ENERGY EVERYWHERE

EESTOR CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of EEStor Corporation

We have audited the accompanying consolidated financial statements of EEStor Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2018 and September 30, 2017 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of EEStor Corporation and its subsidiaries as at September 30, 2018 and September 30, 2017 and its financial performance and its cash flows for the years ended September 30, 2018 and September 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
January 27, 2019
Toronto, Ontario

EEStor Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at September 30, 2018	As at September 30, 2017
ASSETS		
Current assets		
Cash	**$ 648,034**	$ 2,019,420
Prepaid expenses and sundry assets	**312,330**	343,130
Total current assets	**960,364**	2,362,550
Non-current assets		
Property and equipment (note 5)	**195,775**	192,833
EEStor technology, rights, patents and development costs (note 7)	**19,463,758**	19,412,893
Total non-current assets	**19,659,533**	19,605,726
Total assets	**$ 20,619,897**	$ 21,968,276
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	**$ 515,042**	$ 289,416
Total current liabilities	**515,042**	289,416
Shareholders' equity		
Share capital (note 10)	**72,974,855**	71,721,755
Contributed surplus	**12,698,778**	11,853,546
Warrant capital	**7,120,265**	5,021,144
Accumulated deficit	**(68,970,412)**	(64,614,569)
	23,823,486	23,981,876
Non-controlling interest (note 7)	**(3,718,631)**	(2,303,016)
Total shareholders' equity	**20,104,855**	21,678,860
Total liabilities and shareholders' equity	**$ 20,619,897**	$ 21,968,276

Nature of operations and going concern (note 1)
Commitments (note 15)
Subsequent events (note 21)

Approved on behalf of the Board:

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

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

EEStor Corporation
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended September 30, 2018	Year ended September 30, 2017
Expenses		
General and administrative (notes 13 and 14)	**$ 3,859,836**	$ 4,235,365
Financing costs (note 9)	**-**	657,759
Engineering and development (notes 13 and 14)	**1,911,622**	1,909,669
Net loss and comprehensive loss for the year	**$ (5,771,458)**	$ (6,802,793)
Net loss for the year attributable to:		
Loss for the year	**$ (4,355,843)**	$ (5,513,970)
Non-controlling interest in subsidiary (note 7)	**(1,415,615)**	(1,288,823)
	$ (5,771,458)	$ (6,802,793)
Net loss per share - basic and diluted	**$ (0.05)**	$ (0.06)
Weighted average number of shares outstanding - basic and diluted	**114,382,382**	104,840,548

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

EEStor Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended September 30, 2018	Year ended September 30, 2017
Cash flows used in operations		
Net loss for the year	**$ (5,771,458)**	$ (6,802,793)
Items not affecting cash:		
Depreciation and amortization (notes 14 and 7)	**110,511**	89,474
Stock-based compensation (note 12)	**845,232**	1,548,653
Gain on sale of equipment	**(11,232)**	-
Loss on disposal of asset held for sale	**7,510**	-
Asset impairment	**2,736**	-
Accretion	**-**	54,089
Gain on settlement of note (note 9)	**-**	410,836
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	**30,800**	(174,312)
Accounts payable and accrued liabilities	**225,626**	(324,770)
Net cash used in operating activities	**(4,560,275)**	(5,198,823)
Investing activities		
Purchase of property and equipment	**(112,760)**	(133,006)
Purchase of patents and trademarks	**(76,796)**	(57,497)
Proceeds from sale of property and equipment	**11,234**	-
Proceeds from disposal of asset held for sale	**14,990**	-
Short-term investments	**-**	5,000
Net cash used in investing activities	**(163,332)**	(185,503)
Financing activities		
Issuance of units, net of issuance costs	**3,314,721**	3,565,737
Exercise of stock options and warrants	**37,500**	2,276,150
Restricted cash	**-**	734,600
Repayment of notes payable	**-**	(606,490)
Net cash provided by financing activities	**3,352,221**	5,969,997
Net change in cash	**(1,371,386)**	585,671
Cash, beginning of year	**2,019,420**	1,433,749
Cash, end of year	**$ 648,034**	$ 2,019,420
Supplemental Disclosure		
Shares issued to acquire intellectual property rights	**$ -**	$ 193,000

