

EMPOWER TECHNOLOGIES CORPORATION

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Six-month periods ended June 30, 2014 and 2013

Notice to Readers

Under National Instrument 51-102, Part 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company for the period ending June 30, 2014 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

EMPOWER TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014, AND DECEMBER 31, 2013
(Expressed in Canadian Dollars) (Unaudited – Prepared by Management)

	June 30, 2014	December 31, 2013
ASSETS		
Current		
Cash	\$ 112,934	\$ 364,080
Accounts Receivable	156,107	94,643
Inventory (Note 3)	21,898	12,761
Prepaid expenses	18,882	13,376
Total current assets	309,821	484,860
Property and equipment (Note 5)	236,868	209,275
Intangible Assets (Note 6)	390,987	438,863
Total assets	\$ 937,676	\$ 1,132,998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11)	1,552,744	\$ 1,477,773
Current portion of obligations under finance lease (Note 10)	23,504	23,504
Convertible debentures and interest (Note 7)	489,199	444,826
Loans payable (Note 11)	2,608,181	2,095,175
Customer deposits	197,239	199,626
Deferred Revenues	37,890	188,200
	4,908,757	4,429,104
Long Term		
Convertible debentures (Notes 7 and 11)	2,120,114	2,120,114
Obligations under finance lease (Note 10)	29,521	21,529
Provisions (Note 2)	10,000	10,000
Total Liabilities	7,058,392	6,580,747
Shareholders' Deficit		
Capital stock (Note 8)		
Authorized: Unlimited common shares without par value		
Issued and outstanding 71,115,279 shares (2013 – 61,075,279)	22,878,123	22,878,123
Contributed surplus	2,705,979	2,621,979
Equity portion of convertible debenture issued	1,019,438	1,019,439
Subscriptions received	54,000	54,000
Shares issuable (Note 8)	-	84,000
Deficit	(32,778,256)	(32,105,290)
Total shareholders' deficit	(6,120,716)	(5,447,749)
Total liabilities and shareholders' deficit	\$ 937,676	\$ 1,132,998

Nature and continuance of operations (Note 2)**Commitments (Note 16)****Subsequent events (Note 17)**

Approved by the Board of Directors on September 30, 2014:

“Paul Leung”

Director

“Edward Bagg”

Director

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

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars) (Unaudited – Prepared by Management)

	Six Month Period Ended June 30, 2014	Six Month Period Ended June 30, 2013	Three Month Period Ended June 30, 2014	Three Month Period Ended June 30, 2013
REVENUES				
Telecommunication services	\$ 1,117,891	\$ -	\$ 465,570	\$ -
Telecommunication products	94,581	-	89,396	-
Other Products	800	88,069	-	35,235
	1,213,272	88,069	554,966	35,235
COST OF SALES				
Cost of telecommunication services	526,213	-	262,281	-
Cost of telecommunication products	73,289	-	57,958	-
Cost of other products	-	94,324	-	53,242
	599,502	94,324	320,239	53,242
GROSS PROFIT	613,770	(6,255)	234,727	(18,007)
EXPENSES				
Accounting and audit	-	27,025	-	22,275
Advertising and promotion	21,184	5,151	9,509	2,935
Bad debts	1,297	-	609	-
Bank charges and interest	11,405	3,702	6,121	1,949
Consulting fees (Note 11)	241,918	108,293	94,866	49,943
Depreciation of property and equipment (Note 5)	12,150	3,014	6,506	1,507
Depreciation of assets under finance lease (Note 5)	18,880	828	11,602	414
Amortization of intangible assets (Note 6)	47,876	-	23,938	-
Directors' fee (Note 11)	36,000	36,000	18,000	18,000
Foreign exchange gain / loss	(6,085)	(751)	984	1,173
Insurance	16,028	9,604	8,022	4,216
Interest and accretion on debentures (Note 11)	310,748	134,871	157,353	68,637
Interest on loans payable (Note 11)	230,400	167,068	117,869	85,025
Legal fees	1,418	6,289	820	1,525
Office expenses	24,679	9,146	9,862	3,671
Rent	65,860	11,711	34,253	5,461
Research and development	-	33,168	-	18,584
Telephone and utilities	15,843	5,163	3,490	3,088
Transfer agent and filing fees	17,125	31,262	8,002	12,724
Travel	14,238	13,331	5,035	7,164
Wages and benefits (Note 11)	374,029	3,144	194,287	(23,447)
	1,289,187	609,521	711,127	284,844
Loss before other items	(675,417)	(615,776)	(476,400)	(302,851)
OTHER ITEMS				
Interest and other income (expense)	2,451	1,605	1,108	950
Loss and comprehensive loss from continuing operations	(672,966)	(614,171)	(475,292)	(301,901)
Loss and comprehensive loss for the period	\$ (672,966)	\$ (614,171)	\$ (475,292)	\$ (301,901)
Basic and diluted loss per common share from continuing operations	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	66,475,279	58,409,287	66,475,279	60,073,296

