

Introduction

This Management's Discussion and Analysis ("MD&A") has been prepared by management of EESor Corporation (the "Company") and approved by the Board of Directors (the "Board") on January 25, 2019, and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended September 30, 2018 and 2017 and the notes thereto. Any specific reference to "EESor" herein means EESor, Inc. alone, a 71.3% subsidiary of EESor Corporation. The Company's audited consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts in this MD&A are reported in Canadian dollars unless otherwise stated.

Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in these filings. The audit committee and Board provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed this MD&A and the accompanying financial statements.

The Chief Executive Officer (CEO), and the Chief Financial Officer (CFO), in accordance with National Instrument 52-109, have both certified that they have reviewed the audited consolidated financial statements and this MD&A (the "filings") and that, based on their knowledge having exercised reasonable diligence, that (a) the filings do not contain any untrue statement of a 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 was made, with respect to the period covered by the filings; and (b) the audited consolidated annual financial statements together with the other financial information included in the filings 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 period presented in the filings.

For the purposes of preparing this MD&A, management, in conjunction with 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 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.

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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 towards continued third party testing and ongoing enhancement to the current technology, third party partnering, licensing diligence and negotiations, as well as 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 energy storage 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 commercially developed and will possess and demonstrate the performance and economic attributes anticipated.	The energy storage technology may not be successfully commercialized for financial, technical or other reasons, or in a manner providing the features and benefits expected or on a timely basis. The technology, even if successfully developed, may not be readily demonstrated or gain market acceptance. Also see "Risks and Uncertainties" 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 "Risks and Uncertainties" 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 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. As a result, the Company cannot guarantee that any forward-looking statements will materialize. 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

EESTor is a developer of high energy density solid-state capacitor technology utilizing the Company's patented Composition Modified Barium Titanate (CMBT) material. The Company is focused on licensing opportunities for its energy storage technology across a broad spectrum of industries and applications.

The Company's success depends on the commercialization of its technology. There is no assurance that EESTor will be successful in the licensing of the technology. Readers are directed to the "Risk Factors" disclosed in the Company's public filings.

The Company holds an approximate 71.3% as-converted equity and voting interest and certain technology rights to 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 potential product opportunities that may be available to EESTor.

Operational Highlights

Corporate

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. In connection with the offering, the Company paid \$34,960 in cash finder's fees and issued 60,000 finder's warrants with the same terms as the warrants issued to subscribers under the offering.

On April 12, 2018, the Company completed the second and final tranche of its non-brokered private placement raising additional 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 acquire one additional common share at a price of \$0.45 and expires on April 12, 2020. EESTor paid cash finder's fees of \$23,729 and issued 49,980 finder's warrants having the same terms as the warrants issued to subscribers under the second tranche of the offering.

On April 16, 2018, the Company granted stock options to directors, officers, employees and consultants of the Company to acquire an aggregate of 1,650,000 common shares under the Company's stock option plan. Each option is exercisable to acquire one common share at a price of \$0.36. All options are subject to vesting restrictions and expire five years from the date of grant.

On May 3, 2018, the Company announced that Bryan Kelly, Production Manager, and Dr. Abhijit Paul, Principal Polymer Scientist, have been promoted to the newly created positions of Vice President Production and Vice President Research and Development, respectively, of EESTor.

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 acquire one additional common share at a price of \$0.34 and expires on August 21, 2023. EESTor paid \$37,530 in finder's fees and issued 107,640 finder's warrants with the same terms as the warrants issued to subscribers under the offering.

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 acquire one additional common share at a price of \$0.34 and expires on September 5, 2023. EESor paid \$30,930 in finder's fees and issued 68,820 finder's warrants with the same terms as the warrants issued to subscribers under the offering.

Operations

On January 24, 2018, the Company announced several key technological improvements to its Composition Modified Barium Titanate ("CMBT") based energy storage products that included:

- i. An increase in energy density of its CMBT-polymer dielectric samples to 5.2 watt hours/liter (wh/l);
- ii. A potential decrease in CMBT-based capacitor product costs of 10x;
- iii. Low-cost, long-life, thermally stable capacitors with potential to significantly impact grid storage, wind, automotive, aircraft, laptop, camera, power backup, memory, UPS, solid-state disc drive and railway wayside market sectors.

The Company announced that it continues to make significant improvements to its high energy, low-cost capacitors under development. Since its last technology update on March 27, 2017, EESor has developed several polar polymers for use with its CMBT dielectric powder. Three independent testing firms, Radiant Technologies, Intertek and MRA Labs, have completed testing various aspects of the Company's storage capacitor technology.

In addition to increasing energy density, the anticipated raw material costs to manufacture EESor's polymer capacitors have dropped by approximately a factor of 10. All materials utilized in the production of EESor's CMBT and CMBT-based capacitors are globally abundant, available worldwide and environmentally benign.

