INTRINSYC TECHNOLOGIES CORPORATION

2014 ANNUAL REPORT

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Chief Executive Officer Letter

Dear Fellow Shareholder,

Intrinsyc had a solid year of improved financial performance as well as operational improvements; including broadening our solution portfolio with several new development platforms and production-ready computing modules, enhancing our engineering and manufacturing capabilities, and expanding our customer base.

Intrinsyc achieved strong annual revenue growth of 71% in fiscal 2014 with revenue growth of 59% in the fourth quarter of fiscal 2014 over the prior year. Revenue was $10.1 million for fiscal 2014 compared to $5.9 million for the prior year with revenue of $2.6 million in the fourth quarter of 2014 representing an increase from $1.6 million in the fourth quarter of 2013. We achieved EBITDA of $366,601 during fiscal 2014 inclusive of EBITDA of $31,081 in the fourth quarter, representing our fifth consecutive quarter of positive EBITDA.

A significant contribution to our growth in the quarter was revenue from sales of AnyDATA Machine-to-Machine (“M2M”) connectivity modules. This will be the last revenue from these products as they have reached the end of life.

Intrinsyc continued to enhance its strategic relationship with Qualcomm® Technologies Inc. and broaden its product portfolio with three new development platforms based on their latest application processor, the Snapdragon™ 810. New platforms include Mobile Development Platforms in tablet and Smartphone form factors targeted at application developers, and a new open-frame development kit, the DragonBoard™ 810, designed for technology vendors and OEMs building Snapdragon based products.

The DragonBoard 810 is based on the Snapdragon 810 Ultra HD processor, which includes a 64-bit octa-core CPU, Qualcomm Adreno™ 430 GPU and the newest Qualcomm Hexagon™ DSP, along with the latest available Android OS. The DragonBoard Development Kit consists of two components; a production-ready System on Module (“SOM”) powered by the Snapdragon 810 processor and a Carrier Board with a complete suite of connectivity interfaces.

The early adopter version of the DragonBoard 810 began shipment in the first quarter and is shipping in limited quantities. The final release version of the DragonBoard 810 will begin shipment in April 2015. Intrinsyc is currently in discussions with OEMs that are interested in using Intrinsyc’s Open-Q™ 810 SOM or a custom variant in their products.

Business Highlights

- Invested in Stream TV Networks, Inc. (“Stream TV”), a current customer of Intrinsyc, an amount of $1,500,000 in the form of a secured convertible promissory note bearing interest at 3% per annum with a maturity date of December 31, 2015. Stream TV committed to acquire a minimum of $3,000,000 in Intrinsyc products, services, and royalties over the next twelve months.

- Signed a license agreement with Qualcomm Technologies Inc. for the Snapdragon™ 410 processor. The company is designing and building a development platform and production-ready system on module and expects to launch these products in the second quarter of 2015.

Financial Highlights

Twelve Month Comparative Results

The Company reported revenue of $10.1 million for the twelve months ended December 31, 2014 compared to $5.9 million for the twelve months ended December 31, 2013.

Gross margin was 39% for the twelve months ended December 31, 2014, which was slightly better than the gross margin experienced of 37% for the twelve months ended December 31, 2013.

EBITDA for the twelve months ended December 31, 2014 was $366,601 compared to ($2.2) million for the twelve months ended December 31, 2013.

The Company had a net loss of $173,668 for the twelve months ended December 31, 2014 compared to a net loss of $2.1 million for the twelve months ended December 31, 2013.

Three Month Comparative Results

The Company reported revenue of $2.6 million, up 59% year-over-year, from $1.6 million, but down 5% quarter-over-quarter, from $2.7 million.

Gross margin was 41%, which was higher than the gross margins in the comparable periods.

EBITDA was $31,081, a slight improvement from $30,271 in the same period in the prior year and down from $119,603 in the prior quarter.

The Company had net loss of $136,035 compared to net income of $103,032 in the same period in the prior year and a net loss of $77,776 in the prior quarter of fiscal 2014.

Financial Position as at December 31, 2014

Working capital as of December 31, 2014 was $8.8 million (which included cash and cash equivalents of $4.3 million and short term investments of $2.5 million). This is compared to net working capital of $8.8 million as of December 31, 2013 (which included cash and cash equivalents of $4.6 million and short-term investments of $4.5 million).

