EMPOWER TECHNOLOGIES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2014 and 2013

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Empower Technologies Corporation

We have audited the accompanying consolidated financial statements of Empower Technologies Corporation which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Empower Technologies Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Empower Technologies Corporation to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
April 30, 2015

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

	December 31, 2014	December 31, 2013
ASSETS		
Current		
Cash	$ 17,752	$ 364,080
Accounts receivable	74,479	94,643
Inventory	23,084	12,761
Prepaid expenses	22,188	13,376
Total Current Assets	137,503	484,860
Long Term		
Property and equipment (Note 5)	210,898	209,275
Intangible assets (Note 6)	343,111	438,863
Total Assets	$ 691,512	$ 1,132,998
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 11)	$ 547,381	$ 1,477,773
Convertible debentures and interest (Notes 7 and 11)	1,030,885	664,292
Current portion of obligations under finance lease (Note 10)	23,824	23,504
Customer deposits	195,204	199,626
Deferred revenues	185,893	188,200
Short-term advances and loans payable (Note 11)	4,007,565	2,095,175
	5,990,752	4,648,570
Long Term		
Convertible debentures (Notes 7 and 11)	2,048,211	1,900,648
Obligations under finance lease (Note 10)	11,942	21,529
Provisions (Note 1)	10,000	10,000
Total Liabilities	8,060,905	6,580,747
Shareholders' Deficiency		
Capital stock (Note 8)	23,136,523	22,878,123
Contributed surplus (Note 8)	2,657,079	2,621,979
Equity portion of convertible debenture	1,050,094	1,019,439
Subscriptions received	-	54,000
Shares issuable (Note 8)	8,000	84,000
Deficit	(34,221,089)	(32,105,290)
Total Shareholders' Deficiency	(7,369,393)	(5,447,749)
Total Liabilities and Shareholders' Deficiency	$ 691,512	$ 1,132,998

Going concern (Note 1)
Commitments and Contingencies (Note 17)

Approved and authorized for issue by the Board of Directors on April 30, 2015:

Edward Bagg Director Paul Leung Director

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

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

	Year Ended December 31, 2014	Year Ended December 31, 2013
REVENUES		
Telecommunication services	$ 1,875,883	$ 759,096
Telecommunication products	132,647	44,746
	2,008,530	803,842
EXPENSES		
Accounting and audit	75,000	27,025
Advertising and promotion	49,455	25,827
Amortization of intangible assets (Note 6)	95,752	39,896
Bad debts	3,178	829
Bank charges and interest	22,985	71,592
Consulting fees (Note 11)	474,248	325,948
Cost of telecommunication services	929,959	328,571
Cost of telecommunication products	109,272	39,532
Depreciation of property and equipment (Note 5)	22,615	17,869
Depreciation of assets under finance lease (Note 5)	44,238	12,642
Directors' fees (Note 11)	72,000	72,000
Foreign exchange (gain) loss	(5,424)	10,106
Insurance	27,576	27,541
Interest and accretion on convertible debentures	544,811	547,545
Interest on short-term advances and loans payable	432,012	349,566
Legal fees	30,594	26,536
Office expenses	129,969	26,897
Rent	135,619	59,439
Research and development	-	38,029
Set-up costs	82,680	-
Severance payments (Note 11)	52,800	-
Telephone and utilities	23,249	13,004
Transfer agent and filing fees	23,585	22,811
Travel	32,990	19,484
Wages and benefits (Note 11)	757,325	310,145
	4,166,488	2,412,834
Loss before other items	(2,157,958)	(1,608,992)
OTHER ITEMS		
Gain on debt settlement (Note 8)	37,500	-
Interest and other income (expense)	4,659	(529)
Loss and comprehensive loss from continuing operations	(2,115,799)	(1,609,521)
DISCONTINUED OPERATIONS		
Income from discontinued operations (Note 18)	-	25,354
Loss and comprehensive loss for the year	$ (2,115,799)	$ (1,584,167)
Basic and diluted loss per common share from continuing operations	$ (0.03)	$ (0.03)
Basic and diluted loss per common share	$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding	67,886,731	61,229,553