EESor continues to work on a number of initiatives to unlock further performance improvements in its unique CMBT dielectrics.

On March 1, 2018, the Company announced completion of independent third-party testing to characterize layers of dielectric materials (electric insulator) made from its CMBT ceramic powder using specialized glass as the binder. Testing by Intertek, MRA Labs and Radiant Technologies have shown EESor's glass-CMBT to be a relaxor dielectric with a relative permittivity over 30,000. Highlights from the testing are:

- Glass - CMBT layers are non-toxic, lead-free relaxor dielectric
- Relaxor dielectric implies high return on energy stored
- Relative permittivity over 30,000 at low voltage and over 10,000 at above 1 volt per micron
- Glass - CMBT layers feature low loss with both high self-discharge time constants and low dissipation factor
- Glass - CMBT layers result in well-balanced, high performance, low cost, non-toxic, general and high voltage capacitor dielectric material

On March 12, 2018, the Company announced completion of its Phase 8 independent third-party testing to characterize layers of dielectric materials (electric insulator) made from its CMBT ceramic powder using specialized glass as the binder. CMBT-glass sintered part 344 was sliced into several layers and each layer was sent for separate testing by Intertek (344-2B), Radiant Technologies (344-1) and MRA Laboratories (344-3).

Breakdown Voltage

The results of Intertek's testing found that EESor's CMBT-glass dielectric sample 344-2B, which was thinned down to 32 microns, had an energy density of 1.4 watt-hours per liter and a leakage current of 1.8 nano-amperes at 85.94 volts per micron, which is 92% of the breakdown strength. From these measured results, Intertek calculated an insulation resistance of 1.5 tera-ohms and a relative permittivity (k) of 154 at 2750 volts (a field of 85.94 volts per micron). X7R dielectrics are the most commonly used type of commercial Multi Layer Ceramic Capacitors (MLCC). Layer 344-2B demonstrated energy density slightly higher both at the 35 volts per micron operating voltage, and at 80 volts per micron, near breakdown voltages of 90 volts per micron for the X7R and 93.75 for 344-2B.

Time Constant

At this high field, a self-discharging time constant of 453 seconds was calculated, which is 492 times the time constant of EESor's published Phase 6 results at a comparable energy density. Sample 344-2B ultimately broke down at 3000 volts, exhibiting a breakdown strength of 93.75 volts per micron.

Efficiency and Breakdown Strength

Layer 344-1 tested by Radiant Technologies was 460 microns thick. The thin Polarization to Electric Field (P-E) hysteresis loop plots were fundamentally characteristic of relaxor dielectrics. Radiant Technologies also calculated the efficiency of the dielectric on charge/discharge to be 83% at both 4800 volts (10.4 volts per micron) and at 5300 volts (11.5 volts per micron), while the breakdown voltage was 5800 volts (12.6 volts per micron). At these values, the sample tested by Radiant Technologies exhibited 83% efficiency at an electrical field equal to 91% of the breakdown strength and 2 nano-amperes of leakage. With the findings of the breakdown strength of layer 344-2B tested by Intertek, efficiency is expected to be in the same 80% range at 1.4 watt-hours/per/liter.

Thermal Stability and Life Expectancy

The testing of layer 344-3 by MRA Laboratories further confirmed relaxor dielectric behavior. Specifically, when the frequency of AC voltage was increased from test to test, the maximum permittivity was recorded at higher temperatures. Temperature Coefficient of Capacitance (TCC) testing demonstrated CMBT-glass layers have good thermal stability and Highly Accelerated Life Testing (HALT) revealed a long-expected lifetime of the dielectric.

On April 26, 2018, the Company published a report detailing the comparative advantages of its ceramic-based dielectric capacitor for the aluminum electrolytic capacitor (AEC) market. The report, prepared by EESor and its consultants, directly compared and contrasted its certified solid-state technology against incumbent AEC offerings.

Additionally, the report indicated that the ceramic-based dielectric material offered by EESor is expected to allow the production of capacitors that dramatically extend the 1,000 to 10,000-hour life expectancy typically offered by AECs.

On May 11, 2018, the Company announced it has achieved further improvements with its hybrid glass-CMBT capacitor dielectric material that is shown in independent third-party testing to provide higher permittivity at a significantly reduced cost to existing capacitor technologies.

Ceramic capacitors produced using EESor materials have the same capacitance as commercially available plastic film capacitors, yet are up to 92 percent smaller. A reduction in size translates to a reduction in cost as less raw material is required for manufacturing and ceramic dielectric materials are less expensive than metallized plastic film to produce. Independent testing found that material costs were up to 1,195% more for commercial film capacitors than for the EESor CMBT-glass capacitors.

