



FUELPOSITIVE CORPORATION
(Formerly EESstor Corporation)

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED
MARCH 31, 2021

(IN CANADIAN DOLLARS)
(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of FuelPositive Corporation (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

FuelPositive Corporation (Formerly EESstor Corporation)

Unaudited Condensed Interim Consolidated Statements of Financial Position (In Canadian Dollars)

	As at March 31, 2021	As at September 30, 2020
ASSETS		
Current assets		
Cash	\$ 1,696,835	\$ 10,459
Prepaid expenses and sundry assets	647,196	121,449
Total current assets	2,344,031	131,908
Non-current assets		
Property and equipment (note 4)	-	69,448
EESstor technology, rights, patents and development costs (note 6)	14,849,686	14,862,660
Total non-current assets	14,849,686	14,932,108
Total assets	\$ 17,193,717	\$ 15,064,016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 968,790	\$ 1,049,147
Bridge loan (note 8)	11,688	53,000
Loan payable (note 9)	40,000	40,000
Promissory notes (note 10)	-	435,814
Lease liabilities (note 11)	-	130,357
Total current liabilities	1,020,478	1,708,318
Non-current liabilities		
Convertible debenture (note 12)	224,763	-
Total non-current liabilities	224,763	-
Total liabilities	1,245,241	1,708,318
Shareholders' equity		
Share capital (note 13)	77,053,353	73,349,665
Contributed surplus	15,404,507	13,185,191
Warrant capital	5,811,737	7,625,755
Equity portion of convertible debenture (note 12)	86,875	-
Accumulated deficit	(78,326,530)	(76,441,100)
	20,029,942	17,719,511
Non-controlling interest (note 6)	(4,081,466)	(4,363,813)
Total shareholders' equity	15,948,476	13,355,698
Total liabilities and shareholders' equity	\$ 17,193,717	\$ 15,064,016

Nature of operations and going concern (note 1)

Subsequent events (note 20)

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

FuelPositive Corporation (Formerly EESstor Corporation)**Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(In Canadian Dollars)**

	Three Months Ended March 31,		Six Months Ended March 31,	
	2021	2020	2021	2020
Expenses				
General and administrative (notes 16 and 17)	\$ 980,548	\$ 304,322	\$ 1,522,030	\$ 598,890
Financing costs (notes 8 and 10)	18,023	25,352	31,970	31,773
Engineering and research (notes 16 and 17)	(4,497)	22,747	49,083	44,828
Net and comprehensive loss for the period	\$ (994,074)	\$ (352,421)	\$ (1,603,083)	\$ (675,491)
Net loss for the period attributable to:				
Loss for the period	\$ (1,085,058)	\$ 118,103	\$ (1,885,430)	\$ (260,331)
Non-controlling interest in subsidiary (note 6)	90,984	(470,524)	282,347	(415,160)
	\$ (994,074)	\$ (352,421)	\$ (1,603,083)	\$ (675,491)
Net loss per share - basic and diluted	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ (0.00)
Weighted average number of shares outstanding				
- basic and diluted	180,587,345	144,857,077	170,294,768	142,584,563

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

FuelPositive Corporation (Formerly EESor Corporation)**Unaudited Condensed Interim Consolidated Statements of Cash Flows****(In Canadian Dollars)**

	Six Months Ended March 31,	
	2021	2020
Cash flows used in operations		
Net loss for the period	\$ (1,603,083)	\$ (675,491)
Items not affecting cash:		
Depreciation and amortization (notes 4 and 6)	12,974	133,162
Stock-based compensation (note 15)	663,004	13,112
Interest accrual	197	31,773
Accretion (note 12)	11,638	12,304
Gain on settlement of debt	(36,603)	-
Other	(4,072)	-
	(955,945)	(485,140)
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	(525,747)	195,179
Accounts payable and accrued liabilities	(80,357)	113,033
Net cash used in operating activities	(1,562,049)	(176,928)
Investing activities		
Purchase of patents and trademarks (note 6)	-	(798)
Net cash used in investing activities	-	(798)
Financing activities		
Issuance of units, net of issuance costs	3,378,508	228,500
Bridge loan	-	50,000
Repayment of bridge loan	(53,000)	-
Repayment of promissory notes	(77,083)	(93,841)
Net cash provided by financing activities	3,248,425	184,659
Net change in cash	1,686,376	6,933
Cash, beginning of period	10,459	3,115
Cash, end of period	\$ 1,696,835	\$ 10,048