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

EEStor Corporation
Consolidated Statements of Changes in Shareholders' Equity
(Expressed 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 year	-	-	-	-	(5,513,970)	(5,513,970)	-	(5,513,970)
Non-controlling interest in subsidiary	-	-	-	-	-	-	(1,288,823)	(1,288,823)
Comprehensive loss for the year	-	-	-	-	(5,513,970)	(5,513,970)	(1,288,823)	(6,802,793)
Transactions with shareholders:								
Issuance of units - net of costs (note 10(i))	7,240,000	1,788,573	-	1,777,164	-	3,565,737	-	3,565,737
Extension of warrants	-	-	(137,048)	137,048	-	-	-	-
Shares issued from exercise of warrants (note 11)	6,131,088	3,262,285	-	(986,135)	-	2,276,150	-	2,276,150
Shares issued for intellectual property rights (note 7)	350,000	193,000	-	-	-	193,000	-	193,000
Transfer from warrant capital on expiry	-	-	2,892,088	(2,892,088)	-	-	-	-
Stock-based compensation (note 12)	-	-	1,548,653	-	-	1,548,653	-	1,548,653
Balance, September 30, 2017	**110,114,254**	**$ 71,721,755**	**$ 11,853,546**	**$ 5,021,144**	**$ (64,614,569)**	**$ 23,981,876**	**$ (2,303,016)**	**$ 21,678,860**
Loss for the year	-	-	-	-	(4,355,843)	(4,355,843)	-	(4,355,843)
Non-controlling interest in subsidiary	-	-	-	-	-	-	(1,415,615)	(1,415,615)
Comprehensive loss for the year	-	-	-	-	(4,355,843)	(4,355,843)	(1,415,615)	(5,771,458)
Transactions with shareholders:								
Issuance of units - net of costs (note 10(ii)(iii)(iv)(v))	15,047,823	1,205,180	-	2,109,541	-	3,314,721	-	3,314,721
Shares issued from exercise of warrants (note 11)	125,000	47,920	-	(10,420)	-	37,500	-	37,500
Stock-based compensation (note 12)	-	-	845,232	-	-	845,232	-	845,232
Balance, September 30, 2018	**125,287,077**	**$ 72,974,855**	**$ 12,698,778**	**$ 7,120,265**	**$ (68,970,412)**	**$ 23,823,486**	**$ (3,718,631)**	**$ 20,104,855**

The accompanying notes to the 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 collaboration opportunities of its new ceramic-based capacitor technology, currently under development by EEStor across a broad spectrum of industries and applications. EEStor is a subsidiary of the Company as of January 27, 2014.

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

From time to time, the Company may pursue the raising of funds by an equity investment, debt borrowing or a combination of both. There can be no assurance that additional financing will be available on commercially reasonable terms or at all. If adequate funds are not available on acceptable terms, the Company may not be able to fund its planned operations for at least the next 12 months and as a result may be required to substantially reduce or temporarily cease its operations, including but not limited to the reduction of payroll costs, development activities and other operating expenditures. Any such actions could have a material adverse effect on the Company's business, financial condition and prospects. 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 PRESENTATION AND STATEMENT OF COMPLIANCE

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

These consolidated financial statements of the Company for the years ended September 30, 2018 and 2017 were approved by the Board of Directors of the Company on January 25, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries EEStor Limited, ZENN Capital Inc., ZMC America, Inc., and EEStor, Inc. in which the Company holds a 71.3% controlling interest on an as-converted basis. Intercompany transactions and balances are eliminated on consolidation.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. The Company's wholly-owned subsidiaries financial year end is September 30 and EEStor's year end is December 31. The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and wholly-owned subsidiaries and EEStor.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