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

Amended and Restated

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
SIX MONTH PERIOD JUNE 30, 2014 AND 2013
(Expressed in Canadian Dollars) (Unaudited – Prepared by Management)

	Number of Shares	Capital Stock	Contributed Surplus	Equity Portion of Convertible Debenture	Equity Subscription Received	Shares Issuable	Deficit	Total
Balance, December 31, 2012	56,745,279	\$ 22,385,170	\$ 2,621,979	\$ 61,412	-	\$ -	\$ (30,521,123)	\$ (5,452,562)
Non-brokered private placement	4,330,000	216,500	-	-	4,000	-	-	220,500
Loss for the year	-	-	-	-	-	-	(614,171)	(614,171)
Balance, June 30 2013	61,075,279	\$ 22,601,670	\$ 2,621,979	\$ 61,412	-	\$ -	\$ (31,135,294)	\$ (5,846,233)
Balance, December 31, 2013	64,075,279	\$ 22,878,123	\$ 2,621,979	\$ 1,019,439	\$ 54,000	\$ 84,000	\$ (32,105,290)	\$ (5,846,233)
Share issued for the shares issuable	2,400,000	-	84,000	-	-	(84,000)	-	-
Loss for the period	-	-	-	-	-	-	(672,966)	(672,966)
Balance, June 30 2014	66,475,279	\$ 22,878,123	\$ 2,705,979	\$ 1,019,439	\$ 54,000	\$ -	\$ (32,778,256)	\$ (6,519,199)

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

EMPOWER TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Six Month Period Ended June 30, 2014	Six Month Period Ended June 30, 2013	Three Month Period Ended June 30, 2014	Three Month Period Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss from continuing operations	\$ (672,966)	\$ (614,171)	\$ (475,292)	\$ (301,901)
Items not affecting cash:				
Depreciation of property and equipment	31,030	3,842	25,386	1,921
Amortization of intangible assets	47,876	-	23,938	-
Accretion and accrued interest on convertible debenture	45,247	22,296	24,731	1,106
Accrued interest on loans payable	194,377	98,901	81,846	5,295
Interest on lease	3,126	-	2,062	-
Bad debt	1,297	-	609	-
Translation gain or loss	(6,085)	-	7,069	-
Gain on the customer account settlement	-	5,464	-	-
Changes in non-cash working capital items:				
Accounts receivables	(66,464)	2,674	(33,838)	(21,224)
Inventory	(9,137)	-	-	-
Prepaid expenses	(5,506)	(342)	52,702	(13,209)
Accounts payable and accrued liabilities	74,971	(81,057)	55,229	(93,564)
Customer deposits	(2,386)	-	(1,667)	-
Deferred revenue	(150,310)	-	(36,421)	-
Net cash used in operating activities	(509,930)	(250,123)	(209,809)	(109,306)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and equipment	(27,593)	-	(18,833)	-
Net cash used in investing activities	(23,913)	-	(18,833)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of capital lease obligations	(17,661)	(1,798)	(12,827)	(899)
Repayment of convertible debentures	-	-	-	-
Proceeds of loans payable	454,000	49,583	454,000	-
Share proceeds received in advance	-	4,000	-	4,000
Transaction Costs	(52,360)	-	-	-
Repayment of loans payable	-	-	-	49,583
Proceeds from debenture payable	-	(8,818)	-	(8,818)
Proceeds from issuance of common shares	-	216,500	-	44,950
Net cash provided by financing activities	286,080	259,467	305,811	88,816
Change in cash during the year from continuing operations	(251,146)	9,344	77,169	(20,490)
Change in cash during the year from discontinued operations				
Cash, beginning of the period	364,080	3,052	35,765	32,886
Cash, end of the period	\$ 112,934	\$ 12,396	\$ 112,934	\$ 12,396

