



**FORM 51-102F1
EMPOWER TECHNOLOGIES CORPORATION
AMENDED MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

The following discussion and analysis, prepared as of May 1st, 2014, should be read together with the consolidated financial statements for the year ended December 31, 2013 and related notes attached thereto, which are prepared using accounting policies consistent with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

References in this document to “we”, “the Company” and “Empower” refer to Empower Technologies Corporation and its wholly owned subsidiaries. Empower operates through our wholly-owned Washington State subsidiary Empower Technologies, Inc. (“Empower US”), and indirectly through Empower Technologies (Canada) Inc. (“Empower Canada”), Empower Technologies (Shanghai) Inc. (“Empower Shanghai”), Empower Defense Systems Inc. (“EDS”) and AIC Global Communications Inc. The Company trades on the TSX Venture Exchange under the symbol EPT.

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

Empower Technologies (the “Company”) has completed its transformation from an embedded technology company into a full fledged revenue producing corporation through its operating subsidiaries.

The Company was founded on its core technology - engineered embedded hardware and software and later real-time image processing technology. Leveraging on its embedded and real-time imaging technology knowhow and expertise, the Company has acquired a telecommunication company on July 31, 2013 to provide the sale and marketing platform for the fully developed embedded and real-time image processing products and services.

On July 31, 2013, Empower has closed the purchase of AIC Global Communications Inc. (“AIC”). By acquiring AIC, Empower has gained a very strong and recognizable brand in the Canadian telecommunication market, a sale and marketing platform for its embedded and real-time imaging technologies, products and services and a telecommunication operating system platform. It also increases the revenue base of the Company. The Acquisition will provide AIC ability to access the growth capital from the public market when the needs arise. This ability will enable AIC to grow its VoIP phone services and fuel its expansion to full service SME Information Technology (“IT”) and managed business solution market that include security and surveillance, cloud based applications and other IT products and services. AIC will also leverage on Empower’s embedded hardware and software expertise to offer state-of-the-art communication, mobile and video technologies, products and services to their customers. For example, Empower’s Image Signal Correction (ISC) enabled surveillance

camera can be sold through AIC's sales and marketing channels to shopping malls, schools, universities and commercial/industrial buildings/parks for their cloud based video surveillance network needs. The main objective of AIC's expansion in the near term is to achieve rapid revenue growth and market penetration in metro Vancouver, Calgary and Toronto. Over the longer term, Empower is positioning AIC as a dominant VoIP phone service, security and surveillance, IT and managed business solutions, products and services provider for the small and medium enterprises in North America and leverage Empower's advanced embedded and video technologies to give it the competitive advantage.

Business Strategy

Subsequent to year-end, the Company has closed its wholly-owned subsidiary "Empower Defense Systems Inc." to focus 100% of the Company's resources in its two main lines of business. The first is a provider of Linux-based embedded system and real-time image processing technologies and solutions for the consumer electronic industry, security and surveillance, and the intelligent appliance market. The second is a provider of telecommunication and IT services for the residential and commercial market.

In order for the Company to gain market penetration and recognition of its advanced embedded and imaging technologies, products and services, the Company has commenced a growth strategy based on Merger and Acquisition of revenue producing companies as well as strategically dividing its business into two main lines of business:

I: Embedded and Image Processing Technologies:

Under this business line, Empower Technologies, Inc. ("Empower US") the US subsidiary of the Company, has held the following intellectual properties:

PROPRIETARY TECHNOLOGIES:

- Empower proprietary embedded operating system "LEOs" (*Linux Embedded Operating System*)
- Empower proprietary real-time image enhancement technologies
 - Real-Time Image Signal Correction (ISC)
 - Real-Time Image Motion Stabilization (IMS)

PATENTED TECHNOLOGIES:

- Invention Patent – Handwriting Recognition
 - One of only two handwriting recognition patents ever granted by the US Patent Office.
 - Method for processing handwritten character strokes entered into a computer system.
 - US Patent #: 7,280,695 B2
 - Filed: May 31, 2002.
 - Granted: October 9, 2007.
- Design Patent – Vehicle Dock for Smart Devices
 - Vehicle Expansion Dock For Smart Devices
 - US Patent #: US D586348 S