Looking Forward

Revenue from some customers using our computing modules has progressed a little slower than we expected and we have experienced challenges with customers that are not meeting their volume commitments due to their internal business issues. However, the number of customers is increasing, as we have over 20 companies in development or currently using Intrinsyc's Open-Q computing modules. Our engineering teams are very busy with new internal product development, as well as new customer projects won in recent months. We expect to maintain a high pace of development activity with significant new projects started in the first quarter and excellent interest in development around Intrinsyc's Open-Q computing modules based on Snapdragon 800, Snapdragon 805, and Snapdragon 810 processors.

Intrinsyc also is in the process of developing a new development kit and production-ready computing module based on the Snapdragon 410 processor. The new Snapdragon 410 chipsets feature processors that are 64-bit capable along with superior graphics performance with the Adreno 306 GPU, 1080p video playback and up to a 13 Megapixel camera. The Snapdragon 410 is a cost-effective solution for a variety of embedded computing and Internet of Things ("IoT") product categories, including the next generation of robotics, cameras, set-top-boxes, wearables, medical devices, vending machines, building automation, industrial control, digital signage, and casino gaming consoles. Intrinsyc expects to launch these products in the second quarter of 2015, with support for Linux, Android, and Microsoft's forthcoming Windows 10 for IoT

As we start 2015, we are proud of the progress made in 2014, yet focused on continuing to execute on our strategic plan. We have much more to achieve in order to build the foundation for long-term shareholder value that we desire. Intrinsyc is enhancing and expanding our relationships with Qualcomm and other technology suppliers, creating new products with a more attractive repeat revenue model, enhancing our turnkey product development capabilities, and building new long-term client relationships, with an improved pipeline of opportunities. In addition to our internal initiatives, the Company is considering acquisitions as a means to accelerate our strategic plans.

Thank you for your continued support.

Yours sincerely,

"Tracy Rees"
President and Chief Executive Officer
March 25, 2015

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INTRINSYC TECHNOLOGIES CORPORATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three Months and Year ended December 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis has been prepared by management as of March 25, 2015 and should be read in conjunction with the audited consolidated financial statements of Intrinsyc Technologies Corporation (formerly Intrinsyc Software International, Inc.) (the "Company" or "Intrinsyc") and related notes thereto for the year ended December 31, 2014 (prepared in accordance with International Financial Reporting Standards or "IFRS"). All amounts are presented in United States (U.S.) dollars unless otherwise noted. Additional information about the Company, including the Company's Annual Information Form ("AIF") is available on SEDAR at www.sedar.com.

DISCLAIMER FOR FORWARD-LOOKING STATEMENTS

The following Management's Discussion and Analysis contains statements which, to the extent that they are not recitations of historical fact, may constitute forward-looking information under applicable Canadian securities legislation. Such forward-looking statements or information includes financial and other projections as well as statements regarding the Company's future plans, objectives, performance, revenues, growth, profits, operating expenses or the Company's underlying assumptions. The words "may", "would", "could", "will", "likely", "expect", "anticipate", "intend", "plan", "forecast", "project", "estimate" and "believe" or other similar words and phrases may identify forward-looking statements or information. Persons reading this AIF are cautioned that such statements or information are only predictions, and that the Company's actual future results or performance may be materially different. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: the need to develop, integrate and deploy software solutions to meet its customers' requirements; the possibility of development or deployment difficulties or delays; the dependence on its customers' satisfaction; the timing of entering into significant contracts; its customers' continued commitment to the deployment of the Company's solutions; the risks involved in developing integrated software solutions and integrating them with third-party products and services; reliance on products manufactured by other companies for resale or distribution and reliance on third-party suppliers; the performance of the global economy and growth in software industry sales; market acceptance of the Company's products and services; customer and industry analyst perception of the Company and its technology vision and future prospects; the success of certain business combinations engaged in by the Company or by its competitors; possible disruptive effects of organizational or personnel changes; technological change; new products and standards; risks related to acquisitions and international expansion; reliance on large customers; concentration of sales; international operations and sales; management of growth and expansion; dependence upon key personnel and hiring; reliance on a limited number of suppliers; risks related to the Company's competition; the Company's not adequately protecting its intellectual property; risks related to product defects and product liability; currency exchange rate risk; and including, but not limited to, other factors described in the Company's reports filed on SEDAR, including its financial statements and management's discussion and analysis for the year ended December 31, 2014, and those referred to under the heading "Risk Factors". In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company's ability to execute on its business plan; the acceptance of the Company's products and services by its customers; the timing of execution of outstanding or potential customer contracts by the Company; the sales opportunities available to the Company; the Company's subjective assessment of the likelihood of success of a sales lead or opportunity; the Company's historic ability to generate sales leads or opportunities; and that sales will be completed at or above the Company's estimated margins. This list is not exhaustive of the factors that may affect the Company's forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. All forward-looking statements made in this Management's Discussion and Analysis are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