Supplemental disclosure with respect to cash flows (Note 15)

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

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Expressed in Canadian Dollars) (Unaudited – Prepared by Management)

1. REPORTING ENTITY

Empower Technologies Corporation (the “Company”) is incorporated in Canada, is a public company listed on the TSX Venture Exchange (“TSX-V”) and trades under the symbol EPT. The corporate headquarters and principal place of business is located at Suite 951 - 409 Granville Street, Vancouver, BC, V6C 1T2. Empower Technologies Corporation, the Company, is the holding company for Empower Technologies, Inc. and its subsidiary Empower Technologies (Canada) Inc. and for AIC Global Communications Inc. The Company and its subsidiaries have transformed from an embedded technology group of companies to a full-fledged innovative technology, products and services and manufacturing enterprise. Empower Technologies as a group caters to communication, VoIP service, TV and media, IT, security and surveillance, military, automotive and transportation, healthcare, industrial control and consumer electronics industries.

2. NATURE AND CONTINUANCE OF OPERATIONS

Basis of preparation

We prepare our financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with our most recent annual financial statements.

Statement of compliance

The consolidated financial statements have been prepared using accounting policies in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. Previously the Company prepared its consolidated annual and interim financial statements in accordance with Canadian generally accepted accounting principles.

Going concern

These consolidated financial statements have been prepared on a 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 rather than through a process of forced liquidation. The Company has incurred losses of \$32,778,256 since inception and further losses are anticipated in the development of its business plan. As at June 30, 2014, the Company has a working capital deficiency of \$4,505,794. These circumstances lead to significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company’s continuing operations as intended are dependent upon its ability to develop products and technologies that can be commercialized. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Expressed in Canadian Dollars) (Unaudited – Prepared by Management)

2. NATURE AND CONTINUANCE OF OPERATIONS (cont'd...)

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Empower Technologies, Inc. (incorporated in United States of America) and AIC Global Communications Inc. (incorporated in Canada). Empower Technologies (Canada) Inc. (incorporated in Canada) is a wholly-owned subsidiary of Empower Technologies, Inc. All intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. The consolidated financial statements include the results of operations for all subsidiaries listed above for the six months ending June 30, 2014.

Inventories

Inventories are carried at the lower of cost, using the weighted average method, and net realizable value. Inventories consist of material inventories; work in process and finished goods. The material inventory balances include electronic parts for research and development use. The work in process and finished goods balances include electronic consumer products. As at June 30, 2014 there is no balance for inventory and no balance for work in process.

Property and equipment

i) Recognition and measurement:

Items of property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in net profit (loss).

ii) Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit (loss) as incurred.

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Expressed in Canadian Dollars) (Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

iii) Depreciation:

Depreciation is calculated using the declining balance method at the following annual rates:

Computer equipment	Declining Balance 30%
Equipment under rental	Straight-line 4 years
Equipment under finance lease	Straight-line 5 years
Furniture and equipment	Declining Balance 20%
Leasehold improvements	Declining Balance 25%
Tools	Declining balance 20%
TV Equipment	Declining Balance 30%

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting period-end and adjusted, if appropriate.

Intangible assets

Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to complete development, and to use or sell the asset. These criteria are usually met when a regulatory filing has been made in a major market and approval is considered highly probable. The expenditures capitalized includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are expensed as incurred. Capitalized development expenditures are measured at cost less accumulated depreciation and accumulated impairment losses.