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

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Equity Portion of Convertible Debenture	Equity Subscriptions 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	-	-	54,000	-	-	270,500
Share issuance on acquisition	3,000,000	285,000	-	-	-	-	-	285,000
Share issuance costs	-	(8,547)	-	-	-	-	-	(8,547)
Issuance of convertible debt	-	-	-	958,027	-	-	-	958,027
Share issuable	-	-	-	-	-	84,000	-	84,000
Loss for the year	-	-	-	-	-	-	(1,584,167)	(1,584,167)
Balance, December 31, 2013	64,075,279	$ 22,878,123	$ 2,621,979	$ 1,019,439	$ 54,000	$ 84,000	$ (32,105,290)	$ (5,447,749)
Issuance of bonus shares	2,400,000	84,000	-	-	-	(84,000)	-	-
Non-brokered private placement	540,000	18,900	35,100	-	(54,000)	-	-	-
Shares issued for the settlement of debt	2,500,000	87,500	-	-	-	-	-	87,500
Issuance of bonus shares	2,400,000	68,000	-	-	-	-	-	68,000
Modification of convertible debt	-	-	-	30,655	-	-	-	30,655
Share issuable	-	-	-	-	-	8,000	-	8,000
Loss for the year	-	-	-	-	-	-	(2,115,799)	(2,115,799)
Balance, December 31, 2014	71,915,279	$ 23,136,523	$ 2,657,079	$ 1,050,094	$ -	$ 8,000	$ (34,221,089)	$ (7,369,393)

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

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

	Year Ended December 31, 2014	Year Ended December 31, 2013
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss from continuing operations	$ (2,115,799)	$ (1,609,521)
Items not affecting cash:		
Depreciation of property and equipment	66,853	30,511
Amortization of intangible assets	95,752	39,896
Accretion and accrued interest on convertible debenture	544,811	422,041
Accrued interest on short-term advances and loans payable	368,137	-
Interest on lease	4,864	2,343
Bad debt	3,178	829
Gain on settlement of debt	(37,500)	-
Changes in non-cash working capital items:		
Accounts receivable	16,986	(7,430)
Inventory	(10,323)	(8,150)
Prepaid expenses	(8,811)	12,085
Accounts payable and accrued liabilities	(805,393)	235,004
Customer deposits	(4,422)	(10,331)
Deferred revenue	(2,307)	(696)
Net cash used in operating activities	(1,883,974)	(893,419)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Cash acquired on business combination	-	165,161
Purchase of property and equipment	(45,278)	(43,833)
Net cash (used in) provided by investing activities	(45,278)	121,328
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Repayment of finance lease obligations	(37,329)	(15,248)
Repayment of convertible debentures	-	(30,008)
Proceeds of loans payable	1,447,470	908,652
Proceeds of short-term advances (net of repayments)	172,783	-
Share proceeds received in advance	-	54,000
Transaction costs	-	(26,494)
Proceeds from issuance of common shares	-	216,500
Net cash provided by financing activities	1,582,924	1,107,402
Change in cash during the year from continuing operations	(346,328)	335,311
Change in cash during the year from discontinued operations	-	25,717
Cash, beginning of the year	364,080	3,052
Cash, end of the year	$ 17,752	$ 364,080

Supplemental disclosure with respect to cash flows (Notes 14 and 18)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 409 Granville Street, Vancouver, BC, V6C 1T2. The Company is a provider of telecommunication and IT services for the residential and commercial market. The Company also has linux-based embedded system technologies and solutions for the consumer electronics industry.

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 liquation. The Company has incurred losses of $34,221,089 since inception and further losses are anticipated in the development of its business plan. As at December 31, 2014, the Company has a working capital deficiency of $5,853,249. These factors form a material uncertainty that may cast significant doubt as to the ability of the Company to continue as 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.

The Company acquired a 100% interest in AIC Global Communications Inc. ("AIC") on July 31, 2013 from Y2K Investments Inc. (the "Vendor") for consideration of 3,000,000 common shares of the Company and a potential earn-out bonus of up to $400,000 dependant on thresholds being met for positive earnings before interest, taxes, depreciation and amortization (see below). The acquisition was considered a business combination under the provisions of IFRS 3 *Business Combinations.*

AIC is a telecommunications company which is licensed to operate and provide long distance and telecommunications services in Canada. It is regulated under the regulations of the Canadian Radio-television and Telecommunications Commission ("CRTC").

