TORINO POWER SOLUTIONS INC.

Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP

1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Torino Power Solutions Inc.

We have audited the accompanying consolidated financial statements of Torino Power Solutions Inc., which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations and 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 consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated 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 involves evaluating the appropriateness of the 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Torino Power Solutions Inc. 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 of the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Torino Power Solutions Inc. to continue as a going concern.

Other Matter

The consolidated financial statements of Torino Power Solutions Inc. as at December 31, 2015 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 29, 2016.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 29, 2017

TORINO POWER SOLUTIONS INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2016 $	December 31, 2015 $
		(Restated - Note 19)
Assets		
Current assets		
Cash	48,974	592,287
Short-term investments (Note 4)	20,000	–
Marketable securities (Note 5)	72,000	–
Amounts receivable	27,295	13,154
Prepaid expenses	268	268
Total current assets	168,537	605,709
Non-current assets		
Exploration and evaluation asset (Note 8)	–	22,800
Property and equipment (Note 6)	13,065	6,427
Intangible assets (Note 7)	1,582,292	1,827,292
Total non-current assets	1,595,357	1,856,519
Total assets	1,763,894	2,462,228
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	31,556	58,712
Due to related parties (Note 10)	–	120,000
Total liabilities	31,556	178,712
Shareholders' equity		
Share capital	5,153,973	4,654,473
Share-based payment reserve	448,654	248,085
Deficit	(3,870,289)	(2,619,042)
Total shareholders' equity	1,732,338	2,283,516
Total liabilities and shareholders' equity	1,763,894	2,462,228

Nature of operations and continuance of business (Note 1)
Commitment (Note 16)
Subsequent events (Note 20)

Approved and authorized for issuance by the Board of Directors on April 29, 2017:

/s/ "Ravinder Mlait" | */s/ "Bryan Loree"*

Ravinder Mlait, Director | Bryan Loree, Director

(The accompanying notes are an integral part of these consolidated financial statements)

TORINO POWER SOLUTIONS INC.

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31, 2016 $	Year ended December 31, 2015 $
		(Restated - Note 19)
Expenses		
Amortization and depreciation	252,727	252,856
Consulting fees (Note 10)	389,174	350,855
Interest	–	20,710
Office and general	29,125	31,801
Placement fees	–	161,139
Professional fees	38,057	50,091
Rent	38,808	39,790
Research and development costs	138,008	63,844
Share-based compensation (Note 13)	200,569	–
Transfer agent and filing fees	43,412	8,116
Travel	2,804	1,639
Wages and benefits	167,763	175,350
Total expenses	1,300,447	1,156,191
Net loss before other income (expense)	(1,300,447)	(1,156,191)
Other income (expense)		
Gain on sale of exploration and evaluation asset	133,200	–
Industrial Research Assistance Program Credit	–	38,446
Loss on settlement of convertible debt	–	(5,275)
Restructuring costs (Note 3)	–	(171,230)
Unrealized loss on marketable securities	(84,000)	–
Total other income (expense)	49,200	(138,059)
Net loss and comprehensive loss for the year	(1,251,247)	(1,294,250)
Loss per share, basic and diluted	(0.04)	(0.10)
Weighted average shares outstanding	29,314,258	12,444,747

(The accompanying notes are an integral part of these consolidated financial statements)

TORINO POWER SOLUTIONS INC.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve	Deficit	Total shareholders' equity
	Number of shares	Amount $	$	$	$
Balance, December 31, 2014	10,317,049	3,483,802	225,000	(1,324,792)	2,384,010
Shares issued pursuant to finders' fees	2,015,878	201,588	–	–	201,588
Shares issued for intellectual property	550,000	55,000	–	–	55,000
Shares repurchased and returned to treasury	(1,000,000)	(25,000)	–	–	(25,000)
Shares issued to settle debt	680,000	68,000	–	–	68,000
Shares issued to settle convertible notes payable	5,482,583	386,650	–	–	386,650
Shares issued pursuant to the share exchange arrangement	5,599,978	171,230	–	–	171,230
Shares issued pursuant to a private placement	4,175,000	417,500	–	–	417,500
Share issuance costs	–	(81,212)	–	–	(81,212)
Share issuance costs – broker warrants	–	(23,085)	23,085	–	–
Net loss	–	–	–	(1,294,250)	(1,294,250)
Balance, December 31, 2015 (Restated - Note 19)	27,820,488	4,654,473	248,085	(2,619,042)	2,283,516
Shares issued to settle debt	4,995,000	499,500	–	–	499,500
Fair value of stock options granted	–	–	200,569	–	200,569
Net loss	–	–	–	(1,251,247)	(1,251,247)
Balance, December 31, 2016	32,815,488	5,153,973	448,654	(3,870,289)	1,732,338

