

**EMPOWER TECHNOLOGIES CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED**

**MARCH 31, 2015 and 2014**

**(Unaudited)**

## **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 March 31, 2015 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**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
AS AT MARCH 31, 2015 AND 2014  
(Expressed in Canadian Dollars)

	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,670	\$ 17,752
Accounts Receivable	55,309	74,479
Inventory (Note 3)	18,382	23,084
Prepaid expenses	15,344	22,188
<b>Total current assets</b>	<b>90,705</b>	<b>137,503</b>
<b>Long Term</b>		
Property and equipment (Note 4)	199,606	210,898
Intangible Assets (Note 5)	319,173	343,111
<b>Total assets</b>	<b>\$ 609,484</b>	<b>\$ 691,512</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 10)	569,822	\$ 547,381
Convertible debentures and interest (Note 7 and 10)	1,050,892	1,030,885
Current portion of obligations under finance lease (Note 9)	18,886	23,824
Customer deposits	194,876	195,204
Deferred revenues	187,456	185,893
Short-term advances and loans payable (Note 10)	4,043,565	4,007,565
	<b>6,065,497</b>	<b>5,990,752</b>
<b>Long Term</b>		
Convertible debentures (Notes 6 and 10)	2,048,211	2,048,211
Obligations under finance lease (Note 9)	12,196	11,942
Provisions (Note 2)	10,000	10,000
<b>Total Liabilities</b>	<b>8,099,904</b>	<b>8,060,905</b>
<b>Shareholders' Deficit</b>		
Capital stock (Note 8)	23,136,523	23,136,523
Contributed Surplus	2,657,079	2,657,079
Equity portion of convertible debenture	1,050,094	1,050,094
Shares issuable (Note 8)	-	8,000
Deficit	(34,370,116)	(34,221,089)
<b>Total shareholders' deficit</b>	<b>(7,490,420)</b>	<b>(7,369,393)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 609,484</b>	<b>\$ 691,512</b>
<b>Going concern</b> (Note 1)		
<b>Commitments</b> (Note 16)		

Approved by the Board of Directors on May 29, 2015:

“Paul Leung”

Director

“Edward Bagg”

Director

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

**EMPOWER TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**THREE MONTHS ENDED MARCH 31, 2015 AND 2014**  
(Expressed in Canadian Dollars)

	Three Month Period Ended March 31, 2015	Three Month Period Ended March 31, 2014
<b>REVENUES</b>		
Telecommunication services	\$ 423,892	\$ 652,321
Telecommunication products	8770	5,185
Other Products	-	800
	<u>432,662</u>	<u>658,306</u>
<b>COST OF SALES</b>		
Cost of telecommunication services	215,733	263,932
Cost of telecommunication products	3,024	15,331
	<u>218,757</u>	<u>279,263</u>
	<u>213,905</u>	<u>379,043</u>
<b>GROSS PROFIT</b>		
<b>EXPENSES</b>		
Accounting and audit	10,000	-
Advertising and promotion	6,751	11,675
Bad debts	-	688
Bank charges and interest	4,698	3,479
Consulting fees (Note 10)	58,200	147,052
Depreciation of property and equipment (Note 4)	3,403	5,644
Depreciation of assets under finance lease (Note 4)	6,295	7,278
Amortization of intangible assets (Note 5)	23,938	23,938
Directors' fee (Note 10)	18,000	18,000
Translation exchange gain / loss	(24,102)	(7,069)
Insurance	4,042	8,006
Interest and accretion on convertible debentures (Note 6)	11,912	23,395
Interest on loans payable (Note 6)	42,605	112,531
Legal fees	8,004	598
Office expenses	4,902	14,817
Rent	31,607	31,607
Telephone and utilities	12,353	12,353
Transfer agent and filing fees	9,123	9,123
Travel	2,401	9,203
Wages and benefits	141,663	145,742
	<u>(327,840)</u>	<u>(578,060)</u>
<b>Loss before other items</b>	<u>(149,935)</u>	<u>(199,017)</u>
<b>OTHER ITEMS</b>		
Interest and other income (expense)	908	1,343
<b>Loss and comprehensive loss for the period</b>	<u>\$ (149,027)</u>	<u>\$ (197,674)</u>
<b>Basic and diluted loss per common share from continuing operations</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	71,915,279	65,541,946