The Company's main reasons for completing this acquisition were to acquire a position in the telecommunications industry and to utilize already developed technologies to enhance the products and services provided. Accordingly, the Company has recognized customer relationships in this acquisition.

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (cont'd…)

The allocation of the fair value of the consideration paid to the identifiable assets acquired and liabilities assumed was as follows:

	$
Assets acquired:	
Cash	165,161
Trade and other receivable	72,276
Inventory	4,611
Prepaid expenses and deposits	11,106
Property and equipment	154,250
Customer relationships	478,759
	886,163
Less liabilities assumed:	
Accounts payable	111,931
Other payables	38,711
Customer deposits	209,957
Deferred revenue	188,896
Obligations under finance lease	41,668
	591,163
Net assets acquired	295,000
Shares issued	285,000
Contingent consideration provision	10,000
Fair value of consideration	295,000

As contingent consideration, the Company will pay a performance based earnout bonus payment up to a maximum of $400,000 ("Maximum Earnout") within the first three years from the date of acquisition subject to:

i) AIC generating positive earnings before interest, taxes, depreciation and amortization ("EBITDA") equal to or greater than $200,000 ("Annual Earnout") within any of those first three years from the date of closing of the share purchase transaction, then the Company will pay the Vendor 25% of the positive EBITDA in cash, provided that the Vendor has not received the Maximum Earnout from the cumulative Annual Earnout: or

ii) if AIC generates positive EBITDA equal to or greater than $25,000 but less than $200,000 within any of those first three years from the date of closing of the share purchase transaction, then the Company will pay the Vendor 10% of the positive EBITDA in cash, provided that the Vendor has not received the Maximum Earnout from the cumulative Annual Earnout.

The Vendor may elect by written notice to the Company to receive any portion of the Annual Earnout payable to the Vendor in the form of the Company's shares in lieu of cash; and the number of the Company's shares to be issued pursuant to such election shall be determined based on a conversion price that shall be the greater of the following:

i) a conversion price of $0.25 per the Company's share; or

ii) the Market Price of the Company's shares at the time of notice, as defined by the policies of the TSX-V, and shall be subject to resale restrictions, with 25% of such the Company's shares being released from the restrictions every six months.

The Company has recorded a provision of $10,000 to record the fair value of the earnout bonus as determinable at December 31, 2014.

2. BASIS OF PRESENTATION

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.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except 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.

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) and Empower Technologies (Shanghai) Inc. (incorporated in Shanghai) are wholly-owned subsidiaries 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 years ended December 31, 2014 and 2013 except for AIC Global Communications Inc., which is from the date of acquisition on July 31, 2013 to December 31, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect: the reported amounts of assets and liabilities at the date of the consolidated financial statements; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates

The Company's significant estimates and assumptions include the following:

- the allowance for doubtful accounts;
- the allowance for inventory obsolescence;
- the provision for contingent considerations;
- the estimated useful lives of property and equipment;
- the estimated useful life of customer relationships;
- the valuation of deferred income tax assets and liabilities;
- the fair values of financial instruments;
- the interest rates used in calculating the debt portion of convertible debentures; and
- the assumptions used in calculating fair value of share-based payment calculations.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Use of estimates and judgments (cont'd…)

Judgments

The Company's significant judgments, apart from those involving estimation, include the following:

- In respect of revenue-generating transactions, generally the Company must make judgments that affect the timing of the recognition of revenue.
- The Company must make judgments about when it has satisfied its performance obligations to its customers, either satisfied over a period of time or at a point in time. Service revenues are recognized based upon customers' access to, or usage of, the Company's services; the Company believes this method faithfully depicts the transfer of the services and thus the revenues are recognized as the services are made available and/or rendered. The Company considers its performance obligations arising from the sale of equipment to have been satisfied when the products have been delivered and accepted by the end-user customers.
- The decision to depreciate and amortize any property, equipment and intangible assets that are subject to amortization on a straight-line basis, as the Company believes that this method reflects the consumption of resources related to the economic lifespan of those assets better than an accelerated method and is more representative of the economic substance of the underlying use of those assets.

