



Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended June 30, 2016

(Unaudited - Prepared by Management)

(Expressed in Canadian Dollars)

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended June 30, 2016

(Expressed in Canadian Dollars - Unaudited)

	Page
Notice of no auditor review	3
Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Comprehensive Loss	5
Condensed Interim Consolidated Statements of Changes in Equity	6
Condensed Interim Consolidated Statements of Cash Flows	7
Notes to the Condensed Interim Consolidated Financial Statements	8 – 14

Legend Power Systems Inc.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2016
(Expressed in Canadian Dollars – Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements for Legend Power Systems Inc. for the three and nine month periods ended June 30, 2016 have been prepared by and are the responsibility of the Company's management.

The auditor of Legend Power Systems Inc. has not performed a review of the unaudited condensed interim consolidated financial statements for the three and nine month periods ended June 30, 2016.

Legend Power Systems Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars - Unaudited)

		June 30, 2016	September 30, 2015
	Notes	\$	\$
ASSETS			
Current			
Cash		379,171	536,116
Receivables		2,633,969	646,800
Inventory		355,870	572,912
Prepaid expenses and deposits	5	99,791	82,589
		<u>3,468,801</u>	<u>1,838,417</u>
Property and equipment	6	36,425	22,953
Patents	7	163,889	286,739
		<u>3,669,115</u>	<u>2,148,109</u>
LIABILITIES			
Current			
Accounts payable		357,552	189,060
Accrued liabilities		467,779	209,843
		<u>825,331</u>	<u>398,903</u>
Warranty provision		244,000	142,000
		<u>1,069,331</u>	<u>540,903</u>
Shareholders' equity			
Share capital	8	32,754,552	32,008,782
Share based payment reserves	8	8,870,385	7,640,496
Deficit		<u>(39,025,153)</u>	<u>(38,042,072)</u>
		<u>2,599,784</u>	<u>1,607,206</u>
		<u>3,669,115</u>	<u>2,148,109</u>

Commitments (Note 9)
Contingent liability (Note 10)
Events after the reporting period (Note 12)

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON AUGUST 24, 2016

"Michael Atkinson", Director "Randy Buchamer", Director

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

Legend Power Systems Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars - Unaudited)

	Notes	For the three months ended June 30,		For the nine months ended June 30,	
		2016 \$	2015 \$	2016 \$	2015 \$
Revenue		658,143	150,824	2,454,818	417,817
Cost of sales		303,431	70,121	1,163,800	194,522
Gross margin		<u>354,712</u>	<u>80,703</u>	<u>1,291,018</u>	<u>223,295</u>
Expenses					
Amortization and depreciation	6	47,491	45,285	141,167	136,226
General and overhead		166,115	88,645	400,638	307,458
Professional fees		22,325	22,010	65,272	83,036
Product development		14,803	9,917	36,494	39,999
Salaries and consulting fees		432,197	359,437	1,221,309	991,258
Share-based compensation	8	152,309	86,788	307,981	446,695
Warranty provision		46,000	20,880	102,000	40,880
		<u>881,240</u>	<u>632,962</u>	<u>2,274,861</u>	<u>2,045,552</u>
Loss before others items		<u>(526,528)</u>	<u>(552,259)</u>	<u>(983,843)</u>	<u>(1,822,257)</u>
Loss on product installations		-	(949)	-	(131,800)
Allowance for doubtful debts		-	(61,865)	-	(61,865)
Other income		150	4,452	762	3,206
		<u>150</u>	<u>(58,362)</u>	<u>762</u>	<u>(190,459)</u>
Loss and comprehensive loss for the period		<u>(526,378)</u>	<u>(610,621)</u>	<u>(983,081)</u>	<u>(2,012,716)</u>
Basic and diluted loss per share		<u>(0.008)</u>	<u>(0.011)</u>	<u>(0.015)</u>	<u>(0.035)</u>
Weighted average number of common shares outstanding		68,270,213	57,596,884	65,287,914	57,596,884

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

Legend Power Systems Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars - Unaudited)