(The accompanying notes are an integral part of these consolidated financial statements)

TORINO POWER SOLUTIONS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2016 $	Year ended December 31, 2015 $ (Restated - Note 19)
Operating activities		
Net loss for the year	(1,251,247)	(1,294,250)
Items not involving cash:		
Amortization and depreciation	252,727	252,856
Gain on sale of exploration and evaluation asset	(133,200)	–
Interest expense	–	5,000
Placement fees	–	151,588
Restructuring costs	–	171,230
Share-based compensation	200,569	–
Unrealized loss on marketable securities	84,000	–
Changes in non-cash operating working capital:		
Amounts receivable	(14,141)	(2,753)
Industrial research assistance program credit receivable	–	56,090
Prepaid expenses	–	2,531
Accounts payable and accrued liabilities	(7,657)	(207,954)
Due to related parties	360,000	308,000
Net cash used in operating activities	(508,949)	(557,662)
Investing activities		
Purchase of short-term investments	(20,000)	–
Purchase of property and equipment	(14,364)	–
Net cash used in investing activities	(34,364)	–
Financing activities		
Proceeds from issuance of convertible notes	–	361,115
Proceeds from common shares issued	–	791,120
Share issuance costs	–	(81,212)
Shares repurchased and returned to treasury	–	(25,000)
Net cash provided by financing activities	–	1,046,023
Increase (decrease) in cash	(543,313)	488,361
Cash, beginning of the year	592,287	103,926
Cash, end of year	48,974	592,287
Non-cash investing and financing activities:		
Shares issued to acquire intangible assets	–	50,000
Exploration and evaluation asset acquired in share exchange agreement	–	22,800
Share purchase warrants issued as finder's fees	–	23,085
Shares issued as finders' fees	–	201,588
Shares issued for settlement of accounts payable	19,500	68,000
Shares issued for settlement of related party payables	480,000	–

(The accompanying notes are an integral part of these consolidated financial statements)

1. Nature of Operations and Continuance of Business

Torino Power Solutions Inc. (the "Company") was incorporated under the Company Act of British Columbia on September 10, 2014. The Company is a technology company involved in developing commercial applications for optimizing the current carrying capacity of grid infrastructure and transmission lines. The Company has not yet generated revenues from operations, accordingly, the Company is considered to be an enterprise in the development stage.

The Company changed its name from Torino Ventures Inc. to Torino Power Solutions Inc. on November 13, 2015 in conjunction with a reverse acquisition transaction (Note 3).

The address of the Company's corporate office and principal place of business is 7934 Government Road, Burnaby, BC, V5A 2E2.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, and prior operating results. During the year ended December 31, 2016, the Company has no source of revenue and generated negative cash flows from operating activities, and has an accumulated deficit of $3,870,289 as at December 31, 2016. These factors raise substantial doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

Reverse Acquisition

On November 5, 2015, the Company and Smart Autonomous Solutions Inc. ("SAS") completed a share exchange arrangement whereby the Company acquired all of the issued and outstanding shares of SAS, being 12,062,927 common shares, in consideration for securities of the Company on a 1-for-1 basis. After completion of the share exchange arrangement, the shareholders of SAS held approximately 68% of the Company. Accordingly, SAS is considered to have acquired the Company with the share exchange arrangement being accounted as a reverse acquisition of the Company by SAS shareholders (the "Transaction"). Refer to Note 3.

2. Significant Accounting Policies

(a) Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on a going concern basis.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, incorporated in the province of British Columbia: Torino Acquisition Corp. until May 9, 2016 (the date of the amalgamation of Torino Acquisition Corp. into the Company - refer to Note 3). All inter-company balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the impairment of marketable securities, recoverability of exploration and evaluation assets, useful lives and recoverability of property and equipment, useful life and recoverability of intangible assets, measurement of share-based payments, and deferred income tax asset valuation allowances.