On May 24, 2018, the Company announced the launch of "The New Alternative - Electrolytic Replacement", the first in a planned series of informational videos that detail market-specific test results based on EESor's technology. The video series provides viewers with information on the benefits of

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EESor's capacitor materials and offers expert commentary for engineers, scientists, shareholders and financial analysts. Each instalment will outline the market opportunity, provide market specific use-cases, and highlight key anticipated advantages of EESor's new technology over incumbent solutions.

On June 13, 2018, the Company announced the publication of a new report detailing the comparative advantages of its ceramic-based dielectric capacitor for the decoupling capacitor market. The report, prepared by EESor and its consultants, directly compared its third party certified solid-state technology against incumbent decoupling capacitors.

Solid state capacitors manufactured using EESor's higher relative permittivity material are expected, based on independent test results, to require up to 78% less material than incumbent decoupling capacitors, thereby enabling EESor's technology to potentially disrupt the multi-billion-dollar market by delivering longer life and lower cost capacitors.

EESor's proprietary ceramic dielectric material demonstrates a significantly higher relative permittivity than dielectrics used in commercially available decoupling capacitors. Y5V dielectrics in general have high capacitance per unit volume and have a wide operating temperature range of +22% -82% capacitance change over the typical capacitor operating temperature range of -30°C to +85°C (-22°F to +185°F). These characteristics make Y5V ideal for decoupling applications within limited temperature ranges.

On October 23, 2018, the Company announced the results of independent third party production and performance testing of Multilayer Ceramic Capacitors (MLCCs), made with EESor's proprietary Composition Modified Barium Titanate (CMBT) powder.

In a first for the MLCC industry, EESor's CMBT powder has been used to create densified ceramic layers and Multilayer Ceramic Capacitors using standard Multilayer Ceramic Capacitor processes.

During production tests, EESor's CMBT was used to create MLCC devices and densified layers with high relative permittivity, high insulation resistance and low dissipation and predicted long lifespan. The test results demonstrate that EESor's high permittivity CMBT powder is not only compatible with standard MLCC manufacturing techniques, it can also be used to create superior performing and long lasting MLCC devices.

The latest tests carried out between August and September of 2018 by Radiant, MRA and Intertek, demonstrated that MLCC techniques can produce a lead-free relaxor dielectric material, with a very high relative permittivity of over 30,000, alongside low residual polarization, high insulation resistance and low dissipation.

In addition, Highly Accelerated Life Testing (HALT) predicts a long expected lifespan for the produced MLCCs, with 20 out of 20 units passing HALT tests with an average of 1 tera-ohm resistance after 100 hours at 180°C.

The EESor MLCCs meet Electronic Industries Alliance (EIA) RS-198 Standards for X7V and Y5V thermal performance criteria. This demonstrates EESor's high permittivity CMBT powder is compatible with standard MLCC manufacturing techniques.

On November 28, 2018, the Company announced significant performance improvements across many different metrics for its Composition Modified Barium Titanate (CMBT)-Glass and CMBT-Polymer hybrid dielectric development programs.

EESor's Phase 9 CMBT-Glass samples demonstrate a near doubling of relative permittivity (κ) with field over Phase 8 samples, with similar or improved resistivity. This means that capacitors using Phase 9 dielectrics would be half the physical size of those disclosed in Phase 8 for the same performance.

Considering EESor's already disclosed anticipated market advantage of the Phase 8 dielectric over existing technology, featuring size advantages in a range varying from 14% to 1,195% depending on application for the same performance, these volume advantages will now be enhanced by a further reduction in volume of 50% utilizing Phase 9 dielectrics.

A size advantage of 28%, means the manufacturing of a specific capacitor would utilize 28% less material by utilizing EESor CMBT for the same performance. When determining comparable cost, the volume of raw material used is the most significant driver in the cost-driven capacitor commodity market. Smaller component size also enables improved miniaturized designs and enables new market opportunities for EESor.

It is important to note that this near doubling of κ with field did not come at the expense of resistivity (which translates into higher energy leakage), a common trade off in the industry. Rather, this near doubling of κ with field was delivered with improved resistivity, with a notable increased self-discharge time constant for a single layer of Phase 9 dielectric of 1,265 seconds, compared to 484 seconds in Phase 8. EESor has published a guide to help understand the different metrics commonly used in the capacitor industry.

This Phase 9 release of CMBT-Glass dielectrics also highlights how this hybrid composition offers a significant differentiator over other Type II ceramic dielectrics, which in turn highlights the inherent properties of EESor CMBT ceramic powder. Slight differences in the types of glass, glass content, coatings and/or other additions to the powder can result in drastic changes to the Thermal Coefficient of Capacitance and to the DC bias voltage saturation characteristics of EESor CMBT-Glass hybrid dielectrics.

Thermal Coefficient of Capacitance and DC bias voltage saturation are measurements of how the performance of the dielectric varies with temperature and high voltage. The lowest possible variation of the performance with temperature enables more demanding applications (outdoor, notably, but in more strenuous industrial and automotive conditions as well) and thus, broader market opportunities for EESor's technology.

