## Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of EEStor Corporation (the "Company") for the three months ended December 31, 2016 has been prepared to provide material updates to the business, operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis for the fiscal years ended September 30, 2016 ("Annual MD&A"). This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in accordance with section 2.2.1 of Form 51-102F1 of the National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended September 30, 2016 and 2015, together with the notes thereto, and unaudited condensed consolidated interim financial statements for the three months ended December 31, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed consolidated interim financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Information contained herein is presented as of March 1, 2017, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or on SEDAR at www.sedar.com.

## Caution Regarding Forward-Looking Statements

Certain statements contained in this MD&A and in certain documents incorporated by reference in this MD&A, constitute forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of (i) this MD&A, or (ii) as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

| Forward-looking statements | Assumptions | Risk factors |
|---|---|---|
| The Company intends to complete additional equity financing, debt borrowing or a combination of both. | The funds are intended to be used for ongoing development and enhancement of the Company's current technology, for additional third party testing, and for further working capital. | The Company may not be able to complete the desired financing due to market conditions or other factors needed to increase its cash on hand and continue to operate and support the Company. |
| Management believes that its technology, if proven successful, will allow the Company to successfully license and or partner with known commercial capacitor companies that require a capacitor that provides high voltage and high capacitance at a substantially lower cost to currently available technologies. | The energy storage technology will be successfully developed, commercially viable to manufacture, and will possess the performance attributes required by the targeted capacitor markets. | The energy storage technology may not be successfully commercialized for financial, technical or other reasons, or in a manner providing the features and benefits required or on a timely basis. The technology, even if successfully developed, may not gain market acceptance. Also see "Risk Factors" section of the Company's most recently filed AIF. |

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## Description of Business

The Company's mission is to be the provider of leading edge electrical energy storage and related capacitor technologies. The Company operates on the principle and belief that a fundamental breakthrough in energy storage will be the catalyst for positive environmental and economic change globally. The Company's business strategy is focused on licensing opportunities across a broad spectrum of industries and applications building on its recent technology achievements related to high voltage solid state capacitors. The most recent advancements in the Company's current technology has resulted in it focusing its licensing discussions on the substantial global electrical grid storage and power factor correction markets.

The Company holds an approximate 71.3% as-converted equity and voting interest and certain technology rights to a solid-state capacitor and related energy storage technologies currently under development by EEStor Inc. ("EEStor"). The acquisition of the controlling interest in EEStor on January 27, 2014 aligned the businesses of both companies and now allows the Company to benefit from other revenue streams that may be available to EEStor.

## Operational Highlights

**Corporate**

On October 31, 2016, the Company announced that it had applied to the TSX Venture Exchange for acceptance to extend the expiry date of 3,704,000 outstanding common share purchase warrants to March 31, 2017. Each warrant entitles the holder to purchase one common share of the Company at a price of $1.50 per share. Acceptance of the TSX Venture Exchange for the extension was subsequently received.

On November 14, 2016, the Company announced the completion of the fourth phase of the testing of its composite modified barium titanate-based energy storage technology. The testing indicates that the Company continues to make significant improvements over previous versions of its technology. The testing also demonstrates the unique "stacking effect" of EEStor's technology with time constants observed in phase four testing increasing 43% over previous results.

During the quarter ended December 31, 2016, a total of 5,176,922 warrants were exercised for gross proceeds to the Company of $2,026,000 strengthening the Company's financial position.

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.

On December 22, 2016, the Company announced that, as part of its annual compensation review and subject to regulatory approval, it had granted stock options to acquire an aggregate of 1,439,512 common shares to directors and officers of the Company under the Company's stock option plan. Each option is exercisable to acquire one common share at a price of $0.49. The options are all subject to vesting restrictions and expire five years from the date of grant.

On January 3, 2017, 365,000 stock options with varying exercised prices expired unexercised.

On January 12, 2017, the Company announced the hiring of a Principal Polymer Scientist to be based at EEStor in Cedar Park, Texas to spearhead the Company's internal advanced polymer program and strengthen the Company's scientific leadership team, including collaborating and integrating the efforts of ASG as well.

On January 13, 2017, the Company announced that it had applied to the TSX Venture Exchange for an extension of 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.

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. The purpose of the New Plan is to enhance the Company's ability to compensate employees, officers, consultants and directors by means other than cash incentives.

**Operations**

As the Company successfully raised additional capital through the exercise of warrants to support licensing discussions and further expansion of EEStor's high voltage capacitor technology, the Company has increased the deployment of capital in support of these programs while still maintaining a conservative approach to cash conservation.

## Financial Highlights

### Financial Performance

The Company's net loss totaled $1,407,555 for the three months ended December 31, 2016, with basic and diluted loss per share of $0.01, of which the share of the loss by the non-controlling interest in EEStor was $339,095. This compares with a net loss of $661,526 with basic and diluted loss per share of $0.01 for the three months ended December 31, 2015 of which the share of the loss by the non-controlling interest in EEStor was $124,659. The increase in net loss of $746,029 was principally due to an increase in expenditures related to licensing discussions and further expansion and testing of EEStor's technology.

