



EnerDynamic Hybrid Technologies Corp.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended February 28, 2018

(Expressed in Canadian Dollars)

(UNAUDITED)

EnerDynamic Hybrid Technologies Corp.

**Condensed Consolidated Interim Financial Statements
For the Three Months Ended February 28, 2018
(Expressed in Canadian Dollars)**

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EnerDynamic Hybrid Technologies Corp.
Condensed Consolidated Interim Financial Statements
For the Three Months Ended February 28, 2018

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 three month period ended February 28, 2018 and have been prepared by and are the responsibility of the Company's management.

APPROVED ON BEHALF OF THE BOARD on April 30, 2018.

/s/ John Gamble

"John Gamble"
_____ Director

/s/ Bruce Bent

"Bruce Bent"
_____ Director

EnerDynamic Hybrid Technologies Corp.
Consolidated Interim Statements of Financial Position
As at February 28, 2018 and November 30, 2017

	Notes	As at Feb 28 2018 (unaudited) \$	As at Nov 30 2017 (audited) \$
Assets			
Current Assets			
Cash		334,640	402,852
Accounts receivable	7	533,654	266,508
Inventories	8	1,155,376	933,630
Project and other deposits	9	2,339,438	2,339,439
Prepaid expenses	10	626,117	254,555
Other current assets	11	149,074	64,471
		5,138,299	4,261,455
Non-Current Assets			
Property and equipment (net)	12	1,159,151	1,301,608
Intangible assets (net)	13	1	1
Investments	17	3,681,401	3,681,401
		4,840,553	4,983,010
		9,978,852	9,244,465
Liabilities and Shareholders' Equity (Deficiency)			
Current Liabilities			
Accounts payable and accrued liabilities		14,065,872	13,141,018
Debenture interest payable	18	7,652,002	7,035,949
Due to related parties	15	3,381,741	3,044,149
Convertible 6.5% debentures payable	18	2,997,036	2,953,676
18% debentures payable	18	13,062,000	13,062,000
		41,158,651	39,236,792
Shareholders' Equity (Deficiency)			
Share capital	14	28,516,562	28,281,896
Contributed surplus		5,555,894	5,521,970
Warrants	14	11,728,524	11,546,524
Deficit		(76,980,779)	(75,342,717)
		(31,179,799)	(29,992,327)
		9,978,852	9,497,490

Approved on behalf of the board

"Signed"

John Gamble, Director

"Signed"

Bruce Bent, Director

See accompanying notes

EnerDynamic Hybrid Technologies Corp.
Consolidated Interim Statements of Operations and Comprehensive Loss
For the Three Months Ended February 28, 2018 and 2017

	Note	3 Months Ended Feb 28, 2018 (unaudited) \$	3 Months Ended Feb 28, 2017 (unaudited) \$
Revenue			
Product revenues	4	259,243	2,852
		259,243	2,852
Direct Cost of Revenue			
Cost of goods sold		134,006	11,687
Production related costs		121,046	14,195
Production related occupancy		97,683	108,375
Production related amortization	12	100,137	90,217
		452,872	224,474
Gross Margin (Loss)		(193,629)	(221,622)
Expenses			
General and administrative		265,063	242,630
Marketing and promotion		7,429	3,247
Travel		35,439	26,837
Stock-based compensation	14	33,924	104,277
Administrative related occupancy		12,194	21,211
Administrative related amortization	12	42,320	24,844
		396,369	423,046
Loss before other costs		(589,998)	(644,668)
Other Costs			
Research and development	4	49,345	399,106
Legal and professional		11,409	39,215
Regulatory		44,828	38,804
Bad debt expense		(60,168)	-
Loss (gain) on foreign exchange		(21,349)	227,523
Interest expense	18	898,085	1,267,846
		922,150	1,972,494
Net loss		(1,512,148)	(2,617,162)
Legal settlement	20	125,914	-
Comprehensive loss		125,914	-
Net and Comprehensive loss		(1,638,062)	(2,617,162)
Basic and diluted weighted average number of shares:	16	165,064,621	134,755,856
Basic and diluted loss per share:		(\$0.01)	(\$0.02)

See accompanying notes

EnerDynamic Hybrid Technologies Corp.

Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency) For the Three Months Ended February 28, 2018 and 2017

	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 share issue costs 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 share issue costs and other costs	-	(240,253)	-	156,565	-	-	(83,688)
Common shares issued: settle accounts payable	3,585,764	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	137,429,251	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 share issue costs 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	140,762,620	27,547,895	5,326,951	9,729,793	148,027	(67,077,508)	(24,324,842)
Common shares issued: settle accounts payable adjustment	-	(12)	-	-	-	-	(12)
Stock-based compensation	-	-	47,159	-	-	-	47,159
Net and comprehensive loss for the period	-	-	-	-	-	(1,400,310)	(1,400,310)
Balance at August 31, 2017	140,762,620	27,547,883	5,374,110	9,729,793	148,027	(68,477,818)	(25,678,005)

EnerDynamic Hybrid Technologies Corp.

Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

For the Three Months Ended February 28, 2018 and 2017

	Common Shares Amount	Common Shares \$	Contributed Surplus \$	Warrants \$	Equity Portion of Debentures \$	(Deficit) \$	Total Shareholders' Equity \$
Balance at August 31, 2017	140,762,620	27,547,883	5,374,110	9,729,793	148,027	(68,477,818)	(25,678,005)
Common shares issued for cash	3,333,333	316,667	-	-	-	-	316,667
Issuance of warrants as share issue costs and other costs	-	(198,189)	-	198,189	-	-	-
Common shares issued for cash	20,157,230	2,015,723	-	-	-	-	2,015,723
Issuance of warrants as share issue costs and other costs	-	1,548,215	-	1,370,549	-	-	(177,666)
Issuance of warrants: legal settlement	-	-	-	247,993	-	-	247,993
Stock-based compensation	-	-	147,860	-	-	-	147,860
Net and comprehensive loss for the period	-	-	-	-	-	(6,864,899)	(6,864,899)
Balance at November 30, 2017	164,253,183	28,133,869	5,521,970	11,546,524	148,027	(75,342,717)	(29,992,327)
Common shares issuance on conversion of debt	3,333,333	316,667	-	-	-	-	316,667
Issuance of warrants for debt settlement	-	(182,000)	-	182,000	-	-	-
Common shares issuance to offset accrued interest	909,091	100,000	-	-	-	-	100,000
Stock-based compensation	-	-	33,924	-	-	-	33,924
Net and comprehensive loss for the period	-	-	-	-	-	(1,638,062)	(1,638,062)
Balance at February 28, 2018	168,495,607	28,368,535	5,555,894	11,728,524	148,027	(76,980,779)	(31,179,799)

EnerDynamic Hybrid Technologies Corp.
Consolidated Interim Statements of Cash Flows
For the Three Months Ended February 28, 2018 and 2017

	3 Months Ended Feb 28, 2018	3 Months Ended Feb 28, 2017
	\$	\$
Operating activities		
Net loss for the period	(1,638,062)	(2,617,162)
Amortization	142,457	115,060
Non-cash stock-based compensation expense	33,924	104,277
Imputed debenture interest	43,360	410,629
Changes in non-cash working capital		
Accounts receivable	(267,146)	(137,369)
Inventories	(221,746)	6,566
Project and other deposits	-	(25,678)
Prepaid expenses	(371,562)	-
Other current assets	(84,603)	19,543
Accounts payable and accrued liabilities	924,854	430,090
Debenture interest payable	616,053	716,587
Due to related parties	337,592	196,205
	(484,879)	(781,252)
Financing activities		
Common shares issued	416,667	759,777
	416,667	759,777
Net increase (decrease) in cash	(68,212)	(21,475)
Cash, beginning of period	402,852	86,100
Cash, end of period	334,640	64,625

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

1. History of the Company

EnerDynamic Hybrid Technologies Corp. ("EHT Corp", the "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.". EHT Inc. has its manufacturing facilities located at 1110 Hansler Road, Welland, Ontario, L3B 5S1. It is involved in the advancement of production and wholesale distribution of modular homes/buildings which integrate hybrid solar systems.

The common shares of the Company are traded under the symbol "EHT" on the Toronto Venture Exchange.

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on April 30, 2018.

2. Reporting Entity and Going Concern

Going Concern

During the three months ended February 28, 2018, the Company reported a comprehensive loss of \$1,638,062 (2017: loss of \$2,617,162) and, as of that date, the Company had a deficit of \$76,980,779 (2016: deficit of \$65,277,290), and a shareholders' deficiency of \$31,179,799 (2016: shareholders' deficiency of \$25,670,197). 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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

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 information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended November 30, 2017. The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

Basis of Measurement, Functional and Presentation Currency

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*.