Empower US is continuing to investigate with legal professionals in Canada and the US on the best practices to enforce Empower's stylus based handwriting recognition utility patent ("Utility Patent") first announced on October 9, 2007. Utility Patent is also referred to as "patent for invention". It generally provides the patent owner to exclude others from making,

using, or selling the invention for a period up to twenty years from the date of patent application filing. See the U.S. Code Title 35 - Patents for a full description of patent laws.

For detail on Types of Patents follow this link:

<http://www.uspto.gov/web/offices/ac/ido/oeip/taf/patdesc.htm>.

The introduction of the latest leading edge smartphone, tablet computer and other powerful mobile computing devices are making them a natural fit to apply Empower's patented stylus based natural handwriting input method. Using the Empower Utility Patent, it permits the user to write naturally using a stylus and the device will recognize the natural continuous written characters in real time. It also removes many of the earlier drawbacks in handwriting applications such as preprogrammed strokes, matching characters, single character input and recognition.

For more information on the stylus based handwriting recognition Utility Patent granted to Empower, please visit <http://www.uspto.gov/> and search for US Patent No. 7,280,695 titled "System and Method of pen-based data input into a computing device".

The Company will pursue avenues to license its stylus based handwriting recognition Utility Patent to companies already using the technology in their products.

Empower US also has a Canadian subsidiary "Empower Technologies (Canada) Inc." ("Empower Canada"). Empower Canada is the research and development arm of Empower US and indirectly the operating arm for Empower Technologies Corporation. Empower Canada is focused on the sales and marketing of embedded hardware and software and real-time image processing technologies. Empower Canada also believes most of its revenue will be generated from engineering services, OEM manufacturing and hardware products.

II. Telecommunication and IT Services:

AIC Global Communications Inc. ("AIC"), a wholly-owned subsidiary of the Company, is a CRTC approved Long Distance Telecommunications Company in Canada. AIC provides retail telecommunications services using Cisco's SIP phones and devices, as well as bi-lateral wholesale long distance traffic termination for national and international carriers using multiple class 4 soft switches to transit VoIP traffic between carriers and class 5 soft switches for local and long distance telephony services and additionally it provides services such as IP PBX ("Internet Protocol Private Branch Exchange") features, call center services, calling card platform, types of authorization to end-users and corporate clients. In general, soft switch software enables a computer to behave like a physical phone switch in a telephone network central office.

AIC's telephony products and services include legacy fixed line PSTN ("Public Switched Telephone Network") and Voice-over-Internet Protocol ("VoIP") based Long Distance telephone services, ADSL internet access service, prepaid telephone cards, postpaid long distance and international call back services. AIC has delivered over 600 state-of-the-art Smart Business VoIP phone services to the Small Medium Enterprises ("SME") market in Canada. AIC currently has annual revenue of around \$2 million based on existing business and is cash flow positive. Plans are now in place to deploy Managed Business Solutions to the SME market starting mid 2013 across Canada to grow revenue. AIC is also selling internet connection, TV service and IP Phone, the so called "Triple Play" to residential and business customers.

AIC's revenue growth will be through the execution of its business plan. First, to expand its sales and marketing effort of the Smart Business VoIP phone services, Hosted IP PBX business systems, security, surveillance and alarm monitoring services to the SME market

utilizing its Cloud based platforms. Second, launch the “Triple Play” service to residential and business customers. Plans are in place to sell Managed Business Solutions to the SMEs across Canada this year. Introduction of the triple play offering (High speed internet, TV and Home phone services) to AIC’s existing residential customer base and to new subscribers, the same package tailored to business customers will also be offered.

The Company Focus

The Company is currently focused on generating significant revenue from AIC Global Communications Inc. and to build a sales channel for Empower’s core technologies products and solutions such as LEOs embedded computer platforms, ISC and IMS enabled surveillance cameras and video stabilizers and from offering embedded engineering and full service manufacturing to developers and manufacturers.

