EnerDynamic Hybrid Technologies Corp.

Condensed Consolidated Interim Financial Statements

For the Six Months Ended May 31, 2017

(Expressed in Canadian Dollars)

(UNAUDITED)

EnerDynamic Hybrid Technologies Corp.

Condensed Consolidated Interim Financial Statements
For the Six Months Ended May 31, 2017
(Expressed in Canadian Dollars)

Table of Contents

EnerDynamic Hybrid Technologies Corp.
Condensed Consolidated Interim Financial Statements
For the Six Months Ended May 31, 2017

Notice of No Auditors Review of Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the six months period ended May 31, 2017 and have been prepared by and are the responsibility of the Company's management.

APPROVED ON BEHALF OF THE BOARD on July 30, 2017.

/s/ John Gamble

"John Gamble"
______________________________ Director

/s/ Bruce Bent

"Bruce Bent"
______________________________ Director

EnerDynamic Hybrid Technologies Corp.
Consolidated Interim Statements of Financial Position
For the Six Months Ended May 31, 2017

	Notes	As at May 31 2017 (unaudited) $	As at Nov 30 2016 (audited) $
Assets			
Current Assets			
Cash		**3,502**	86,100
Accounts receivable	7	**924,846**	282,382
Inventories	8	**910,832**	911,917
Project and other deposits	9	**2,339,438**	2,339,439
Prepaid expenses	10	**279,208**	195,183
Other current assets	11	**86,124**	86,532
		4,543,950	3,901,553
Non-Current Assets			
Property and equipment (net)	12	**1,684,415**	1,914,535
Intangible assets (net)	13	**1**	1
Investments	17	**3,681,401**	3,681,401
		5,365,817	5,595,937
		9,909,767	9,497,490
Current Liabilities			
Accounts payable and accrued liabilities		**10,017,824**	12,407,765
Debenture interest payable	18	**5,578,888**	4,129,789
Due to related parties	15	**3,236,405**	2,820,714
18% debentures payable	18	**12,523,910**	11,770,631
		31,357,027	31,128,899
Non-Current Liabilities			
Convertible 6.5% debentures payable	18	**2,877,582**	2,823,555
		2,877,582	2,823,555
		34,234,609	33,952,454
Shareholders' Equity			
Share capital	14	**27,695,922**	26,595,269
Contributed surplus		**5,326,951**	5,005,263
Warrants	14	**9,729,793**	6,604,632
Deficit		**(67,077,508)**	(62,660,128)
		(24,324,842)	(24,454,964)
		9,909,767	9,497,490

Approved on behalf of the board

"John Gamble" *"Bruce Bent"*

John Gamble, Director Bruce Bent, Director

EnerDynamic Hybrid Technologies Corp.
Consolidated Interim Statements of Operations and Comprehensive Loss
For the Six Months Ended May 31, 2017 and 2016

	Note	**3 Months Ended May 31, 2017 (unaudited) $**	3 Months Ended May 31, 2016 (unaudited) $	**6 Months Ended May 31, 2017 (unaudited) $**	6 Months Ended May 31, 2016 (unaudited) $
Revenue					
Product revenues	4	**709,030**	242,151	**711,882**	791,589
Service revenues	4	**-**	5,700	**-**	5,700
Project revenues	4	**-**	14,972	**-**	14,972
		709,030	262,823	**711,882**	812,261
Direct Cost of Revenue					
Cost of goods sold		**118,400**	116,582	**130,087**	628,292
Production related costs		**182,502**	155,379	**196,699**	260,350
Production related occupancy		**102,671**	238,773	**211,046**	350,865
Production related amortization	12	**90,217**	90,217	**180,433**	180,433
		493,790	600,951	**718,265**	1,419,940
Gross Margin (Loss)		**215,240**	(338,128)	**(6,383)**	(607,679)
Expenses					
General and administrative		**229,347**	52,571	**471,979**	590,888
Marketing and promotion		**5,748**	(79,296)	**8,995**	(33,981)
Travel		**67,031**	96,941	**93,867**	96,941
Legal		**72,769**	241,078	**111,984**	289,737
Stock-based compensation expense	14	**217,411**	188,315	**321,688**	537,329
Administrative related occupancy		**21,004**	67,680	**42,215**	81,615
Administrative related amortization	12	**24,844**	96,869	**49,687**	193,738
		638,154	664,158	**1,100,415**	1,756,267
Loss before other costs		**(422,914)**	(1,002,286)	**(1,100,798)**	(2,363,946)
Other Costs					
Research and development	4	**(2,284)**	83,490	**396,822**	104,166
Bad debt		**(8,395)**	1,568,650	**(8,395)**	1,568,650
Regulatory		**44,634**	53,407	**83,438**	69,907
Loss (gain) on foreign exchange		**667,01**	928,030	**294,223**	930,198
Interest expense	18	**1,276,648**	1,117,483	**2,544,494**	2,389,564
		1,377,304	3,751,060	**3,310,582**	5,062,485
Net and Comprehensive loss		**(1,800,218)**	(4,753,346)	**(4,417,380)**	(7,426,431)
Basic and diluted weighted average number of shares:	16	**137,682,365**	91,777,817	**137,682,365**	91,777,817
Basic and diluted loss per share:		**($0.01)**	($0.05)	**($0.03)**	($0.08)

See accompanying notes

EnerDynamic Hybrid Technologies Corp.

Consolidated Interim Statements of Changes in Shareholders’ Equity
For the Six Months Ended May 31, 2017 and 2016

	Common Shares Amount	Common Shares $	Contributed Surplus $	Warrants $	Equity Portion of Debentures $	(Deficit) $	Total Shareholders' Equity $
Balance at November 30, 2015	**83,737,487**	**24,354,461**	**3,789,181**	**1,629,283**	**148,027**	**(21,792,191)**	**8,128,761**
Common shares issued for cash	5,825,000	1,675,000	-	-	-	-	1,675,000
Issuance of warrants as shares issue cost and other costs	-	(779,482)	-	575,300	-	-	(204,182)
Stock-based compensation	-	-	349,014	-	-	-	349,014
Net and comprehensive loss for the year	-	-	-	-	-	(2,673,085)	(2,673,086)
Balance at February 29, 2016	**89,562,487**	**25,249,979**	**4,138,195**	**2,204,583**	**148,027**	**(24,465,275)**	**7,275,508**
Common shares issued for cash	6,275,000	1,255,000	-	-	-	-	1,255,000
Issuance of warrants as shares issue cost and other costs	-	(536,702)	-	453,200	-	-	(83,502)
Stock-based compensation	-	-	188,315	-	-	-	188,315
Net and comprehensive loss for the period	-	-	-	-	-	(4,753,345)	(4,753,345)
Balance at May 31, 2016	**95,837,487**	**25,968,277**	**4,326,510**	**2,657,783**	**148,027**	**(29,218,620)**	**3,881,976**
Common shares issued for cash	**4,000,000**	**600,000**	**-**	**-**	**-**	**-**	**600,000**
Common shares issue costs	**-**	**(43,500)**	**-**	**-**	**-**	**-**	**(43,500)**
Common shares issued: settle accounts payable	**3,650,000**	**547,500**	**-**	**-**	**-**	**-**	**547,500**
Common shares issuance on conversion of convertible notes	**24,166,667**	**3,625,000**	**-**	**-**	**-**	**-**	**3,625,000**
Warrant issuance on conversion of convertible notes holder	**-**	**(483,333)**	**-**	**483,333**	**-**	**-**	**-**
Issuance of broker’s warrants and other issue costs	**-**	**(485,177)**	**-**	**60,474**	**-**	**-**	**(424,703)**
Common shares issued: settle director fees	**262,000**	**131,000**	**-**	**-**	**-**	**-**	**131,000**
Correction adjustment for common shares	**-**	**(50,000)**	**-**	**-**	**-**	**-**	**(50,000)**
Stock-based compensation	**-**	**-**	**160,845**	**-**	**-**	**-**	**160,845**
Net and comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(3,697,874)**	**(3,697,874)**
Balance at August 31, 2016	**127,916,154**	**29,809,767**	**4,487,355**	**3,201,590**	**148,027**	**(32,916,494)**	**4,730,245**
Common shares issued: settle director fees	**-**	**(3,403,042)**	**-**	**3,403,042**	**-**	**-**	**-**
Adjustment to share issue costs	**-**	**40,517**	**-**	**-**	**-**	**-**	**40,517**
Stock-based compensation	**-**	**-**	**517,908**	**-**	**-**	**-**	**517,908**
Net and comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(29,743,634)**	**(29,743,634)**
Balance at November 30, 2016	**127,916,154**	**26,447,242**	**5,005,263**	**6,604,632**	**148,027**	**(62,660,128)**	**(24,454,964)**