Inventory

Inventory is carried at the lower of cost, using the specific identification method, and net realizable value. Inventories include subscriber equipment such as modems and gateways, which are held, pending rental or sale at lower of cost or net realizable value. When subscriber equipment is sold, the equipment revenue and equipment costs are recognized in the period of sale as these items are non-refundable. When the subscriber equipment is rented, it is transferred to property and equipment and depreciated over its useful life.

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.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property and equipment (cont'd…)

iii) Depreciation:

Depreciation is recorded over the estimated useful lives of property and equipment and calculated using the following methods and annual rates:

Computer equipment	Declining Balance 30%
Computer software	Straight-line 1 year
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 amortization and accumulated impairment losses.

As at December 31, 2014 and 2013, no development expenditures were capitalized.

Customer relationships

Customer relationships represent the value of customer contracts and relationships acquired during a business combination that occurred during the year ended December 31, 2013 (Note 1). Customer relationships are amortized on a straight-line basis over the estimated useful life of five 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 accounts receivable as loans and receivables. Accounts payable, short-term advances and loans payable, and convertible debentures are classified as other financial liabilities, which are measured at amortized cost.

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 consolidated 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

Income tax on profit or loss comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd…)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 consolidated 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 including home and business telephone, internet, long distance and TV.

Product 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, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transactions will flow to the Company, and the costs incurred or to be incurred in respect of the transaction by the Company can be measured reliably. Generally, the above criteria are met when the product is delivered or installed at the customer's premises.

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.

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 consolidated 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 consolidated 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, 2014, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New Accounting Standards effective January 1, 2014

The Company adopted the following standards and amendments beginning January 1, 2014:

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 Financial Instruments: Disclosures.

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.

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.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd…)

The adoption of the above standards and amendments did not have a significant impact on the consolidated financial statements.

The following standard will be effective for annual periods not earlier than January 1, 2016

IAS 16 Property, plant and equipment - In May 2014, the IASB amended IAS 16, which is effective for annual periods beginning on or after January 1, 2016. The amendment clarifies that a depreciation method for property, plant and equipment that is based on revenue that is generated by an activity that includes the use of an asset is not allowed.

IAS 38 Intangible assets - In May 2014, the IASB amended IAS 38, which is effective for annual periods beginning on or after January 1, 2016. The amendment clarifies that an amortization method for intangible assets that is based on revenue that is generated by an activity that includes the use of an intangible asset is not allowed. Exceptions are allowed where the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

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

IFRS 9 Financial instruments, classification and measurement - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 Financial Instruments: Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

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

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

Cost	Computer equipment ($)	Computer software ($)	Equipment under rental ($)	Equipment under finance lease ($)	Furniture and equipment ($)	Leasehold improvements ($)	Tools ($)	TV equipment ($)	Total ($)
As at December 31, 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	293	-	36,218	23,197	581	-	-	8,186	68,475
As at December 31, 2014	166,536	2,540	111,209	83,111	139,647	31,829	38,501	20,896	594,269
Accumulated Depreciation									
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	94,488	29,188	32,912	1,474	316,519
Depreciation	6,934	-	26,266	17,972	8,974	991	1,118	4,598	66,852
As at December 31, 2014	150,210	2,540	33,253	23,626	103,462	30,179	34,030	6,072	383,371
Carrying Amounts									
As at December 31, 2013	22,967	-	68,004	54,260	44,578	2,641	5,589	11,236	209,275
As at December 31, 2014	16,326	-	77,957	59,486	36,185	1,650	4,471	14,824	210,898

(Expressed in Canadian Dollars)

6. INTANGIBLE ASSETS

As at December 31, 2014, intangible assets of $343,111 (December 31, 2013 - 438,863) consist entirely of customer relationships acquired through the business combination described in Note 1. The customer relationships are amortized over their estimated useful lives of five years.

