, the Company recorded $114,815 and $142,110, respectively (three and six months ended March 31, 2015 - $229,307 and $411,451, respectively) in stock-based compensation costs.

For the six months ended March 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% (2015 – 0%), (ii) expected volatility of approximately 134% (six months ended March 31, 2015 – 170%), (iii) risk free interest rate of 0.62% (six months ended March 31, 2015 – 1.02%), (iv) the average expected life of 5 years (six months ended March 31, 2015 – 1.09 years), and (v) the average share price on date of issuance of $0.17 (six months ended March 31, 2015 - $0.57). 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 $0.146 (six months ended March 31, 2015 - $0.37) per instrument.

(Expressed in Canadian Dollars, unless otherwise indicated)

10. STOCK OPTIONS (Continued)

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

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
50,000	50,000	$ 0.32	0.42	August 31, 2016
15,000	15,000	$ 0.66	0.42	September 1, 2016
50,000	50,000	$ 0.74	0.45	September 12, 2016
5,000	5,000	$ 0.66	0.66	November 27, 2016
4,000	4,000	$ 1.13	0.66	November 27, 2016
2,000	2,000	$ 0.85	0.66	November 27, 2016
60,000	60,000	$ 0.32	0.66	November 27, 2016
4,000	4,000	$ 0.57	0.66	November 27, 2016
15,000	15,000	$ 0.89	0.76	January 3, 2017
60,000	60,000	$ 0.73	0.76	January 3, 2017
70,000	70,000	$ 0.85	0.76	January 3, 2017
120,000	120,000	$ 0.32	0.76	January 3, 2017
100,000	100,000	$ 0.57	0.76	January 3, 2017
360,000	360,000	$ 0.20	0.76	January 3, 2017
200,000	200,000	$ 1.35	1.05	April 18 2017
150,000	150,000	$ 1.13	1.84	January 31 2018
250,000	250,000	$ 0.85	2.79	January 13, 2019
30,000	30,000	$ 0.63	3.01	April 4, 2019
1,180,000	1,180,000	$ 0.32	3.18	June 3, 2019
750,000	750,000	$ 0.57	3.73	December 22, 2019
2,630,000	-	$ 0.20	4.90	February 23, 2021
6,105,000	3,475,000		3.50	

11. EMPLOYEE BENEFITS EXPENSE

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

	Three months ended March 31, 2016	Three months ended March 31, 2015	Six months ended March 31, 2016	Six months ended March 31, 2015
Wages and salaries	**$ 205,480**	$ 220,563	**$ 428,061**	$ 410,303
Stock-based compensation	**114,794**	228,308	**142,089**	408,439
	$ 320,274	$ 448,871	**$ 570,150**	$ 818,742

(Expressed in Canadian Dollars, unless otherwise indicated)

11. EMPLOYEE BENEFITS EXPENSE (Continued)

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

	Three months ended March 31, 2016	Three months ended March 31, 2015	**Six months ended March 31, 2016**	Six months ended March 31, 2015
Wages and salaries	**$ 21,488**	$ 269,044	**$ 117,538**	$ 485,297
Stock-based compensation	**-**	999	**-**	3,012
	$ 21,488	$ 270,043	**$ 117,538**	$ 488,309

12. DEPRECIATION AND AMORTIZATION

The Company's depreciation and amortization expense included in the general and administrative expenses for the three and six months ended March 31, 2016 is $787 and $1,560, respectively (three and six months ended March 31, 2015 – $1,250 and $2,421, respectively) and the amortization expense included in engineering and development expenses is $7,590 and $21,687, respectively ((three and six months ended March 31, 2015 – $6,112 and $11,278, respectively).

13. RELATED PARTY TRANSACTIONS

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

Key management personnel may also participate in the Company's stock-based compensation plans (note 10).

The remuneration of key management personnel were as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015	**Six months ended March 31, 2016**	Six months ended March 31, 2015
Wages and salaries	**$ 148,000**	$ 174,065	**$ 360,695**	$ 321,722
Stock-based compensation	**114,794**	147,131	**136,763**	285,664
	$ 262,794	$ 321,196	**$ 497,458**	$ 607,386

As at March 31, 2016, the outstanding compensation for key management personnel, as defined above, was $294,670; for management $194,420 (September 30, 2015 - $214,585) and for directors $100,250 (September 30, 2015 - $81,750). In addition, the outstanding compensation for EEStor employees amounted to $221,222.

13. RELATED PARTY TRANSACTIONS (Continued)

Employee Advance

The Company received a promissory note in the amount of $41,634 for net advances provided to Mr. Ian Clifford, a director and CEO of the Company, as at September 30, 2015. Terms of the promissory note require the retirement of the debt by September 30, 2016 and an annual interest charge of 2%.

Debt Advance

During the six months ended March 31, 2016, the Company received advances of $205,000 (six months ended March 31, 2015 - $nil) and repaid certain advances of $102,697 (six months ended March 31, 2015 - $nil). These advances were provided by certain arm's length shareholders to assist the Company until additional financing has been obtained in order that the Company be able to operate with sufficient funds. As at March 31, 2016, the Company owed $562,000 (September 30, 2015 - $459,697). Although no terms have been finalized, during the six months ended March 31, 2016, the Company recorded a provision for costs in the amount of $112,400 (six months ended March 31, 2015 - $nil) associated with the debt advances.

14. 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 six months ended March 31, 2016.

15. 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.

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 $43,264. 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 March 31, 2016, the Company has current liabilities of $1,792,766 due within 12 months and has a cash balance of $315,763. As at March 31, 2016, the Company has a working capital deficiency of $565,080 and accordingly, the Company is subject to liquidity risk. Management plans to raise additional capital in order to continue the development of the EEStor technology and to maintain its operations.

16. COMMITMENTS

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

2016	$ 207,335
2017	237,806
2018	181,148
2019	77,369
2020	77,369
	$ 781,027

17. SEGMENTED INFORMATION

As at March 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.