As at June 30, 2014 and 2013, no development expenditures were capitalized.

Customer relationships

Customer relationships represent the value of customer contracts and relationships acquired during the business combination of AIC Global Communications, Inc. that occurred in 2013. The amount is amortized on a straight-line basis over the estimated useful life of 5 years.

Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss (“FVTPL”). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

The Company has classified its cash as fair value through profit or loss and amounts receivable as loans and receivables. Accounts payable, loans payable and convertible debentures are classified as other financial liabilities, which are measured at amortized cost.

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Expressed in Canadian Dollars) (Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment

i) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each consolidated financial position reporting date to determine whether there is objective evidence that it is impaired or if objective evidence indicates that one or more loss events had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net profit (loss) and reflected in an allowance account against the respective financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net profit (loss).

ii) Non-Financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each financial position reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or group of assets. Impairment losses recognized in prior periods are determined at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An asset's carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are assessed by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount on provisions is recognized in finance costs.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any deferred income tax asset to the extent that it is not probable the asset will be realized.

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Expressed in Canadian Dollars) (Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

The Company records all share-based payments at their fair value. The share-based payments costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the net loss or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held, if applicable. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, if applicable, for the effects of all dilutive potential common shares, which consist of the stock options, warrants, and convertible debentures.

Share capital

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

Revenue recognition

The Company generates a significant portion of revenues through its subsidiary in the sale of telecommunication services. The Company has multiple deliverable arrangements comprised of upfront fees (one-time setup fees) and related subscription revenue. The Company also generates revenues through the sale of modems and gateways.

Upfront fees are non-refundable and are required for the customer to obtain access to the services provided by the Company. These fees are recognized in revenue in the period they occur as the Company has provided the services.

Revenue from telecommunications services include subscriber revenue earned as services are provided. Telecommunications service revenue is recognized in the period in which the services are rendered to customers.

Revenue from the sale of modems and gateways are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Deferred revenues

Deferred revenues primarily include: (i) prepayments received from customers under subscription agreements amortized into income over the term of the agreement as the services are provided, and (ii) unearned revenue for internet subscription agreements already paid for by customers.

Customer deposits

Customer deposits consist of security deposits obtained from customers as collateral for post-paid services.

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars) (Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Subsidiaries that have functional currencies other than Canadian dollars translate their statement of comprehensive loss items to Canadian dollars at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries, together with differences between their statement of comprehensive loss items translated at actual and average rates, are recognized in the accumulated other comprehensive income/loss.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning after January 1, 2013, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

i) New accounting standards effective January 1, 2013:

IFRS 7, Financial Instruments: Disclosures - requires entities to provide additional information about offsetting of financial assets and financial liabilities that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The adoption of this IFRS did not impact the Company's consolidated financial statements.

IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaced SIC-12, Consolidation-Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The adoption of this IFRS did not impact the Company's consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. The adoption of this IFRS did not impact the Company's consolidated financial statements.

IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The adoption of this IFRS did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

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SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
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4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd...)

IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in other comprehensive income (“OCI”) into two groups, based on whether or not items may be recycled to net income in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately including prior year comparatives. The adoption of this IFRS did not impact the Company’s consolidated financial statements.

ii) New Accounting Standards Issued But Not Yet Effective.

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company intends to adopt these standards when they become effective.

The following standard will be effective for annual periods beginning on or after January 1, 2014:

IFRS 10 Consolidated Financial Statements – In June 2012, the IASB issued an amendment to provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries fair value through profit or loss, rather than consolidate them. This amendment also set out disclosure requirements for investment entities. This amendment also impacts IFRS 12 – Disclosure of Interests in other entities and IAS 27 – Separate Financial Statements.