Management reviews objective evidence each reporting period to assess whether there are indications of impairment of the intangible assets and make judgments about their period of use. These determinations and their individual assumptions require that management make a decision based on the best and most reliable information available at each reporting period.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Exploration and Evaluation Assets

The Company records its interests in exploration and evaluation assets and areas of geological interest at cost. All direct and indirect costs related to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be depleted using the unit-of-production method based on the estimated proven and probable reserves available on the related property following commencement of production.

The amounts shown for exploration and evaluation assets represent costs, net of write-offs, option proceeds and recoveries, and do not necessarily reflect present or future value. Recoverability of these amounts will depend upon the existence of economically recoverable reserves, the ability of the Company to obtain financing necessary to complete development, and future profitable production. The Company reviews the carrying values of exploration and evaluation assets when there are any events or changes in circumstances that may indicate impairment. Where estimates of future cash flows are available, an impairment charge is recorded if the estimated undiscounted future net cash flows expected to be generated by the property are less than the carrying amount. An impairment charge is recognized by the amount by which the carrying amount of the property exceeds the fair value of the property.

2. Significant Accounting Policies (continued)

(e) Property and Equipment

The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates:

Computer Equipment	55%	declining balance basis
Development Equipment	55%	declining balance basis

(f) Government Assistance and Investment Tax Credits

Government assistance and investment tax credits are recorded as either a reduction of the cost of the applicable assets, or credited against the related expense incurred in the consolidated statement of operations, or grants related to income are presented as part of net income or loss as determined by the terms and conditions of the agreements under which the assistance is provided to the Company or the nature of the expenditures which gave rise to the credits. Government assistance and investment tax credit receivables are recorded when their receipt is reasonably assured

(g) Research and Development Costs

Research and development costs are charged to the consolidated statement of operations in the period they are incurred, except those that meet the following criteria and are capitalized: the feasibility of the product has been established, management intends to manufacture the product and has the capacity to use or sell it, the future economic benefits are likely to occur, the market for the product is defined, and the Company has the resources to complete the project and can reliably measure development costs. No research and development expenses have been recorded as intangible assets as at December 31, 2016 and 2015.

(h) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidation statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of operations.

2. Significant Accounting Policies (continued)

(i) Intangible Assets

Intangible assets acquired separately are recorded at cost, net of accumulated amortization, accumulated impairment losses and reversals, if applicable. Intangible assets acquired through a business combination are recognized at fair value at the date of the acquisition. Intangible assets are amortized on a straight-line basis over their useful lives according to the following annual terms:

Patents	10 years straight-line

(j) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the consolidated statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash, and short-term investments, and marketable securities are classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

2. Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

*Available-for-*sale *financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the consolidated statement of operations. The Company does not have any assets classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the consolidated statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

Impairment of financial assets

For all other financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount 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 in the consolidated statement of operations.

2. Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, 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 the consolidated statement of operations 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. In respect of available-for-sale equity securities, impairment losses previously recognized through the consolidated statement of operations are not reversed through the consolidated statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iii) 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.

(k) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

2. Significant Accounting Policies (continued)

(l) 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 the consolidated statement of operations. 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 statement of financial position 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 income 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 income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(m) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2016, the Company had 9,603,500 (2015 – 6,858,500) potentially dilutive shares outstanding.

(n) Comprehensive Loss

Comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the consolidated statement of operations.

(o) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

2. Significant Accounting Policies (continued)

(o) Share-based Payments (continued)

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

(p) Reclassifications

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

(q) 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 consolidated financial statements.

New standard IFRS 9, "Financial Instruments"

Amended standard IFRS 2, "Share-based Payment"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's consolidated 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 consolidated financial statements.