	<u>Number of Shares Issued</u>	<u>Capital Stock</u>	<u>Reserves</u>	<u>Deficit</u>	<u>Total Shareholders' Equity</u>
		\$	\$	\$	\$
Balance at September 30, 2014	56,801,964	30,935,539	7,383,995	(35,501,908)	2,817,626
Common shares issued for stock options exercised	190,667	56,771	(1,571)	-	55,200
Common shares issued for warrants exercised	2,404,758	1,001,102	(279,675)	-	721,427
Share-based compensation	-	-	446,695	-	446,695
Loss for the period	-	-	-	(2,012,716)	(2,012,716)
Balance at June 30, 2015	59,397,389	31,993,412	7,549,444	(37,514,624)	2,028,232
Balance at September 30, 2015	59,397,389	32,008,782	7,640,496	(38,042,072)	1,607,206
Common shares issued for cash	8,300,000	1,660,000	-	-	1,660,000
Common shares issued for finder's fees	498,750	99,750	-	-	99,750
Share issue costs for financing	-	(125,405)	-	-	(125,405)
Common shares issued for warrants exercised	111,111	33,333	-	-	33,333
Fair value of warrants issued	-	(879,272)	879,272	-	-
Fair value of warrants issued for finder's fees	-	(52,835)	52,835	-	-
Fair value reversed for warrants exercised	-	10,199	(10,199)	-	-
Share-based compensation	-	-	307,981	-	307,981
Loss for the period	-	-	-	(983,081)	(983,081)
Balance at June 30, 2016	68,307,250	32,754,552	8,870,385	(39,025,153)	2,599,784

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

Legend Power Systems Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars - Unaudited)

	For the nine months ended June 30,	
	2016	2015
	<u>\$</u>	<u>\$</u>
Cash flows used in operating activities		
Loss for the period	(983,081)	(2,012,716)
Items not affecting cash:		
Amortization and depreciation	141,167	136,226
Share-based compensation	307,981	446,695
Allowance for doubtful debts	-	61,865
Warranty provision	102,000	40,880
Changes in non-cash working capital items		
Decrease / (increase) in inventory	217,041	(311,322)
(Increase) in receivables, prepaids and deposits	(2,004,371)	(252,571)
Increase / (decrease) in accounts payable and accrued liabilities	426,428	(82,285)
	<u>(1,792,835)</u>	<u>(1,973,228)</u>
Cash flows used in investing activities		
Purchase of property and equipment	<u>(31,789)</u>	<u>(18,298)</u>
Cash flows from financing activities		
Issue of common shares	1,660,000	-
Warrant exercise proceeds	33,333	721,427
Stock option exercise proceeds	-	55,200
Share issue costs	(25,654)	-
	<u>1,667,679</u>	<u>776,627</u>
Net change in cash	(156,945)	(1,214,899)
Cash, beginning of period	<u>536,116</u>	<u>2,410,077</u>
Cash, end of period	<u>379,171</u>	<u>1,195,178</u>

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

Legend Power Systems Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended June 30, 2016

(Expressed in Canadian Dollars - Unaudited)

1. NATURE OF BUSINESS

Legend Power Systems Inc. (hereafter referred to as the "Company" or "Legend") is incorporated under the laws of the Province of British Columbia and was established as a legal entity on May 31, 2001. The Company's principal business activities are the marketing of a patented device, the Electrical Harmonizer, designed to provide energy savings through voltage optimization to commercial and industrial customers. The Company's common shares are listed on the TSX Venture Exchange.

The Company's principal office is located at: 1480 Frances Street, Vancouver, BC, V5L 1Y9, Canada

As at June 30, 2016, the Company had working capital of \$2,643,470 (September 30, 2015: \$1,439,514) and an accumulated deficit of \$39,025,153 (September 30, 2015: \$38,042,072). During the nine months ended June 30, 2016 the Company incurred a net loss of \$983,081 (2015: \$2,012,716). Based on the working capital as at June 30, 2016 and estimated cash requirements and sources in fiscal 2016, management believes the Company has sufficient capital to continue business operations over the next twelve months. In the long term, the continued business operations of the Company are dependent upon economic and market factors which involve uncertainties including profitable commercialization of its products and/or the Company's ability to obtain adequate financing. There can be no assurance that the Company can achieve profitable commercialization of its products and/or obtain additional capital.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with *IAS 34 – Interim financial reporting* (International Account Standard) which is in accordance with International Financial Reporting Standards ("IFRS"). They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended September 30, 2015. These condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial assets and financial liabilities which are measured at fair value.

The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or to continue operations.

There have been no significant changes to the Company's accounting policies, judgments or estimates from those disclosed in the consolidated financial statements for the years ended September 30, 2015 and 2014.