Low variation of the performance at higher and higher voltages is the key to realizing EESor's ultimate objectives in the energy storage market. The Phase 9 white paper further explains how different hybrid formulations have helped EESor to start minimizing both the performance variation with temperature and higher voltage, without compromising any other performance characteristics.

EESor also reported considerable progress in its CMBT-Polymer hybrid programs. Significant leakage reduction in comparison to Phase 6 polymers is disclosed in both UL and UH type Phase 9 samples. This means the energy returned by these samples reached 79% of the energy stored, a 26 times improvement over the samples of Phase 6.

A last key development of the CMBT-Polymer program is that the thermal performance of EESor CMBT-Polymer hybrid samples has been improved to the Y8R level. This means that the samples experience less than 15% variation in performance over a temperature range of -30°C to 150°C (-22°F to 302°F). That is a significant improvement over the previously disclosed Y5T level which represents a +22% -33% variation in performance over a temperature range of -30°C to 85°C (-22°F to 185°F).

On January 23, 2019 the Company announced an update to shareholders from Ian Clifford, CEO.

Over the past year, EESor has achieved a number of milestones which have both strengthened our company and enhanced our future prospects.

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EESor is focused on both the capacitor industry and energy storage industry. EESor is developing new types of ceramic and polymer-based solid-state capacitor materials with the ultimate goal of replacing conventional battery technologies (lead acid and lithium-ion) with capacitors built with EESor's materials. This new generation of high energy density, low cost capacitor material is based on EESor's CMBT (Composition Modified Barium Titanate) ceramic dielectric powder.

Titanium and Barium are among the most common elements on earth. Titanium is the ninth and Barium the fourteenth most abundant element. By comparison, lithium and cobalt (used in the production of lithium-ion batteries) are 32nd and 33rd in abundance.

Ceramic capacitors offer the notable benefits of extremely fast charging. In electronic devices they can charge and discharge millions of times per second. They also exhibit extremely long lifespans, lasting decades instead of a few hundred to a thousand cycles of charge/discharge offered by current commercial battery technology. EESor's goal is to bring quick charging, long lifespan, and low monetary and environmental cost storage to the electrical grid and transportation markets.

For transportation storage, the ultimate long-term goal is to be able to charge any electric vehicle in a matter of minutes, while also having the energy storage unit potentially outlast the vehicle by decades. EESor's nearer term objective, however, is to target global electrical distribution systems. In other words: The Grid. The electrical energy storage systems required for the grid need to be long lasting, of low cost, and be able to charge and discharge at electronic speeds. These features will enhance the intermittent nature of solar and wind electricity availability. With the very long lifespan offered by EESor's CMBT-based capacitors, these massive energy storage systems could be financially amortized over many decades.

To evaluate energy storage capacity, the industry uses a factor called "energy density" (or ED), which is measured in "watt hours per liter" (Wh/l). Broader applications are enabled with higher levels of energy density, as illustrated in the table below. (Note that this table applies for the whole industry and is not specific to current EESor performance)

Energy Density (Wh/l)	Applications
Greater than 0.5	Size and cost competitive for existing capacitors
Greater than 10	Enables short duration electric grid energy storage, for the balancing of production and distribution of electricity in utility companies' grid.
Greater than 40	Enables Lead-acid battery replacement
Greater than 250	Enables Lithium-ion battery replacement

A second factor used by the industry, called "insulation resistance", indicates how long the energy can be kept in storage without it leaking out. The leakage must be as low as possible for effective energy storage.

The latest disclosed EESor Phase 7 (February 2018), Phase 8 (March 2018) and Phase 9 (November 2018) test results, indicate it is well positioned to commercialize its material and to aggressively compete in 3 subsegments of global capacitor markets:

Aluminum Electrolytic Capacitors (US\$4.6B in 2018, and US\$5.5B by 2022)
Plastic film capacitors (US\$2.3B in 2018, and US\$2.7B by 2023)
Decoupling MLCCs (multi-layer ceramic capacitors; US\$1.5B in 2018)

Together these represent a total current addressable market of \$8.4B in 2018. These large opportunities are the main focus of EESstor's latest months of efforts in licensing its capacitor material. The entire global capacitor market is currently estimated at US\$25.5B per year.

To summarize, the main advantages that EESstor materials bring to potential partners (as highlighted in detail in our published white papers and market reports) are:

High energy density: EESstor's CMBT has achieved energy densities that are 5 to 100's of times higher than various materials currently used in existing high voltage capacitor industries.

Lower cost: EESstor's higher energy density means less material, which is both cheaper and more abundant and can be used in manufacturing equivalent capacitors significantly lowering the final production costs for similar performance.