EnerDynamic Hybrid Technologies Corp.

Consolidated Interim Statements of Changes in Shareholders' Equity (continued)
For the Six Months Ended May 31, 2017 and 2016

	Common Shares Amount	Common Shares $	Contributed Surplus $	Warrants $	Equity Portion of Debentures $	(Deficit) $	Total Shareholders' Equity $
Balance at November 30, 2016	127,916,154	26,447,242	5,005,263	6,604,632	148,027	(62,660,128)	(24,454,964)
Common shares issued for cash	3,473,333	521,000	-	-	-	-	521,000
Issuance of warrants as shares issue cost and other costs	-	(204,783)	-	159,148	-	-	(45,635)
Common shares issued for cash	2,454,000	368,100	-	-	-	-	368,100
Issuance of warrants as shares issue cost and other costs	-	(240,253)	-	156,565	-	-	(83,688)
Common shares issued: settle accounts payable	3,585,754	537,875	-	-	-	-	537,875
Issuance of warrants; settle accounts payable	-	(92,246)	-	92,246	-	-	-
Stock-based compensation	-	-	104,277	-	-	-	104,277
Net and comprehensive loss for the period	-	-	-	-	-	(2,617,162)	(2,617,162)
Balance at February 28, 2017	137,429,241	27,336,935	5,109,540	7,012,591	148,027	(65,277,290)	(25,670,197)
Common shares issued for cash	3,333,333	500,000	-	-	-	-	500,000
Issuance of warrants as shares issue cost and other costs	-	(289,045)	-	214,195	-	-	(74,850)
Common shares issued: settle accounts payable	36	5	-	-	-	-	5
Issuance of warrants; settle accounts payable	-	-	-	2,503,007	-	-	2,503,007
Stock-based compensation	-	-	217,411	-	-	-	217,411
Net and comprehensive loss for the period	-	-	-	-	-	(1,800,218)	(1,800,218)
Balance at May 31, 2017	140,762,610	27,547,895	5,326,951	9,729,793	148,027	(67,077,508)	(24,324,842)

EnerDynamic Hybrid Technologies Corp.
Consolidated Interim Statements of Cash Flows
For the Six Months Ended May 31, 2017 and 2016

	3 Months Ended May 31, 2017 (unaudited) $	3 Months Ended May 31, 2016 (unaudited) $	6 Months Ended May 31, 2017 (unaudited) $	6 Months Ended May 31, 2016 (unaudited) $
Operating activities				
Net loss for the period	**(1,800,218)**	(4,753,346)	**(4,417,380)**	(7,426,431)
Amortization	**115,060**	187,086	**230,120**	374,071
Non-cash stock-based compensation expense	**217,411**	188,315	**321,688**	537,329
Imputed debenture interest	**396,677**	379,586	**807,306**	845,446
Bad debt	**-**	1,568,650	**-**	1,568,650
Changes in non-cash working capital				
Accounts receivable	**(505,095)**	120,387	**(642,463)**	148,548
Inventories	**(5,481)**	32,829	**1,085**	285,865
Project and other deposits	**(58,346)**	547,239	**(84,025)**	477,620
Other current assets	**(19,135)**	(147,043)	**408**	(147,043)
Accounts payable and accrued liabilities	**220,856**	125,070	**650,946**	291,948
Other loans payable	**-**	-	**-**	(280,000)
Debenture interest payable	**732,512**	732,512	**1,449,099**	1,457,061
Due from related parties	**-**	(19,846)	**-**	(59,846)
Due to related parties	**219,486**	(149,318)	**415,691**	(8,180)
	(486,273)	(1,187,879)	**(1,267,525)**	(1,934,962)
Investing activities				
Investments	**-**	-	**-**	(660,000)
	-	-	**-**	(660,000)
Financing activities				
Common shares issued for cash	**500,000**	**1,255,000**	**1,389,100**	**2,930,000**
Common share issuance cost	**(74,850)**	(83,502)	**(204,173)**	(287,685)
	425,150	1,171,498	**1,184,927**	2,642,315
Net increase (decrease) in cash	**(61,123)**	(16,381)	**(82,598)**	47,353
Cash, beginning of period	**64,625**	95,935	**86,100**	32,201
Cash, end of period	**3,502**	79,554	**3,502**	79,554

1. History of the Company

EnerDynamic Hybrid Technologies Corp. (“EHT Corp”, the “Parent Company”) (formerly MCM Capital One Inc.) was incorporated on April 28, 2010 as a capital pool company as defined by the TSX Venture Exchange ("TSXV"). Its principal business was the identification and evaluation of assets or businesses with a view to acquiring significant assets by way of purchase, amalgamation, merger or arrangement with another company. The purpose of such a transaction was to satisfy the related conditions of a qualifying transaction under the Exchange rules (the "Qualifying Transaction").

EnerDynamic Hybrid Technologies Inc. (“EHT Inc.”), a wholly owned subsidiary of EHT Corp, was incorporated under the provisions of the OBCA pursuant to a certificate of articles of incorporation dated December 23, 2011, as amended by articles of amendment dated September 5, 2013, pursuant to which its name was changed from “2311044 Ontario Inc.” to “EnerDynamic Hybrid Technologies Inc.”. The Operations Company did not commence formal business operations until October 1, 2013. EHT Inc. has its manufacturing facilities located at 1110 Hansler Road, Welland, Ontario, L3B 5S1. It is involved in the advancement of businesses in the renewable resources sector with its current focus on production and wholesale distribution of modular homes/buildings which incorporate hybrid solar and wind systems.

2. Reporting Entity and Going Concern

Nature of Operations

These condensed consolidated interim financial statements reflect the accounts of the balance sheets, the results of operations and the cash flows of EHT Corp for the period ended May 31, 2017 and the same period in the prior year for comparison purposes. The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on July 30, 2017. The common shares of the Company are traded under the symbol “EHT” on the Toronto Venture Exchange.