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

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

	Number of Shares	Share Capital	Contributed Surplus	Warrant Capital	Equity Portion of Convertible Debenture	Accumulated Deficit	Subtotal	Non-controlling Interest	Total
Balance, September 30, 2019	140,287,077	\$ 73,217,135	\$ 13,364,041	\$ 7,321,183	\$ -	\$ (75,189,572)	\$ 18,712,787	\$ (4,155,949)	\$ 14,556,838
Loss for the period	-	-	-	-	-	(260,331)	(260,331)	-	(260,331)
Non-controlling interest in subsidiary	-	-	-	-	-	-	-	(415,160)	(415,160)
Comprehensive loss for the period	-	-	-	-	-	(260,331)	(260,331)	(415,160)	(675,491)
Transactions with shareholders:									
Issuance of units - net of costs (note 13(b)(i))	4,570,000	132,530	-	95,970	-	-	228,500	-	228,500
Extension of warrants	-	-	(88,374)	88,374	-	-	-	-	-
Warrants issued relating to bridge loan (note 8)	-	-	-	16,000	-	-	16,000	-	16,000
Stock-based compensation (note 15)	-	-	13,112	-	-	-	13,112	-	13,112
Balance, March 31, 2020	144,857,077	\$ 73,349,665	\$ 13,288,779	\$ 7,521,527	\$ -	\$ (75,449,903)	\$ 18,710,068	\$ (4,571,109)	\$ 14,138,959
Balance, September 30, 2020	144,857,077	\$ 73,349,665	\$ 13,185,191	\$ 7,625,755	\$ -	\$ (76,441,100)	\$ 17,719,511	\$ (4,363,813)	\$ 13,355,698
Loss for the period	-	-	-	-	-	(1,885,430)	(1,885,430)	-	(1,885,430)
Non-controlling interest in subsidiary	-	-	-	-	-	-	-	282,347	282,347
Comprehensive loss for the period	-	-	-	-	-	(1,885,430)	(1,885,430)	282,347	(1,603,083)
Transactions with shareholders:									
Issuance of units - net of costs (note 13(b)(ii)(iii)(iv)(v))	35,478,571	890,993	-	981,007	-	-	1,872,000	-	1,872,000
Shares issued for exercise of warrants and options	17,593,083	2,745,221	(48,600)	(1,190,113)	-	-	1,506,508	-	1,506,508
Shares issued for settlement of debt (note 13(b)(vi))	795,083	67,474	-	-	-	-	67,474	-	67,474
Transfer from warrant capital on expiry	-	-	1,604,912	(1,604,912)	-	-	-	-	-
Stock-based compensation (note 15)	-	-	663,004	-	-	-	663,004	-	663,004
Convertible debenture (note 12)	-	-	-	-	86,875	-	86,875	-	86,875
Balance, March 31, 2021	198,723,814	\$ 77,053,353	\$ 15,404,507	\$ 5,811,737	\$ 86,875	\$ (78,326,530)	\$ 20,029,942	\$ (4,081,466)	\$ 15,948,476

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

FuelPositive Corporation (Formerly EESstor Corporation)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2021

(In Canadian Dollars, unless otherwise indicated)