3. Acquisition of Smart Autonomous Solutions Inc.

On November 5, 2015, the Company, Torino Acquisitions Corp., the Company's wholly-owned subsidiary, and Smart Autonomous Solutions Inc. ("SAS") completed a share exchange arrangement whereby the Company acquired all of the issued and outstanding shares of SAS, being 12,062,927 common shares, in consideration for securities of the Company on a 1-for-1 basis. Subsequent to the share exchange arrangement and on November 5, 2015, SAS and Torino Acquisitions Corp. amalgamated as one company under the name, Torino Acquisitions Corp. ("TAC"). Concurrent to the Transaction, the Company completed a $417,500 private placement (the "Financing") (Note 11(d)). On May 13, 2016, TAC and the Company amalgamated as one company under the name, Torino Power Solutions Inc.

(Expressed in Canadian dollars)

3. Acquisition of Smart Autonomous Solutions Inc. (continued)

After completion of the share exchange arrangement, the shareholders of SAS held approximately 68% of the Company. Accordingly, SAS is considered to have acquired the Company with the share exchange arrangement being accounted as a reverse acquisition of the Company by SAS shareholders (the “Transaction”). As the Company did not meet the definition of a business in accordance with IFRS 3, *Business Combinations*, the Transaction was accounted for under IFRS 2, *Share-Based Payment*. As SAS is deemed to be the acquirer for accounting purposes, its assets and liabilities and operations since incorporation on May 13, 2011 are included in the consolidated financial statements at their historical carrying value. These consolidated financial statements are a continuation of SAS. The Company's results of operations are included from November 5, 2015 onwards, the closing date.

In accordance with the reverse acquisition accounting:

(i) The assets and liabilities of SAS are included in the consolidated financial position at their carrying values;

(ii) The net assets of the Company are included at their fair values as follows:

	$
Cash	101,560
Amounts receivable	243
Exploration and evaluation asset	22,800
Accounts payable and accrued liabilities	(15,834)
Fair value of net assets	108,769

(iii) An exchange of common shares of the SAS and the Company at a ratio of one share of SAS for every one share of the Company (12,062,927 common shares of SAS issued);

(iv) There were 5,599,978 shares of the Company issued and outstanding at the date of the Transaction;

(v) Share purchase warrants of the Company were issued to / exchanged with holders of SAS.

(vi) The Company issued 12,062,927 common shares with a fair value of $279,999 to shareholders of SAS in exchange for a 100% interest in SAS. The fair value of the common shares of the Company issued was based on the share price of the most recent private placement. As a result, the Company incurred a restructuring fee of $171,230 as follows:

	$
Fair value of the Company's shares issued to former shareholders of SAS	279,999
Fair value of net assets acquired	108,769
Restructuring costs	171,230

4. Short-term Investments

Short-term investments consist of a non-redeemable guaranteed investment certificate of $20,000, which bears interest at 0.9% per annum and is due on February 19, 2017.

(Expressed in Canadian dollars)

5. Marketable Securities

On September 22, 2016, the Company sold 100% interest in the Company's Hazeur property in exchange for 1,200,000 common shares of TomaGold Corporation ("TomaGold") with a fair market value of $156,000 at the acquisition date. As at December 31, 2016, the Company held 1,200,000 (2015 - nil) common shares of TomaGold with a fair value of $72,000 (2015 - $nil). During the year ended December 31, 2016, the Company recorded an unrealized loss of $84,000 (2015 - $nil), which was included in the consolidated statement of operations. The fair value of the TomaGold common shares were determined by the quoted market price on the statement of financial position date. Refer to Note 20.

6. Property and Equipment

	Office Equipment $	Development Equipment $	Total $
Cost:			
Balance, December 31, 2014 and 2015	13,444	31,776	45,220
Additions	–	14,365	14,365
Balance, December 31, 2016	13,444	46,141	59,585
Accumulated amortization:			
Balance, December 31, 2014	9,527	21,410	30,937
Additions	2,154	5,702	7,856
Balance, December 31, 2015	11,681	27,112	38,793
Additions	1,763	5,964	7,727
Balance, December 31, 2016	13,444	33,076	46,520
Carrying amounts:			
As at December 31, 2015	1,763	4,664	6,427
As at December 31, 2016	–	13,065	13,065

7. Intangible Assets

Intellectual Property

On October 8, 2011, the Company entered into an option agreement with the University of Manitoba which granted the Company an option to acquire rights to certain intellectual property of the University of Manitoba and as part of the consideration for such grant, the Company paid $25,000 to the University of Manitoba.