IAS 32 Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

IAS 36 Impairment of Assets – In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IAS 39 Financial Instruments: Recognition and Measurement – In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

IFRIC 21 Levies – IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The following standard will be effective for annual periods not earlier than January 1, 2018:

IFRS 9 Financial Instruments - In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

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5. PROPERTY AND EQUIPMENT

Cost (\$)	Computer equipment	Computer software	Equipment under rental	Equipment under finance lease	Furniture and equipment	Leasehold improvement	Tools	TV Equipment	Total
As at December 31, 2011 and 2012	\$144,343	-	-	-	109,889	28,724	38,501	-	321,457
Additions arising from business acquisitions	20,210	2,366	49,765	49,777	29,027	3,105	-	-	154,250
Additions	1,690	174	29,109	10,137	150	-	-	12,710	53,970
Dispositions	-	-	(3,883)	-	-	-	-	-	(3,883)
As at December 31, 2013	166,243	2,540	74,991	59,914	139,066	31,829	38,501	12,710	525,794
Additions	96	-	26,562	23,197	581	-	-	8,186	58,622
As at June 30, 2014	166,339	2,540	101,553	83,111	139,647	31,829	38,501	20,896	584,416
Accumulated Depreciation									
As at December 31, 2011	135,879	-	-	-	81,717	28,724	29,768	-	276,088
Depreciation	2,359	-	-	-	5,634	-	1,747	-	9,920
As at December 31, 2012	138,418	-	-	-	87,351	28,724	31,515	-	286,008
Depreciation	4,858	2,540	6,987	5,654	7,137	464	1,397	1,474	30,511
As at December 31, 2013	143,276	2,540	6,987	5,654	88,488	29,188	32,912	1,474	310,519
Depreciation	3,719	-	10,355	8,525	4,938	495	699	2,300	5,644
As at June 30, 2014	146,995	2,540	17,342	14,179	90,971	29,683	33,661	3,774	316,163
Carrying Amounts									
As at December 31, 2013	22,967	-	68,004	54,260	50,578	2,641	5,589	11,236	209,275
As at June 30, 2014	\$19,344	-	84,212	68,932	46,221	2,146	4,890	17,123	236,868

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6. INTANGIBLE ASSETS

As at June 30, 2014, intangible assets of \$390,987 (2013 - \$438,863) consist entirely of customer relationships acquired through the business combination of AIC Global Communications, Inc. occurred in 2013. The customer relationships are amortized over their estimated useful lives of five years.

Customer relationships are summarized as follows:

	\$
As at December 31, 2012	-
Additions arising from business acquisitions	478,759
As at December 31, 2013	478,759
Accumulated Amortization	
As at December 31, 2012	-
Depreciation	39,896
As at December 31, 2013	39,896
Depreciation	47,876
As at June 30, 2014	63,834
Carrying Amounts	
As at December 31, 2013	438,863
As at June 30, 2014	390,987

Estimated amortization expense for the customer relationships for each of the next five years is as follows:

Year Ended December 31,	\$
2014	95,752
2015	95,752
2016	95,752
2017	95,752
2018	55,855

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7. CONVERTIBLE DEBENTURES

	June 30, 2014	June 30, 2013
<p>On October 14, 2010, the Company closed a private placement of convertible debentures in the aggregate amount of \$318,528. The convertible debentures bear interest at the rate of 12% per annum and were convertible into common shares of the Company at \$0.50 per share until December 31, 2011. In January 2011, a convertible debenture of \$263,528 was converted into common shares of the Company at a reduced conversion rate of \$0.20 per share. The remaining balance of \$55,000 was extended until December 31, 2013 and further until December 31, 2014. Due to the modification, \$1,524 was allocated to equity. The debentures are unsecured.</p>	\$ 53,476	\$ 57,089
<p>In January 2011, the Company extended an existing debenture agreement with a principal amount of \$50,000 maturing on January 31, 2011 to May 15, 2011. In May 2011, maturity was extended to August 31, 2011 and further to December 31, 2011. It was further extended to December 31, 2014. Due to the modification, \$3,231 was allocated to equity. The debenture is unsecured and bears interest at 10% per annum.</p>	46,769	50,000
<p>In January 2011, the Company extended existing debenture agreements with an aggregate principal amount of \$20,000 maturing on January 31, 2011 to December 31, 2011 and further extended to December 31, 2014. During the current year, the Company paid down a principal portion of \$5,000. Due to the modification, \$657 was allocated to equity. The debentures are unsecured and bear interest at 10%.</p>	18,343	20,000
<p>On June 8, 2012, the Company closed a private placement of convertible debentures in the aggregate amount of \$270,000. The convertible debentures bear interest at the rate of 10% per annum payable quarterly and convertible into common shares of the Company at \$0.15 per share until December 8, 2013 and further extended to December 8, 2014. Due to the modification, \$30,656 was allocated to equity and there was \$3,545 expensed for accretion. The debentures are unsecured.</p>	242,888	228,124
Interest accrued	83,350	60,821
Short-term convertible debts	444,826	416,034
<p>During the current year, the Company converted a loan payable with a principal amount of \$2,724,457 into a convertible debenture expiring November 27, 2017, bearing interest at 10% per annum, compounded annually with an option at the discretion of the Lender to renew any remaining balance of the debt at the end of the five-year term for another three years or five years under the same terms and conditions. Transaction costs of \$14,372 were allocated accordingly. \$912,577 was allocated to equity and \$317,792 was expensed for accretion. The convertible debenture has a general security agreement.</p>	2,120,114	-
	\$ 2,560,940	\$ 416,034