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

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

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

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

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

EEStor technology, rights, patents and development costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

EEStor technology, rights, patents and development costs (continued)

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

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

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

Accounting for Stock-Based Payments and Compensation

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

In situations where non-employee stock-based compensation is issued and some or all of the goods or services received by the entity as consideration cannot be measured reliably, it is measured at the fair value of the stock - based payment. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated on a residual basis by first determining the fair value of the warrants and allocating the remainder to the shares. If the residual results in a negative value to the shares, the proceeds are allocated on a pro-rata as determined by the fair value of each element. The fair value of the warrants is estimated using the Black-Scholes option pricing model. In circumstances where finder's warrants are issued coincidentally with a unit offering, the finder's warrants are valued using the Black-Scholes option pricing model. The Company's policy is to value warrant modifications and record and adjustment to the change in fair value as a result of revisions made to warrant terms with a corresponding reduction in contributed surplus.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

Investment Tax Credits

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

Income Taxes

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

Loss Per Share

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

Financial Instruments

Recognition and Measurement

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

Financial Instrument	Classification	Measurement
Cash	Fair value through profit or loss	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

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

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

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

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

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

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

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

The Company’s cash is categorized as Level 1.

Foreign Currency Translation

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

Changes in Accounting Policies

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

(i) 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. At October 1, 2017, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

(ii) The IASB issued amendments to IFRS 2, Share-based Payments. The new requirements could affect the classification and/or measurement of cash settled share-based payments, classification of share-based payments settled net of tax advantage, and share-based payment from cash-settled to equity-settled and potentially the timing and amount of expense recognized for new and outstanding awards. At October 1, 2017, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements

The accounting pronouncements detailed in this note and those that have been issued but are not yet effective and may have an impact on the financial statements. The Company has not early adopted these standards and is currently evaluating the impact, if any, that these standards might have on its unaudited consolidated interim condensed 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 annual periods beginning on or after January 1, 2018. Earlier application is permitted.

(ii) 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 to annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers.

4. 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 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) Stock-based transactions

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

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

(iii) Going concern

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

(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.

(Expressed in Canadian Dollars, unless otherwise indicated)

5. PROPERTY AND EQUIPMENT

Cost	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2016	**$ 60,945**	**$ 43,485**	**$ 36,707**	**$ 174,280**	**$ 315,417**
Additions	-	-	-	133,006	133,006
Balance, September 30, 2017	**60,945**	**43,485**	**36,707**	**307,286**	**448,423**
Additions	-	-	-	112,758	112,758
Disposals	-	-	(36,707)	-	(36,707)
Balance, September 30, 2018	**$ 60,945**	**$ 43,485**	**$ -**	**$ 420,044**	**$ 524,474**

Accumulated Depreciation	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2016	**$ 60,414**	**$ 43,485**	**$ 2,294**	**$ 86,462**	**$ 192,655**
Depreciation	531	-	9,177	53,227	62,935
Balance, September 30, 2017	**60,945**	**43,485**	**11,471**	**139,689**	**255,590**
Depreciation	-	-	-	84,580	84,580
Disposals	-	-	(11,471)	-	(11,471)
Balance, September 30, 2018	**$ 60,945**	**$ 43,485**	**$ -**	**$ 224,269**	**$ 328,699**

Net book value	Computer Equipment	Office Furniture	Vehicle	Production Tools	Total
Balance, September 30, 2017	**$ -**	**$ -**	**$ 25,236**	**$ 167,597**	**$ 192,833**
Balance, September 30, 2018	**$ -**	**$ -**	**$ -**	**$ 195,775**	**$ 195,775**

(a) Total transfer to asset held for sale was $22,500 and asset impairment of $2,736 was recognized. On May 5, 2018, the Company sold the asset held for sale for $14,990 resulting in a loss of $7,510.