Long product life: EESstor's pure solid-state ceramic solutions have significant lifespan advantages over existing technologies in many of its target capacitor submarkets (e.g., Aluminum Electrolytic Capacitors typically fail over time due to leaking electrolytes).

Green footprint: EESstor's CMBT can help the capacitor industry reduce its environmental footprint by reducing raw material requirements, using abundantly available feed stocks, and by eliminating the use of toxic materials. CMBT is environmentally friendly, as no toxic liquids or raw materials are used in its production.

The management of EESstor is in discussions with potential industrial joint venture partners and will announce the specifics of these discussions once they reach the stage of required disclosure.

1. https://en.wikipedia.org/wiki/Abundance_of_elements_in_Earth's_crust

2. *Understanding the Global Market for Aluminum Electrolytic Capacitors*, Paumanok Publications, Inc
Dennis M. Zogbi, and

https://www.strategyr.com/MarketResearch/Aluminum_Electrolytic_capacitors_Market_Trends.asp

3. *High Voltage Capacitors: World Markets, Technologies & Opportunities; 2016-2021*; Dennis M. Zogbi, Paumanok Publications, Inc ,and, <https://www.marketresearchfuture.com/reports/film-capacitor-market-4178>

4. Dennis M. Zogbi, Paumanok Publications, Inc, EESstor On Site Presentation - May 6, 2018

5. Dennis M. Zogbi, Paumanok Publications, Inc EESstor On Site Presentation - May 6, 2018

Selected Annual Financial Information

	Year ended September 30, 2018 (\$)	Year ended September 30, 2017 (\$)	Year ended September 30, 2016 (\$)
Revenue	Nil	nil	nil
Loss from continuing operations	(5,771,458)	(6,802,793)	(3,232,515)
Income/(loss) from discontinuing operations	Nil	nil	nil
Non-controlling interest	1,415,615	1,288,823	286,063
Net loss	(4,355,843)	(5,513,970)	(2,946,452)
Net loss per share – basic and diluted	(0.05)	(0.06)	(0.04)
	As at September 30, 2018 (\$)	As at September 30, 2017 (\$)	As at September 30, 2016 (\$)
Total assets	20,619,897	21,968,276	21,653,864
Total long-term liabilities	Nil	nil	141,565

Quarterly Financial Information

A summary of selected financial information of the eight most recently completed quarters is provided below:

Three Months Ended	Total Revenue (\$)	Working capital surplus (deficit) (\$)	Net Income or (Loss)	
			Total (\$)	Per Share (\$)
September 30, 2018	Nil	445,322	(1,387,843)	(0.01)
June 30, 2018	Nil	578,300	(1,112,418)	(0.01)
March 31, 2018	Nil	1,040,919	(955,690)	(0.01)
December 31, 2017	Nil	939,716	(899,892)	(0.01)
September 30, 2017	Nil	2,073,134	(1,195,132)	(0.01)
June 30, 2017	Nil	3,272,784	(2,012,097)	(0.02)
March 31, 2017	Nil	807,397	(1,238,281)	(0.01)
December 31, 2016	Nil	1,865,172	(1,068,460)	(0.01)

Results of Operations

The Company's net loss totaled \$5,771,458 for the year ended September 30, 2018, with basic and diluted loss per share of \$0.05, of which the share of the loss by the non-controlling interest in EESTor was \$1,415,615. This compares with a net loss of \$6,802,793 with basic and diluted loss per share of \$0.06 for the year ended September 30, 2017, of which the share of the loss by the non-controlling interest in EESTor was \$1,288,823. The decrease in net loss of \$1,031,335 was principally due to decreased stock-based compensation and bonuses during the period, no costs associated with the retirement of notes payable in 2018 and cost saving initiatives for operating expenditures and corporate overheads.

The Company's total assets at September 30, 2018 were \$20,619,897 (September 30, 2017 - \$21,968,276) against total liabilities of \$515,042 (September 30, 2017 - \$289,416). The decrease in total assets of \$1,361,309 resulted primarily from cash spent on operating expenditures and corporate overheads offset by net proceeds from the private placements. The Company has sufficient current assets to pay its existing current liabilities of \$515,042 at September 30, 2018.

General and administrative expenses are summarized for the year ended September 30, 2018 and 2017 as follows:

	Three Months ended September 30, 2018 (\$)	Three Months ended September 30, 2017 (\$)	Year ended September 30, 2018 (\$)	Year ended September 30, 2017 (\$)
Salaries and benefits	214,888	171,873	865,432	1,028,992
Stock based compensation	221,851	395,053	845,232	1,548,653
Consulting fees	230,471	12,496	380,140	72,776
Insurance	123,918	105,767	394,318	287,480
Legal, audit, regulatory costs	94,727	135,402	618,182	629,928
Occupancy costs	77,941	63,642	283,821	257,963
Other costs	188,605	87,945	462,465	399,866
Loss from sale of equipment	nil	nil	7,510	nil
Impairment of equipment	nil	nil	2,736	nil
Amortization	nil	2,294	nil	9,707
Total General and Administrative	1,152,401	974,472	3,859,836	4,235,365

For the year ended September 30, 2018, salaries and benefits decreased by \$163,560 over the prior year. During the year ended September 30, 2017, the Company paid bonuses to certain officers, however there were no bonuses paid in the 2018 comparative period.

Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. For the year ended September 30, 2018, stock-based compensation decreased by \$703,421 over the prior period due to 2,700,000 stock options granted in 2018 compared to 8,054,024 stock options granted in 2017 as well as the timing of vesting of the stock options.

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For the year ended September 30, 2018, the increase of \$307,364 over the comparative year in consulting fees resulted from the increase in corporate activity during the current year.

Financing costs are summarized for the year ended September 30, 2018 and 2017 as follows:

	Three Months ended September 30, 2018 (\$)	Three Months ended September 30, 2017 (\$)	Year ended September 30, 2018 (\$)	Year ended September 30, 2017 (\$)
Interest expense	nil	nil	nil	32,844
Accretion	nil	nil	nil	54,089
Premium for early retirement of notes payable	nil	nil	nil	159,990
Loss on early retirement of notes payable	nil	nil	nil	410,836
Total Financing Costs	nil	nil	nil	657,759

During the year ended September 30, 2017, premium and loss on early retirement of notes payable were \$159,990 and \$410,836, respectively. No such costs were incurred during the year ended September 30, 2018.

Engineering and development expenses are summarized for the year ended September 30, 2018 and 2017 as follows:

	Three Months ended September 30, 2018 (\$)	Three Months ended September 30, 2017 (\$)	Year ended September 30, 2018 (\$)	Year ended September 30, 2017 (\$)
Salaries and benefits	389,164	447,129	1,310,103	1,426,136
Service and materials	106,155	52,748	502,240	404,114
Other costs (recovery)	(68)	5	(11,232)	(347)
Amortization	30,829	24,597	110,511	79,766
Total Engineering and Development	526,080	524,479	1,911,622	1,909,669

Engineering and development includes all costs related to product research, engineering and development. For the year ended September 30, 2018, service and materials increased by \$98,126 due to increased operational activities at the plant to advance research and development. Salaries and benefits decreased by \$116,033 due to a reduction in employee costs and use of third-party consultants.

Cash Flow

At September 30, 2018, the Company had cash of \$648,034 compared to \$2,019,420 of cash at September 30, 2017. The decrease in cash of \$1,371,386 resulted from outflows in operating activities and investing activities of \$4,560,275 and \$163,332, respectively offset by a cash inflow of \$3,352,221 from financing activities.

Operating activities were affected by adjustments of depreciation and amortization of \$110,511, stock-based compensation of \$845,232, gain on sale of equipment of \$11,232 and loss on disposal of asset held for sale of \$7,510 and asset impairment of \$2,736. Net change in non-cash working capital balances of \$256,426 resulted from a decrease in prepaid expenses and sundry assets of \$30,800 and an increase in accounts payable and accrued liabilities of \$225,626.

The Company used \$163,332 for investing activities to purchase \$112,760 of equipment, \$76,796 for the prosecution and maintenance of patents and trademarks and received \$11,234 and \$14,990 from the sale of equipment and an asset held for sale, respectively.

The Company received \$3,352,221 from financing activities by raising \$3,314,721 from the private placement of units, net of issuance costs and \$37,500 for warrants exercised.

Liquidity and Financial Position

The Company is an early-stage development corporation and accordingly has not generated revenues from its technology. The Company has incurred a significant accumulated deficit to date of \$68,970,412 (September 30, 2017 – deficit of \$64,614,569). The ability of the Company to continue operations is dependent upon obtaining sufficient funding to sustain operations through the development stage, successfully bring its technologies to market and achieving profitable operations. The Company manages its capital, which consists of cash provided from financing, with the primary objective being safeguarding sufficient working capital to sustain operations. The Board has not established capital benchmarks or other targets.

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 September 30, 2018, the Company is not compliant with TSXV Policy 2.5 but is currently in the process of raising additional funds through equity financing.

During fiscal 2019, the Company's corporate head office costs are estimated to average \$250,000 per quarter. Head office costs include professional fees, reporting issuer costs, business development costs and general and administrative costs. The engineering and development costs of the Company are estimated to average \$500,000 per quarter.

As at September 30, 2018, the Company had cash and cash equivalents of \$648,034 (\$2,019,420 at September 30, 2017). The Company will need to obtain additional financial resources through operations, additional equity and/or debt financing, or by licensing technology for cash proceeds to fund its activities for fiscal 2019 and beyond.

