

**TORINO POWER SOLUTIONS INC.**

(Formerly Torino Ventures Inc.)

Consolidated Financial Statements - Unaudited

March 31, 2018

(Expressed in Canadian dollars)

## **UNAUDITED 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 interim financial statements for the three months ended March 31, 2018.

**TORINO POWER SOLUTIONS INC.**  
**(Formerly Torino Ventures Inc.)**  
Consolidated Statements of financial position  
(Expressed in Canadian dollars)

	March 31, 2018 \$	December 31, 2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	254,214	278,314
Short-term investments (Note 3)	40,000	20,000
Marketable securities (Note 4)	—	—
Amounts receivable	46,404	42,461
Prepaid expenses	—	—
<b>Total current assets</b>	<b>340,618</b>	<b>340,775</b>
<b>Non-current assets</b>		
Property and equipment (Note 5)	16,172	14,764
Intangible assets (Note 6)	—	—
<b>Total non-current assets</b>	<b>16,172</b>	<b>14,764</b>
<b>Total assets</b>	<b>356,790</b>	<b>355,539</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	188,234	58,998
<b>Total liabilities</b>	<b>188,234</b>	<b>58,998</b>
<b>Shareholders' equity</b>		
Share capital	6,554,725	6,432,725
Share-based payment reserve	508,419	508,419
Deficit	(6,894,588)	(6,644,603)
<b>Total shareholders' equity</b>	<b>168,556</b>	<b>296,541</b>
<b>Total liabilities and shareholders' equity</b>	<b>356,790</b>	<b>355,539</b>

Nature of Operations and Continuance of Business (Note 1)  
Contingencies and Commitments (Note 14)  
Subsequent Events (Note 16)

Approved and authorized for issuance by the Board of Directors on May 28, 2018:

/s/ "Ravinder Mlait"  
Ravinder Mlait, Director

/s/ "Bryan Loree"  
Bryan Loree, Director

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

**TORINO POWER SOLUTIONS INC.****(Formerly Torino Ventures Inc.)**

Consolidated Statements of operations and comprehensive loss

(Expressed in Canadian dollars)

	March 31, 2018 \$	March 31, 2017 \$
Revenue	–	–
Operating expenses		
Professional fees	5,348	3,226
Consulting fees (Note 8)	135,100	90,000
Development expense	59,054	27,262
Insurance	4,602	4,477
Office and general	7,364	4,257
Rent	10,560	10,215
Transfer agent fees	2,479	4,338
Exchange & filing fees	1,950	3,693
Amortization expense	–	61,250
Wages and benefits	23,528	29,027
Total operating expenses	249,985	237,745
Net loss before other income	(249,985)	(237,745)
Other income and expenses	–	–
Net loss and comprehensive loss for the period	(249,985)	(237,745)
Loss per share, basic and diluted	(0.01)	(0.01)
Weighted average shares outstanding	49,132,082	32,815,488

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

**TORINO POWER SOLUTIONS INC.**  
**(Formerly Torino Ventures Inc.)**

Consolidated Statements of changes in equity  
(Expressed in Canadian dollars)

	Share capital		Contributed surplus \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$			
Balance, March 31, 2016 (Restated)	27,820,488	4,654,473	248,085	(2,906,208)	1,996,350
Fair value of stock options granted	–	–	200,569	–	200,569
Shares issued pursuant to shares for debt	4,995,000	499,500	–	–	499,500
Net and comprehensive loss	–	–	–	(964,081)	(964,081)
Balance, December 31, 2016	32,815,488	5,153,973	448,654	(3,870,289)	1,732,338
Net and comprehensive loss	–	–	–	(237,745)	(237,745)
Balance, March 31, 2017	32,815,488	5,153,973	448,654	(4,108,034)	1,494,593
Shares issued pursuant to private placements	10,773,705	808,029	–	–	808,029
Shares issued pursuant to finders' fees	218,931	16,420	–	–	16,420
Share issuance costs	–	(96,525)	59,765	–	(36,760)
Shares issued pursuant to debt settlements	3,886,364	485,228	–	–	485,228
Shares issued pursuant to the exercise of warrants	656,000	65,600	–	–	65,600
Net and comprehensive loss	–	–	–	(2,536,569)	(2,536,569)
Balance, December 31, 2017	48,350,488	6,432,725	508,419	(6,644,603)	296,541
Shares issued pursuant to warrants exercised	1,220,000	122,000	–	–	122,000
Net and comprehensive loss	–	–	–	(249,985)	(249,985)
Balance, March 31, 2018	49,570,488	6,554,725	508,419	(6,894,588)	168,556