1. NATURE OF OPERATIONS AND GOING CONCERN

FuelPositive Corporation (formerly "EESstor Corporation") (the "Company") is incorporated under the Business Corporations Act (Ontario) and its common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "NHHH". Any specific reference to "EESstor" herein means EESstor, Inc. alone a 71.3% subsidiary of FuelPositive Corporation. The Company's head office is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1. FuelPositive is the developer and growth stage manufacturer of an expanding portfolio of energy storage and fossil fuel replacement technologies. FuelPositive is also focused on the acquisition of other complimentary sustainable energy storage and fuel technologies through licensing and/or purchase of qualifying assets. The Company holds certain technology rights to solid-state capacitor and related energy storage technologies currently under further advancements with strategic third parties. Additionally, the company also owns the rights to certain proprietary hydrogen and ammonia technologies being developed by Dr. Ibrahim Dincer and his team. The Company is focused on manufacturing, joint venture and licensing opportunities for its technologies across a broad spectrum of industries and applications.

The unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 31, 2021.

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

These unaudited condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Realization values may be substantially different from carrying values as shown and the financial statements do not given effect to adjustments that would be necessary to the carrying values and the classification of assets and liabilities should the Company be unable to continue operating as a going concern.

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.

The Company has incurred a net and comprehensive loss of \$1,603,083 during the six months ended March 31, 2021 and as of that date, the Company's deficit was \$78,326,530. These conditions raise material uncertainties which may cast significant doubt as to whether the Company will be able to continue as a going concern. The Company's ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments, the continued support of certain shareholders and trade creditors, and on achieving profitable commercial operations.

These unaudited condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Such adjustments could be material.

FuelPositive Corporation (Formerly EESstor Corporation)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2021

(In Canadian Dollars, unless otherwise indicated)

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

The policies applied in these unaudited consolidated interim condensed financial statements are based on IFRS issued and outstanding as of May 31, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these consolidated interim condensed financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended September 30, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending September 30, 2021 could result in restatement of these consolidated interim condensed financial statements.

3. USE OF ESTIMATES AND JUDGMENTS

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

Significant areas requiring the use of management estimates relate to:

(i) Impairment of EESstor 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, growth rates, 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.

FuelPositive Corporation (Formerly EESstor Corporation)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2021

(In Canadian Dollars, unless otherwise indicated)

3. USE OF ESTIMATES AND JUDGMENTS (Continued)

(iv) Development costs

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

4. PROPERTY AND EQUIPMENT

Cost	Production Tools
Balance, September 30, 2020	\$ 426,006
Disposals	(426,006)
Balance, March 31, 2021	\$ -

Accumulated Depreciation	Production Tools
Balance, September 30, 2019	\$ 292,695
Depreciation	63,863
Balance, September 30, 2020	356,558
Disposal	(356,558)
Balance, March 31, 2021	\$ -

Net book value	Production Tools
Balance, September 30, 2020	\$ 69,448
Balance, March 31, 2021	\$ -

During the six months ended March 31, 2021, the Company pledged the property and equipment in full settlement of the lease liabilities associated with the Cedar Park facility (note 11).

FuelPositive Corporation (Formerly EESstor Corporation)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2021

(In Canadian Dollars, unless otherwise indicated)

5. TECHNOLOGY AGREEMENTS

Light Electric Vehicles

On March 10, 2013, EESstor 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, EESstor 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.

6. EESTOR TECHNOLOGY, RIGHTS, PATENTS AND DEVELOPMENT COSTS

Continuity of Assets

Intangible asset at September 30, 2019	\$ 14,889,047
Additional patent cost	798
Patent amortization	(27,185)
Intangible asset at September 30, 2020 (i)	14,862,660
Patent amortization	(12,974)
Intangible asset at March 31, 2021	\$ 14,849,686

(i) In September 2020, the Company's annual impairment testing determined that the recoverable amount of the EESstor technology, rights, patents and development costs exceeded their carrying value and as a result, no impairment charge was recorded. 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 projected after-tax revenues modeled as a function of the estimated total industry revenues of \$650,000,000 and \$6,300,000,000 for the Reserve Utility Energy Storage Market (UES) and the Residential Energy Storage Market (RES) respectively, projected cash flows for 5 years, a growth rate of 5% and a discount rate of 30% per annum. The benefit of unused tax losses has not been reflected in the determination of the value in use. The recoverable amount has been determined at a Level 3 of the fair value hierarchy.