The Company will pursue additional funding through the issuance of additional equity or debt financing. The Company's short-term plans are dependent on its ability to access funding to continue operations and develop its technology. If the Company is unable to obtain funding through the issuance of common shares, warrants or stock options exercised, issuance of debt, or proceeds from a licensing arrangement in a timely manner, then these programs and operations in general could be delayed or cease altogether.

Continued uncertainty in the financial and business markets may impact the Company's ability to raise additional financing proceeds and it may impact the terms and conditions related to any financing.

The Company has not obtained profitable operations to date. For the twelve-month period ended September 30, 2018, the Company had a net loss and comprehensive loss of \$(5,771,458) (September 30, 2017: \$(6,802,793)). Whether and when the Company can attain profitability and positive cash flow is uncertain. These circumstances cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. Management is actively pursuing the development and commercialization of its technologies and is continuously evaluating the availability of additional debt or equity financing to provide adequate cash resources to carry out its business objectives. Nevertheless, there is no assurance that these ongoing initiatives will continue to be successful.

The Company's ability to continue as a going concern is dependent upon the Company's ability to obtain the ongoing support of its investors, obtain profitable operations, generate significant licensing fees and/or raise additional capital. The audited consolidated financial statements do not reflect adjustments in the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. See "Risks and Uncertainties" below and "Caution Regarding Forward-Looking Statements" above.

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 year equity markets in Canada were negative creating more difficult conditions for completing a public financing. Apart from these and the risk factors noted under the heading "Risks and Uncertainties", 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 "Risks and Uncertainties" below.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Proposed Transactions

There were no proposed transactions as of the date of this MD&A.

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.

Outstanding Share Data

The number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of the Company as at January 25, 2019 are as follows:

Securities	As at January 25, 2019
Common shares outstanding	125,287,077
Issuable under stock options	17,339,024
Issuable under warrants	59,997,243
Total securities	202,623,344

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. The Company considers key management to be the members of the Board, 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:

	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
Total	1,374,107	2,038,108

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

Contractual Obligations

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

Year	Amount (\$)
2019	259,700
2020	262,127
2021	109,757
Total	631,584

Change in Accounting Policies

(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 unaudited consolidated interim condensed financial statements.

(ii) The IASB issued amendments to IFRS 2, Share-based Payment. 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 unaudited consolidated interim condensed financial statements.

New Accounting Standards Not Yet Adopted

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.

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 EESor 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 EESor 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.

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.

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 values of US dollar financial instruments are as follows:

EESTOR CORPORATION
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
DISCUSSION DATED: JANUARY 25, 2019

Cash	\$ 192,549
Accounts payable and accrued liabilities	<u>(287,371)</u>
	\$ <u>(94,822)</u>

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

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.

Risks and Uncertainties

An investment in the Company should be considered highly speculative due to the Company's financial position, nature of the Company's activities and its early stage of development. These risk factors and uncertainties could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements contained herein relating to the Company.

EESor's Energy Storage Unit ("ESU") and High Voltage Capacitor Technology

EESor's energy storage and high voltage capacitor technology is still under development and there can be no assurance that it will be successfully commercialized at all or on a timely basis or that the expected benefits will be achieved. Any failure by EESor to successfully fund development and commercialize its ESU or its high voltage capacitor technology when required could result in such products having reduced efficacy and benefits to the consumer and could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

While the Company has concluded initial independent third party testing on a certain selection of EESor's current high voltage capacitor technology, there can be no assurance that the technology will continue to evolve into commercially viable high energy density storage ESU's.

There can be no assurance about the timing of the development of EESor's high energy density ESU technology.

Additional Financing Requirements

To date, the Company has relied primarily on equity and debt financings, through private placements and the exercise of warrants, to carry on its business. The exact amount of the Company's future capital requirements will depend on numerous factors, including, but not limited to, market acceptance of the Company's strategy, success and timing of EESor's product development, delays in the growth of EESor's customer base for its solutions, sales and margins, requisite operating costs, failure or delays in launching products or in executing marketing programs, growth that is more rapid than anticipated or competitive pressures. The Company may also need to raise funds in order to acquire businesses, technologies or products or fund investments and other relationships the Company believes are strategic.

Any future financings may result in substantial dilution to the holdings of current shareholders of the Company and could have a negative impact on the market price of the common shares.

There can be no assurance that additional financing, when required, will be available on commercially reasonable terms or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to fund its operations, expansion, take advantage of strategic acquisitions or investment opportunities or respond to competitive pressures. Such inability to obtain additional financing when needed could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Early Stage Company

The Company is in the early stages of development. The Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. Such risks include the evolving and unpredictable nature of the Company's

business, the Company's ability to anticipate and adapt to a developing market and technological changes, market acceptance of the Company's products, and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Company will be successful in doing what is required to address these risks.

The Company's operations are subject to all of the risks inherent in the establishment of a new business enterprise including delays, product and technology development setbacks, system problems and other unforeseen events that may have a material adverse effect on the Company.