On June 28, 2012, the Company exercised its option to acquire the rights to the intellectual property pursuant to a subscription and assignment agreement entered into between the Company and the University of Manitoba. In consideration, the Company agreed to pay $225,000 as an upfront fee, issue 2,200,000 common shares and a share purchase warrant which would allow the University of Manitoba to purchase 500,000 common shares of the Company at a price of $0.50 per share and milestone payments of $500,000 subject to fulfillment of certain predetermined conditions as outlined in the agreement. During fiscal 2012, the Company issued the 2,200,000 common shares and the share purchase warrant and also paid $125,000 for the upfront fees. The Company paid another $50,000 during fiscal year 2013. On August 28, 2015, the Company issued the 550,000 common shares to the University of Manitoba as shares for debt to fulfill the purchase option. Refer to Note 16.

(Expressed in Canadian dollars)

7. Intangible Assets (continued)

	Intellectual Property $
Cost:	
Balance, December 31, 2014, 2015, and 2016	2,450,000
Accumulated amortization:	
Balance, December 31, 2014	377,708
Additions	245,000
Balance, December 31, 2015	622,708
Additions	245,000
Balance, December 31, 2016	867,708
Carrying amounts:	
As at December 31, 2015	1,827,292
As at December 31, 2016	1,582,292

8. Exploration and Evaluation Asset

The Company owned 100% interest in the early stage exploration property known as the Monster Lake South or "Hazeur" gold property (the "Property") in Quebec, Canada. The Company acquired the Property pursuant to the Transaction (refer to Note 3) at a fair value of $22,800. On September 22, 2016, the Company sold its interest in the Property in exchange for 1,200,000 common shares of TomaGold with a fair value of $156,000 (refer to Note 5). The Company recognized a gain of $133,200 as a result of the sale of the Property.

9. Convertible Notes

On August 15, 2015, the Company issued convertible notes bearing interest at 10% per annum with an aggregate principal amount of $361,115. Each convertible note entitles the holder to convert to ordinary shares at a conversion price equal to 80% of the issue price share of initial public offering or other financing undertaken in conjunction with the Transaction, subject to approval from any relevant stock exchange. The convertible notes also include an automatic conversion feature whereby any outstanding principal and any unpaid accrued interest will be automatically converted into shares at a conversion price equal to 80% of the value of such shares on the date of conversion. On December 14, 2015, the Company settled the debt of $361,115 plus accrued interest of $19,500 into 5,482,583 common shares. Refer to Note 11.

10. Related Party Transactions

(a) During the year ended December 31, 2016, the Company incurred consulting fees of $120,000 (2015 - $46,200) to the Chief Executive Officer of the Company. As at December 31, 2016, the Company owed $nil (2015 - $40,000) to the Chief Executive Officer.

(b) During the year ended December 31, 2016, the Company incurred consulting fees of $120,000 (2015 - $46,200) to the Chief Financial Officer of the Company. As at December 31, 2016, the Company owed $nil (2015 - $40,000) to the Chief Financial Officer.

10. Related Party Transactions (continued)

(c) During the year ended December 31, 2016, the Company incurred consulting fees of $120,000 (2015 - $96,100) to a director of the Company. As at December 31, 2016, the Company owed $nil (2015 - $40,000) to the director.

11. Share Capital

Authorized: Unlimited common shares without par value
Unlimited preferred shares without par value

Share transactions for the year ended December 31, 2016:

(a) During the year ended December 31, 2016, the Company issued 4,995,000 common shares with a fair value $499,500 for the settlement of $499,500 in debt. Of this amount, 1,600,000 common shares were issued to settle debt of $160,000 for each of the Chief Executive Officer, Chief Financial Officer, and a director of the Company.

Share transactions for the year ended December 31, 2015:

(b) On August 28, 2015, SAS issued 550,000 common shares to the University of Manitoba pursuant to the intellectual property purchase agreement to fulfill payable of $50,000.

(c) On August 28, 2015, SAS issued 680,000 common shares to directors and a consultant for consulting fees accrued during 2015.

(d) On August 28, 2015, SAS repurchased 1,000,000 common shares and returned them to treasury.

(e) On August 28, 2015, SAS issued 1,515,878 common shares as finders' fees pursuant to the convertible notes issued by the Company during the period.