FuelPositive Corporation (Formerly EESor Corporation)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2021

(In Canadian Dollars, unless otherwise indicated)

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

EESor Financial Information

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

	March 31, 2021 US (\$)	September 30, 2020 US (\$)
Long-term assets	930,957	1,074,297
Total assets	930,957	1,074,297
Current liabilities	91,500	296,029
Long-term liabilities (i)	11,452,368	11,391,990
Total liabilities	11,543,868	11,688,019
Shareholders' deficiency	(10,612,911)	(10,613,722)

(i) Includes preferred stock totaling \$4,028,000

EESor's operating expenses included in the Consolidated Statement of Loss and Comprehensive Loss for the three and six months ended March 31, 2021 and 2019 are as follows:

	Three Months March 31, 2021 US (\$)		Six Months Ended March 31, 2021 US (\$)	
	2021 US (\$)	2020 US (\$)	2021 US (\$)	2020 US (\$)
General and administrative (recovery) expenses ⁽¹⁾	(104,258)	691,223	(439,692)	590,737
Engineering and research	(41,931)	16,915	(811)	33,643
Net (income) loss	(146,189)	708,138	(440,503)	624,380
(Income) loss attributed to the Company	(73,241)	354,777	(220,692)	312,814
Non-controlling interest in subsidiary	(72,948)	353,361	(219,811)	311,566
Net (income) loss	(146,189)	708,138	(440,503)	624,380

The amount of non-controlling interest is determined by multiplying the net loss for the period by the percentage of common stock held by a third party. As at March 31, 2021, the Company held 50.1% of the common stock outstanding.

⁽¹⁾ General and administrative (recovery) expenses are mainly due to unrealized foreign exchange (gain) loss on the financial assets and liabilities of EESor as at the reporting date.

FuelPositive Corporation (Formerly EESstor Corporation)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2021

(In Canadian Dollars, unless otherwise indicated)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at March 31, 2021	As at September 30, 2020
Trade accounts payables	\$ 164,890	\$ 277,184
Accrued liabilities	393,822	354,504
Amounts due to related parties	410,078	417,459
Total accounts payable and accrued liabilities	\$ 968,790	\$ 1,049,147

The Company's standard term for trade payable is 30 - 60 days.

8. BRIDGE LOAN

On February 20, 2020, the Company entered into a loan agreement with an arms-length third party for a bridge loan of \$50,000 which matures on August 20, 2020. The loan does not bear interest, but the Company will pay a one-time financing fees of \$3,000. In addition, the Company granted to the lender 1,000,000 common shares, each warrant exercisable until February 20, 2021 at a price of \$0.05 per share.

The grant date fair value of \$16,000 was assigned to the 1,000,000 warrants as estimated by using the Black-Scholes pricing model with the following assumptions: share price \$0.03, dividend yield 0%, risk free interest rate 1.48%, volatility 180%, and an expected life one year. Expected volatility is based on historical volatility. This was expensed as financing cost in the statement of loss and comprehensive loss.

On November 26, 2020, the Company repaid \$21,500 of the bridge loan. The Company and the lender have agreed to a loan extension to February 28, 2021. As consideration for the extension, the Company will pay an additional financing fee of \$2,250. In February 2021, the Company repaid the remaining loan balance and additional financing fee.

9. LOAN PAYABLE

In May 2020, the Company received a government guaranteed loan of \$40,000 to help with operating costs during COVID-19. The loan is interest-free until December 31, 2022. 25% of the loan amount is eligible for forgiveness provided that the Company pays back 75% of the loan on or before December 31, 2022. If the Company does not repay the loan by December 31, 2022, the loan may be converted into a 3-year term loan at an interest rate of 5%.