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8. CAPITAL STOCK AND CONTRIBUTED SUPRLUS

During the three months ended June 30, 2014:

- a) The Company issued 2,400,000 bonus shares for the share issuable committed in 2013. (Note 10)

During the year ended December 31, 2013:

- a) The Company issued 3,000,000 common shares for the acquisition of AIC Global Communications Inc. (Note 2). The fair value of the shares issued was \$285,000.
- b) The Company completed a non-brokered private placement of 4,330,000 units at a price of \$0.05 per unit for gross proceeds of \$216,500. Each unit is comprised of one common share and one common share purchase warrant. Each share purchase warrant is exercisable for a term of one year at a price equal to \$0.10.
- c) The Company incurred total share issuance costs of \$8,547 in relation to the private placement units and convertible debentures issued during the year.

9. STOCK OPTIONS AND WARRANTS

a) Stock options

On September 19, 2003, the Company adopted a stock option plan under which it is authorized to grant options to directors and employees to acquire common shares, up to an amount equivalent to 20% of the outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant, less applicable discounts. The options can be granted for a maximum term of five years.

Under the stock option plan, options granted to officers and directors are to vest over a period of three years, whereas options granted to consultants are to vest over a period of four years. The maximum number of shares that may be reserved for issuance is 12,200,000 common shares.

As at June 30, 2014, the following incentive stock options are outstanding and exercisable:

Number of Shares	Exercise Price	Expiry Date
1,440,000	\$ 0.10	August 23, 2015

The weighted average contractual life of stock options outstanding as at June30, 2014 is 1.15 years

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9. STOCK OPTIONS AND WARRANTS (cont'd...)

Stock option transactions are summarized as follows:

	Six Months Ended June 30, 2014		Six Months Ended June 30, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,440,000	\$ 0.10	2,486,662	\$ 0.12
Options granted	-	-	-	-
Options forfeited	-	-	-	-
Options expired or cancelled	-	-	(291,662)	0.22
Outstanding, end of period	1,440,000	\$ 0.10	2,195,000	\$ 0.11
Number of options exercisable, end of period	1,440,000	\$ 0.10	747,500	\$ 0.10

Share-based payments

During the three months ended June 30, 2014 the Company recorded \$Nil (2013 - \$Nil) for share-based compensation.

b) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Six Months Ended June 30, 2014		Six Months Ended June 30, 2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	2,165,000	\$0.21	2,551,000	\$0.25
Warrants granted	-	-	-	-
Warrants expired	(2,165,000)	-	-	-
Outstanding, end of the period	-	-	2,551,000	\$0.21
Number of warrants currently exercisable	-	-	2,551,000	\$0.21

As at June 30, 2014, there is not warrant outstanding.