6. TECHNOLOGY AGREEMENTS

Light Electric Vehicles

On March 10, 2013, EEStor entered into a technology agreement with Light Electric Vehicles Company ("LEV") a privately held corporation in the state of Oregon, that provides LEV with the transferable, perpetual, worldwide exclusive rights to purchase electronic energy storage units ("EESU") for one, two and three wheeled commercial passenger vehicles using electricity as the non-human energy source for the vehicle's propulsion system. The technology agreement has staged payments that tie to specific technical milestones and the delivery of production quality EESUs.

Lockheed Martin Corporation

On December 10, 2007, 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 LMC with a non-transferable, non-sublicensable worldwide exclusive rights to purchase EESU for the Government Defence and Homeland Security fields. The technology agreement has staged payments that tie to purchasing requirements of EESUs.

(Expressed in Canadian Dollars, unless otherwise indicated)

7. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS

Continuity of Assets	
Intangible asset at September 30, 2016	$ 19,188,935
Additional patent cost	57,497
Addition to intellectual property rights (i)	193,000
Patent amortization	(26,539)
Intangible asset at September 30, 2017	**19,412,893**
Additional patent cost	76,796
Patent amortization	(25,931)
Intangible asset at September 30, 2018	**$ 19,463,758**

(i) On December 2, 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.

During the year ended September 30, 2017, ASG achieved a defined milestone and pursuant to the LOI, the Company made a payment of US$25,000 for consulting services and materials and issued 250,000 common shares (valued at $145,000) in the capital of the Company.

(ii) At the end of each reporting period, the Company reviews the carrying value of the EEStor technology, rights, patents and development costs to determine whether there is any indication that those assets have suffered an impairment loss. The recoverable amount is the higher of the fair value less costs to sell and value in use (2017 - no impairment charge). The recoverable amount was determined using a discounted cash flows valuation method to reflect the fair value less costs to sell. Significant inputs into the calculation are the estimated potential royalty rate of 3.5% - 6.5% (based on comparable publicly available licensing data), projected after-tax revenues, a growth rate of 5% (2% beyond the 5 year period) and a discount rate of 30% to 40% 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)

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

EEStor Financial Information

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

	September 30, 2018 US ($)	September 30, 2017 US ($)
Current assets	**325,223**	214,533
Long-term assets	**1,117,235**	1,055,208
Total assets	**1,442,458**	1,269,741
Current liabilities	**154,516**	120,016
Long-term liabilities (i)	**11,124,619**	8,962,540
Total liabilities	**11,279,135**	9,082,556
Shareholders' deficiency	**(9,836,677)**	(7,812,815)

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

EEStor's operating expenses included in the Consolidated Statement of Loss and Comprehensive Loss for the years ended September 30, 2018 and 2017 are as follows:

	Year ended September 30, 2018 US ($)	Year ended September 30, 2017 US ($)
General and administrative expenses	**534,595**	508,443
Engineering and development	**1,489,267**	1,453,656
Net loss	**2,023,862**	1,962,099
Loss attributed to the Company	**1,013,955**	983,012
Non-controlling interest in subsidiary	**1,009,907**	979,087
Net loss	**2,023,862**	1,962,099

The amount of non-controlling interest is determined by multiplying the net loss for the period by the percentage of common stock held by a third party. As at September 30, 2018, the Company holds 50.1% of the common stock outstanding.

(Expressed in Canadian Dollars, unless otherwise indicated)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at September 30, 2018	As at September 30, 2017
Trade accounts payables	**$ 366,788**	$ 132,202
Accrued liabilities	**148,254**	157,214
Total accounts payable and accrued liabilities	**$ 515,042**	$ 289,416

9. NOTES PAYABLE

	As at September 30, 2018	As at September 30, 2017
Opening balance	**$ -**	$ 141,565
Accretion	**-**	54,089
Repayment	**-**	(606,490)
Accelerated recognition of non-cash accretion	**-**	410,836
Closing balance	**$ -**	$ -

In April 2017, the Company made payments of approximately $780,100 and US$6,500 for the early retirement of Notes Payable originally issued by the Company in April 2016. These payments included early retirement penalties of $180,600 and US$1,500, respectively. The effect of the accretion and penalties have been included in financing costs on the statements of loss and comprehensive loss.