10. PROMISSORY NOTES

(i) On January 21, 2019, the Company entered into a loan agreement for a secured credit facility of \$300,000 from Dr. Robert Tocchio, a 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, EESstor, Inc., as well as an assignment of loans made by the Company to EESstor, 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 \$0.13 per share.

The grant date fair value of \$136,154 was assigned to the 2,307,692 warrants as estimated by using the Black-Scholes pricing model with the following assumptions: share price \$0.13, dividend yield 0%, risk free interest rate 1.92%, volatility 119%, and an expected life one year. Expected volatility is based on historical volatility. This was expensed as financing cost in the statement of loss and comprehensive loss.

FuelPositive Corporation (Formerly EESstor Corporation)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2021

(In Canadian Dollars, unless otherwise indicated)

10. PROMISSORY NOTES (Continued)

On December 24, 2020, the Company entered into an agreement with Robert Tocchio, a director of the Company, to restructure the promissory note. In full and final settlement of the promissory note, Mr. Tocchio agreed to accept an unsecured convertible debenture (the "Debenture") in the principal amount of \$300,000, and a cash payment of \$33,000 (the "Settlement Payment"). The Debenture bears interest at a rate of twelve percent per annum, payable annually, and will have a term of sixty months. At the option of Mr. Tocchio, all or any portion of the principal amount of the Debenture may be converted into common shares of the Company, at a price of \$0.05 per share during the initial twelve months of the term, and at a price of \$0.10 per share for the remainder of the term. (see note 12).

Following issuance of the Debenture, and completion of the Settlement Payment, Mr. Tocchio released all obligations due and owing by the Company in respect of the promissory note, as well as all collateral securing the promissory note. The Debenture is subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws and the policies of the TSX Venture Exchange.

(ii) During February 2019, the Company received \$60,000 and US\$25,025 (\$33,485) of promissory notes from various investors. These promissory notes are unsecured, bear interest at the rate of 8.0% per annum and are repayable within one year. During the six months ended March 31, 2021, the Company repaid promissory notes and accrued interest of \$83,485 and \$10,976, respectively. Of the \$94,461, \$43,708 was settled through the issuance of 795,083 common shares and \$50,753 was repaid in cash.

As at March 31, 2021, the Company had promissory notes and accrued interest of \$11,688 outstanding.

11. LEASE LIABILITIES

On October 1, 2019, the Company early adopted IFRS 16. As at October 1, 2019, the Company recognized right-of-use asset of \$278,004 and lease liability of \$278,004. The Company did not apply IFRS 16 on a fully retrospective basis.

The Company recorded right-of-use assets and lease liabilities for the facility in the statement of financial position. At the commencement date of the leases, the lease liabilities were measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate.

At the end of the year ended September 30, 2020, the Company discontinued the lease for the facility. During the six months ended March 31, 2021, the Company pledged a portion of the property and equipment in full settlement of the lease liabilities associated with the facility (note 4).

The continuity of lease liabilities is presented in the table below:

	Facility space
Balance - September 30, 2019	\$ -
Additions	278,004
Accretion expense	20,605
Lease payments	(60,552)
Impact of foreign exchange	(1,156)
Derecognition of lease	(106,544)
Balance - September 30, 2020	130,357
Property and equipment pledged	(69,448)
Gain on settlement of lease liabilities	(60,369)
Impact of foreign exchange	(540)
Balance - March 31, 2021	\$ -

FuelPositive Corporation (Formerly EESstor Corporation)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Three and Six Months Ended March 31, 2021

(In Canadian Dollars, unless otherwise indicated)

12. CONVERTIBLE DEBENTURES

On December 24, 2020, the Company issued unsecured convertible debentures with a principal amount of \$300,000 to Mr. Tocchio (see note 10). The Debenture bears interest at a rate of twelve percent per annum, payable annually, and mature sixty months from date of issue. At the option of Mr. Tocchio, all or any portion of the principal amount of the Debenture may be converted into common shares of the Company, at a price of \$0.05 per share during the initial twelve months of the term, and at a price of \$0.10 per share for the remainder of the term.