Legend Power Systems Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended June 30, 2016

(Expressed in Canadian Dollars - Unaudited)

3. NEW ACCOUNTING STANDARDS

New standards not yet adopted

The following is an overview of new accounting standards that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

- (i) IFRS 9 - *Financial Instruments*. This standard partially replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2018. In the year of adoption, the Company is required to provide additional disclosures relating to the reclassified financial assets and liabilities.
- (ii) IFRS 15 - *Revenue from contracts with customers*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

4. FINANCIAL INSTRUMENTS

The fair value and carrying value of all the Company's financial instruments are identical and are summarized in the following table:

	June 30, 2016	September 30, 2015
	\$	\$
Cash	379,171	536,116
Accounts receivable	2,633,969	646,800
Trade payables	357,552	189,060
Accrued liabilities	467,779	209,843

5. PREPAID EXPENSES AND DEPOSITS

	June 30, 2016	September 30, 2015
	\$	\$
Rent deposits	22,988	33,415
Prepaid insurance	40,753	14,205
Prepaid retainers	20,822	6,081
Prepaid testing fees	13,703	26,817
Other	1,525	2,071
	99,791	82,589

Legend Power Systems Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended June 30, 2016

(Expressed in Canadian Dollars - Unaudited)

6. PROPERTY AND EQUIPMENT

	Computer equipment	Computer software	Equipment and furniture	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
Cost					
Balance at September 30, 2014	63,385	80,919	277,967	12,152	434,423
Additions	9,014	11,054	-	-	20,068
Balance at September 30, 2015	72,399	91,973	277,967	12,152	454,491
Additions	3,797	1,732	17,606	8,654	31,789
Balance at June 30, 2016	76,196	93,705	295,573	20,806	486,280
Accumulated Depreciation					
Balance at September 30, 2014	61,999	77,443	267,876	7,458	414,776
Additions	2,818	7,596	3,917	2,431	16,762
Balance at September 30, 2015	64,817	85,039	271,793	9,889	431,538
Additions	2,825	7,101	5,786	2,605	18,317
Balance at June 30, 2016	67,642	92,140	277,579	12,494	449,855
Net book value					
At September 30, 2015	7,582	6,934	6,174	2,263	22,953
At June 30, 2016	8,554	1,565	17,994	8,312	36,425

7. PATENTS

In 2007, the Company purchased the worldwide patents for the Electrical Harmonizer. The patents are amortized over their estimated remaining lives.

	Total
	\$
Cost	
Balance at September 30, 2014	1,638,099
Additions	-
Balance at September 30, 2015	1,638,099
Additions	-
Balance at June 30, 2016	1,638,099
Amortization	
Balance at September 30, 2014	1,187,560
Additions	163,800
Balance at September 30, 2015	1,351,360
Additions	122,850
Balance at June 30, 2016	1,474,210
Carrying Amount	
At September 30, 2015	286,739
At June 30, 2016	163,889

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2016

(Expressed in Canadian Dollars - Unaudited)

8. SHARE CAPITAL AND RESERVES

The Company's authorized share capital is an unlimited number of common shares without par value. All issued common shares are fully paid. Reserves consist of the accumulated fair value of common share options recognized as share-based compensation, fair value of warrants and fair value of broker warrants.

Issued Share Capital

a) During the nine months ended June 30, 2016, the following transactions occurred:

- (i) On May 9, 2016, the Company received \$33,333 from the exercise of 111,111 warrants at \$0.30 each.
- (ii) On December 30, 2015, the Company completed a private placement in which it issued a total of 8,300,000 units at \$0.20 per unit for aggregate gross proceeds of \$1,660,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one share at a price of \$0.40 per share until December 30, 2017. The Company paid finder's fees on the funds raised, satisfied by the issuance of 498,750 units.

The fair value of the unit warrants, estimated using the Black-Scholes option-pricing model, is \$932,107. The assumptions used were: a risk-free interest rate of 0.48%; an estimated volatility of 107.98%; an expected life of two years; an expected dividend yield of 0%; and an estimated forfeiture rate of 0%. The residual value of \$780,728 was attributed to the common shares.

b) During the year ended September 30, 2015, the following transactions occurred:

- (iii) On October 6, 2014 the Company issued 10,000 shares resulting from a stock option exercise at \$0.20 each for proceeds of \$2,000.
- (iv) On February 27, 2015, the Company received \$721,427 from the exercise of 2,404,758 warrants at \$0.30 each.
- (v) On April 2, 2015 the Company issued 180,667 shares resulting from a stock option exercise at between \$0.20 and \$0.30 each for proceeds of \$53,200.
- (vi) The total fair value reversed for all warrants and options exercised up to September 30, 2015 was \$296,616.

Stock Options

The Company has an incentive share option plan (the "Plan"). Under the Plan a total of 10% of the Company's outstanding common shares are reserved for the issuance of share options to directors, officers, employees and consultants. The terms of each option award are fixed by the directors at the time of grant. Share options awarded have a maximum term of five years. Share options vest over various time periods from the grant date to five years at the discretion of the board of directors.