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 April 24, 2017, the Company completed a non-brokered private placement of 7,240,000 units of the Company at $0.50 per unit for gross proceeds of $3,620,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.00 and expires on April 24, 2019.

The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of $1,777,164 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 $0.58, dividend yield 0%, risk free interest rate 0.74%, volatility 107%, and an expected life 2.0 years. Expected volatility is based on historical volatility.

(ii) On March 16, 2018, the Company completed the first tranche of a non-brokered private placement raising gross proceeds of $1,216,500 from the sale of 4,055,000 units. Each unit was priced at $0.30 and consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.45 and expires on March 16, 2020. The Company also paid $34,960 in finder's fee and issued 60,000 finder's warrants with the same terms as the warrants issued to subscribers under the offering.

The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of $489,601 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants and finder's warrants is estimated using Black-Scholes pricing model with the following assumptions: share price $0.275, dividend yield 0%, risk free interest rate 1.76%, volatility 107%, and an expected life 2.0 years. Expected volatility is based on historical volatility.

(iii) On April 12, 2018, the Company completed the final tranche of a non-brokered private placement raising gross proceeds of $822,900 from the sale of 2,743,000 units. Each unit was priced at $0.30 and consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.45 and expires on April 12, 2020. The Company also paid $23,729 in finder's fee and issued 49,980 finder's warrants with the same terms as the warrants issued to subscribers under the offering.

The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of $506,315 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants and finder's warrants is estimated using Black-Scholes pricing model with the following assumptions: share price $0.365, dividend yield 0%, risk free interest rate 1.88%, volatility 107%, and an expected life 2.0 years. Expected volatility is based on historical volatility.

(Expressed in Canadian Dollars, unless otherwise indicated)

10. SHARE CAPITAL (Continued)

(b) Common shares issued (continued)

(iv) On August 21, 2018, the Company completed the first tranche of a non-brokered private placement raising gross proceeds of $517,480 from the sale of 3,044,000 units. Each unit was priced at $0.17 and consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.34 and expires on August 21, 2023. The Company also paid $37,530 in finder's fee and issued 107,640 finder's warrants with the same terms as the warrants issued to subscribers under the offering.

The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of $388,768 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants and finder's warrants is estimated using Black-Scholes pricing model with the following assumptions: share price $0.165, dividend yield 0%, risk free interest rate 2.18%, volatility 131%, and an expected life 5.0 years. Expected volatility is based on historical volatility.

(v) On September 5, 2018, the Company completed the final tranche of a non-brokered private placement raising gross proceeds of $884,990 from the sale of 5,205,823 units. Each unit was priced at $0.17 and consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.34 and expires on September 5, 2023. The Company also paid $30,930 in finder's fee and issued 68,820 finder's warrants with the same terms as the warrants issued to subscribers under the offering.

The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of $724,858 being allocated to warrant capital and the residual allocated to share capital. The fair value of the warrants and finder's warrants is estimated using Black-Scholes pricing model with the following assumptions: share price $0.175, dividend yield 0%, risk free interest rate 2.16%, volatility 131%, and an expected life 5.0 years. Expected volatility is based on historical volatility.

11. WARRANTS

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

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2016	**48,712,068**	**$ 0.40**
Issued (note 10(b)(i))	7,240,000	1.00
Exercised (1)	(6,131,088)	(0.37)
Expired	(5,033,000)	(0.89)
Balance, September 30, 2017	**44,787,980**	**0.40**
Issued (note 10(b)(ii)(iii)(iv)(v))	15,334,263	0.39
Exercised (1)	(125,000)	(0.30)
Balance, September 30, 2018	**59,997,243**	**$ 0.40**

(1) The weighted average market price of warrants exercised in the year ended September 30, 2018 was $0.30 (2017 - $0.53).