Going Concern

During the six months ended May 31, 2017 the Company incurred a comprehensive loss of $4,417,380 (2016 – loss of $7,426,431) and, as of that date, the Company had an accumulated deficit of $67,077,508 (2016 – deficit of $29,218,622) and a shareholders’ deficiency of $24,324,842 (2016 – shareholders’ equity of $3,881,976). These factors create material uncertainties that cast significant doubt on the Company’s ability to continue as a going concern.

Financial statements are required to be prepared on a going concern basis unless management either intends to liquidate the Company, or cease trading, or has no realistic alternative but to do so within the foreseeable future. These condensed consolidated interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. Management has no plans to liquidate the Company or cease trading, nor does Management feel it has no alternative but to do so within the foreseeable future.

The Company’s operations and projects are funded through a combination of operational revenues, debt and equity financing. The Company’s ability to fund future operations and commitments could be dependent upon market conditions that influence its ability to obtain additional financing. Management believes that it can access capital through the issuance of financial instruments to the public markets to meet its working capital needs.

There is no assurance that the working capital will be sufficient to meet the Company’s future needs. There are uncertainties related to market conditions and events that may cast significant doubt about the Company’s ability to continue as a going concern, therefore, it may be unable to realize its assets or discharge its liabilities in the normal course of business.

3. Basis of Presentation

Statement of Compliance with International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, they do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended November 30, 2016. The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

Basis of Measurement

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in Note 4 *Summary of Significant Accounting Policies.*

Functional and Presentation Currency

The condensed consolidated interim financial statements are presented in Canadian dollars which is the Company's functional currency.

Critical Accounting Judgments, Estimates and Assumptions

The preparation of these condensed consolidated interim financial statements conforms with IFRS requirements that management make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, and reported expenses during the period. These estimates and judgments are at times uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from estimates made.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future years, if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors which include expectations of future events that are believed to be reasonable under the circumstances.

Management has made estimates which relate to, but are not limited to, the following:

(i) The recoverability of accounts receivable that are included in the consolidated interim statements of financial position;

(ii) The net realizable value of the finished product inventories reported on the consolidated interim statements of financial position;

(iii) The useful lives of property and equipment used to depreciate the assets in the consolidated interim statements of financial position;

(iv) Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting year. However, it is possible that at some future date, an additional liability could result from audits made by taxing authorities. If final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the year in which such determination was made;

(v) The Company uses Black-Scholes for the purpose of warrant and stock option valuation;

4. Summary of Significant Accounting Policies

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in preparing the annual financial statements for the year ended November 30, 2016. Any significant accounting policies are presented to assist the reader in evaluating the financial results and, together with the following notes to the condensed consolidated interim financial statements, should be considered an integral part of the condensed consolidated interim financial statements.

Cash and Cash Equivalents

Cash consists of balances held with financial institutions, and other short-term highly liquid investments with maturities of three months or less from the purchase date.

Basis of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company, its wholly-owned subsidiary EHT Ontario Solar PV LP, and another wholly-owned subsidiary EHT Inc. with its own wholly-owned subsidiaries EnerDynamic Corporation (“EC”) and EnerDynamic Lux S.A.R.L., and EnerDynamic Building Systems Inc.(“EBS”). All subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of the entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date that control commenced until the date that such control ceases.

Inter-company balances, transactions, and any unrealized income and expenses, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with subsidiaries are eliminated against the investment to the extent of the Company’s interest. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Property and Equipment

Property and equipment is reported at acquisition cost less depreciation and impairment losses. Depreciation rates and methods are reviewed annually and reported on a straight-line basis, at the following rates and period unless otherwise indicated:

	Method	Rates and period
Computer Equipment	Straight Line	30%
Office Equipment	Straight Line	15%
Production Equipment	Straight Line	15%
Warehouse Equipment	Straight Line	15%
Leaseholds	Straight Line	10 years

A schedule of assets and depreciation/amortization is available in Note 12 Property and Equipment.

An item of property and equipment is derecognized upon disposal when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the book value of the asset, is recognized in the consolidated statements of operations and comprehensive income or loss.

The Company conducts an annual review and assessment of the residual balances, useful lives and depreciation methods used for property and equipment. Any changes arising from the review is applied by the Company prospectively.

4. Summary of Significant Accounting Policies (continued)

Intangible Assets: Patents and License Rights

Separately acquired patent and/or license rights are shown at historical cost. Patent and/or license rights acquired in a business combination are recognized at fair value at the acquisition date. If the business combination is considered to be a common-control transaction, the patent and/or license rights are recognized at the book value of the predecessor entity. Patent and/or license rights are amortized over 15 years on a straight-line basis. These assets are tested for impairment if events or changes in circumstances indicate a potential impairment. Impairment losses recognized in prior periods are assessed each reporting date if facts or circumstances indicate that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

Research and Development

Research and development expenditures are recognized in the year in which they are incurred, unless a development project meets the criteria under IFRS for deferral and amortization. The Company has not deferred any such development expenditures to date.

Related Parties

A related party is a person or an entity that is related to the Company.

a. A person or a close member of that person's family is related to the Company if that person:
   i. Has control or joint control over the Company, with the power to govern the Company's financial and operating policies;
   ii. Has significant influence over the Company, participating in financial and operating policy decisions, but not control over these policies; or
   iii. Is a member of the key management personnel of the Company. Key management personnel, consistent with the definition under *IAS 24, Related Party Disclosures*, are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

b. An entity is related to a reporting entity if any of the following conditions applies:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. Both entities are joint ventures of the same third party.
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   vi. The entity is controlled or jointly controlled by a person identified in (a).
   vii. A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

Items included in the condensed consolidated interim financial statements are measured using the currency of the primary country in which the entity operates (the "base currency"). The Company's condensed consolidated interim financial statements are presented in Canadian dollars, the base currency of the Company. Foreign currency transactions are translated into the base currency using the noon exchange rates prevailing on the dates of the transaction. Historic rates, if required, are based on the Bank of Canada historic noon day rate tables. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not reported in the base currency of an entity are recognized in the consolidated statements of operations and comprehensive income or loss.

Inventories

As outlined under IAS 2, inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the product ready for sale. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to the manufacturing location and final condition. The cost of inventories is assigned by using weighted average cost method.

Project Deposits

Project deposits are cash security deposits with various government agencies and development projects. They are recognized when the deposits are paid.

Provisions

Provisions are recognized when determination is made that there is a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Share Based Payments

IFRS 2 requires equity based payments to employees and others providing similar services to be measured at the fair value of goods or services received, unless that fair value cannot be estimated with confidence. If the entity cannot estimate the fair value of the goods or services received, the Company measures the value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The Company uses the Black-Scholes option-pricing model for valuation. The fair value of the equity instrument granted is as at the grant date.

Leases

Leases are classified as either finance (capital) or operating at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. A finance lease transfers substantially all of the benefits and risks incidental to the ownership of property and is accounted for as if it were an acquisition of an asset and the incurrence of an obligation. The measurement of the asset and obligation is determined at the inception of the lease and initially recognized at the commencement of the lease term, which is the date from which the lessee is entitled to exercise its right to use the leased asset. All other leases are accounted for as operating leases wherein rental payments are charged to income as incurred. Assets recorded under the finance leases are depreciated on a straight-line basis over their estimated useful lives.

4. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company generates revenues from two material sources:

a. the production and sale of solar panels, solar trailers, building wall panels, emergency shelters
b. the provision of services in installing solar energy production systems and modular homes

Revenue is measured by reference to the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognized in the case of the production revenue when the significant risks and rewards of ownership, legal title and effective control and management over the products have transferred to the customer, collection of the relevant receivable is probable, the sales price is fixed and the revenues and the associated incurred costs can be measured reliably.

The timing of the transfers of risks and rewards of ownership varies depending on the individual terms of the contract of sale but are primarily on the shipment of the product. In the case of service based revenue, the timing of the transfers of risks and rewards of ownership varies depending on the individual terms of the contract but generally the Company recognizes revenue using the percentage of completion method.

Production related costs

Production related costs are mainly comprised of production wages and salaries, production staff benefits, production maintenance and consumables. They are recognized when they are incurred.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Income Taxes

Tax expense comprises current and deferred taxes and is recognized in the consolidated statements of operations and comprehensive income or loss except to the extent it relates to items recognized in other comprehensive income or loss directly in equity.

Current Income Taxes

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting year.

Management periodically evaluates its decisions which are subject to interpretation of tax regulations and their effect on tax returns of the Company. Provisions for taxes are established on the basis of amounts expected to be paid to the tax authorities.

4. Summary of Significant Accounting Policies (continued)

Deferred Taxes

Deferred taxes are the taxes expected to be payable or recoverable on the differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and their corresponding tax bases used in the computation of taxable income or loss. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable income or loss, nor the accounting income or loss.

Debentures Payable

Debentures and the incremental issuance costs are split between liabilities and shareholder equity based on the allocation of the equity component (if any) of the debenture. Incremental costs directly attributable to the issuance of debentures are amortized and recognized in comprehensive income (loss), net of any tax effects over the maturity period of the debenture.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Segment Reporting

Operating segments, as defined within IFRS 8, are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. The Company has determined that it operates in a single industry segment, which involves the development and production of solar and wind power products, including installation.

Financial Instruments: Initial Recognition and Subsequent Measurement

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, debentures payable and due to related parties. The carrying value of the financial instruments noted above is considered to approximate fair value.

4. Summary of Significant Accounting Policies (continued)

Financial Assets

Initial Recognition and Measurement

Financial assets, within the scope of *IAS 39 Financial Instruments: Recognition and Measurement,* are classified into the following categories at the initial recognition.

- Financial assets at fair value through profit or loss ("FVTPL"); or
- Loans and receivables;

The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value. The Company's financial assets include cash, accounts receivable and project deposits.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

FVTPL include financial assets designated upon initial recognition at FVTPL and are acquired principally for the purpose of being resold in the near term. FVTPL are carried in the consolidated statements of financial position at fair value, with changes in fair value recognized in the consolidated statements of operations and comprehensive income or loss.

Accounts Receivables

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include the Company's cash, accounts receivable. Receivables are initially recorded at fair value and subsequently carried at amortized cost using the effective interest rate method less provisions for impairment. The Company's accounts receivable is comprised of trade and other receivables and are included in current assets due to their short-term nature.

De-recognition of Financial Assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire, the contractual rights to the cash flows from the financial asset are retained, but a contractual obligation to pay the cash flows to another party without material delay is assumed by the Company or when the Company transfers substantially all the risks and rewards of ownership of the financial asset.

4. Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period and more frequently if events dictate. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted.

Evidence of impairment could include: significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized as income or loss on the consolidated statements of operations and comprehensive income or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities, within the scope of *IAS 39 Financial Instruments: Recognition and Measurement,* are classified into the following categories at the initial recognition.

- Financial liabilities at fair value through profit or loss; or
- Other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. Some financial liabilities are recognized initially at fair value.

Other financial liabilities are recognized at fair value plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, loans payable, debentures payable and due to related parties and are classified as other financial liabilities.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Financial Liabilities at Fair Value through Profit or Loss (“FVTPL”)

Financial liabilities at FVTPL include liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. FVTPL are carried in the consolidated statement of financial position at fair value, with changes in fair value recognized in the consolidated statements of operations and comprehensive income or loss.

4. Summary of Significant Accounting Policies (continued)

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, to the net carrying amount on initial recognition.

De-recognition of Financial Liabilities

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire, including those expiring through statute.

Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the consolidated statements of financial position are required to be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

None of the Company's financial instruments are recorded at fair value on the consolidated interim statement of financial position.

Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the weighted average number of common shares outstanding during the period for the effects of dilutive instruments such as stock options granted.

The number of additional shares is calculated by assuming that all convertible securities outstanding were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period. Diluted earnings (loss) per share considers the dilutive impact of the exercise of warrants and broker warrants, as if the event has occurred at the beginning of the period. Diluted loss per share has not been presented in the accompanying condensed consolidated interim financial statements as the results would be anti-dilutive.

4. Summary of Significant Accounting Policies (continued)

Recent IFRS accounting pronouncements issued and not yet effective:

IFRS 9, Financial Instruments (July 2014)

The IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

The IASB added to IFRS 9 impairment requirements related to the accounting for expected credit losses on an entity's financial assets and commitments to extend credit.

The IASB also published a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk.

An entity shall apply this Standard retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted. The July 2014 version of IFRS 9 will not however be available for earlier application by those entities reporting under Canadian GAAP until the necessary due process, translation and publication processes have been completed by the AcSB. The Company is currently evaluating the impact of adopting the new pronouncement.

IFRS 15, Revenues from Contracts with Customers

The FASB and IASB (the Boards) have issued converged standards on revenue recognition. This new IFRS affects any entity using IFRS that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This IFRS will supersede the revenue recognition requirements in IAS 18 and most industry-specific guidance.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

An entity shall apply this Standard for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will not however be available for earlier application by those entities reporting under Canadian GAAP until the necessary due process, translation and publication processes have been completed by the AcSB. The Company is currently evaluating the impact of adopting the new pronouncement.

5. Risk Management

Capital Risk Management

The Company's objectives are to safeguard its ability to continue as a going concern in order to support its normal operating requirements, continue the development and expansion of its production capacity, expansion of markets for its products and review of opportunities that complement current operations and products. These objectives are to be achieved through a continued flexible capital structure which optimizes the costs of capital at an acceptable level of risk.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry. The Company may manage its capital structure by issuing securities, financial instruments, repurchasing outstanding shares, adjusting capital spending or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company reviews its working capital and forecasts its future cash flows based on operational needs and other investing and financing activities. The forecast is updated based on activities related to its production, sales and expansions. Information is provided to the Board of Directors by Management on a monthly or ad hoc basis.

As of February 28, 2017, the Company's capital structure consists of related party payables, loans payable, debentures payable, share capital and warrants the Company issued for financial value. The Company is not subject to any externally imposed capital covenants. In order to maximize ongoing development efforts, the Company has no short-term plans to pay dividends.