The Company intends to generate and increase revenue by deploying the following strategy:

1. Using AIC Global Communications as the catalyst and the main driver to generate sales and profit growth and,
2. Empower Canada will focus their sales and marketing of their respective embedded and real-time Image processing technologies, products and services by leveraging on AIC Global Communications customers and sales channel;
3. Empower will accelerate its M&A activity of complementary businesses to leverage Empower’s technologies, products and services, sales and marketing platforms to achieve rapid revenue and profit growth;

Principal Products or Services:

The Company generates a significant portion of revenues through its newly acquired subsidiary – AIC. AIC has multiple deliverable arrangements and revenue streams comprised of upfront fees (one-time setup fees), Customer Premise Equipment (“CPE”) and related recurring subscription fee with contract. AIC also generates revenues through the sale of modems and gateways. Empower Canada has revenue from engineering and manufacturing service and hardware products such as Single Board Computer (“SBC”) and surveillance camera.

Recent Developments:

In the last quarter, the Company had the following developments:

1. Announced it has entered into a loan agreement dated November 29th, 2013 with the non-arm's length Directors and Officers of the Company (the "Lender") in the amount of \$600,000 (the "Loan").

The Loan will be secured by a general security interest granted by Empower, and will be repayable on or before November 30th, 2014. Empower will receive \$400,000 the first tranche at an interest rate of 12% per annum and an optional \$200,000 the second tranche at an interest rate of 13.2% per annum at the discretion of Empower on or before May 30, 2014 subject to certain terms and conditions. Early retirement of the Loan will have a three (3) months interest penalty on the principal amount repaid. The proceeds of the Loan will be mainly used as general working capital for Empower and working capital for Empower’s newly acquired subsidiary AIC Global Communications Inc. to finance its sales and marketing expansion plan.

In connection with the loan, Empower will issue, at no additional consideration and subject to Empower receiving the prior approval of the TSX Venture Exchange, 2,400,000 common shares in the capital of Empower (the "Shares"). The Shares shall be duly issued to the Lender effective as of the date the Loan is advanced. The Shares issued will be subject to a 4 months plus a day hold period commencing from the date of issuance.

2. Announced, further to the news release on December 2nd, 2013, it has received the TSX Venture Exchange approval of 2,400,000 Empower Bonus Shares (the "Shares") to the Company Directors and Officers (the "Lender") for a non-arm's length loan in the amount of \$600,000 (the "Loan") under a loan agreement dated November 29th, 2013. The Shares are duly issued to the Lender effective as of the date the Loan is first advanced. The Shares issued is subject to a 4 months plus a day hold period commencing from the date of issuance.

PERFORMANCE SUMMARY

For the year ended December 31, 2013, the Company has incurred a loss of \$1,584,167 or \$0.03 per share, compared with a loss of \$1,453,773 or \$0.03 per share in 2012. This loss represents expenditures related to the ongoing development and marketing of the Company's products and the operation of its subsidiary, AIC. This is consistent with the Company's business plan.

The total expenses excluding share-based payments increased to \$1,584,167, compared with \$1,216,008 for the year ended December 31, 2012. Revenue increased to \$803,842, compared to \$46,352 for the year ended December 31, 2012.

As at December 31, 2013 the Company had cash of \$364,080 compared to \$3,052 at December 31, 2012.

The Company expects overall operating expenses will stay at current levels until significant product shipments begin.