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

**TORINO POWER SOLUTIONS INC.****(Formerly Torino Ventures Inc.)**

Consolidated Statements of cash flows

(Expressed in Canadian dollars)

	March 31, 2018 \$	March 31, 2017 \$
Operating activities		
Net loss for the period	(249,985)	(237,745)
Items not involving cash:		
Amortization	–	61,250
Consulting fees	135,000	90,000
Changes in non-cash operating working capital:		
Amounts receivable	(3,943)	(2,540)
Prepaid expenses	–	269
Accounts payable and accrued liabilities	(5,764)	103,519
Due to related parties	–	(90,000)
Net cash used in operating activities	(124,692)	(75,247)
Investing activities		
Decrease (increase) in investments	–	72,000
Equipment acquisition cost	(1,408)	–
Net cash used in investing activities	(1,408)	72,000
Financing activities		
Proceeds from the issuance of common shares	122,000	–
Net cash provided by financing activities	122,000	–
Increase (decrease) in cash	(4,100)	(3,247)
Cash, beginning of the period	298,314	48,974
Cash, end of the period	294,214	45,727

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

# **TORINO POWER SOLUTIONS INC.**

(Formerly Torino Ventures Inc.)

Notes to the consolidated financial statements

March 31, 2018

(Expressed in Canadian dollars)

## **1. Nature of Operations and Continuance of Business**

Torino Power Solutions Inc. (formerly Torino Ventures 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. 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 was 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").

The address of the Company's corporate office and principal place of business is Suite 705 – 625 West Kent Avenue North, Vancouver, B.C., V6P 6T7, Canada.

These consolidated financial statements ("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 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. As at March 31, 2018, the Company has no source of revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$6,894,588. 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 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**

These interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The 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.

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.

## TORINO POWER SOLUTIONS INC.

(Formerly Torino Ventures Inc.)

Notes to the consolidated financial statements

March 31, 2018

(Expressed in Canadian dollars)

### 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 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) 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
Software	55%	declining balance basis

#### (e) 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 profit 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.



## TORINO POWER SOLUTIONS INC.

(Formerly Torino Ventures Inc.)

Notes to the consolidated financial statements

March 31, 2018

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (f) 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 March 31, 2018 and 2017.

#### (g) 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.

#### (h) 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
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## TORINO POWER SOLUTIONS INC.

(Formerly Torino Ventures Inc.)

Notes to the consolidated financial statements

March 31, 2018

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (i) 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 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 cash equivalents 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.

#### (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. Investment is classified as available-for-sale.

## TORINO POWER SOLUTIONS INC.

(Formerly Torino Ventures Inc.)

Notes to the consolidated financial statements

March 31, 2018

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (j) Financial Instruments (continued)

##### *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 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.

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.

## TORINO POWER SOLUTIONS INC.

(Formerly Torino Ventures Inc.)

Notes to the consolidated financial statements

March 31, 2018

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (j) Financial Instruments (continued)

##### (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 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.

#### (j) 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 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.

#### (k) 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.

## TORINO POWER SOLUTIONS INC.

(Formerly Torino Ventures Inc.)

Notes to the consolidated financial statements

March 31, 2018

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (k) Income Taxes (continued)

##### *Deferred income tax*

Deferred income tax is provided using the balance sheet 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.

#### (l) 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 March 31, 2018, the Company had 18,179,338 (2017 – 9,899,500) potentially dilutive shares outstanding.

#### (m) 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.

#### (n) 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.

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

## **TORINO POWER SOLUTIONS INC.**

(Formerly Torino Ventures Inc.)

Notes to the consolidated financial statements

March 31, 2018

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### (n) Share-based Payments (continued)

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.

#### (o) Reclassifications

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

#### (p) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2018, 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. Short-term Investments**

Short-term investments consist of a non-redeemable guaranteed investment certificate of \$20,000, which bear interest at 0.9% per annum and are due on February 19, 2019 and a cashable guaranteed investment certificate of \$20,000, which bear interest at 0.5% per annum.

### **4. 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, 2017, the Company held nil (2016 – 1,200,000) common shares of TomaGold with a fair value of \$nil (2016 - \$72,000). During the year ended December 31, 2017, the Company recorded an unrealized loss of \$nil (2016 - \$84,000), 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. On February 27, 2017, the Company sold 1,200,000 TomaGold shares for proceeds of \$72,000.

## TORINO POWER SOLUTIONS INC.

(Formerly Torino Ventures Inc.)