The following amounts, included in the consolidated interim statement of financial position, make up the Company's capital:

	6 months ending Mary 31, 2017	6 months ending May 31, 2016
	$	$
Due to related parties	**(3,236,405)**	(2,723,589)
Due from related parties	**-**	177,203
Loans payable	**-**	(870,344)
Share capital	**27,695,922**	26,116,304
Warrants	**9,729,793**	2,657,783
Convertible 6.5% debentures	**(2,877,582)**	(2,764,642)
18% debentures	**(12,523,910)**	(10,813,442)
Total Capital	**18,787,818**	11,779,273

6. Financial Instruments

Financial Risk Management

The Company’s activities expose it to various types of risk which are associated with the financial instruments held by the Company. These risks include market risk (including currency risk and interest rate risk), liquidity risk and credit risk. The following summary is not intended to be a comprehensive summary of all risks inherent in the Company.

Market Risk

Foreign Currency Risk

The Company’s base currency is the Canadian dollar. A minimal percentage of purchases and sales (<20%) are transacted in United States dollars. The Company funds some expenses in United States dollars which are converted from Canadian dollars within a short period of time. Management believes the foreign exchange risk derived from currency conversion is limited and not considered material. As a result, the Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

A ten percent (decrease) increase in the U.S. dollar versus the Canadian dollar at the end of the period would have decreased (increased) the comprehensive income for the year by a nominal amount with all other variables held constant.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows or fair value associated with some of the Company’s financial assets. The Company is not exposed to significant interest rate risk on its financial liabilities as its related party loans and debentures are fixed interest rates and its other notes payable are short term in nature and fixed rate.

A one percentage point increase (decrease) in interest rates would have increased (decreased) the comprehensive income by a nominal amount in the period, with all other variables held constant given the Company borrowings are fixed rates.

Credit Risk

Credit risk arises from the unexpected default of a customer in meeting its financial obligation to the Company. The Company does not extend credit terms to all of its customers, thus credit is considered on an exception transaction. The Company is developing certain credit evaluation, approval and monitoring processes which continue to develop and are intended to mitigate potential credit risk.

The carrying amount of the Company’s cash and accounts receivable represent the maximum credit risk. As at May 31, 2017 the Company’s cash is held with reputable institutions, from which management believes the risk of loss to be remote. The majority of its accounts receivable are related to contractual agreements with organizations of significant financial resources.

Liquidity Risk

Liquidity risk considers the possibility that the Company may not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Generally, the Company’s financial liabilities have contractual maturities of less than 30 days. Some larger projects require substantial outlays of capital to fund the upfront cost of raw materials and work in progress.

6. Financial Instruments (continued)

	Carrying Amount $	Cash Flows $	<1 year $	1-2 years $	2-5 years $	>5 years $
Accounts payable and accrued liabilities	10,017,824	10,017,824	10,017,824	-	-	-
Due to related parties	3,236,405	3,236,405	3,236,405	-	-	-
Car lease	32,507	32,507	5,328	27,179	-	-
License Agreement	49,805	49,805	49,805	-	-	-
Welland lease	770,000	770,000	420,000	350,000	-	-
18% Debentures Payable	12,523,910	12,523,910	12,523,910	-	-	-
	26,630,451	**26,630,451**	**26,253,272**	**377,179**	**-**	**-**

7. Accounts Receivable

The Company extends credit on an exception basis and only for product sales and through the normal course of business as it relates to system installation.

Detail	**2017 $**	2016 $
Less than 30 Days	**652,384**	156,034
30 to 60 Days	**-**	-
61 to 90 Days	**14,993**	10,142
More than 90 Days	**257,469**	498,134
Total accounts receivable	**924,846**	664,310

8. Inventories

	2017 $	2016 $
Raw Materials	**213,295**	398,481
Work in Progress	**-**	-
Finished Goods	**697,537**	1,114,967
Total Inventories Value	**910,832**	1,513,448

There was no write-down to the inventories value taken during the period ended May 31, 2017 (2016: $nil).

9. Refundable Project Deposits

The deposits with regulatory authorities of $2,339,438 are cash security deposits with various government agencies related to microfit projects.

	2017	2016
	$	$
Deposits with regulatory authorities	**2,339,438**	2,362,316
Deposits on solar projects	**-**	1,944,659
	2,339,438	4,306,975

10. Prepaid Expenses

Prepaid expenses include the following:

	2017	2016
	$	$
Landlords and utilities	**17,605**	146,649
License fees	**165,782**	-
Other expenses	**95,821**	15,895
Total Value	**279,208**	162,544

11. Other Current Assets

As at May 31, 2017, other current assets of $86,124 include HST recoverable of $77,903 and $8,221 being the estimated corporate tax recoverable through EHT Luxembourg.

12. Property and Equipment

Cost	Finance Lease (Equipment)	Computer Equipment	Office Equipment	Warehouse Equipment	Production Equipment	Premises Leaseholds	Total
	$	$	$	$	$	$	$
Balance at November 30, 2016	220,742	21,429	21,667	43,793	2,405,773	500,150	3,213,554
Additions	-	-	-	-	-	-	-
Balance at May 31, 2017	**220,742**	**21,429**	**21,667**	**43,793**	**2,405,773**	**500,150**	**3,213,554**
Accumulated Amortization							
Balance at November 30, 2016	101,679	16,998	8,586	18,103	996,558	157,095	1,299,019
Amortization for period ended February 28, 2017	8,278	1,607	813	1,642	90,216	12,504	115,060
Amortization for period ended May 31, 2017	8,278	1,607	813	1,642	90,216	12,504	115,060
Balance at May 31, 2017	**118,235**	**20,212**	**10,212**	**21,387**	**1,176,990**	**182,103**	**1,529,139**
Net Book Value							
Balance at November 30, 2016	119,063	4,431	13,081	25,690	1,409,215	343,055	1,914,535
Balance at February 28, 2017	110,785	2,824	12,268	24,048	1,318,999	330,551	1,799,475
Balance at May 31, 2017	**102,507**	**1,217**	**11,455**	**22,406**	**1,228,783**	**318,047**	**1,684,415**

Included in the Consolidated Interim Statements of Operations and Comprehensive loss is amortization of $230,120 for the period ended May 31, 2017 (2016: $230,126)

13. Intangible Assets

Licenses/Patents Held by EHT Inc.

Source	Asset	Date	Original Value
Acquisition of License from EnerDynamic Systems Inc.	Manufacturing and Distribution License	October 1, 2013	$850,000
Acquisition of License from EnerDynamic Systems Inc.	Manufacturing and Distribution License	October 1, 2013	532,567
Acquisition of License from Elgan Investments Inc.	Exclusive Use of Patent	October 1, 2013	116,321
Acquisition of shares of EnerDynamic Corporation	Patents and licenses	January 31, 2014	2,795,000
Acquisition of assets from Umbrella Energy	Purchase of brand and website.	March 19, 2014	27,623
			$4,321,511

Cost	Cost $
Balance at November 30, 2016	4,321,511
Additions	-
Balance at May 31, 2017	**4,321,511**

Accumulated Amortization	
Balance at November 30, 2016	4,321,510
Amortization for the period	**-**
Balance at May 31, 2017	**4,321,510**

Net Book Value	
Balance at November 30, 2016	1
Balance at May 31, 2017	**1**

As of November 30, 2016, the Company determined that the primary assets underlying the intangible assets, being a wind patent and license, has failed to demonstrate the commercial viability that Management anticipated. The asset has been written down to a nominal value associated with the shares in the company holding the patent. A license to use a product packing system, which was used in support of the wind product was written off. Further, an asset representing an acquired website was also written off.