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

**EMPOWER TECHNOLOGIES CORPORATION**  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)  
THREE MONTH PERIOD ENDED MARCH 31, 2015 AND 2014  
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Contributed Surplus	Equity Portion of Convertible Debenture	Equity Subscription Received	Shares Issuable	Deficit	Total
<b>Balance, December 31, 2013</b>	64,075,279	\$ 22,878,123	\$ 2,621,979	\$ 1,019,439	\$ 54,000	\$ 84,000	\$ (32,105,290)	\$ (5,447,749)
Share issued for the shares issuable	2,400,000	-	84,000	-	-	(84,000)	-	-
Loss for the period	-	-	-	-	-	-	(197,674)	(197,674)
<b>Balance, March 31, 2014</b>	66,475,279	\$ 22,878,123	\$ 2,705,979	\$ 1,019,439	\$ 54,000	\$ -	\$ (32,302,964)	\$ (5,645,423)
<b>Balance, December 31, 2014</b>	71,915,279	\$ 23,136,523	\$ 2,657,079	\$ 1,050,094	\$ -	\$ 8,000	\$ 34,221,089	\$ (7,369,393)
Share issued for the shares issuable	-	-	-	-	-	-	-	-
Non-brokered private placement	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-	-	-
Bonus share for the loans	-	-	-	-	-	-	-	-
Share issuable	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(149,027)	(149,027)
<b>Balance, March 31, 2015</b>	71,915,279	\$ 23,136,523	\$ 2,657,079	\$ 1,050,094	\$ -	\$ 8,000	\$ 34,370,116	\$ (7,518,420)

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

**EMPOWER TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31, 2015 AND 2014**  
(Expressed in Canadian Dollars)

	Three Month Period Ended March 31, 2015	Three Month Period Ended March 31, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss from continuing operations	\$ (149,027)	\$ (199,674)
Items not affecting cash:		
Depreciation of property and equipment	17,071	5,644
Amortization of intangible assets	23,938	23,938
Accretion and accrued interest on convertible debenture	11,912	112,531
Accrued interest on loans payable	42,605	-
Interest on lease	571	1,063
Bad debt	-	688
Translation Gain or Loss	28,879	-
Changes in non-cash working capital items:		
Accounts receivables	-	(27,626)
Inventory	4,702	(61,932)
Prepaid expenses	6,844	(8,208)
Accounts payable and accrued liabilities	12,441	19,742
Customer deposits	(328)	(724)
Deferred revenue	1,563	(113,889)
Net cash used in operating activities	<u>37,171</u>	<u>(300,636)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and equipment	<u>(14,792)</u>	<u>(8,760)</u>
Net cash used in investing activities	<u>(14,792)</u>	<u>(8,760)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of capital lease obligations	(8,831)	(4,835)
Repayment of convertible debentures	(48,801)	-
Proceeds of loans payable	-	(14,600)
Repayment of loans payable	(48,000)	-
Net cash provided by financing activities	<u>(105,632)</u>	<u>(19,435)</u>
<b>Change in cash during the year from continuing operations</b>	<u>(83,252)</u>	<u>(328,831)</u>
<b>Cash, beginning of the period</b>	<u>17,752</u>	<u>364,080</u>
<b>Cash, end of the period</b>	<u>\$ 1,670</u>	<u>\$ 35,249</u>

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

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2015 AND 2014**

(Expressed in Canadian Dollars)

**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 OF OPERATIONS AND GOING CONCERN**

**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.

**Acquisition of AIC Global Communications Inc.**

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 is considered a business combination under the provisions of the IFRS 3 *Business Combinations*.

AIC is a telecommunications company located in Canada. It has obtained the necessary licenses to operate and provide long distance and telecommunications services to over 20,000 customers. It is regulated under the regulations of the Canadian Radio-television and Telecommunications Commission (“CRTC”).