(Expressed in Canadian Dollars, unless otherwise indicated)

11. WARRANTS (Continued)

The Company had the following warrants outstanding at September 30, 2018:

Number of Warrants	Exercise Price	Expiry Date
10,674,738	$0.30	December 24, 2018 (note 21)
3,235,723	$0.30	February 22, 2019
4,036,159	$0.15	March 31, 2019
16,617,667	$0.30	June 15, 2019
2,858,693	$0.30	July 11, 2019
7,240,000	$1.00	April 24, 2019
4,115,000	$0.45	March 16, 2020
2,792,980	$0.45	April 12, 2020
3,151,640	$0.34	August 21, 2023
5,274,643	$0.34	September 5, 2023
59,997,243		

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 "fixed plan". Under the terms of the Plan, the number of shares issuable under stock options and the performance warrants cannot exceed 20% of the outstanding common shares of the Company. The Company sets the exercise price based on the closing market price at the time of the grant. The Company may grant options for a term not to exceed ten years. Vesting periods are assessed at the time of the grant and are documented in more detail in the table below. In the event of a takeover bid which results in the Offeror exercising control of the Company, stock options which might otherwise not be vested may be exercised as part of the takeover transaction.

The following tables outline the stock option transactions and numbers outstanding as at September 30, 2018 and 2017:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2016	**7,315,000**	**$ 0.36**
Granted (1)(2)(3)(4)(5)(6)	8,054,024	0.55
Expired	(580,000)	(0.83)
Balance, September 30, 2017	**14,789,024**	**0.44**
Granted (7)(8)	2,700,000	0.45
Expired	(150,000)	(1.13)
Balance, September 30, 2018	**17,339,024**	**$ 0.44**
Exercisable	10,168,150	$ 0.38

12. STOCK OPTIONS (Continued)

(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.

(3) Includes 75,000 options granted to employees which vest over a twenty-four month period. These options will expire five years from the date of grant.

(4) Includes 750,000 options granted to a consultant which vest based on certain performance achievement. These options will expire two years from the date of grant.

(5) Includes 250,000 options granted to an employee which vest based on certain performance achievement. These options will expire three years from the date of grant.

(6) Includes 5,499,512 options granted to officers, directors, employees and consultants, 980,000 options vest equally over a twelve month period; 819,512 vest over a twenty-four month period; 2,500,000 options shall vest based on the achievement of average share price; and 1,200,000 options shall vest based on certain performance achievement. These options will expire five years from the date of grant.

(7) Includes 1,050,000 options granted to a consultant. Vesting will commence on April 12, 2018, the date of completing the equity financing, one-quarter of each of the $0.34, $0.75 and $1.00 options granted shall vest and become exercisable on each of the 3, 6, 9 and 12 month anniversaries of the date of grant. These options will expire two years from the date of grant.

(8) Includes 1,650,000 options granted to officers, directors, employees and consultants, 650,000 options vest equally over a twelve month period; 1,000,000 vest over a twenty-four month period. These options will expire five years from the date of grant.

For the year ended September 30, 2018, the Company recorded $845,232 (2017 - $1,548,653) in stock- based compensation costs.

For the year ended September 30, 2018, 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% (2017 – 0%), (ii) expected volatility of approximately 124% (2017 – 131.5%), (iii) risk free interest rate of 2.00% (2017 – 1.05%), (iv) the average expected life of 3.83 years (2017 – 4.66 years), and (v) the average share price on date of issuance of $0.34 (2017 - $0.56) and a forfeiture rate of 0% (2017 - 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 $0.25 (2017 - $0.47) per instrument.