RESULTS OF OPERATIONS

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Sales			
Canada	\$ 803,842	\$ -	\$ 30,000
United States of America		\$ -	\$ 104,673
Asia		46,532	23,099
	<u>803,842</u>	<u>46,532</u>	<u>157,772</u>
Cost of Goods sold	368,103	10,152	51,127
Write-off of inventory	-	-	73,292
	<u>368,103</u>	<u>10,152</u>	<u>124,419</u>
Gross Margin	<u>435,739</u>	<u>36,380</u>	<u>33,353</u>
Total expenses	<u>2,044,731</u>	<u>1,243,320</u>	<u>1,405,370</u>
Other items (expenses)	(529)	(246,833)	(422,788)

Total expenses without stock-based compensation	<u>(2,044,731)</u>	<u>(1,216,008)</u>	<u>1,405,370</u>
Loss for the period			
Canada	(1,584,167)	(1,442,665)	(1,824,253)
United States of America	<u>-</u>	<u>(11,108)</u>	<u>29,448</u>
	<u>\$ (1,584,167)</u>	<u>\$ (1,453,773)</u>	<u>\$ (1,794,805)</u>
Loss per share	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
Total assets	<u>1,132,998</u>	<u>64,888</u>	<u>163,983</u>

Revenue

Revenues generated for the year ended December 31, 2013 were \$803,842, compared with \$46,532 for fiscal 2012. The increase is mainly attributable to the acquisition of its subsidiary, AIC. These sales are mainly attributed to the sales in the telecommunication industry. All of the sales in this period are attributable to products and services provided in Canada.

Cost of Sales

Cost of sales for the year ended December 31, 2013 increased to \$368,103 (2012 - \$10,152). Excluding the write off of inventory, cost of sales represented 54% of revenue for the year ended 2013 (2012- 22%). The change is attributable to the gross margin from its telecommunication products that are prevalent in the telecom industry.

General and Administrative

	2013	2012
General and Administrative Expenses without R&D	2,006,702	1,134,937
Advertising and promotion	25,827	19,655
Bad Debt	829	65,000
Consulting fees	325,948	202,500
Directors' fee	72,000	-
Office expenses	26,897	8,353
Rent	59,439	19,539
Travel	19,484	41,038
Wages and benefits	310,145	117,869

General and administrative expenses without R&D for the year ended December 31, 2013 increased to \$2,006,702 (2012- \$1,134,937). Wages and benefits increased to \$310,145 (2012 - \$117,869). Advertising and promotion increased to \$25,827 (2012 - \$19,655). Travelling expenses decreased to \$19,484 (2012 - \$41,038). Office expenses increased to \$26,897 (2012 - \$8,353). Rent increased to \$59,439 (2012 - \$19,715). Consulting fee increased to \$325,948 (2012 - \$202,500). Bad debt decreased to \$829 (2012 - \$65,000). Directors fees increased to \$72,000 (2012 - \$Nil). A concerted effort to maintain the administrative costs in line with the budget was successful during year 2013.

Research and Development

Research and Development costs (“R&D costs”) relating to the development of LEOs, adding new operating software and new products, are expensed as incurred. R&D costs for the year ended December 31, 2013 were \$38,029 compared to \$108,383 for 2012. The R&D cost decrease is due to the new developments which are either at early stage or their resources requirements are much lower.

	Year Ended December 31, 2013	Year Ended December 31, 2012
Equipment and supplies	\$ -	(\$5,295)
Rent	34,029	45,590
Salaries and benefits	4,000	68,088
	\$38,029	\$108,383

SUMMARY OF QUARTERLY RESULTS (i)

	Three Months Ended December 31, 2013	Three Months Ended September 30, 2013	Three Months Ended June 30, 2013	Three Months Ended March 31, 2013
Total assets	\$ 1,132,998	\$ 406,489	\$ 68,058	\$ 130,250
Share-based payments	-	-	-	-
Working capital (deficiency)	(3,944,244)	(3,455,983)	(3,152,484)	(2,900,555)
Shareholders’ deficiency	(5,447,749)	(6,148,833)	(4,687,683)	(5,593,282)
Revenues	213,510	555,097	35,235	-
Net loss	(642,014)	(327,982)	(301,901)	(312,270)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

	Three Months Ended December 31, 2012	Three Months Ended September 30, 2012	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012
Total assets	\$ 64,888	\$ 342,945	\$ 356,335	\$ 207,936
Share-based payments	(5,017)	8,615	11,857	11,857
Working capital (deficiency)	(2,760,858)	(2,282,776)	(2,006,692)	(1,840,981)
Shareholders’ deficiency	(5,452,562)	(4,965,348)	(4,687,683)	(4,521,304)