(f) On September 2, 2015, the Company issued 2,500,000 units at $0.05 per unit for proceeds of $125,000. Each unit consisted of one common share and one and one-half share purchase warrants. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $0.10 per share for a period of two years. In connection with this private placement, the Company paid finder's fees and commission of $1,600.

(g) On November 6, 2015, the Company issued 12,062,927 common shares to the shareholders of SAS pursuant to the Transaction.

(h) On November 25, 2015, the Company issued 4,175,000 units at $0.10 per unit for gross proceeds of $417,500 pursuant to the Company's private placement completed in conjunction with the Transaction. Refer to Note 3. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $0.20 per share for a period of eighteen months.

In connection with this private placement, the Company paid finder's fees and commission of $28,800 and issued 296,000 broker warrants with a fair value of $23,085. Each broker warrant entitles the holder to acquire one additional common share at an exercise price of $0.20 per share for a period of eighteen months.

(i) On December 14, 2015, the Company issued 5,482,583 common shares pursuant to the settlement of the convertible notes issued on August 15, 2015, with total principal of $361,115 plus $25,535 of accrued interest. Refer to Note 9.

(j) On December 13, 2015, the Company issued 500,000 common shares as finders' fees in connection with the conversion of the convertible notes payable.

(Expressed in Canadian dollars)

12. Share Purchase Warrants

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2014	725,000	0.50
Issued	6,133,500	0.14
Balance, December 31, 2015 and 2016	6,858,500	0.18

As at December 31, 2016, the following share purchase warrants were outstanding and exercisable:

Number of warrants outstanding	Exercise price $	Expiry date
500,000	0.50	April 26, 2017
2,296,500	0.20	April 30, 2017 (refer to Note 20)
87,000	0.20	May 30, 2017
3,750,000	0.10	September 2, 2017
225,000	1.00	October 10, 2017
6,858,500		

13. Stock Options

Pursuant to the Company's stock option plan dated June 30, 2016, the Company may grant stock options to directors, officers, employees and consultants. The maximum aggregate number of common shares which may be reserved for issuance, set aside and made available for issuance under the plan may not exceed 10% of the issued and outstanding common shares of the Company at the time of granting the stock options. Stock options granted to any person engaged in investor relations activities will vest in stages over one year with no more 25% of the stock options vesting in any three month period. The exercise price of any stock options granted under the plan shall be determined by the Board, but may not be less than the market price of the common shares on the Exchange on the date of grant (less any discount permissible under Exchange rules). The term of any stock options granted under the plan shall be determined by the Board at the time of grant but may not exceed ten years.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price $
Outstanding, December 31, 2014 and 2015	–	–
Granted	2,745,000	0.15
Outstanding, December 31, 2016	2,745,000	0.15

(Expressed in Canadian dollars)

13. Stock Options (continued)

Additional information regarding stock options outstanding as at December 31, 2016, is as follows:

	Outstanding			Exercisable	
Range of exercise prices $	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of options	Weighted average exercise price $
0.15	2,745,000	3.7	0.15	2,596,250	0.15

During the year ended December 31, 2016, the Company recorded share-based compensation of $200,569 (2015 - $nil) which was charged to operations. The weighted average grant date fair value of stock options granted during the year ended December 31, 2016 was $0.07 (2015 - $nil) per share.

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2016	2015
Risk-free interest rate	0.68%	–
Expected life (in years)	4.3	–
Expected forfeitures	0%	–
Expected volatility	125%	–

14. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2016 as follows:

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2016 $
Cash	48,974	–	–	48,974
Short-term investments	20,000	–	–	20,000
Marketable securities	72,000	–	–	72,000
	140,974	–	–	140,974

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

14. Financial Instruments and Risks (continued)

(b) Credit Risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, short-term investments, marketable securities, and amounts receivable. The Company limits the exposure to credit risk by only investing its cash, short-term investments, and marketable securities with high-credit quality financial institutions. Amounts receivable consists of GST receivable from the Government of Canada. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Currency Risk and Interest Rate Risk

The Company is not currently exposed to foreign exchange rate risk or interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(e) Market Risk

Market risk is the risk of the loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Management does not believe that the Company is exposed to any material market risk.

15. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2015.