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the convertible debentures by calculating the present value of the principal and interest payments, discounted at a rate of 20%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity conversion feature of the convertible debentures comprise the value of the conversion option, being the difference between the face value of the convertible debentures and the liability element calculated above. Based on this calculation, the liability component was \$213,125 and the residual equity component was \$86,875. Net accretion charges attributable to the convertible debentures for the three and six months ended March 31, 2021 was \$824. This amount is added to the liability component on the statements of financial position and is included as accretion expense in the statements of loss and comprehensive loss.

Balance - September 30, 2020	\$	-
Loan		213,125
Accretion expense		11,638
Balance - March 31, 2021	\$	224,763

13. SHARE CAPITAL

(a) Authorized share capital

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

(b) Common shares issued

As at March 31, 2021, the total number of shares issued was 198,723,814 and valued at \$77,053,353.

(i) On December 30, 2019, the Company completed the first tranche of a non-brokered private placement raising gross proceeds of \$228,500 from the sale of 4,570,000 units. Each unit was priced at \$0.05 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 \$0.10 and expires 24 months from date of issue.

The proceeds from the issuance of units are allocated between share capital and warrant capital, with the fair value of the warrants of \$95,970 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 \$0.04, dividend yield 0%, risk free interest rate 1.68%, volatility 142%, and an expected life 2 years. Expected volatility is based on historical volatility.

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13. SHARE CAPITAL (Continued)

(ii) On November 2, 2020, the Company completed a non-brokered private placement of 21,428,571 units at a price of \$0.035 per unit for gross proceeds of \$750,000. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.05 until November 2, 2022.

In connection with completion of the private placement, the Company paid \$45,500 and issued 1,300,000 warrants to certain arms-length third-parties who assisted by introducing subscribers to the private placement.

The fair values of the warrants and finder's warrants are estimated at 342,857 and 65,000 using Black-Scholes pricing model with the following assumptions: share price \$0.06, dividend yield 0%, risk free interest rate 0.26%, volatility 192%, and an expected life 2 years. Expected volatility is based on historical volatility.

(iii) On November 20, 2020, the Company completed a non-brokered private placement of 3,650,000 units at a price of \$0.05 per unit for gross proceeds of \$182,500. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.05 until November 20, 2022.

The fair value of the warrants is estimated at 83,950 using Black-Scholes pricing model with the following assumptions: share price \$0.055, dividend yield 0%, risk free interest rate 0.27%, volatility 192%, and an expected life 2 years. Expected volatility is based on historical volatility.

(iv) On January 6, 2021, the Company completed a non-brokered private placement of 400,000 units at a price of \$0.05 per unit for gross proceeds of \$20,000. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.05 until January 6, 2023.

The fair value of the warrants is estimated at 9,200 using Black-Scholes pricing model with the following assumptions: share price \$0.055, dividend yield 0%, risk free interest rate 0.18%, volatility 192%, and an expected life 2 years. Expected volatility is based on historical volatility.

(v) On February 22, 2021, the Company completed a non-brokered private placement of 10,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,000,000. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.12 until February 22, 2023.

In connection with completion of the private placement, the Company paid \$35,000 and issued 350,000 warrants to certain arms-length third-parties who assisted by introducing subscribers to the private placement.

The fair value of the warrants is estimated at 9,200 using Black-Scholes pricing model with the following assumptions: share price \$0.055, dividend yield 0%, risk free interest rate 0.27%, volatility 192%, and an expected life 2 years. Expected volatility is based on historical volatility.

The fair values of the warrants and finder's warrants are estimated at 480,000 and 123,900 using Black-Scholes pricing model with the following assumptions: share price \$0.39, dividend yield 0%, risk free interest rate 0.23%, volatility 192%, and an expected life 2 years. Expected volatility is based on historical volatility.

