

**INTEGRATED ENERGY STORAGE CORP.**

(formerly Aileron Ventures Limited)

FINANCIAL STATEMENTS

DECEMBER 31, 2016

*(Expressed in Canadian Dollars)*



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Integrated Energy Storage Corp. (formerly Aileron Ventures Limited)

We have audited the accompanying financial statements of Integrated Energy Storage Corp. (formerly Aileron Ventures Limited), which comprises the statement of financial position as at December 31, 2016, and the statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Integrated Energy Storage Corp. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Integrated Energy Storage Corp.'s ability to continue as a going concern.

### Other Matter

The financial statements of Integrated Energy Storage Corp. for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on April 25, 2016.

*DMCL*

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
May 1, 2017

**INTEGRATED ENERGY STORAGE CORP.**

(formerly Aileron Ventures Limited)

Statements of Financial Position

(Expressed in Canadian Dollars)

	December 31, 2016	December 31, 2015
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 28,617	\$ 3,585
GST Receivable	1,707	-
Prepaid expenses	5,000	-
	35,324	3,585
License (Note 3)	27,161	-
<b>Total Assets</b>	<b>\$ 62,485</b>	<b>\$ 3,585</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 145,954	\$ 72,835
Demand loan (Note 4)	52,000	-
Subscriptions received (Note 6)	24,000	-
	221,954	72,835
<b>Shareholders' Equity</b>		
Share capital (Note 6)	27,770	27,770
Stock option reserve (Note 6)	2,561	-
Deficit	(189,800)	(97,020)
	(159,469)	(69,250)
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 62,485</b>	<b>\$ 3,585</b>

Nature of Operations and Ability to Continue As a Going Concern (Note 1)

**Approved on behalf of the board****"Brian Stecyk"**

Simon Clark, Director

**"Christopher Reid"**

Christopher Reid, CFO and Director

*The accompanying notes are an integral part of these financial statements*

**INTEGRATED ENERGY STORAGE CORP.**

(formerly Aileron Ventures Limited)  
Statements of Comprehensive Loss  
(Expressed in Canadian Dollars)

	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>Operating expenses</b>		
General and administrative	\$ 25,711	\$ 9,013
Consulting fees (Note 7)	32,742	-
Stock based compensation (Note 6)	2,561	-
Professional fees	31,765	6,000
Net loss	(92,780)	(15,013)
Unrealized loss on investment	-	(9,250)
Net loss and comprehensive loss	\$ (92,780)	\$ (24,263)
Loss per share – basic and diluted	(0.01)	(0.00)
Weighted average number of common shares outstanding – basic and diluted	9,436,148	9,436,148

*The accompanying notes are an integral part of these financial statements*

**INTEGRATED ENERGY STORAGE CORP.**

(formerly Aileron Ventures Limited)

Statement of Changes in Equity

(Expressed in Canadian Dollars)

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	Number of shares	Share capital	Stock Option Reserve	Deficit	Total
Balance, January 1, 2015	9,436,148	\$ 27,770	\$ -	\$ (72,757)	\$ (44,987)
Net loss for the year	-	-	-	(24,263)	(24,263)
<b>Balance, December 31, 2015</b>	<b>9,436,148</b>	<b>27,770</b>	<b>-</b>	<b>(97,020)</b>	<b>(69,250)</b>
Stock options issued (Note 6)	-	-	2,561	-	2,561
Net loss for the year	-	-	-	(92,780)	(92,780)
<b>Balance, December 31, 2016</b>	<b>9,436,148</b>	<b>\$ 27,770</b>	<b>\$ 2,561</b>	<b>\$ (189,800)</b>	<b>\$ (159,469)</b>

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**INTEGRATED ENERGY STORAGE CORP.**

(formerly Aileron Ventures Limited)