Notes to the consolidated financial statements

March 31, 2018

(Expressed in Canadian dollars)

### 5. Property and Equipment

	Software \$	Computer Equipment \$	Development Equipment \$	Total \$
Cost:				
Balance, December 31, 2016 & March 31, 2017	–	13,444	46,141	59,585
Additions	12,254	–	–	12,254
Balance, December 31, 2017 & March 31, 2018	12,254	13,444	46,141	71,839
Accumulated depreciation:				
Balance, December 31, 2016 & March 31, 2017	–	13,444	33,076	46,520
Additions	3,369	–	7,186	10,555
Balance, December 31, 2017 & March 31, 2018	3,369	13,444	40,262	57,075
Carrying amounts:				
As at December 31, 2016 & March 31, 2017	–	–	13,065	13,065
As at December 31, 2017 & March 31, 2018	8,885	–	5,879	14,764

### 6. 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 and as part of the consideration for such grant, the Company paid \$25,000 to the University.

On June 28, 2012 the Company exercised their option to acquire the rights to the intellectual property pursuant to a subscription and assignment agreement entered into between the Company and University of Manitoba. In consideration the Company agreed to pay \$225,000 as upfront fee, issue 2,200,000 common shares and a common share purchase warrant which would allow the University 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 shares and the common share purchase warrant and also paid \$125,000 cash for the upfront fees. The Company paid another \$50,000 cash during the 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.

As at December 31, 2017, the Company has recognized an impairment of \$1,337,292 due to the uncertainty of estimated future cash flows.

## TORINO POWER SOLUTIONS INC.

(Formerly Torino Ventures Inc.)

Notes to the consolidated financial statements

March 31, 2018

(Expressed in Canadian dollars)

### 6. Intangible Assets (continued)

	Cost	
	Intellectual Property \$	Total \$
Balance, December 31, 2016 & March 31, 2017	2,450,000	2,450,000
Additions:	—	—
Balance, December 31, 2017 & March 31, 2018	2,450,000	2,450,000

  

	Accumulated Amortization	
	Intellectual Property \$	Total \$
Balance, December 31, 2016	867,708	867,708
Additions:	61,250	61,250
Balance, March 31, 2017	928,958	928,958
Additions:	183,750	183,750
Impairment	1,337,296	1,337,292
Balance, December 31, 2017 & March 31, 2018	2,450,000	2,450,000

  

	Carrying Value	
	Intellectual Property \$	
December 31, 2016	1,582,292	
March 31, 2017	1,521,042	
December 31, 2017	—	
March 31, 2018	—	

### 7. Exploration & Evaluation Asset

The Company owned a 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 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 4). The Company recognized a gain of \$133,200 as a result of the sale of the Property.

### 8. Related Party Transactions

- During the period ended March 31, 2018, the Company incurred consulting fees of \$45,000 (2017 - \$30,000) to the Chief Executive Officer of the Company. As at March 31, 2018, the Company owed \$55,000 (2017 - \$30,000) to the Chief Executive Officer, which is included in accounts payable and accrued liabilities.
- During the period ended March 31, 2018, the Company incurred consulting fees of \$45,000 (2017 - \$30,000) to the Chief Financial Officer of the Company. As at March 31, 2017, the Company owed \$55,000 (2017 - \$30,000) to the Chief Financial Officer, which is included in accounts payable and accrued liabilities.
- During the period ended March 31, 2017, the Company incurred consulting fees of \$nil (2017 - \$30,000) to a former director of the Company



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### 9. Share Capital

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

Share transactions for the period ended March 31, 2018:

During the period ended March 31, 2018, the Company issued 1,220,000 common shares pursuant the exercise of warrants at \$0.10.

Share transactions for the year ended December 31, 2017:

- (a) On May 25, 2017, the Company issued 10,773,705 units at \$0.075 per unit for gross proceeds of \$808,028. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.15 for a period of two years.

In connection with this private placement, the Company paid finders' fees of \$20,340, issued 218,931 common shares with a fair value of \$16,420, and issued 490,133 brokers' warrants with a fair value of \$59,765. Each broker warrant entitles the holder to acquire one additional common share at an exercise price of \$0.15 for a period of two years. The fair value of the brokers' warrants issued were estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions: risk-free interest rate of 0.71%, expected life of two years, expected forfeitures of 0% and expected volatility of 186%.