14. Share Capital

i) Common Shares Authorized:

Unlimited number of common shares.

ii) Common Share Rights:

The holders of common shares are entitled to vote at meetings of shareholders, receive dividends, and are subject to the prior rights, privileges and conditions attaching to the special shares, to receive the remaining property of the corporation upon dissolution, liquidation or winding up of the corporation.

iii) Common Shares Issued:

140,762,610 common shares with no par value.

On December 11, 2015, the Company closed a private placement of 5,100,000 units to raise $1,530,000 at $0.30 each. Each unit consisted of one common share and one share purchase warrants exercisable at $0.40 expiring 36 months from the closing of the offering. Kingsdale received cash commission of $107,100 and 510,000 broker warrants exercisable at $0.40 dollar for a 36-month period.

On February 29, 2016, the Company completed a first closing of private placement of 725,000 units to raise $145,000 at $0.20 each. Each unit consisted of one common share and one share purchase warrants exercisable at $0.40 expiring 36 months from the closing of the offering. Kingsdale received a sum of $25,000 for commission and expenses and 72,500 broker warrants exercisable at $0.40 dollar for a 36-month period.

On March 4, 2016, the Company closed a private placement of 6,275,000 units to raise $1,255,000 at $0.20 each. Each unit consisted of one common share and one share purchase warrants exercisable at $0.40 expiring 36 months from the closing of the offering. Kingsdale received cash commission of $98,000 and 627,500 broker warrants exercisable at $0.40 dollar for a 36-month period.

On June 9, 2016, 262,000 common shares of the Company were issued to pay for directors' fees in the amount of $131,000.00 at a deemed price of $0.50 per common share.

On June 14, 2016, the Company reached an agreement to settle obligations ("The Shares for Debt Transactions") owed to a creditor in the amount of $547,500 through the issuance of 3,650,000 common shares of the Company at a deemed price of $0.15 per common share. All securities issued in connection with the Shares for Debt Transaction are subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities law legislation.

On June 21, 2016, the Company completed a private placement of 3,625 secured subordinated convertible notes at a price of $1,000 per note for total proceeds of $3,625,000. Kingsdale received cash commission of $217,500 of the gross proceeds and 827,500 broker warrants exercisable at $0.15 for a 36-month period.

On July 18, 2016, the Company closed a private placement of 4,000,000 units to raise $600,000 at $0.15 each. Each unit consisted of one common share and one share purchase warrants exercisable at $0.30 expiring 60 months from the closing of the offering. Kingsdale received cash commission of $43,500 and 340,000 broker warrants exercisable at $0.15 for a 36-month period.

On July 27, 2016, all note holders that participated in the private placement announced on June 21, 2016 for 3,625 secured subordinated convertible notes of the Company, converted their notes into units at a conversion price of $0.15 per unit. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.30 expiring 60 months from the closing of the offering. Pursuant to the conversion, the Company issued a total of 24,166,667 Common Shares and 24,166,667 Warrants.

14. Share Capital (continued)

On February 14, 2017, the Company closed the first and second tranches of a private placement. The Company raised $889,099.95 gross proceeds from the sale of units at $0.15 per unit. Each unit consists of one common share and one-half common share purchase warrant. Every whole purchase warrant entitles the holder to acquire one common share at an exercise price of $0.20 per common share (two warrants are required to purchase one common share). The warrants expire 2 years from the date of issue. The Company also paid a commission of 8% in cash and 474,187 agent warrants exercisable at $0.15 per common share expiring 2 years from the date of issue.

On February 17, 2017, the Company announced it had reached agreement to settle certain debts owed to creditors in the aggregate amount of $537,875.28 through the issuance of 1,828,686 common shares to one creditor at a deemed value of $0.15 per share and the issuance of 1,757,144 units to two creditors. Each unit consists of one common share and one half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at $0.20. The warrants expire 2 years from the date of issue.

On March 7, 2017, the Company closed the third and final tranche of a three-tranche private placement. The Company raised an additional $499,999.95 gross proceeds from the sale of units at $0.15 per unit. Issuing 3,333,333 units, each unit consists of one common share and one-half common share purchase warrant (equivalent of 1,666,667 full warrants issued) exercisable at $0.10 each. Every whole purchase warrant (two half warrants) entitles the holder to acquire one common share at an exercise price of $0.20 per common share (two half warrants are required to purchase one common share). The warrants expire 2 years from the date of issue. The Company also paid a commission of 8% in cash and 266,667 agent warrants exercisable at $0.15 per common share expiring 2 years from the date of issue.

On March 09, 2017, the Company issued 22,033,333 common share purchase warrants in connection with the conversion of $2,000,000 of debt described in Note 20 Legal Settlement above. The exercise price of the warrants is $0.135 per common share purchase warrant which expire 36 months from the date of issue. The warrants form part of the settlement agreement dated July 29, 2016 and were previously announced on September 18, 2016.

Convertible Securities

During the period ended May 31, 2017, there were no warrants exercised.

The assumptions used to value the warrants under the Black-Scholes model were as follows:

	2017	**2017**	**2017**	**2017**	**2017**	**2016**	**2016**	**2016**	2016	2016
Total	**22,033,333**	**266,6667**	**1,666,667**	**878,554**	**196,320**	**1,277,000**	**277,867**	**1,736,666**	797,500	5,610,000
Share Price	**$0.14**	**$0.16**	**$0.16**	**$0.15**	**$0.19**	**$0.19**	**$0.15**	**$0.15**	$0.28	$0.28
Exercise Price	**$0.135**	**$0.105**	**$0.20**	**$0.20**	**$0.15**	**$0.20**	**$0.15**	**$0.20**	$0.40	$0.40
Interest Rate	**0.65%**	**0.65%**	**0.65%**	**0.65%**	**0.65%**	**0.65%**	**0.65%**	**0.65%**	0.46%	0.46%
Term (years)	**3**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	3	3
Volatility	**150%**	**150%**	**150%**	**150%**	**150%**	**150%**	**150%**	**150%**	120%	120%
Warrant Value	**$0.114**	**$0.123**	**$0.109**	**$0.105**	**$0.11**	**$0.11**	**$0.079**	**$0.079**	$0.0949	$0.181