(Expressed in Canadian Dollars, unless otherwise indicated)

12. STOCK OPTIONS (Continued)

The Company had the following stock options outstanding as of September 30, 2018:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
250,000	250,000	$ 0.85	0.29	January 13, 2019
750,000	-	$ 0.50	0.36	February 10, 2019
30,000	30,000	$ 0.63	0.51	April 4, 2019
1,180,000	1,180,000	$ 0.32	0.67	June 3, 2019
750,000	750,000	$ 0.57	1.23	December 22, 2019
250,000	-	$ 0.50	1.36	February 10, 2020
550,000	137,500	$ 0.34	1.38	February 14, 2020
250,000	62,500	$ 0.75	1.38	February 14, 2020
250,000	62,500	$ 1.00	1.38	February 14, 2020
2,630,000	2,630,000	$ 0.20	2.40	February 23, 2021
180,000	180,000	$ 0.19	2.67	May 30, 2021
1,565,000	1,565,000	$ 0.27	2.85	August 4, 2021
40,000	30,000	$ 0.52	3.13	November 16, 2021
1,439,512	1,347,073	$ 0.49	3.22	December 20, 2021
50,000	37,500	$ 0.53	3.27	January 6, 2022
25,000	18,750	$ 0.495	3.30	January 18, 2022
5,499,512	1,492,195	$ 0.57	3.52	April 6, 2022
1,650,000	395,832	$ 0.36	4.55	April 16, 2023
17,339,024	10,168,850		2.71	

13. EMPLOYEE BENEFITS EXPENSE

Salaries and employee benefits expense included in the general and administrative expenses during the years ended September 30, 2018 and 2017 are as follows:

	Year ended September 30, 2018	Year ended September 30, 2017
Wages and salaries	**$ 865,432**	$ 1,028,992
Stock-based compensation	**845,232**	1,548,653
	$ 1,710,664	$ 2,577,645

Salaries and employee benefits expense included in the engineering and development expenses during the years ended September 30, 2018 and 2017 are as follows:

	Year ended September 30, 2018	Year ended September 30, 2017
Wages and salaries	**$ 1,310,103**	$ 1,426,136

(Expressed in Canadian Dollars, unless otherwise indicated)

14. DEPRECIATION AND AMORTIZATION

The Company's depreciation and amortization expense included in the general and administrative expenses for the year ended September 30, 2018 is $nil (2017 – $9,709) and the amortization expense included in engineering and development expenses is $84,580 (2017 – $53,227).

15. COMMITMENTS

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

2019	$ 259,700
2020	262,127
2021	109,757
	$ 631,584

16. SEGMENTED INFORMATION

As at September 30, 2018, 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.

17. RELATED PARTY TRANSACTIONS

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

The remuneration of key management personnel were as follows:

	Year ended September 30, 2018	**Year ended September 30, 2017**
Wages and salaries	**$ 836,398**	$ 890,929
Stock-based compensation	**537,709**	1,147,179
	$ 1,374,107	$ 2,038,108

As at September 30, 2018, the outstanding compensation for key management personnel, as defined above, was $15,231 (2017 - $15,231); for management $7,923 (2017 - $7,923) and for directors $7,308 (2017 - $7,308).

Employee Advance

As at September 30, 2018, an officer and director of the Company owed $135,286 for advances related primarily to their 2017 Canadian and US tax returns. These advances will be repaid upon receipt of the officer's Canadian income tax refund. These advances are included in prepaid expenses and sundry assets.

18. 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 $23,823,486 (2017 - $23,981,876). 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 capital raise strategy is a function of many factors, including the state of the capital markets, and there is no assurance that this approach will be practical on a go forward basis.

The Company is not subject to any external capital requirements. There have been no changes with respect to the overall capital management strategy during the year ended September 30, 2018.

19. FINANCIAL INSTRUMENTS

Fair Value

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

Interest Risk

The Company invests surplus cash in bank demand deposits at two different financial institutions at minimal interest rates which, due to their short-term nature, do not expose the Company to any significant interest rate risks.

Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities, when revenues or expenses are denominated in a different currency from the Company's functional currency. The Company is exposed to foreign exchange fluctuations against the Canadian dollar as some of its expenses are denominated in U.S. dollars. For the year ended September 30, 2018, the Company's foreign exchange losses were $239,075 (September 30, 2017 - losses of $63,370). The U.S. dollar to Canadian dollar exchange rate as at September 30, 2018 was $1.2945 (September 30, 2017 - $1.2480). The Canadian dollar carrying value of US dollar financial instruments are as follows:

Cash	$ 192,549
Accounts payable and accrued liabilities	(287,371)
	$ (94,822)

The impact of a 10% fluctuation in the US dollar exchange rate on the statement of comprehensive loss and equity would be $37,407.

(Expressed in Canadian Dollars, unless otherwise indicated)

19. FINANCIAL INSTRUMENTS (Continued)

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 September 30, 2018, the Company has a cash balance of $648,034 and current liabilities of $515,042 due within 12 months. As at September 30, 2018, the Company has working capital of $445,322. 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.

20. INCOME TAXES

Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates of 26.50% (2017 - 26.50%) with the income tax expense in the financial statements:

	Year ended September 30, 2018	Year ended September 30, 2017
Loss before income taxes	**$ (5,771,458)**	$ (6,802,793)
Expected income tax recovery based at statutory rate	**(1,529,436)**	(1,802,740)
Share issue costs	**33,694**	14,379
Non-deductible expenses	**227,925**	522,984
Change in deferred taxes not recognized related to operations	**1,295,433**	1,100,075
Change in expected future tax rates and other	**(27,616)**	165,302
Income tax expense	**$ -**	$ -

(Expressed in Canadian Dollars, unless otherwise indicated)

20. INCOME TAXES (Continued)

Deferred Income Taxes

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

	As at September 30, 2018	As at September 30, 2017
Amount related to tax loss and other credits carry forwards	**$ 17,003,315**	$ 15,688,895
Property and equipment	**810,721**	821,228
Share issue costs	**60,721**	69,200
Less: Deferred taxes not recognized	**(17,874,757)**	(16,579,323)
	$ -	$ -

Loss and Tax Credit Carryforwards

As at September 30, 2018, the Company has non-capital losses of approximately $64,163,453 expiring as follows:

2025	824,771
2026	2,696,943
2027	7,005,069
2028	7,143,713
2029	11,165,545
2030	7,221,918
2031	5,834,433
2032	1,859,444
2033	3,012,811
2034	2,414,991
2035	2,335,198
2036	2,814,948
2037	4,873,593
2038	4,960,076
	$64,163,453

The Company has undeducted scientific research and experimental development costs of approximately $1,812,830 and investment tax credits relating to scientific research and experimental development costs of approximately $628,696 available to apply against future taxable income.

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

21. SUBSEQUENT EVENTS

(i) On December 17, 2018, the Company received approval from the TSX to extend the expiry dates of 10,559,938 and 3,075,723 outstanding common share purchase warrants with an exercise price of $0.30 and original expiries of December 24, 2018 and February 22, 2019, respectively to August 24, 2019.

(ii) On January 21, 2019, the Company entered into a loan agreement for a secured credit facility of $300,000 from Dr. Robert Tocchio, a significant shareholder of the Company.

The credit facility is secured by a pledge of all of the Company's shares in Zenn Capital Inc, the holding company which owns all of the Company's equity interests in subsidiary, EEStor, Inc., as well as an assignment of loans made by the Company to EEStor, Inc. and related security. Draws under the credit facility bear interest at the rate of 6.0% per annum and must be repaid by January 21, 2020. The lender is entitled to elect to receive repayments of principal under the credit facility in common shares of the Company based on the market price at the time of repayment. As partial consideration for the provision of the credit facility, the Company has agreed to grant to the lender warrants to acquire up to 2,307,692 common shares, each warrant exercisable until January 21, 2020 at a price of C$0.13 per share.

The credit facility is subject to all necessary regulatory approvals, including the approval of the TSX Venture Exchange.