Legend Power Systems Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended June 30, 2016

(Expressed in Canadian Dollars - Unaudited)

8. SHARE CAPITAL AND RESERVES - continued

A summary of the Company's share options at June 30, 2016, including the changes during the period, is as follows:

	Share options	Exercise price
		\$
Balance, September 30, 2014	3,649,325	0.35
Granted	1,965,000	0.50
Exercised	(190,667)	0.29
Forfeited	(542,498)	0.27
Expired	(25,000)	0.49
Balance, September 30, 2015	4,856,160	0.41
Granted	1,941,666	0.25
Forfeited	(166,666)	0.42
Expired	(566,664)	0.63
Balance, June 30, 2016	6,064,496	0.34

The following table summarizes share options outstanding and exercisable at June 30, 2016:

Options outstanding	Options exercisable	Exercise price	Expiry date
		\$	
183,333	183,333	0.42	April 18, 2017
541,667	541,667	0.30	May 21, 2018
557,830	557,830	0.30	August 20, 2018
910,000	615,001	0.20	February 23, 2019
1,480,000	740,000	0.55	September 30, 2019
175,000	-	0.35	May 31, 2018
275,000	91,667	0.35	May 31, 2020
1,766,666	-	0.25	January 26, 2021
175,000	-	0.25	February 9, 2021
6,064,496	2,729,498		

The fair value of share options awarded to employees, directors and consultants was estimated on the dates of award using the Black-Scholes option-pricing model with the following assumptions:

	9-months ended	Year ended
	June 30, 2016	September 30, 2015
Risk-free interest rate	1.50%	1.74%
Estimated volatility	112.84%	108.00%
Expected life (years)	3.63	3.76
Estimated life (years)	18.73%	17.57%

The Black-Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect the fair value estimates.

Legend Power Systems Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended June 30, 2016

(Expressed in Canadian Dollars - Unaudited)

8. SHARE CAPITAL AND RESERVES – continued

Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants is as follows:

	Number of warrants	Weighted average exercise price
		\$
Balance, September 30, 2014	12,914,811	0.29
Exercised	(2,404,758)	0.30
Balance, September 30, 2015	10,510,053	0.29
Issued	8,798,750	0.40
Exercised	(111,111)	0.30
Balance, June 30, 2016	19,197,692	0.34

The following table summarizes information of the number of common shares reserved pursuant to the warrants outstanding and exercisable at June 30, 2016:

Number of warrants	Exercise price	Expiry date
	\$	
2,034,333	0.30	July 31, 2016
815,555	0.15	October 18, 2016
7,549,054	0.30	October 18, 2016
8,798,750	0.40	December 30, 2017
19,197,692		

9. COMMITMENTS

The Company leased premises in Burnaby, B.C. under an operating lease that expired on July 31, 2016. At June 30, 2016, the Company was obligated to make lease payments under this lease of \$10,849.

On February 9, 2016 the Company entered into an agreement to lease premises in Vancouver, B.C. which requires the following payments in each of the below fiscal periods:

2016	\$29,640
2017	\$121,900
2018	\$125,240
2019	\$128,580
2020	\$131,920

The lease payments are subject to changes or increases in additional rent, generally described as the Company's portion of the landlord's common area charges and property taxes.

The Company has an employment agreement with the President and CEO of the Company that contains severance provisions whereby termination without cause could result in additional costs to the Company unless re-negotiated or settled otherwise.

Legend Power Systems Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended June 30, 2016

(Expressed in Canadian Dollars - Unaudited)

10. CONTINGENT LIABILITY

On May 25, 2015 the Company was named as a defendant in an action initiated by a former consultant for unpaid fees together with additional damages in the amount of \$100,000 for breach of contract, \$25,000 for aggravated damages and \$25,000 for punitive damages. In June 2016, the consultant agreed to dismiss the action and settle the matter in exchange for a payment of \$8,000 from the Company.

11. RELATED PARTY DISCLOSURES

The Company entered into the following related party transactions during the nine months ended June 30, 2016. The terms and conditions of the transactions were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities on an arm's length basis.

During the nine months ended June 30, 2016, the following amounts were incurred with respect to Key Management Personnel; being the Company's CEO and the CFO:

(i) Transactions with Key Management Personnel:

	9-months ended	
	June 30, 2016	June 30, 2015
	\$	\$
Salaries and fees to key management employees	218,703	226,500
Share based compensation	170,019	231,488

(ii) Transactions with Other Related Parties:

The following amounts were incurred with respect to non-executive directors of the Company:

	9-months ended	
	June 30, 2016	June 30, 2015
	\$	\$
Share based compensation	55,541	49,989

12. EVENTS AFTER THE REPORTING PERIOD

During July 2016, 1,780,031 warrants were exercised at \$.30 each for total proceeds of \$534,009.30. On July 31, 2016, 254,302 warrants with an exercise price of \$.30 expired unexercised.