The Company’s main reasons for completing this acquisition are to acquire a stronghold 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.

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

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2015 AND 2014**  
(Expressed in Canadian Dollars)

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**2. NATURE OF OPERATIONS AND GOING CONCERN**

As contingent consideration, the Company will pay a performance based amount 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, depreciation, taxes 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 3 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.

As of the year ended December 31, 2014, AIC generated \$1,605,297 in revenue from providing telecommunication services and products. During the period ended December 31, 2014, AIC incurred a net loss of \$87,478 which has been included in the consolidated statement of comprehensive loss.

The trade and other receivables acquired include various amounts due from customers and other parties. The amount presented in the list of acquired assets represents the estimated fair value which is also the contractual amount and estimated cash flows that are expected to be collected as at the acquisition date.

The purchase price allocation, specifically in respect of property and equipment, customer relationships and contingent consideration provision, has not been finalized as of the date of issuance of these consolidated financial statements. As is customary in a business acquisition transaction, until the time of acquisition of control, the Company did not have full access to the accounting records of AIC. Upon having sufficient time to review the accounting records of AIC, the Company expects to finalize the purchase price allocation.

**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 \$32,302,964 since inception and further losses are anticipated in the development of its business plan. As at March 31, 2015, the Company has a working capital deficiency of \$5,946,778. These circumstances cast 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 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) 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 three months ending March 31, 2015.



**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2015 AND 2014**  
(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**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 property and equipment, the useful lives of customer relationships, interest rate used in calculating the debt portion of convertible debenture, valuation of deferred income tax assets and liabilities, allowance for doubtful accounts receivable and fair values of financial instruments, provisions including amounts for inventories and contingent consideration and the determination of the assumptions used in calculating fair value of share-based payment calculations. Actual results could differ from these estimates. Significant areas requiring the use of management judgement include the going concern assumption.

**Inventories**

Inventories are 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, plant 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.

*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 March 31, 2015 and 2014, 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 (Note 2). The amount is amortized on a straight-line basis over the estimated useful life of 5 years.

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2015 AND 2014**  
(Expressed in Canadian Dollars)

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

**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.

**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.

**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.

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2015 AND 2014**  
(Expressed in Canadian Dollars)

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

**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.

**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. 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.

i) 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.

**NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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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**4. 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
As at December 31, 2014	166,536	2,540	111,209	83,111	139,647	31,829	38,501	20,896	594,269
Additions	96	-	9,374	498	3,600	-	-	5,082	18,650
As at March 31, 2014	166,339	2,540	84,365	60,412	142,666	31,829	38,501	17,792	544,444
<b>Accumulated Depreciation</b>									
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
As at March 31, 2015	145,139	2,540	6,987	5,654	90,971	29,320	33,261	2,290	316,163
<b>Carrying Amounts</b>									
As at December 31, 2014	16,326	-	77,957	59,486	36,185	1,650	4,471	14,824	210,898
As at March 31, 2015	145,139	2,540	6,987	5,654	90,971	29,320	33,261	2,290	316,163

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**5. INTANGIBLE ASSETS**

As at March 31, 2015, intangible assets of \$63,834 (2014 - \$414,925) consist entirely of customer relationships acquired through the business combination described in Note 2. 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
<b>Accumulated Amortization</b>	
As at December 31, 2013	39,896
Depreciation	23,938
As at December 31, 2014	63,834
Depreciation	95,752
As at March 31, 2015	23,938
<b>Carrying Amounts</b>	
As at December 31, 2014	343,111
As at March 31, 2015	319,173

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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**6. CONVERTIBLE DEBENTURES**

	March 31, 2015	March 31, 2014
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.	\$ 53,476	\$ 53,476
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.	46,769	46,769
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%.	18,343	18,343
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.	242,888	242,888
Interest accrued	83,350	83,350
Short-term convertible debts	444,826	444,826
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.	2,120,114	2,120,114
	<u>\$ 2,560,940</u>	<u>\$ 2,560,940</u>

**7. CAPITAL STOCK**

The Company has unlimited authorized shares of capital stock, of which 71,915,279 are issued and outstanding as at March 31, 2015 (2014: 71,915,279).