As an early stage company, there is a limited operating history upon which to base an evaluation of the Company's business and prospects and there is no assurance that it will operate profitably or provide a return on investment in the future.

Technology Risks

There can be no assurance that any of EESor's technologies and solutions will prove successful or will not have some unforeseen technological issues which may have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects. Further there can be no assurance that qualified personnel will be available to the Company or EESor when required.

Reliance on EESor Technology

The Company relies entirely on the success of EESor in developing its energy storage and high voltage capacitor technologies.

Investment in EESor

EESor is a private company and there are restrictions on the transferability of the shares acquired by the Company. There can be no assurance that the EESor shares will not decrease in value below the amount paid by the Company or that the Company will be able to sell part or all of its investment, should it desire to do so.

History of Losses

To date, the Company has a history of limited revenues and has generated losses from operations. The Company expects to continue to incur significant expenditures for general and administrative activities. There can be no assurance that the Company's strategies will result in the Company becoming profitable or generating positive cash flows.

Economic Conditions

Conditions in the economy have an inherent degree of uncertainty. As a result, it is difficult to estimate the level of growth or contraction for the economy as a whole. It is even more difficult to estimate growth or contraction in various parts, sectors and regions of the economy. Adverse general economic conditions may negatively affect the sales of the Company's products, increase the cost and decrease the availability of financing, increase the risk of loss on investments, or increase costs associated with manufacturing and distributing products.

Business and Marketing Plans

The Company's business and financial plan relies heavily on products from EESor which are still in development. The investment in time and money that is needed to realize the potential of EESor's products is based on management's experience but may not be sufficiently understood. Accordingly, the development of strategic partnerships may occur more slowly than projected. Reduced revenue from licensing opportunities may require the Company to seek additional funding over and above that anticipated in its business plan.

Government Regulation

The activities of the Company and EESor are subject to various federal, provincial, state and local laws governing production, safety standards, taxes, labour standards and occupational health, environmental and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the production or sale of future product offerings. Amendments to current laws and regulations or more stringent implementation thereof could also have a substantial adverse impact on the Company.

Dependence on Key Personnel; Need for Additional Personnel

The Company's success is dependent on the ability and experience of a relatively small number of key personnel, the loss of any of whom could have a significant adverse effect on the Company. Competition for personnel, particularly persons having relevant technical expertise, is intense, and there can be no assurance that the Company or EESor will retain existing personnel or hire additional, qualified personnel. The inability to retain and attract the necessary personnel or the loss of services of any of its key personnel could have a material adverse effect on the Company.

Protection of Intellectual Property

The Company's ability to compete effectively will depend, in part, on its and EESor's ability to maintain the proprietary nature of their technology developments and processes. The companies rely on patent, trademark and trade secret laws as well as technical measures to establish and protect their proprietary rights. There can be no assurance that the steps taken to protect its proprietary rights will be adequate or that third parties will not infringe or misappropriate their patents, trademarks, trade names or other similar proprietary rights. In addition, there can be no assurance that third parties will not assert infringement claims against the Company or EESor.

Competition

EESor's products will compete against those of other companies, some of which may have greater financial, marketing and other resources than those of the Company and EESor. These competitors may be able to institute and sustain price wars, or imitate the features of EESor's products, or develop products providing greater benefits or market appeal than EESor's products, resulting in market dilution and reduced profit margins.

Dependence on Third Party Suppliers

The successful introduction of EESor's products will be dependent upon satisfactory arrangements for the supply, manufacture or assembly of components. In the event arrangements are either not concluded at all or not concluded on a timely basis, or if concluded, the suppliers experience production difficulties, delays or disruptions, EESor may not be able to obtain adequate supplies of components in a timely fashion or at acceptable quality, quantity, timing or prices. Any disruption in the supply, manufacture or assembly of EESor's products could have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and prospects.

Insurance

The Company and EESor have secured insurance to protect against certain risks in such amounts as they considers adequate. The nature of these risks is such that liabilities might exceed insurance policy limits which may have a material adverse effect on the Company. Furthermore, there is no assurance that the Company or EESor will be able to secure insurance in future years either at all or on commercially reasonable terms.

Dividends

No dividends have been declared or paid by the Company since incorporation. The Board of the Company currently does not anticipate paying any dividends but intends to retain any earnings to finance the growth and development of the business of the Company. The Board will review this policy from time to time in the context of the Company's earnings, financial condition and other relevant factors.

Currency Risks

The Company is exposed to currency fluctuations as it presently holds funds in Canadian Dollars and a significant amount of its costs and liabilities will be incurred in United States Dollars. The Company has not entered into any foreign currency contracts.

Subsequent Events

(i) On December 17, 2018, the Company received approval from the TSXV 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, EESor, Inc., as well as an assignment of loans made by the Company to EESor, 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.

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 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 consolidated financial statements; and (ii) the 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.

Additional Information

Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com.