OVERVIEW

The Company was incorporated under the laws of Alberta on August 31, 1992 under the name I.T.C. Microcomponents Inc. and continued under the laws of British Columbia on July 19, 1995. The Company changed its name to Intrinsyc Software, Inc. on June 16, 1997. Articles of Continuance were filed under the Canada Business Corporations Act on May 1, 2003 to continue the Company federally and change the name of the Company from Intrinsyc Software, Inc. to Intrinsyc Software International, Inc. On June 17, 2014, the Company changed its name to Intrinsyc Technologies Corporation. The Company's principal business office is Suite 380, 885 Dunsmuir Street, Vancouver, British Columbia, V6C 1N5 and its registered office is Suite 680, 375 Water Street, Vancouver, British Columbia, V6B 5C6. The Company is listed on the Toronto Stock Exchange ("TSX") under the trading symbol ITC.

The Company is a product developer and provides software, engineering services, and integrated solutions that enable next-generation embedded and wireless products. Solutions span the development life cycle from concept to production and help device makers and technology suppliers create compelling differentiated products with faster time-to-market.

CORPORATE SUMMARY

The Company provides solutions for the development and production of mobile and embedded devices, and the Internet of Things ("IoT"), with software solutions for navigation/location based services ("LBS") and Java/COM enterprise interoperability. The Company's embedded computing products include: the DragonBoard Development Kit and Open-Q production ready System on Module ("SOM") for the Snapdragon S4 Plus APQ8060A, 800 Series APQ8074, APQ8084 and APQ094 as well as the Mobile Development Platform Tablet ("MDP/T") and Automotive Development Platform ("ADP"). For IoT devices, the Company developed and sells the iQ Wireless Development Kit and distributes cellular communication modules through a distribution relationship with AnyDATA Corporation. The Company also developed and sells RapidRIL™ Telephony and Remote Device Management middleware and other software and enabling technology. These products combined with Intrinsyc's engineering services, help device makers and silicon vendors deliver mobile and embedded products with faster time-to-market and improved innovation and quality. The Company has two proprietary software products: a turn-by-turn navigation software application sold under the brand, Destinator®, and a product that provides a bridge between Java and COM based computing platforms under the brand, J-Integra®.

The Company's products and engineering services generate value for its customers by improving time to market, lowering risks and development cost and adding innovation and quality. The Company is transitioning its business model from a primarily services oriented offering to more complete solutions including manufacturing computing modules which will bring great value to customers and provide the Company with greater repeat product sales and/or royalty revenues.

Under this transition, the Company shifted its focus to the development of Embedded Solutions resulting in the revised business segmented orientation of Embedded Solutions, General Engineering Solutions and Other Software Solutions from the prior reported segmented information comprised of Device Development Solutions and Software Solutions in order to more appropriately reflect the Company's current and anticipated future business operations in accordance with its new business strategy. The Company's business segments are described below.