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13. SHARE CAPITAL (Continued)

(vi) During the six months ended March 31, 2021, the Company satisfied agreements with two arms-length creditors (the "Creditors") to settle outstanding promissory notes totaling \$43,708.

In accordance with the agreements, the Company settled indebtedness of \$23,723 owing to one of the Creditors through the issuance of 395,383 units valued at \$43,492. Each unit will consist of one common share of the Company, and one share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.06 for a period of twenty-four months from the date of issue.

The Company also settled indebtedness of \$19,985 owing to the other Creditor through the issuance of 399,700 units valued at \$23,982. Each unit will consist of one common share of the Company, and one share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.05 for a period of twenty-four months from the date of issue.

14. WARRANTS

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

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2019	70,099,283	\$ 0.30
Issued (notes 8 and 13(b)(i))	5,570,000	0.21
Expired	(2,417,672)	0.14
Balance, March 31, 2020	73,251,611	\$ 0.26
Balance, September 30, 2020	73,251,611	\$ 0.26
Issued (note 13(b)(ii)(iii)(iv)(v)(vi))	37,923,654	0.07
Exercised	(16,513,083)	0.08
Expired	(13,735,661)	0.30
Balance, March 31, 2021	80,926,521	\$ 0.20

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14. WARRANTS (Continued)

The Company had the following warrants outstanding at March 31, 2021:

Number of Warrants	Exercise Price	Expiry Date
7,240,000	\$0.60	April 24, 2021 (i)
16,501,667	\$0.30	June 15, 2021 (ii)
540,000	\$0.10	April 12, 2021 (iii)
4,570,000	\$0.10	December 30, 2021
21,268,571	\$0.05	November 2, 2022
2,850,000	\$0.05	November 20, 2022
400,000	\$0.05	January 6, 2023
10,350,000	\$0.12	February 22, 2023
3,151,640	\$0.34	August 21, 2023
5,274,643	\$0.34	September 5, 2023
6,500,000	\$0.10	May 29, 2024
1,480,000	\$0.10	June 5, 2024
800,000	\$0.10	July 30, 2024
80,926,521		

- (i) On April 23, 2019, the Company received approval from the TSXV to reprice and extend the expiry date of 7,240,000 outstanding common share purchase warrants originally issued in April 2017. This amendment changes the exercise price of the warrants from \$1.00 to \$0.60 and the expiry from April 24, 2019 to April 24, 2020.

On April 8, 2020, the Company received approval from the TSXV to extend the expiry date of 7,240,000 outstanding common share purchase warrants to April 24, 2021.

- (ii) On June 5, 2019, the Company received approval from the TSX to extend the expiry date of 16,501,667 outstanding common share purchase warrants originally issued in June 2017. This amendment changes the expiry from June 15, 2019 to June 15, 2020.

On June 3, 2020, the Company received approval from the TSXV to extend the expiry date of 16,501,667 outstanding common share purchase warrants to June 15, 2021.

- (iii) On March 2, 2020, the Company received approval from the TSXV to reprice and extend the expiry date of 2,743,000 outstanding common share purchase warrants originally issued on April 12, 2018. This amendment changes the exercise price of the warrants from \$0.45 to \$0.10 and the expiry date to April 12, 2021. The amendment also provides that the exercise period of the warrants be reduced to thirty days if, for any ten consecutive trading days, the closing price of the common shares of the Company on the TSXV is \$0.125 or greater. The reduced thirty-day period will begin seven calendar days after such ten-consecutive-trading-day period.

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15. 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 acquiror exercising control of the Company, stock options which might otherwise not be vested may be exercised as part of the takeover transaction.