Customer relationships are summarized as follows:

Cost	$
As at December 31, 2012	-
Additions arising from business acquisitions	478,759
As at December 31, 2013 and 2014	478,759

Accumulated Amortization	
As at December 31, 2012	-
Amortization	39,896
As at December 31, 2013	39,896
Amortization	95,752
As at December 31, 2014	135,648

Carrying Amounts	
As at December 31, 2013	438,863
As at December 31, 2014	343,111

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

Year Ended December 31,	$
2015	95,752
2016	95,752
2017	95,752
2018	55,855
	343,111

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBENTURES

	December 31, 2014	December 31, 2013
The Company issued a convertible debenture on October 14, 2010 convertible into common shares of the Company at $0.50. The principal balance outstanding is $55,000, bears interest at 12% per annum and is unsecured with a maturity date of December 31, 2015.	$55,000	$53,476
The Company issued a convertible debenture on January 20, 2009 convertible into common shares of the Company at $0.40. The principal balance outstanding is $50,000, bears interest at 10% per annum and is unsecured with a maturity date of December 31, 2015.	50,000	46,769
The Company issued a convertible debenture on March 20, 2009 convertible into common shares of the Company at $0.40. The principal balance outstanding is $15,000, bears interest at 10% per annum and is unsecured with a maturity date of December 31, 2015.	15,000	14,343
The Company issued a convertible debenture on January 20, 2009 convertible into common shares of the Company at $0.40. The principal balance outstanding is $270,000, bears interest at 10% per annum and is unsecured with a maturity date of December 8, 2015.	242,888	242,888
Interest accrued on short-term convertible debentures	132,192	87,350
Interest accrued on long-term convertible debentures	535,805	219,466
Short-term convertible debentures and interest	$1,030,885	$664,292
The Company converted a loan payable into a convertible debenture on March 28, 2013 convertible into common shares of the Company at $0.10. The principal balance outstanding is $2,727,457, bears interest at 10% per annum and is secured by a general security agreement with a maturity date of November 27, 2017.	2,048,211	1,900,648
	$3,079,096	$2,564,940

8. CAPITAL STOCK

The Company has unlimited authorized shares of capital stock, of which 71,915,279 are issued and outstanding as at December 31, 2014 (2013: 64,075,279).

During the year ended December 31, 2014:

a) The Company had entered into a commitment to issue 2,400,000 bonus shares to certain directors and officers of the Company as consideration for a loan of $600,000 advanced to the Company during the year ended December 31, 2013. The shares were fair valued at $84,000 and were issued during the year ended December 31, 2014.

b) The Company closed a non-brokered private placement of 540,000 units at a price of $0.10 per unit for gross proceeds of $54,000. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each share purchase warrant is exercisable for a term of one year at a price equal to $0.15. The warrants were valued at $35,100 using the residual value method on the date of grant.

c) The Company issued 2,400,000 bonus shares to the directors and officers of the Company as consideration for loans of $600,000 advanced to the Company. The Company determined that the fair value of the shares issued was $68,000.

d) The Company issued 2,500,000 common shares with a fair value of $0.035 per share to settle $125,000 of debt to certain directors of the company. The Company recognized a gain on the settlement of debt of $37,500.

e) The Company has entered into a commitment to issue 800,000 bonus shares to certain directors and officers of the Company as consideration for a loan of $200,000. The Company has been advanced only $100,000 and is committed to issue shares to the extent of the portion of the loan advanced. As at December 31, 2014, the Company is committed to issue 400,000 shares. The Company determined that the fair value of the shares to be issued was $8,000.

During the year ended December 31, 2013:

a) The Company issued 3,000,000 common shares for the acquisition of AIC Global Communications Inc. (see Note 1). 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-half 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 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.

(Expressed in Canadian Dollars)

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

a) Stock options (cont'd…)

As at December 31, 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 December 31, 2014 is 0.64 years.

Stock option transactions are summarized as follows:

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,440,000	$ 0.10	1,540,000	$ 0.10
Options granted	-	-	-	-
Options forfeited	-	-	(70,000)	0.10
Options expired or cancelled	-	-	(30,000)	0.10
Outstanding, end of year	1,440,000	$ 0.10	1,440,000	$ 0.10
Number of options exercisable, end of year	1,440,000	$ 0.10	1,440,000	$ 0.10

Share-based payments

During the year ended December 31, 2014, the Company recorded $Nil (2013 - $Nil) for share-based compensation.

b) Warrants

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

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	2,165,000	$0.10	2,551,000	$0.21
Warrants granted	270,000	$0.15	2,165,000	$0.10
Warrants expired	(2,165,000)	$0.10	(2,551,000)	$0.21
Outstanding, end of year	270,000	$0.15	2,165,000	$0.10

(Expressed in Canadian Dollars)

9. STOCK OPTIONS AND WARRANTS

b) Warrants (cont'd…)

As at December 31, 2014, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
270,000	$0.15	July 2, 2015

During the year ended December 31, 2014, the Company granted 270,000 share purchase warrants in connection with the non-brokered private placement described at Note 8.