General and administrative expenses are summarized for the three months ended December 31, 2016 and 2015 as follows

| | **Three months ended December 31, 2016 ($)** | **Three months ended December 31, 2015 ($)** |
|---|---:|---:|
| Salaries and benefits | 198,307 | 230,543 |
| Stock based compensation | 211,339 | 27,293 |
| Consulting fees | 37,178 | nil |
| Insurance | 57,611 | 30,368 |
| Legal, audit, regulatory costs | 162,507 | 119,379 |
| Occupancy costs | 88,910 | 79,735 |
| Other costs | 87,864 | 57,631 |
| Interest expense | 14,849 | nil |
| Accretion | 25,135 | nil |
| Amortization | 2,608 | 773 |
| **Total General and Administrative** | **886,308** | **545,722** |

For the three months ended December 31, 2016, salaries and benefits decreased by $32,236 from the comparable period due to the accrual of salaries and severance in the 2015 comparable period.

Stock-based compensation increased from the prior comparable period due to the issue of stock options during the period and the timing of vesting of the stock options.

For the three months ended December 31, 2016, the increase of $43,128 over the comparative period in legal, audit and regulatory costs relate to increase in corporate activity.

Interest expense of $14,849 and accretion of $25,135 relate to expenses calculated for the Notes Payable for the three months ended December 31, 2016.

Engineering and development expenses are summarized for the three months ended December 31, 2016 and 2015 as follows

| | **Three months ended December 31, 2016 ($)** | **Three months ended December 31, 2015 ($)** |
|---|---|---|
| Salaries and benefits | 329,361 | 96,050 |
| Service and materials | 174,592 | 5,203 |
| Other costs | (193) | 454 |
| Amortization and depreciation | 17,487 | 14,097 |
| **Total Engineering and Development** | **521,247** | **115,804** |

Engineering and development includes all costs related to product research, engineering and development. For the three months ended December 31, 2016, salaries and benefits and service and materials increased by $233,311 and 169,389, respectively due to the Company re-commencing full operations in this area while in the comparative 2015 period operations had been temporarily halted.

Amortization and depreciation costs increased by $3,390 during the three months ended December 31, 2016 compared to the three months ended December 31, 2015 due to the acquisition and implementation of a robotics system at EEStor.

The Company's total assets at December 31, 2016 were $22,583,125 (September 30, 2016 - $21,653,864) against total liabilities of $807,228 (September 30, 2016 - $755,751). The increase in total assets of $929,261 resulted from proceeds received from the exercise of warrants offset by cash spent on corporate overheads. The Company has sufficient current assets to pay its existing current liabilities of $640,528 at December 31, 2016.

**Cash Flow**

At December 31, 2016, the Company had cash of $2,109,671 compared to $1,433,749 of cash at September 30, 2016. The increase in cash of $675,922 resulted from cash inflow of $2,026,000 from financing activities offset by cash outflow in operating activities and investing activities of $1,346,855 and $3,223, respectively.

Operating activities were affected by adjustments of depreciation and amortization of $20,095, stock-based compensation of $211,339 and accretion of $25,135. Net change in non-cash working capital balances of $195,869 resulted from a decrease in prepaid expenses and sundry assets of $222,211 and a decrease in accounts payable and accrued liabilities of $26,342.

Financing activities generated cash of $2,026,000 through the exercise of warrants.

The Company used $3,223 for investing activities to purchase property and equipment.

**Liquidity and Financial Position**

The Company derives no income from operations, as all of its projects since inception have been in the developmental stage. Accordingly, the activities of the Company have been financed by cash raised through private placements of securities and loans. As the Company does not expect to generate cash flows from operations in the near future, it will continue to rely primarily upon the sale of securities to raise capital. As a result, the availability of financing, as and when needed, to fund the Company's activities cannot be assured. See "Risk Factors" below.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company is compliant with TSXV Policy 2.5.

During fiscal 2017, the Company's corporate head office and operational costs are estimated to average less than $900,000 per quarter. Head office costs include professional fees, reporting issuer costs, business development costs and general and administrative costs. Operational costs include salaries, services and material cost.

The Company's cash at December 31, 2016 is not anticipated to be sufficient to fund its current liabilities of $640,528 and the estimated remaining operating expenses of $2,700,000 ($900,000 per quarter), for the remainder of fiscal 2017. The Company will have to raise further equity or debt in amounts sufficient to fund both operations and working capital requirements. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. See "Risk Factors" below and "Caution Regarding Forward-Looking Statements" above.

Additional measures have been undertaken or are under consideration to further reduce corporate overhead.

## Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. During the quarter, equity markets in Canada showed signs of improvement, with equities increasing significantly during this period. Strong equity markets are favourable conditions for completing a public financing transaction. Apart from these and the risk factors noted under the heading "Risk Factors", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risk Factors" below.

## Transactions with Related Parties

**Key Management Personnel Compensation**

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. 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).

## Subsequent events

(i) On January 3, 2017, 365,000 stock options with varying exercised 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.

## 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.

## Risks and Uncertainties

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Investors in the Company's securities should consider each of the risks identified under the heading "Risk Factors" in the Company's Annual MD&A for the fiscal year ended September 30, 2016 available on SEDAR at **www.sedar.com**. In addition to the risks identified therein, additional risks not presently known to the Company may arise from to time and may cause a material adverse effect on the Company and any investment in the Company. Investors are cautioned not to rely upon any forward-looking statements in this Interim MD&A as such statements are subject known and unknown risks.

## Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed consolidated interim financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.