14. Share Capital (continued)

Warrants: Share Purchase Warrants Summary

Holder	Issue Date	Exercise Price	Expiry Date	Issued	Outstanding at May 31, 2017
Private Placement Broker Compensation	June 26, 2015	$1.00	06/26/17	700,800	700,800
Private Placement Broker Compensation	July 20, 2015	$1.00	07/20/17	313,200	313,200
Private Placement Broker Compensation	July 24, 2015	$1.00	07/24/17	28,080	28,080
Private Placement Unit Holders	December 11, 2015	$0.40	12/11/18	5,100,000	5,100,000
Private Placement Broker Compensation	December 11, 2015	$0.40	12/11/18	510,000	510,000
Private Placement Unit Holders	February 29, 2016	$0.40	02/28/19	725,000	725,000
Private Placement Broker Compensation	February 29, 2016	$0.40	02/28/19	72,500	72,500
Private Placement Unit Holders	March 4, 2016	$0.40	03/04/19	6,275,000	6,275,000
Private Placement Broker Compensation	March 4, 2016	$0.40	03/04/19	627,500	627,500
Private Placement Broker Compensation	June 17, 2016	$0.15	06/17/19	700,000	700,000
Private Placement Broker Compensation	June 8, 2016	$0.15	06/08/19	127,500	127,500
Private Placement Unit Holders	July 18, 2016	$0.30	07/18/21	4,000,000	4,000,000
Private Placement Broker Compensation	July 18, 2016	$0.15	07/18/19	340,000	340,000
Conversion of Convertible Notes	July 20, 2016	$0.30	07/20/21	24,166,667	24,166,667
Private Placement Unit Holders	December 30, 2016	$0.20	12/30/18	1,736,666	1,736,666
Private Placement Broker Compensation	December 30, 2016	$0.15	12/30/18	277,867	277,867
Private Placement Unit Holders	January 27,2017	$0.20	01/27/19	1,227,000	1,227,000
Private Placement Broker Compensation	January 27,2017	$0.15	01/27/19	196,320	196,320
Conversion of Debt	February 17, 2017	$0.20	02/17/19	878,554	878,554
Private Placement Unit Holders	March 7, 2017	$0.10	03/07/19	1,666,667	1,666,667
Private Placement Broker Compensation	March 7,2017	$0.105	03/07/19	266,667	266,667
Settlement of Debt	March 9, 2017	$0.135	03/09/20	22,033,333	22,033,333
				71,969,321	71,969,321

On March 3, 2017, 225,000 warrants exercisable at $1.00 expired unexercised.

14. Share Capital (continued)

Warrant and Option Valuation

The Company uses the Black-Scholes fair valuation option pricing model when calculating a share option grant or common share purchase warrant value when the common share purchase warrant forms part of a unit of securities. The valuation is dependent on a number of estimates, including the risk-free interest rate and the level of share volatility. Option and Warrant pricing models require the input of highly subjective assumptions including the expected price volatility. The level of share volatility was initially calculated with reference to the historic traded daily closing share price of similar companies for which data is publicly available. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's common share purchase warrants.

Stock Options

The Company has a Share Option Plan (the "Plan") which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of five years with vesting requirements at the discretion of the Board of Directors.

The following tables provides information about outstanding stock options at May 31, 2017:

	2017		2016	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Beginning balance	**12,320,375**	**0.59**	6,920,375	0.94
Issued	**-**	**-**	5,400,000	0.15
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Ending balance	**12,320,375**	**0.59**	12,320,375	0.59

		Outstanding options		Exercisable options
Exercise prices $	Number of options	Weighted average outstanding maturity period (years)	Number of options	Exercise price $
0.20	75,375	5.13	75,375	0.20
1.00	5,470,000	2.91	5,470,000	1.00
1.00	500,000	2.93	500,000	1.00
0.60	775,000	0.65	775,000	0.60
0.50	100,000	0.83	100,000	0.50
0.15	4,207,904	4.83	4,207,904	0.15
0.15	1,192,096	4.92	1,192,096	0.15
	12,320,375	**4.18**	**12,320,375**	**0.59**

14. Share Capital (continued)

On July 1, 2016, the Company announced that it granted an aggregate of 4,207,904 incentive stock options under its stock option plan to a consultant and a director. The stock options are exercisable until July 1, 2021. The grant was subject to regulatory approval.

On July 28, 2016, the Company announced that it granted 1,192,096 incentive stock options under its stock option plan to a director. The stock options are exercisable until July 1, 2021. The grant was subject to regulatory approval.

No stock options were issued during the period ended May 31, 2017 and there was no change of their fair value (2016: $728,000), as determined by the Black-Scholes valuation model using the following weighted-average assumptions:

	2016	2015	2015
Total	5,400,000	100,000	775,000
Expected volatility	146%	121%	120%
Expected life	5 years	2 years	2 years
Expected forfeiture rate	5%	5%	5%
Risk-free interest rate	0.61%	0.53%	0.46%
Dividend yield	Nil	Nil	Nil
Share price	$0.15	$0.445	$0.79
Weighted average fair value of options at grant date	$0.135	$0.26	$0.52

15. Related Party Transactions and Balances

Amounts payable to related parties are as follows:

	2017 $	2016 $
Receivable		
Due from a former officer/director	-	66,934
Due from non-management employees	-	70,269
Due from unit holders	-	40,000
	-	177,203
Payable		
Due to director/employee	26,518	1,173,133
Due to director - John Gamble	159,757	178,017
Due to non-management employee	-	40,883
Due to ESI (Lender related to Thomas Bryson)	121,959	152,308
Due to MSW (lender related to Bruce Bent)	2,928,171	1,179,248
	3,236,405	2,723,589

The amount due to MSW/MDA is a secured loan advanced from a party related to a director, Bruce Bent. The loans are for working capital purposes and are secured with a general security agreement. The amounts are due on demand and interest bearing at 12% per annum.

The amounts due to a director-Bruce Bent are due on demand and interest bearing at 12% per annum. Management expects to repay the amounts within the next 12 months.

The amounts due to a director/CEO-John Gamble are for unpaid wages and authorized expenses. The amounts due are non-interest bearing and are due on demand. Management expects to repay the amounts within the next 12 months.

The amount due to ESI relates to the original purchase transaction and transaction fees due to ESI for legal, accounting and post-closing adjustments. ESI is related to Thomas Bryson, a director of the Company. The amount due is non-interest bearing and due on demand.

16. Earnings/Loss Per Share

Basic and diluted loss per share has been calculated as follows:

		2017	2016
Numerator	Net Loss Allocated to Common Shareholders	**($4,417,380)**	($7,426,431)
Denominator	Weighted Average Number of Outstanding Shares	**137,682,365**	91,777,817
Loss Per Share		**($0.03)**	($0.08)

Diluted loss per share did not include the effect of the share options and warrants outstanding respectively as they are anti-dilutive.

17. Investments

a) Reliant First Nation Limited Partnership ("Reliant")

The Company invested in Reliant First Nation Limited Partnership ("Reliant") a total amount of $7,503,232 in relation to the agreement between Reliant and the Company for the acquisition of a 38 Megawatts of solar energy power generation contracts. The contracts are with the provincial government and guarantee that the government will purchase each kilowatt of electricity generated at a fixed price for 20 years.

On August 12, 2016, the Company entered into a purchase agreement to sell its ownership interest in Reliant. In accordance with the purchase agreement, the Company will receive approximately $7,061,400 from the purchaser, subject to adjustments to the purchase price based on the commercial terms of the transaction. In addition, the purchaser will pay the Company for certain deposits paid by the Company in connection with the development of the Peel Projects totaling $2,339,438 (See Note 9).

Construction of the projects are in process by the purchaser and the purchase price, subject to any adjustments, will be settled in late 2017. The Company continues to monitor the progress of the projects as the building process proceeds. As a result of 2016 construction costs in excess of the projected development costs, management has reported a provisional allowance against the sale price as outlined below.