The weighted average contractual life of warrants outstanding at December 31, 2014 is 0.50 years.

10. OBLIGATIONS UNDER FINANCE LEASES

	December 31, 2014	December 31, 2013
Finance lease obligations, non-interest bearing, due over lease terms expiring through 2017	$ 35,766	$ 45,033
Less: current portion	(23,824)	(23,504)
	11,942	21,529

Estimated future minimum lease payments are as follows:	
2015	$ 25,181
2016	10,519
2017	1,677
Total	$ 37,377

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2014	2013
Consulting fees (i)	$204,000	$192,000
Salaries (ii)	159,177	60,000
Severance payments (iii)	52,800	-
Directors' fees	72,000	72,000
Key management compensation	$487,977	$324,000

(i) Consulting fees are paid or accrued to the directors and officers of the Company.
(ii) Salaries are paid and accrued to the former President and key management personnel.
(iii) During the year ended December 31, 2014, the Company terminated the President of its wholly-owned subsidiary AIC Global Communications Inc., and as per the terms of their employment agreement, was required to provide a severance payment upon termination.

11. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd…)

(Expressed in Canadian Dollars)

The Company has incurred $675,397 (2013: $535,958) in interest on short-term and long-term loans and convertible debentures made by the directors and officers of the Company during the year ended December 31, 2014.

These transactions were in the normal course of business and were measured at the exchange amount, which represented the amount of consideration established and agreed to by the related parties.

Balances due to related parties consist of the following:

	Year Ended, December 31, 2014	Year Ended, December 31, 2013
Accounts payable (i)	$ 112,609	$ 1,169,015
Convertible debentures (ii)	2,584,015	2,120,114
Short-term advances (iii)	951,400	662,564
Loans payable (iv)	3,056,165	1,432,611

(i) Unsecured, non-interest bearing and due on demand.
(ii) See Note 7.
(iii) Unsecured, bearing interest at 8.5%, and due on demand.
(iv) As at December 31, 2014, included in loans payable is $1,454,504 (2013 - $1,529,000) due on demand and $1,660,761 (2013 – Nil) due between June 30, 2015 to December 31, 2015. The loans payable are bearing interest ranging from 12% to 14% per annum. The Company has recorded the loans payable net of deferred transaction costs of $59,100 (2013 – $96,389). Each loan is secured by a General Security Agreement.

(Expressed in Canadian Dollars)

12. INCOME TAXES

A reconciliation of income taxes at the statutory rate with the reported taxes in the consolidated financial statements is as follows:

	Year Ended December 31, 2014	Year Ended December 31, 2013
Income (loss) before income taxes	$ (2,115,799)	$ (1,584,167)
Income tax rate	26.00%	25.75%
Expected income tax recovery	$ (549,000)	$ (408,000)
Non-deductible expenses	65,000	135,000
Effect of difference between functional and tax reporting currency	(21,000)	(1,000)
Difference in tax rates	-	(267,000)
SR&ED credits added/recognized	-	68,000
Other	-	32,000
Expiry of non-capital losses	535,000	-
Change in unrecognized tax benefit of deferred tax assets	(30,000)	441,000
Total income tax recovery	$ -	$ -

The significant components of the Company's deferred tax assets are as follows:

	Year Ended December 31, 2014	Year Ended December 31, 2013
Gross deferred income tax assets:		
Non-capital losses available for future years	$ 5,772,000	$ 5,802,000
Property and equipment	1,013,000	1,029,000
Share issuance costs and other	3,000	(13,000)
SR&ED income tax credits	1,227,000	1,227,000
SR&ED expenses available for future years	1,352,000	1,352,000
Capital losses available for future years	11,000	11,000
	9,378,000	9,408,000
Unrecognized deferred tax assets	(9,378,000)	(9,408,000)
Net deferred income tax assets	$ -	$ -

12. INCOME TAXES (cont'd…)

As at December 31, 2014, the Company had non-capital losses carried forward of approximately $20,087,000 (2013 – $20,286,000) which may be applied to reduce future years' taxable income, expiring as follows:

2015	$2,674,000
2026	$4,424,000
2027	$2,554,000
2028	$1,947,000
2029	$1,635,000
2030	$1,568,000
2031	$1,198,000
2032	$1,044,000
2033	$1,151,000
2034	$1,892,000
	$20,087,000

The Company has available for deduction against future taxable income operating losses in the United States of America of approximately $1,420,000 (in US dollars) (2013 - $1,420,000). These losses, if not utilized, will expire through to 2034.