- (b) On June 5, 2017, the Company issued 2,000,000 common shares with a fair value \$240,000 to settle accounts payable of \$320,000. Included in this issuance are a total of 937,500 common shares with a fair value of \$150,000 to settle accounts payable of \$37,500 for each of the President, the Chief Financial Officer, and a director of the Company. This resulted in a gain on settlement of debt of \$80,000.
- (c) As at December 31, 2017, the Company issued 1,886,364 common shares with a fair value of \$245,227 to settle accounts payable of \$207,500. Included in this issuance are a total of 1,636,364 common shares with a fair value \$212,728 to settle accounts payable of \$106,364 for each of the President and the Chief Financial Officer of the Company. This resulted in a loss on settlement of debt of \$37,727.
- (d) During the year ended December 31, 2017, the Company issued 656,000 common shares for proceeds of \$65,600 pursuant to the exercise of share purchase warrants.

Share transactions for the year ended December 31, 2016:

During the year ended December 31, 2016, the Company issued 4,995,000 common shares with a fair value \$499,500 to settle accounts payable of \$499,500. Included in this issuance are a total of 1,600,000 common shares with a fair value \$480,000 to settle accounts payable of \$160,000 for each of the Chief Executive Officer, Chief Financial Officer, and a director of the Company.

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### 10. Share Purchase Warrants

As at March 31, 2018, the following share purchase warrants were outstanding and exercisable:

Number of warrants outstanding	Exercise price \$	Expiry date
2,296,500	0.20	April 30, 2018
1,874,000	0.10	September 2, 2018
11,263,838	0.15	May 25, 2019
<u>15,434,338</u>		

### 11. 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, 2016 & March 31, 2017	2,745,000	0.15
Outstanding, December 31, 2017 & March 31, 2018	2,745,000	0.15

Additional information regarding stock options outstanding as at March 31, 2018, is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.15	2,745,000	2.4	0.15

During the year ended December 31, 2017, the Company recorded share-based compensation of \$nil (2016 - \$200,569) which was charged to operations. The weighted average grant date fair value of stock options granted during the year ended December 31, 2017 was \$nil (2016 - \$0.07) per share.

The fair values for stock options granted have been estimated using the Black-Scholes option pricing

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### 11. Stock Options (continued)

model assuming no expected dividends and the following weighted average assumptions:

	2017	2016
Risk-free interest rate	–	0.68%
Expected life (in years)	–	4.3
Expected forfeitures	–	0%
Expected volatility	–	125%

### 12. 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 March 31, 2018 as follows:

	Fair Value Measurements Using			Balance, March 31, 2018 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash and cash equivalents	294,214	–	–	294,214

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

#### (b) Credit Risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. Trade receivables are the most significant financial instrument that is exposed to credit risk. The Company provides credit to its customers in the normal course of operation. As at March 31, 2018, the Company's risk is minimal as its receivables consist of receivables from Canada Revenue Agency ("CRA") for GST ITCs. The Company believes that its exposure to credit risk is low. The maximum exposure to loss arising from trade receivables is equal to their total carrying amounts.

#### (c) Currency Risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's functional and reporting currency is the Canadian dollar. The Company's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to the United States dollar ("USD") as some of the Company's expenses are in USD. The Company does not use derivative financial instruments to cover the variability of cash flows in foreign currencies.

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### **12. Financial Instruments and Risks (continued)**

#### (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. Accounts payable and accrued liabilities and due to related parties are all payable within one year.

#### (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.

#### (f) Interest rate Risk

Interest rate risk is the risk that the fair value of deferred cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk arising primarily from fluctuation in interest rates on its cash, cash equivalents and short-term investments. The Corporation limits its exposure to interest rate risk by continually monitoring and adjusting portfolio duration to align to forecasted cash requirements and anticipated changes in the interest rates. Based on cash and cash equivalents at March 31, 2017, the Company is not exposed to any risk as there are no interest bearing short-term investments or cash equivalents.

### **13. 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, 2014.

### **14. Contingencies and Commitments**

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

- (a) A payment of \$250,000 within 30 days of the Company achieving a cumulative gross sales of \$10 Million with respect to the product, licensing revenues and/or sublicensing revenues relating to the assigned rights and/or the invention.
- (b) A payment of \$250,000 within 30 days of the Company achieving a cumulative gross sales of \$20 Million with respect to the product, licensing revenues and/or sublicensing revenues relating to the assigned rights and/or the invention.

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### **15. 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. Segmented geographic information is as follows:

The following table allocates total assets by geographic location:

As of March 31, 2018 and 2017

	2018 \$	2017 \$
Canada	356,790	1,629,960

### **16. Subsequent Events**

On May 14, 2018, the Company issued 2.45 million common shares at a deemed price of 10 cents per share to settle debt amounts of \$245,000.