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (92,780)	\$ (24,263)
Items not affecting cash:		
Stock based compensation	2,561	-
Unrealized loss on investment	-	9,250
Change in operating working capital:		
(Increase) in receivables	(1,707)	-
(Increase) in prepaid expenses	(5,000)	-
Increase in accounts payable and accrued liabilities	73,119	-
Net cash flows used in operating activities	(23,807)	(15,013)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan	52,000	-
Share subscriptions received	24,000	-
Advances from affiliates, net	-	17,067
Net cash flows provided by financing activities	76,000	17,067
<b>CASH FLOWS USED IN INVESTING ACTIVITY</b>		
License	(27,161)	-
Net cash flows used in investing activities	(27,161)	-
Increase in cash	25,032	2,054
Cash, beginning of year	3,585	1,531
Cash, end of year	\$ 28,617	\$ 3,585

*The accompanying notes are an integral part of these financial statements*

## **INTEGRATED ENERGY STORAGE CORP.**

(formerly Aileron Ventures Limited)

Notes to Financial Statements

For the Year Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

### **1. Nature and continuance of operations**

Integrated Energy Storage Corp. (formerly Aileron Ventures Limited) (the "Company"), was incorporated on May 31, 2010 under the *Business Corporations Act* (Alberta). The address, and principal place of business of the Company is Suite 608, 1199 West Pender Street, Vancouver, BC, Canada, V6E 2R1. The Company is pursuing the research and development of electrical energy storage systems primarily based upon the Vanadium Redox Battery Technology. The Company holds a license with Pacific Northwest National Laboratories which provides for evaluation and testing of vanadium that will be used in the production of vanadium electrolyte and enables the Company to produce vanadium electrolyte that is currently patented by Pacific Northwest National Laboratories.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2016, the Company has not generated any revenue and has incurred a loss since inception. The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### **2. Significant accounting policies**

#### **(a) Basis of preparation**

The financial statements of the Company have been prepared in accordance 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"). The financial statements have been prepared on an accrual basis and are based on historical costs modified where applicable. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### **(b) Use of estimates and assumptions**

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

#### **(c) Significant judgments**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

#### **(d) License**

Expenditures related to the acquisition of license rights are stated at cost less accumulated amortization and accumulated impairment loss, if any. Directly attributable expenditures are capitalized as intangible assets when incurred.

The costs of the license right will be amortized over the estimated life once the license is ready for use. Amortization is calculated on a straight-line method over its estimated useful life. The amortization rate and method applicable to license right will be straight-line for a period of 5 years.

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**2. Significant accounting policies (continued)**

(e) Income taxes

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax*

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(f) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company has no financial assets classified as fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company classifies cash as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive loss, except for impairment losses and foreign exchange gains and losses. The Company has no financial assets classified as available-for-sale investments.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's non-derivative financial liabilities include trade payables and demand loan and share subscription received.



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**2. Significant accounting policies (continued)**

(f) Financial instruments (continued)

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets. The Company's derivative financial liabilities include other liabilities.

(g) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(h) Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

(i) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

(j) Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these financial statements.

*New standard IFRS 9, "Financial Instruments"*

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this new standard and is currently assessing the impact that will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

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**3. License**

Effective October 18, 2016, the Company signed a license agreement to gain non-exclusive rights to certain patented technologies. Consideration for the license includes an aggregate \$27,161 (US\$20,000) paid over four tranches as outlined below:

October 18, 2016 ("effective date")	US\$5,000 (\$6,828 CDN paid)
Within 90 days of effective date	US\$5,000 (\$6,835 CDN paid subsequently)
Within 180 days of effective date	US\$5,000 (\$6,750 CDN estimate)
Within 270 days of effective date	US\$5,000 (\$6,750 CDN estimate)

The Company shall pay 1% of any revenues earned based on the licensed technology subject to minimum royalties starting in 2019 of \$5,000, 2020 of \$10,000 and 2021 and beyond of \$20,000. The license terminates when the last of the patents expires or may terminate through written notice by the Company with 60 days notice.

**4. Demand Loan**

The demand loan is unsecured, non-interest bearing and has no fixed terms of repayment.

**5. Accounts Payable**

	December 31, 2016	December 31, 2015
Accounts payable (Note 7)	\$ 120,640	\$ 67,335
Accrued liabilities	25,314	5,500
<b>Total</b>	<b>\$ 145,954</b>	<b>\$ 72,835</b>

Included in accounts payable is \$79,144 due to former affiliates Mosaic Limited Partnership and Mosaic Capital Corporation, former significant shareholders, arising from these entities providing advances to the Company which are unsecured, non-interest bearing and have no fixed terms of repayment.