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 statements of financial position;
- (ii) The recoverability of deposits that are included in the consolidated statements of financial position;
- (iii) The net realizable value of the finished product inventories reported on the consolidated statements of financial position;
- (iv) The useful lives of property and equipment used to depreciate the assets in the consolidated statements of financial position;
- (v) 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;
- (vi) The Company uses Black-Scholes for the purpose of warrant and stock option valuation.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

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, 2017. 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 subsidiaries EHT Ontario Solar PV LP, EnerDynamic Lux S.A.R.L., EnerDynamic Building Systems Inc. (“EBS”), and another wholly-owned subsidiary EHT Inc. with its own wholly-owned subsidiary EnerDynamic Corporation (“EC”). 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 condensed consolidated interim 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 Months

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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

4. Summary of Significant Accounting Policies (continued)

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).

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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

4. Summary of Significant Accounting Policies (continued)

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.

Revenue Recognition

The Company generates revenues from two material sources:

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

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 sale 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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

4. Summary of Significant Accounting Policies (continued)

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.

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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

4. Summary of Significant Accounting Policies (continued)

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 modular buildings with solar systems, including installation.

Financial Instruments: Initial Recognition and Subsequent Measurement

The Company's financial instruments consist of cash, accounts receivable, project deposits, 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.

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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

4. Summary of Significant Accounting Policies (continued)

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 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.

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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

4. Summary of Significant Accounting Policies (continued)

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

The Company's financial liabilities include accounts payable and accrued liabilities, 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.

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 condensed consolidated interim statement of financial position.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

4. Summary of Significant Accounting Policies (continued)

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.

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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

4. Summary of Significant Accounting Policies (continued)

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, 2018, the Company's capital structure consists of related party loans, 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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

5. Risk Management (continued)

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

	3 months ending February 28, 2018	3 months ending February 28, 2017
	\$	\$
Due to related parties	(3,381,741)	(3,016,919)
Share capital	28,698,562	27,484,962
Warrants	11,546,524	7,012,591
Convertible 6.5% debentures	(2,997,036)	(2,851,103)
18% debentures	(13,062,000)	(12,153,712)
Total Capital	20,804,309	16,475,819

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 is mainly exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was incurred to the Company by a customer, or that an obligation in a foreign currency was made by the Company to a supplier, is different at the time of settlement than it was at time that the obligation was determined. The Company reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Company. The Company does not utilize derivative instruments to manage its foreign exchange risk. The Company maintains adequate foreign currency balances in its bank, provided by its revenues in the related currency and used to settle its foreign currency purchases. In the opinion of management, the foreign exchange risk exposure to the Company is low.

A ten percent increase or decrease in the U.S. dollar versus the Canadian dollar at the end of the period would have increased the comprehensive loss for the period immaterially (2017: immaterial) with all other variables held constant.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

6. Financial Instruments (continued)

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 (loss) by an immaterial amount in the period (2017: immaterial), 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 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 February 28, 2018, 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 and where initial customer deposits have been received.

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. Such risks are identified and to some degree reduced through customer contract deposits.

	Carrying Amount	Cash Flows	<1 year	1-2 years	2-5 years	>5 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	14,065,872	14,065,872	14,065,872	-	-	-
Due to related parties	3,381,741	3,381,741	3,381,741	-	-	-
Car lease	15,362	15,362	15,362	-	-	-
License Agreement	7,650	7,650	7,650	-	-	-
Welland lease	245,000	245,000	245,000	-	-	-
Convertible 6.5% debentures	2,997,036	2,997,036	2,997,036	-	-	-
18% Debentures Payable	13,062,000	13,062,000	13,062,000	-	-	-
	33,774,661	33,774,661	33,774,661	-	-	-

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

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	2018	2017
	\$	\$
Less than 30 Days	258,512	339
30 to 60 Days	-	-
61 to 90 Days	-	147,154
More than 90 Days	275,142	272,258
	533,654	419,751

In the current period management has taken an allowance against accounts receivable equal to approximately \$12,000 (2017: \$nil). This allowance is in part to address foreign exchange risks and in part to recognize the nature of some smaller customers.