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.

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**8. 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, directors are to vest over a period of 3 years, whereas options granted to consultants are to vest over a period of 4 years. The maximum number of shares that may be reserved for issuance is 12,200,000 common shares.

As at March 31, 2015, 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 March 31, 2015 is 3.4 months

Stock option transactions are summarized as follows:

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,440,000	\$ 0.10	1,440,000	\$ 0.10
Options granted	-	-	-	-
Outstanding, end of period	1,440,000	\$ 0.10	1,440,000	\$ 0.10
Number of options exercisable, end of period	1,440,000	\$ 0.10	1,440,000	\$ 0.10

**Share-based payments**

During the three months ended March 31, 2015 the Company recorded \$Nil (2014 - \$Nil) for share-based compensation.

**b) Warrants**

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

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	270,000	\$0.15	2,165,000	\$0.21
Warrants granted	-	-	-	-
Warrants expired	-	-	-	-
Outstanding, end of year	270,000	\$0.15	2,165,000	\$0.10
Number of warrants currently exercisable	270,000	\$0.15	2,165,000	\$0.10

As at March 31, 2015, the following warrants are outstanding:

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

The weighted average contractual life of warrants outstanding at March 31, 2015 is 0.25 years.

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**9. OBLIGATIONS UNDER FINANCE LEASES**

	March 31, 2015	March 31, 2014
Payments of \$2,266 per month, non-interest bearing, due over lease terms expiring through September 2015	\$ 16,993	\$ 47,596
Less: current portion	(6,798)	(23,133)
	<u>\$ 10,195</u>	<u>\$ 24,463</u>

Estimated remaining lease payments are as follows:

2015	<u>10,195</u>
Balance of obligation	<u>\$ 10,195</u>

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

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 \$36,000 (three month period ended March 2014 - \$48,000) for services provided by certain directors and officers of the Company.
- b. Paid or accrued directors' fees of \$18,000 (three month period ended March 2014 - \$18,000) for services provided by certain directors and officers of the Company. Included in current accounts payable is \$569,822 (2014 - \$1,235,015) due to the directors and officers of the Company.

As at March 31, 2015, it has \$2,210,246 (2014 - \$2,210,246) of secured loans payable to the directors and officers. The long term loans bear interest at 10% and are secured. The total interest paid or accrued to the directors and officers was \$342,284 (2014 - \$342,284) for the three month period ended March 31, 2015. 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.

**11. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment. During the three months period ended on March 31, 2015 and 2014, all revenues were earned from customers in Canada.

**12. FINANCIAL INSTRUMENTS AND RISK**

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

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

Assets	Level 1	Level 2	Level 3	March 31, 2015 Total
Cash	\$ 1,670	\$ -	\$ -	\$ 1,670

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 March 31, 2015 are comprised of trade accounts receivable. Sufficient allowance for doubtful accounts is set up as at March 31, 2015.



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The Company's maximum exposure to credit risk at March 31, 2015 and 2014 under its financial instruments is the carrying value of cash and amounts receivable. Amounts receivable are summarized as follows:

	March 31, 2015	March 31, 2014
Amounts receivable -		
Currently due	\$ 55,309	\$ 115,505
Past due by 90 days or less, not impaired	-	6,764
Past due by greater than 90 days, not impaired	-	-
	\$ 55,309	\$ 122,269

(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. 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 three months period ended March 31, 2015, 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 March 31, 2015. 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 March 31, 2015, the Company had cash of \$1,670; the monthly operating expenses approximate \$282,756. The continuation of the Company depends upon the support of its lenders and equity investors, which cannot be assured.

**14. 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 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

**15. 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	\$ 55,426
Later than one year and no later than five years	\$ 229,208
	\$ 284,634

**16. SUBSEQUENT EVENTS**

There are no subsequent events for the period ended March 31, 2015.