The following table reflects the continuity of stock options for the periods presented:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2019 and March 31, 2020	7,265,524	\$ 0.45
Balance, September 30, 2020	7,265,524	\$ 0.45
Granted	26,350,000	0.06
Exercised	(1,080,000)	0.05
Expired	(7,265,524)	0.45
Balance, March 31, 2021	25,270,000	\$ 0.06
Exercisable	5,790,833	\$ 0.07

For the six months ended March 31, 2020, the fair value of options is determined using the Black-Scholes option pricing model with the following weighted average assumptions: (i) dividend yield of 0%, (ii) expected volatility of approximately 149%, (iii) risk free interest rate of 0.42%, (iv) the average expected life of 4.95 years, and (v) the average share price on date of issuance of \$0.06 and a forfeiture rate of 0%. Expected volatility is based on historical volatility. The weighted average fair value of the grant in the period was \$0.06 per instrument.

For the three and six months ended March 31, 2021, the Company recorded \$424,183 and \$663,004, respectively (three and six months ended March 31, 2020 - \$4,372 and \$13,112, respectively) in stock-based compensation costs.

The Company had the following stock options outstanding as of March 31, 2021:

<u>Number of Options</u>		<u>Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (years)</u>	<u>Expiry Date</u>
<u>Outstanding</u>	<u>Exercisable</u>			
400,000	133,333	\$ 0.12	1.84	February 1, 2023
22,370,000	5,032,500	\$ 0.05	4.75	December 31, 2025
2,500,000	625,000	\$ 0.19	4.88	February 16, 2026
25,270,000	5,790,833		4.72	

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16. SALARIES AND EMPLOYEE BENEFITS EXPENSE

Salaries and employee benefits expense included in the general and administrative expenses during the three and six months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2021	2020	2021	2020
Wages and salaries	\$ 143,249	\$ 116,011	\$ 275,474	\$ 213,421
Stock-based compensation (note 15)	424,183	4,372	663,004	13,112
	\$ 567,432	\$ 120,383	\$ 938,478	\$ 226,533

17. DEPRECIATION

During the three and six months ended March 31, 2021, depreciation expense included in engineering and research expenses is \$(15,582) and \$nil, respectively (three and six months ended March 31, 2020 – \$15,955 and \$31,369, respectively).

18. 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.

The remuneration of key management personnel were as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2021	2020	2021	2020
Wages and salaries	\$ 130,021	\$ 99,938	\$ 245,246	\$ 197,348
Professional fees ⁽¹⁾	4,635	12,459	9,270	24,881
Directors' fees	-	-	17,000	-
Consulting fees	59,700	-	59,700	-
Stock-based compensation	340,788	-	561,802	-
	\$ 535,144	\$ 112,397	\$ 893,018	\$ 222,229

⁽¹⁾ Mr. Jing Peng was appointed Chief Financial Officer of the Company in July 2019. Mr. Peng is also a senior employee of Marrelli Support Services Inc. ("Marrelli Support"). Marrelli Support also provides accounting services to the Company.

As at March 31, 2021, the outstanding compensation for key management personnel was \$413,302 (September 30, 2020 - \$417,459).

19. SEGMENTED INFORMATION

As at March 31, 2021, the operations and assets of the Company's wholly-owned subsidiaries are located in Canada. The operations and assets of EESstor are located in Cedar Park, Texas, and are summarized in note 6.

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20. SUBSEQUENT EVENTS

(i) On March 26, 2021, the Company entered into an intellectual property purchase agreement with Dr. Ibrahim Dincer and his team for a first-of-its-kind technology to produce ammonia (NH₃) – a carbon free fuel – in a zero-emission manner, by utilizing only water, air and sustainable electricity.

In consideration for the acquisition of all rights to the technology, the Company has agreed to issue 50,000,000 common shares to Dr. Dincer and his team, of which 35,000,000 will be issuable upon completion of the acquisition and the balance will be issued after twelve months. All common shares issuable in connection with the acquisition will be subject to a four-month-and-one-day statutory hold period from the date of issuance.

On April 21, 2021, the Company announced approval of the acquisition from the TSXV.

(ii) Subsequent to March 31, 2021, the Company has issued 13,821,514 common shares from the exercise of warrants and options for gross proceeds of approximately \$691,000.