8. Inventories

	2018	2017
	\$	\$
Raw Materials	590,441	63,236
Work in Progress	90,850	-
Finished Goods	514,085	842,115
Provision for Obsolescence	(40,000)	-
	1,155,376	905,351

Management has opted to institute a reserve against obsolescence targeted specifically at the finished goods inventory with a current provision of \$40,000 (2017: \$nil). There is no specific evidence of decreased value of specific inventory items however, the potential exists for modest declines due to market fluctuations and therefore management has instituted a reserve.

Work in Progress is valued using a three-month average cost on all variable cost items, specifically the preceding three months prior to and including partial work completion. The cost represents an all-in cost adjusted for material work necessary to make the product ready for sale.

There was no write-down to the inventories value taken during the period ended February 28, 2018 (2017: nil)

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

9. Refundable Project Deposits

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

	2018	2017
	\$	\$
Deposits with regulatory authorities	2,339,438	2,339,438
Other deposits	-	-
	2,339,438	2,339,438

10. Prepaid Expenses

Prepaid expenses include the following:

	2018	2017
	\$	\$
Landlords and utilities	17,605	9,000
License fees	143,633	197,114
Raw materials	388,637	-
Other expenses	76,242	14,748
	626,117	220,862

11. Other Current Assets

As at February 28, 2018, other current assets of \$149,074 represents HST recoverable (2017: \$66,989 including HST recoverable of \$58,163 and \$8,826 being the estimated corporate tax recoverable).

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

12. Property and Equipment

Cost	Production Equipment \$	Computer Equipment \$	Office Equipment \$	Warehouse Equipment \$	Production Equipment \$	Premises Leaseholds \$	Total \$
Balance at November 30, 2017	220,742	21,429	21,667	43,793	2,405,773	500,150	3,213,554
Additions	-	-	-	-	-	-	-
Balance at February 28, 2018	220,742	21,429	21,667	43,793	2,405,773	500,150	3,213,554
Accumulated Amortization							
Balance at November 30, 2017	134,791	21,429	11,838	24,671	1,357,422	361,795	1,911,946
Amortization for period ended February 28, 2018	8,279	-	813	1,642	90,216	41,507	142,457
Balance at February 28, 2018	143,070	21,429	12,651	26,313	1,447,638	403,302	2,054,403
Net Book Value							
Balance at November 30, 2017	85,951	-	9,822	19,122	1,048,356	138,355	1,301,608
Balance at February 28, 2018	77,672	-	9,016	17,480	958,135	96,848	1,159,151

Included in the Condensed Consolidated Interim Statements of Operations and Comprehensive loss is amortization of \$142,457 for the period ended February 28, 2018 (2017: \$115,060).

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

13. Intangible Assets

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 was written down to a nominal value of \$1.00 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.

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:

168,495,597 (2017:137,492,241) common shares with no par value.

On February 14, 2017, the Company closed the first and second tranches of a private placement. The Company raised \$889,099 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 24-months 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 24-months 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 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 other creditors at a deemed value of \$0.15. 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 24-months 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 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 24-months 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 9, 2017, the Company issued 22,033,333 common share purchase warrants in connection with the debt described in Note 20 *Legal Settlement*. 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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

14. Share Capital (continued)

On September 29, 2017, the Company closed a private placement which raised \$316,664 proceeds from the sale of units at \$0.10 per unit. Issuing 3,333,333 units, each unit consists of one common share and one common share purchase warrant. Each purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.15 per common share. The warrants expire 36-months from the date of issue.

On November 8, 2017, the Company closed a private placement which raised \$120,000 proceeds from the sale of units at \$0.10 per unit. Issuing 1,200,000 units, each unit consists of one common share and one common share purchase warrant. Each purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.15 per common share. The warrants expire 36-months from the date of issue.

On November 10, 2017, the Company closed a private placement which raised \$1,895,723 proceeds from the sale of units at \$0.10 per unit. Issuing 18,957,230 units, each unit consists of one common share and one common share purchase warrant. Each purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.15 per common share. The warrants expire 36-months from the date of issue.

On January 9, 2018, the Company issued 909,091 common shares at a deemed value of \$0.11 per share for the conversion of \$100,000 of accrued interest payable on an 18% debenture.

On February 21, 2018, the Company completed a private placement which raised \$361,666 proceeds from the sale of units at \$0.095 per unit. Issuing 3,333,333 units, each unit consists of one common share and one common share purchase warrant. Each purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.15 per common share. The warrants expire 24-months from the date of issue.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

14. Share Capital (continued)

Convertible Securities

During the period ended February 28, 2018, there were no warrants exercised or expired (2017: nil).