Revenues	24,667	-	21,865	-
Net loss	(481,427)	(286,280)	(259,286)	(426,780)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

(i) Presented using accounting policies consistent with International Financial Reporting Standards

FOURTH QUARTER RESULTS

Revenue for the fourth quarter ended December 31, 2013 was \$226,880 compared to \$24,667 for the fourth quarter ended December 31, 2012. The increase is due to the sales from the newly acquired subsidiary AIC. Due to holiday season, the sales in fourth quarter were less than the third quarter of 2013.

The general and administrative cost for the fourth quarter ended December 31, 2013 increased due to the cost of coming from the newly acquired subsidiary AIC and the increase in interest expense for the new loan in 2013.

R&D costs for the fourth quarter ended December 31, 2013 were \$4,861 compared to \$27,581 for the fourth quarter of 2012 and \$18,584 for the third quarter ended September 30, 2013.

LIQUIDITY

The Company has financed its operations to date primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt. As at December 31, 2013, there were 2,165,000 share purchase warrants outstanding. These warrants represent a source of equity capital for Empower, should they be exercised.

The consolidated financial statements have been prepared using accounting policies in accordance with International Financial Reporting Standards on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	2013	2012
Deficit	(32,105,290)	(30,521,123)
Working capital	(3,944,244)	(2,760,858)

Net cash used in operating activities for the year ended December 31, 2013 was \$893,419 compared to net cash used of \$567,709 for the year ended December 31, 2012. The cash used in operating activities for the year consisted primarily of operating expenses, office, marketing and sales activities, R&D and engineering activities.

Net cash used for investing activities for the year ended December 31, 2013 was \$121,328 and for the year ended December 31, 2012 was \$118,840.

Net cash provided by financing activities for the year ended December 31, 2013 was \$1,107,402 compared to net cash provided of \$667,402 for the year ended December 31, 2012. The cash provided during the year was due to the proceeds from issuance of common shares, issuance of debentures and proceeds from loan.

As of December 31, 2013, the Company had \$364,080 in cash compared to \$3,052 as at December 31, 2012.

CAPITAL RESOURCES

The authorized capital of the Company consists of unlimited common shares without par value. As at December 31, 2013, there are 64,075,279 common shares issued and outstanding.

Empower has 1,440,000 outstanding stock options as of December 31, 2013. Should these stock options be exercised by the holders, then the equity contributed to the company would be \$144,000.

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,540,000	\$ 0.10	2,486,662	\$ 0.12
Options granted	-	-	-	-
Options forfeited	(70,000)	0.10	(615,000)	0.10
Options expired or cancelled	(30,000)	-	(331,662)	0.27
Outstanding, end of year	1,440,000	\$ 0.10	1,540,000	\$ 0.10
Number of options exercisable, end of year	1,440,000	\$ 0.10	1,060,000	\$ 0.10

Empower has 2,165,000 share purchase warrants outstanding as of December 31, 2013. Should these warrants be exercised by the warrant holders, then the equity contributed to the Company would be \$2,165,000.

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	2,551,000	\$0.21	2,833,150	\$0.25
Warrants granted	2,165,000	\$0.10	901,000	\$0.15
Warrants expired	(2,551,000)	\$0.21	(1,183,150)	\$0.25
Outstanding, end of year	2,165,000	\$0.10	2,551,000	\$0.21
Number of warrants currently exercisable	2,165,000	\$0.10	2,551,000	\$0.21

As at December 31, 2013, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,165,000	\$0.10	April 2, 2014

Empower has not committed to any material future capital expenditure.