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10. OBLIGATIONS UNDER FINANCE LEASES

	June 30, 2014	June 30, 2013
Finance lease obligations due over lease terms expiring through 2017	\$ 53,025	\$ 5,393
Less: current portion	(23,504)	(899)
	<u>\$ 29,521</u>	<u>\$ 4,494</u>

Estimated remaining lease payments are as follows:

2014	33,246
2015	33,713
2016	10,519
2017	447

11. RELATED PARTY TRANSACTIONS

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

- a) Paid or accrued consulting fees of \$96,000 (six month period ended June 30, 2013 - \$96,000) for services provided by directors and officers of the Company.
- b) Paid or accrued salaries and benefits of \$76,356 (six month period ended June 30, 2013 - \$76,356) for services provided by the President of AIC and the officer who is also the wife of the President of AIC.
- c) Paid or accrued directors' fees of \$72,000 (six month period ended June 30, 2013 - \$72,000) for services provided by directors and officers of the Company.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

Balances due to related parties consist of the following:

	Six Months Ended, June 30, 2014	Six Months Ended, June 30, 2013
Accounts payable (i)	\$1,301,015	\$908,646
Short-term loan (ii)	2,228,640	1,415,872
Long-term loans (iii)	183,269	2,724,457
Convertible debentures (iv)	2,120,114	-

(i) Unsecured, non-interest bearing and due on demand

(ii) Secured by a general security agreement bearing interest from 12-14% per annum and due on demand.

(iii) Unsecured, bearing interest at 10%

(iv) See Note 7.

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12. SEGMENTED INFORMATION

The Company operates in one reportable operating segment. During the six months period ended on June 30, 2014 and 2013, all revenues were earned from customers in Canada.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Six month period ended June 30, 2014	Six month period ended June 30, 2013
Cash paid during the period for interest	\$ 97,602	\$ 25,008
Cash paid during the period for income taxes	\$ -	\$ -

During the six month period ended June 30, 2013 the Company:

- Closed a non-brokered private placement issuing 4,330,000 units at a price of \$0.05 per unit for gross proceeds of \$216,500. Each unit is comprised of one common stock and one common share purchase warrant. Each share purchase warrant is exercisable for a term of one year at a price equal to \$0.10,

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During the six month period ended June 30, 2012 the Company:

- issued 2,688,000 of common stock, the proceeds of \$134,400 debt to its directors.

14. FINANCIAL INSTRUMENTS AND RISK

The carrying value of accounts receivable, accounts payable and accrued liabilities, obligation under finance lease, convertible debenture and loans payable approximated their fair value.

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

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 112,934	\$ -	\$ -	\$ 112,934

The Company is exposed to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management monitors 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 cash and 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 trade receivables are recorded in the consolidated statement of comprehensive loss. Amounts receivable at June 30, 2014 are comprised of trade accounts receivable. Sufficient allowance for doubtful accounts is set up as at June 30, 2014.

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14. FINANCIAL INSTRUMENTS AND RISK (cont'd...)

(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 six month period ended June 30, 2014 and at December 31, 2013, 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 June 30, 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 June 30, 2013, the Company had cash of \$112,934. Monthly operating expenses approximate \$112,161. The continuation of the Company depends upon the support of its lender and equity investors, which cannot be assured.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its assets while at the same time maintaining investor and market confidence and to sustain future development of the business. In the management of capital, the Company includes shareholder's equity, convertible debentures and loans payable in the definition of capital. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt with different characteristics or acquire and dispose of assets. There were no changes in the Company's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

16. 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	\$ 55,547
Later than one year and no later than five years	\$ 228,062
	<u>\$ 283,609</u>

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17. SUBSEQUENT EVENTS

Subsequent to period ended June 30, 2014:

- a) July 2, 2014, Empower has proceeded with the TSX Venture Exchange approval to issue 1,600,000 common shares in the capital of Empower (“the “Bonus Shares”) to the Company Directors and Officers (the “Lender”) for a non-arm’s length loan in the amount of \$400,000 (the “Loan”) under a loan agreement dated May 12th, 2014.
- b) July 2, 2014 Empower has proceeded with the TSX Venture Exchange Approval to issue 2,500,000 common shares at \$0.05 per share to the directors and the employees of the Company to retire the \$125,000 outstanding debt owed.