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment. In 2014 and 2013, all revenues were earned from customers in Canada. All of the Company's long-lived assets are located in Canada.

14. SUPPLEMENTAL CASH FLOWS DISCLOSURE

		Year ended December 31, 2014		Year ended December 31, 2013
Cash paid during the year for interest	$	63,875	$	25,008
Cash paid during the year for income taxes	$	-	$	-

Non-Cash Investing and Financing Transactions

During the year ended December 31, 2014 the Company:

a) Settled accounts payable of $125,000 to certain directors and officers of the Company by issuing 2,500,000 shares in the capital stock of the Company with a fair value of $0.035 per share. The Company recognized a gain of $37,500 on the settlement of debt (Note 8 (d)).

During the year ended December 31, 2013 the Company:

a) Issued 3,000,000 common shares with a fair value of $285,000 for the acquisition of AIC (Note 1).

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK

The carrying value of accounts receivable, accounts payable, obligations under finance lease, convertible debentures, short-term advances and loans payable approximated their fair values due to their short-term nature or current market interest rates of similar instruments.

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

Assets	Level 1	Level 2	Level 3	December 31, 2014 Total
Cash	$ 17,752	$ -	$ -	$ 17,752

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 year 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. Accounts receivable at December 31, 2014 are comprised of trade accounts receivable. The Company has recorded allowance of doubtful accounts of $7,021 as at December 31, 2014 (2013 - $31,500).

The Company's maximum exposure to credit risk at December 31, 2014 and 2013 under its financial instruments is the carrying value of cash and accounts receivable. Accounts receivable are summarized as follows:

	December 31, 2014	**December 31, 2013**
Accounts receivable -		
Currently due	$ 65,540	$ 86,466
Past due by 90 days or less, not impaired	1,609	8,177
Past due by greater than 90 days, not impaired	7,330	-
	$ 74,479	$ 94,643

(Expressed in Canadian Dollars)

15. 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 is exposed to foreign exchange risk from various currencies, primarily the U.S. Dollar. 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. As at, and during the year ended December 31, 2014, the Company held only minor amounts of cash held 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, 2014. 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.

(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, 2014, the Company had a working capital deficiency. The continuation of the Company depends upon the support of its lenders and equity investors, which cannot be assured. The Company's financial liabilities have contractual maturities summarized as follows:

	Less than 1 Year	**Years 2 and 3**	**More than 3 Years**	**Total**
Accounts payable and accrued liabilities	$547,381	-	-	$547,381
Finance lease obligations	$23,824	$11,942	-	$35,766
Convertible debentures and interest	$1,057,996	$2,724,457	-	$3,782,453
Short-term advances and loans payable	$4,066,666	-	-	$4,066,666

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its assets and to sustain future development of the business. In the management of capital, the Company includes all components of shareholders' deficiency, 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.

(Expressed in Canadian Dollars)

17. COMMITMENTS AND CONTINGENCIES

a) The Company has entered into operating lease agreements for its premises. The annual basic lease commitments under these leases are as follows:

Not later than one year	$	93,896
Later than one year and no later than five years		197,583
	$	291,479

b) During the year ended December 31, 2014, Y2K Investments Inc. filed a notice of civil claim against the Company for alleged breach of the Share Purchase Agreement pursuant to which the Company acquired a 100% interest in AIC during the year ended December 31, 2013 (see Note 1). The Company is of the view that the allegations are without merit and intends to vigorously defend against the claims made by Y2K Investments Inc.

18. DISCONTINUED OPERATIONS

Revenues and expenses related to the discontinued operations are as follows:

		2014		**2013**
Income from discontinued operations				
Revenue	$	-	$	121,637
Cost of sales		-		(92,079)
Other expense		-		(4,204)
		-		25,354
Cash flows from discontinued operations				
Operating activities	$	-	$	25,717