COMMITMENTS

The Company has entered into an operating lease agreement for its premises. The annual basic lease commitments under this lease are as follows:

Not later than one year	\$ 106,695
Later than one year and no later than five years	\$ 230,354
	\$ 337,049

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

OUTSTANDING SHARES

As at April 30, 2014, the Company has 66,475,279 common shares outstanding. Changes since December 31, 2011 are as follows:

	Shares
Balance, December 31, 2011	52,507,279
Shares for debt to directors	2,688,000
Non-brokered private placement	1,550,000
Balance, December 31, 2012	56,745,279
Balance, December 31, 2012	56,745,279
Non-brokered private placement	4,330,000
Share issued for acquisition	3,000,000
Balance, December 31, 2013	64,075,279
Bonus shares issues	2,400,000

RELATED PARTY TRANSACTIONS

Key management includes directors, and officers of the Company. The Company entered into the following transactions with related parties:

	2013	2012
Consulting fees (i)	\$ 192,000	\$ 188,000
Salaries (ii)	60,000	-
Directors' fees	72,000	
Short-term benefits	324,000	188,000
Share-based payments	-	26,540
Key management compensation	\$ 324,000	\$ 214,540

(i) Consulting fees are paid or accrued to a Company controlled by certain officers and directors of the Company.

(ii) Salaries are paid to the President of AIC and his spouse.

The Company has incurred \$535,958 (2012: \$424,357) in interest on short-term and long-term loans and convertible debentures made by certain officers and directors of the Company during the year ended December 31, 2013.

CRITICAL ACCOUNTING ESTIMATES**Use of estimates and judgments**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the years reported. Significant areas requiring the use of management estimates include the determination of impairment of property and equipment, depreciation rates for equipment, effective interest rate used in calculating the debt portion of convertible debenture, deferred income tax assets and liabilities, allowance for doubtful accounts, provisions including amounts for inventories and the determination of the assumptions used in calculating fair value of share-based payment calculations. Actual results could differ from these estimates.

FINANCIAL INSTRUMENTS AND RISK

Cash is classified as fair value through profit or loss. The carrying value of accounts receivable, accounts payable, amounts due to related parties, obligation under finance lease, convertible debenture and loans payable approximated their fair value.

Financial instruments measured at fair value on a recurring basis on the financial position are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 364,080	\$ -	\$ -	\$ 364,080

The Company is exposed to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

(i) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfil its contractual obligations. Such risk arises principally from certain financial assets held by the Company consisting of trade receivables. The maximum exposure to credit risk of the Company at period end is the carrying value of these financial assets.

The Company's cash is held with high-credit quality financial institutions. Provisions for doubtful accounts are made on a customer by customer basis. All write downs against receivables are recorded in the Consolidated Statement of Operations and Comprehensive Loss. The Company is exposed to credit related losses on sales to customers outside of North America due to higher risks of enforceability and collectability. Accounts receivable at December 31, 2013 are comprised of trade accounts receivable. The Company had an allowance of doubtful accounts of \$31,500 as at December 31, 2013 (2012 - \$31,500).

(ii) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments.

(a) Foreign Exchange Risk – The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily the U.S. Dollar and the Chinese Renminbi. Foreign exchange risk arises from sales and purchase transactions as well as recognized financial assets and liabilities that are denominated in currencies other than the Canadian dollar, which is the functional currency of the Company and its subsidiaries.

During the year ended December 31, 2013 and at December 31, 2012, the Company held only minor amounts of cash deposits in foreign currencies.

(b) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not have any debt instruments outstanding with variable interest rates at December 31, 2013. Financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. No hedging relationships have been established for the related monthly interest or for the principal payments. The Company manages its interest rate risk by minimizing financing costs on its borrowings and maximizing income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day to day basis.

(iii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2013, the Company had cash of \$364,080. The continuation of the Company depends upon the support of its lender and equity investors, which cannot be assured.

SUBSEQUENT EVENTS

- a) During the year ended December 31, 2013, the Company committed to issue 2,400,000 shares to officers of the Company in relation to a loan of \$600,000 that was advanced to the Company (Note 8c). These shares were classified as shares issuable. Subsequent to year-end, the Company issued 2,400,000 shares with a value of \$84,000 on the date the loan was advanced.