	$
Sale Price	**7,061,400**
Provision for Deductions	**(3,380,000)**
Projected Adjusted Sale Amount	**3,681,400**

b) Evia Finance SARL ("Evia")

This investment represents the initial cash deposit under the terms of the SPA to acquire all the issued and outstanding shares of Evia. On June 17, 2016, the Company cancelled the previously announced EVIA Finance SARL ("Evia") transaction (the "Evia" Transaction") whereby EHT Luxembourg SARL ("EHT Lux"), a wholly owned subsidiary of the Company, would acquire all the issued and outstanding shares of EVIA. The deposits advanced have not been returned and legal action appears necessary. Legal action and recoverability of the deposits are now uncertain and thus a provision equal to the deposit amount has been taken.

	2017 **$**	2016 $
Evia Finance SARL	**9,095,410**	9,095,410
Provision	**(9,095,410)**	-
Total	**-**	9,095,410

The investments include the following:

	2017	2016 $
Reliant First Nation Limited Partnership	**3,681,400**	7,503,232
Evia Finance SARL	**-**	-
Other Investments	**1**	1
	3,681,401	7,503,233

18. Debentures Payable

a) Convertible 6.5% Debenture

On March 4, 2015, the Company closed the financing of a 6.5% Convertible Debenture maturing March 4, 2018, raising $3,063,041. The Debenture allows for the conversion of $1 dollar of principle into 1 common share of EHT Corp. until maturity date. Kingsdale Capital Markets Inc. received $195,000 in cash and 225,000 broker warrants exercisable at $1 dollar for a 2-year period.

The convertible debentures contain an equity element representing the conversion option. In accordance with IFRS, these two elements were split and classified separately as debt and equity. The fair value of the debentures amounting to $2,840,000 was based on the discounted cash flows using an estimated cost of borrowing of 8.5% representing the Company's cost of borrowing with similar terms but without the conversion option. The residual of $160,000 was assigned to the conversion option. The fair value of the broker warrants amounting to $16,898 was based on Black-Scholes option valuation model.

The Company will accrete the carrying value of the convertible debentures at an effective interest rate of 11.5% per annum so that at maturity in March 2018 the debenture payable will amount to $3,063,041.

b) 18% Debenture

Kingsdale Capital Markets Inc. (“Kingsdale”) was engaged as the lead agent for this financing and would receive commission consisted of cash representing 7% of the gross proceeds of the brokered purchases of debenture plus 2.0% of the non-brokered purchases, as well as consideration in the form of 1,258,692 agent warrants exercisable at $1 dollar for a 2-year period. The debentures are secured by a General Security Agreement over the assets of the Company.

On July 3, 2015, the company completed the first closing of offered debentures and raised a gross amount $8,796,000 and 3,518,400 bonus common shares were issued along with the debentures. Kingsdale received $615,720 in cash and 700,800 broker warrants exercisable at $1 dollar for a 2-year period.

On Jul 20, 2015, the company raised an additional gross amount of $3,915,000 of secured debenture and 1,566,000 bonus common shares were issued. Kingsdale received $274,050 in cash and 313,200 broker warrants exercisable at $1 dollar for a 2-year period.

On Jul 24, 2015, the company raised an additional $351,000 principal amount secured debentures and 140,400 bonus common shares were also issued. Kingsdale received $24,570 in cash and 28,080 broker warrants exercisable at $1 dollar for a 2-year period.

The 18% secured debentures issued does not include $6,937,650 of debentures adjusted via cancellation as no value was tendered to the Company. The related bonus shares, commission and broker warrants have been expensed as a period cost.

The debentures contain an equity element representing the bonus common shares and warrants. In accordance with IFRS, these three elements were split and classified separately as debt and equity. The fair value assigned to the 5,224,800 bonus common shares issued amounted to $2,649,500 and was based on the trading price of EHT common shares on the debenture issuance dates. The fair value of the broker warrants amounting to $246,000 was based on Black-Scholes option valuation model. The residual after assigning fair values to the common shares and warrants was assigned to the debentures.

The Company will accrete the carrying value of the debentures at effective interest rates ranging from 38.7% to 54% per annum. The total interest expense for the period ended May 31, 2017 on the debentures amounted to $2,271,364(2016: $2,381,803).

19. Commitments and Contingencies

The Company is committed to a revised minimum lease amounts under leases for its Welland facilities totaling $420,000 per year for the period up to September 30, 2018, the amended term of the lease.

The Company is committed to royalty payments, under the terms of license agreement, to pay 2% of total revenue commencing on October 1, 2013. The licensee has deferred payment of the royalty obligations as at February 28, 2017. The amount has been accrued, as in prior years, with no fixed payment date.

A 48-month car lease was entered into by EHT Inc. on June 3, 2014. The terms of the lease are $569 per month with an annual rate of 1.73% with an option to purchase the vehicle for $13,523 at the end of the lease period.

In Jun 2016, EHT Inc. entered into a license agreement for a term of 5 years in the payment of Euro150,000. It allows the Company to use the licensor’s utility model in Canada and access to all necessary technical information.

Minimum operating leases and facility leases for successive years approximate the following:

As of May 31, 2017

	Less than one year	Between 1 and 5 years	More than five years	Total
	$	$	$	$
Car Lease	6,828	27,179	-	34,007
License Fee	58,332	-	-	58,332
Welland Facilities Lease	420,000	350,000	-	770,000
Total	**485,160**	**377,179**	**-**	**862,339**

The company is engaged in legal proceedings, claims and counterclaims that have arisen in the ordinary course of business. The outcome of all of the proceedings and claims against the company is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the company and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the company, taken as a whole.

20. Legal Settlement

On July 29, 2016, the Company entered a Settlement Agreement and a supporting License and Supply agreement with a third party in order to amend a prior settlement agreement executed on December 7, 2015. The original settlement agreement date December 7, 2015 created a liability of $7,083,235 which has been included in the accrued liabilities on the statement of financial position and as a legal settlement expense on the statement of operations and comprehensive loss. The subsequent settlement agreement addressed retirement of the obligation. The parties agreed to settle a portion of the dispute through the issuance of common share warrants. The obligation will be further reduced throughout the 24 months through the reduction of royalty fees payable to the Company by the third party related to sales (if any) of the Company's products by that same third party. The agreements also specify that if the terms of the settlement agreement remain in good standing for 24 months from inception, any unpaid balance of the accrued liability may be cancelled and discharged provided the agreement remains in effect.

On March 09, 2017, the Company issued 22,033,333 common share purchase warrants in connection with the conversion of $2,000,000 of debt described above. The exercise price of the warrants is $0.135 per common share purchase warrant which expire 36 months from the date of issue. The warrants form part of the settlement agreement dated July 29, 2016 and were previously announced on September 18, 2016.

21. Segmentation

Management has determined that the Company carries on business in one operating segment only. All assets are currently located in Canada and, during the period ended May 31, 2017 substantially all business activities were conducted in Canada.

22. Subsequent Events

Subsequent to the period ended May 31, 2017, warrants and broker warrants totaling 1,042,080, which were exercisable at $1.00, expired without being exercised.

Subsequent to the period ended May 31, 2017, the 18% debentures reached maturity and became due. The Company is seeking an extension of the maturity from the debenture holders however, no definitive agreement had been reached as at the date of these statements.