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

	2018	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
Total	3,333,333	20,157,230	3,333,333	22,033,333	266,667	1,666,667	878,572	196,320	1,227,000	277,867	1,736,666
Share Price	\$0.09	\$0.095	\$0.11	\$0.15	\$0.15	\$0.16	\$0.18	\$0.19	\$0.19	\$0.19	\$0.19
Exercise Price	\$0.15	\$0.15	\$0.15	\$0.115	\$0.15	\$0.20	\$0.20	\$0.15	\$0.20	\$0.15	\$0.20
Interest Rate	1.84%	1.48%	1.48%	0.65%	0.82%	0.82%	0.77%	0.80%	0.65%	0.80%	0.80%
Term (years)	2	3	3	3	2	2	2	2	2	2	2
Volatility	142%	136%	130%	150%	150%	150%	130%	136%	150%	150%	136%
Warrant Value	\$0.055	\$0.067	\$0.08	\$0.125	\$0.123	\$0.109	\$0.105	\$0.134	\$0.11	\$0.079	\$0.134

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

14. Share Capital (continued)

Warrants: Share Purchase Warrants Summary

Holder	Issue Date	Exercise Price	Expiry Date	Issued	Outstanding at February 28, 2018
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	878,572	878,572
Private Placement Unit Holders	March 7, 2017	\$0.20	03/07/19	1,666,667	1,666,667
Private Placement Broker Compensation	March 7, 2017	\$0.20	03/07/19	266,667	266,667
Settlement of Debt	March 9, 2017	\$0.115	03/09/20	22,033,333	22,033,333
Private Placement Unit Holders	September 29, 2017	\$0.15	09/29/20	3,333,333	3,333,333
Private Placement Unit Holders	November 8, 2017	\$0.15	11/08/20	1,200,000	1,200,000
Private Placement Unit Holders	November 10, 2017	\$0.15	11/10/20	18,957,230	18,957,230
Private Placement Unit Holders	February 21, 2018	\$0.15	02/21/20	3,333,333	3,333,333
				97,751,155	97,751,155

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

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 Stock 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 February 28, 2018:

	2018		2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Beginning balance	13,095,375	0.54	12,320,375	0.59
Issued	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Ending balance	13,095,375	0.54	12,320,375	0.59

Exercisable options

Weighted average outstanding maturity period (years)	Number of options	Exercise price \$
4.13	75,375	0.20
1.91	5,470,000	1.00
1.93	500,000	1.00
3.83	4,207,904	0.15
3.92	1,192,096	0.15
4.79	1,650,000	0.15
3.09	13,095,375	0.54

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

15. Related Party Transactions and Balances

Amounts payable to related parties are as follows:

	2018	2017
	\$	\$
Payable		
Due to director – Bruce Bent	593,774	-
Due to director - John Gamble	163,697	149,278
Due to non-executive employee	86,832	6,371
Due to ESI (Lender related to Thomas Bryson)	-	121,959
Due to MSW/MDA (lenders related to Bruce Bent)	2,537,438	2,739,311
	3,381,741	3,016,919

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 amounts due to a non-executive employee are for loans advanced. The amounts due are non-interest bearing and are due on demand. Management expects to repay the amounts within the next 12 months.

16. Earnings/Loss Per Share

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

		2018	2017
Numerator	Net Loss Allocated to Common Shareholders	(\$1,638,062)	(\$2,617,162)
Denominator	Weighted Average Number of Outstanding Shares	165,064,621	134,755,856
Loss Per Share		(\$0.01)	(\$0.02)

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

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

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 38 Megawatts of solar energy power generation contracts. The contracts are with the Ontario 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 \$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 were in process during the current fiscal year by the purchaser and the purchase price, subject to any adjustments, was expected to be settled in late 2017. However, the purchaser received an extension to complete additional projects which was beneficial to the Company. The Company continued to monitor the progress of the projects and the building process was completed in March 2018. As a result of overall construction costs in excess of the projected development costs, management reported a provisional allowance against the sale price in 2016 of \$3,380,000 as outlined below. This allowance remains appropriate and adequate as at February 28, 2018.

	2018 \$	2017 \$
Sale Price	7,061,400	7,061,400
Provision for Deductions	(3,380,000)	(3,380,000)
Projected Adjusted Sale Amount	3,681,400	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.