**6. Share Capital**

*Authorized Share Capital*

Unlimited common voting shares; and  
Unlimited preferred shares, issuable in series, with the rights, privileges, restrictions and conditions determined by the Board of Directors upon issuance.

*Issued share capital*

At December 31, 2016 and 2015, there are 9,436,148 common shares and no preferred shares outstanding.

*Stock Options*

On September 5, 2016, the Company granted 500,000 common share purchase options to consultants of the Company. The options are exercisable at \$0.25 per share and will expire on September 5, 2020. The fair value ascribed to the options was determined to be \$2,561 using the Black-Scholes Option Pricing Model and \$2,561 was included in the statement of comprehensive loss for year ended December 31, 2016.

The fair value of these options was estimated on the date of grant using the Black-Scholes Option Pricing Model, with the following assumptions:

Expected dividend yield	0%
Volatility	100%
Risk-free interest rate	1.27%
Expected life	4 years

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**6. Share Capital (continued)**

Changes in options during the years ended December 31, 2016 and 2015 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, as at December 31, 2014 and 2015	-	-
Options granted	500,000	\$0.25
Balance, as at December 31, 2016	500,000	\$0.25

The weighted average remaining life of the outstanding options at December 31, 2016 is 3.68 years.

Details of stock options outstanding as at December 31, 2016 are as follows:

Number of options outstanding	Exercise Price	Expiry
500,000	\$0.25	September 5, 2020

  

Number of options exercisable	Exercise Price	Expiry
250,000	\$0.25	September 5, 2020

*Stock Option reserve*

The stock option reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

*Subscriptions Received*

As at December 31, 2016, the Company has received \$24,000 in advance of a private placement at \$0.02 per unit. Each unit was to consist of one common share and one common share purchase warrant exercisable at \$0.15 for a period of 24 months from when the warrant is issued. The private placement did not complete and subsequent to December 31, 2016, \$16,000 was returned. The remaining \$8,000 forms a demand loan payable.

**7. Related Party Transactions**

During the year ended December 31, 2016 the Company paid a former officer and director \$32,742 (2015 - \$nil) for consulting services.

Included in accounts payable is \$10,329 (2015 - \$Nil) owing to a director and an officer of the Company (Note 5).

**8. Income taxes**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2016	December 31, 2015
Net loss before income taxes	\$ 92,780	\$ 24,263
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	24,123	6,308
Non-deductible items	(666)	-
Deferred tax assets not recognized	(23,457)	(6,308)
Income tax recovery	\$ -	\$ -

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**8. Income taxes (Continued)**

Details of deferred tax assets and liabilities are as follows:

	December 31, 2016	December 31, 2015
Investment	\$ 3,375	\$ 3,375
Loss carry-forwards	44,712	21,255
Valuation allowance	(48,087)	(24,630)
Net deferred tax asset	\$ -	\$ -

Management has determined that there is insufficient likelihood of recovery to record a benefit arising from potential tax assets. Accordingly a 100% valuation allowance has been applied.

The Company has available the following estimated non-capital loss carryforwards for which a deferred tax asset has not been recognized in the financial statements:

2030	\$ 3,750
2031	13,731
2032	18,050
2033	16,968
2034	14,238
2035	15,013
2036	90,219
	<b>\$ 171,969</b>

**9. Financial instruments and risks**

(a) Fair values

The fair values of cash, accounts payable, demand loan and share subscription received approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. Credit risk is assessed as low.

(d) Foreign exchange rate risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no assets or liabilities denominated in foreign currencies; therefore, is not exposed to foreign exchange risk.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. In addition, the Company needs to raise equity financing to carry out its exploration programs. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company. Liquidity risk is assessed as high.

(f) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

**INTEGRATED ENERGY STORAGE CORP.**

(formerly Aileron Ventures Limited)

Notes to Financial Statements

For the Year Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

**10. Capital management**

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support acquisition and development of its license. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is dependent on external financing to fund its activities. In order to carry out exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new exploration and evaluation assets and seek to acquire interests in properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.