16. Commitment

In connection with the acquisition of intellectual property from the University of Manitoba, the Company is required to make the milestone payments as follows:

- $250,000 within 30 days of the Company achieving a cumulative gross sales of $10,000,000 with respect to the product, licencing revenues and/or sublicencing revenues relating to the assigned rights and/or the invention; and

- $250,000 within 30 days of the Company achieving a cumulative gross sales of $20,000,000 with respect to the product, licencing revenues and/or sublicencing revenues relating to the assigned rights and/or the invention.

(Expressed in Canadian dollars)

17. Segmented Information

The Company operates in a single reportable operating segment, the development of commercial applications for the optimizing the current carrying capacity of grid infrastructure and transmission lines in Canada.

18. Income Taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended December 31, 2016 and 2015:

	2016 $	2015 $
Canadian statutory income tax rate	26%	26%
Income tax recovery at statutory rate	(325,325)	(336,505)
Tax effect of:		
Permanent differences and other	–	24,158
Change in unrecognized deferred income tax assets	325,325	312,347
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2016 $	2015 $
Deferred income tax assets (liability):		
Non-capital losses carried forward	1,166,425	802,122
Property and equipment	1,402	2,977
Intangible assets	(142,661)	(116,783)
Share issuance costs	16,271	27,796
Unrecognized deferred income tax assets	(1,041,437)	(716,112)
Net deferred income tax asset	–	–

As at December 31, 2016, the Company has non-capital losses carried forward of $4,486,248 which are available to offset future years' taxable income. These losses expire as follows:

	$
2031	71,729
2032	309,877
2033	304,341
2034	951,082
2035	1,448,057
2036	1,401,162
	4,486,248

19. Restatement

The Company has restated its consolidated financial statements as at December 31, 2015 and for the year then ended to reflect the restructuring costs as a result of the share exchange arrangement with SAS and correction to the financing activities on the consolidated statement of cash flows. Refer to Note 3. The restatement resulted in an increase of $171,230 to net loss and an increase in net loss per share of $0.01.

(Expressed in Canadian dollars)

19. Restatement (continued)

The impact of the restatement as at December 31, 2015 and for the year then ended is summarized below:

Consolidated Statement of Financial Position

	As at December 31, 2015		
	As reported $	Adjustments $	As restated $
Shareholders' equity			
Share capital	4,483,243	171,230	4,654,473
Deficit	(2,447,812)	(171,230)	(2,619,042)
Total shareholders' equity	2,283,516	–	2,283,516

Consolidated Statement of Operations and Comprehensive Loss

	Year ended December 31, 2015		
	As reported $	Adjustments $	As restated $
Other income (expense)			
Restructuring costs	–	(171,230)	(171,230)
Total other income (expense)	33,171	(171,230)	(138,059)
Net loss and comprehensive loss for the year	(1,123,020)	(171,230)	(1,294,250)

Consolidated Statement of Changes in Equity

	As at December 31, 2015		
	As reported $	Adjustments $	As restated $
Share capital	4,483,243	171,230	4,654,473
Deficit	(2,447,812)	(171,230)	(2,619,042)
Total	2,283,516	–	2,283,516

(Expressed in Canadian dollars)

19. Restatement (continued)

Consolidated Statement of Cash Flows

	Year ended December 31, 2015		
	As reported $	Adjustments $	As restated $
Operating activities			
Net loss	(1,123,020)	(171,230)	(1,294,250)
Items not involving cash:			
Broker warrants issued	23,085	(23,085)	–
Consulting fees	188,000	(188,000)	–
Restructuring costs	–	171,230	171,230
Changes in non-cash operating working capital:			
Due to related parties	120,000	188,000	308,000
Net cash used in operating activities	(534,577)	(23,085)	(557,662)
Financing activities			
Share issuance costs	(104,297)	23,085	(81,212)
Net cash provided by financing activities	1,022,938	–	1,046,023

20. Subsequent Events

(a) On February 27, 2017, the Company entered into an agreement with an unrelated party for the sale of its 1,200,000 TomaGold shares at a price of $0.06 per share for proceeds of $72,000.

(b) On April 12, 2017, the Company extended the expiry date of the 2,296,500 share purchase warrants exercisable at $0.20 per share. The new expiry date is April 30, 2018.