	2018 \$	2017 \$
Evia Finance SARL	9,095,410	9,095,410
Provision	(9,095,410)	(9,095,410)
Total	-	-

The investments include the following:

	2018 \$	2017 \$
Reliant First Nation Limited Partnership	3,681,400	3,681,400
Other Investments	1	1
	3,681,401	7,503,233

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

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 received \$195,000 in cash and 225,000 broker warrants exercisable at \$1.00 per warrant for a 2-year period.

The Convertible Debenture 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 on March 4, 2018 the Debenture payable will amount to \$3,063,041.

b) 18% Debentures

On June 11, 2015, the company announced its intention to raising up to \$20 million by way of secured debentures to provide capital required for a milestone payment and to fund potential acquisition opportunities. The debentures would have a two-year term with an 18% coupon and be issued with up to 400 bonus common shares for each \$1,000 principal amount in debenture issued.

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 \$1.00 per warrant 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 \$1.00 per warrant for a 2-year period.

On Jul 20, 2015, the Company raised an additional gross amount of \$3,915,000 of secured debentures and 1,566,000 bonus common shares were issued. Kingsdale received \$274,050 in cash and 313,200 broker warrants exercisable at \$1.00 per warrant for a 2-year period.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

18. Debentures Payable (continued)

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 \$1.00 per warrant 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 accreted the carrying value of the Debentures at effective interest rates ranging from 38.7% to 54% per annum.

During the year ended November 30, 2017, the 18% debentures matured. While the Company continues to negotiate with the debenture holders and agreements have been reached, the final documentation remains outstanding. Subsequently, the Company has continued to report the debentures at the original interest rate.

The total interest expense for the period ended February 28, 2018 on the debentures amounted to \$766,811 (2017: \$1,134,613).

19. Commitments and Contingencies

The Company is committed to a revised minimum lease amounts under leases for its Welland facilities totaling \$350,000 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, 2018. 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 June 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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

19. Commitments and Contingencies (continued)

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

	<u>As of February 28, 2018</u>			
	Less than one year	Between 1 and 5 years	More than five years	Total
	\$	\$	\$	\$
Car Lease	15,362	-	-	15,362
License Fee	7,650	-	-	7,650
Welland Facilities Lease	245,000	-	-	245,000
	268,012	-	-	268,012

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 settlement agreement created a liability of \$7,504,740 at November 30, 2017 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 9, 2017, the Company issued 22,033,333 common share purchase warrants, valued \$2,751,000, in connection with the 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.

EnerDynamic Hybrid Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the Three Months Ended February 28, 2018

21. Segmentation

Management has determined that the Company carries on business in one operating segment only. All assets are currently located in Canada except accounts receivable from customers located in West Africa (See Note 7 Accounts Receivable) and, during the period ended February 28, 2018 substantially all business activities were conducted in Canada other than revenue from customers in West Africa (See Note 7 Accounts Receivable).

22. Subsequent Events

During the year ended November 30, 2017, the 18% debentures matured. The Company sought an extension of the maturity from the debenture holders and to reach agreements with each holder. The agreements may include the conversion of some portions of the debt into equity, a reduction in annual interest costs and/or other arrangements. The final documentation was not complete at the end of the current reporting period. Therefore, terms, conditions and borrowing costs have been reported on a basis consistent with prior periods.

On March 4, 2018, the 6.5% debenture in the amount of \$3,063,041 matured. The Company will continue to report the debenture and calculate interest on a basis consistent with prior periods until a formal amendment of the original terms is reached.

On April 4, 2018 the Company complete a share for debt transaction. Aggregate debt obligations owed by EHT in the amount of \$2,702,858.00 will be settled through the issuance of 27,028,580 units of EHT (each a "Unit" and collectively, "Units") to 7 creditors at a deemed price per unit of \$0.10. Each Unit consists of 1 common share in the capital of EHT and 1 common share purchase warrant of EHT (a "Warrant"). Each whole Warrant shall entitle the holder thereof to acquire 1 common share at a price of \$0.15 per common share. The warrants expire 36-months from the date of issuance.

On April 4, 2018, the Company announced a second share for debt transaction. Aggregate debt obligations owed by EHT to a certain creditor in the amount of \$469,534.25 will be settled through the issuance of 3,130,228 common shares of EHT at a deemed price of \$0.15 per common share.