Embedded Solutions

The Embedded Solutions segment includes the sales of the Company's proprietary computer modules and development kits as well as engineering services related to those modules and kits. In addition, this segment includes revenue generated by the distribution of cellular communication modules. The Company offers original equipment manufacturers ("OEMs") and application developers flexible wireless development platforms and production-ready Machine-to-Machine ("M2M") modules, with enabling technology and intellectual property for device development, including:

Development Platforms:

- DragonBoard/Open-Q: Development Platforms for Qualcomm Technologies' APQ8060A, APQ8074, APQ8084 and APQ8094 Application Processors;

- Mobile Development Platform ("MDP"): Based on Snapdragon 805 or 810 processors, these development platforms provide application developers with early access to the highest-performance mobile platforms, for developing, testing, optimizing and showcasing next-generation apps and games. Mobile Development Platforms in a Tablet and a Smartphone form factor based on the Snapdragon 810 processor;

- Automotive Development Kit ("ADP"): Development platform incorporating Qualcomm's Snapdragon 602A processor for developers of in-vehicle infotainment systems;

Production Hardware:

- Open-Q SOM: A SOM, or modular computing platform based on Snapdragon processors from Qualcomm Technologies Inc. These modules can be purchased off-the-shelf or custom developed for unique customer requirements. Currently there are three models based on the APQ8060A, APQ8074, APQ8084 and APQ8094 Snapdragon processors;

- Carrier Boards: Peripheral board that complements Intrinsyc's Open-Q SOM, providing application specific hardware features such as I/O, sensors, power, and more to enable a completely functional computing system;

- Internet of Everything Module ("IoE"): A complete hardware/software development kit for companies looking to build M2M communications solutions utilizing Qualcomm's IoE module enabling ubiquitous 3G connectivity in a very small form factor, and in a variety of devices, including: M2M devices and a growing number of connected consumer electronics. The Company distributes two models manufactured by AnyDATA Company, the DTW 200 (CDMA) and DTW 600 (HSDPA). These modules have reached end of life and the final shipment of these products occurred in the fourth quarter of 2014.

The Company is building an expanding base of customers and prospects for the Open-Q family of SOMs. Intrinsyc's customers build a diverse set of embedded device products, including many new and exciting emerging categories such as: smart glasses and other wearable technology, robotics, digital signage, and more. As these customers increase sales of their products, Intrinsyc will benefit from repeat sales of our computing modules and/or design royalties. By working with range of customers, from startups to well established entities, Intrinsyc can take advantage of the growth opportunities in these emerging device sectors, while limiting its exposure to any single new consumer or industrial product. The shared success business model being employed allows Intrinsyc to better align with our customers' business and product initiatives, while enjoying the potential for greater revenue and margin upside. The Company's revenue could vary significantly from one quarter to the next due to the timing of customer production requirements.

Intrinsyc's computing modules are manufactured by two strategic manufacturing partners: one is based in North America to support quicker production lead times and smaller volume requirements, and the other based in China to support higher volume, lower cost, requirements. Computing modules are shipped to Intrinsyc or directly to the customer based on order size and customer requirements. Typically larger volume orders would be shipped fully manufactured and tested from Intrinsyc's contract manufacturer in China. The Company's strategic manufacturing partners allow Intrinsyc to respond quickly to customer requirements and scale revenue without additional investment in facilities or personnel resources. Scaling revenue without a commensurate increase in operating expenses should allow the Company to generate greater profit growth.

General Engineering Services

The Company's solutions include RapidRIL telephony software, iDevice Manager, and other enabling technology, testing tools, hardware reference designs and platforms, and engineering services. These products and services are sold to OEMs, original device manufacturers ("ODMs"), software and silicon providers and mobile network operators.

The Company provides device platform hardware and tools, as well as design and development services to silicon vendors, OEMs and ODMs building mobile and embedded devices. The Company's capabilities in these areas are a product of over sixteen years of mobile and embedded device development experience. As a result, the Company has developed core competencies in the areas of telephony, power management, testing and certification and board support package ("BSP") engineering, all of which are complex and essential elements required to design and develop mobile and embedded devices.

The Company has cross platform capabilities on each of the key operating systems currently in the market for mobile and embedded devices: Microsoft Windows Embedded, Windows Phone, QNX, Linux and Android operating systems. Based on demonstrated competence and contributions to the Android operating system, Intrinsyc was selected to be a member of the Open Handset Alliance. These credentials reflect the capabilities that the Company has developed and enable the Company to market its services to a broad market of OEMs and technology suppliers that are focused on the mobile and embedded device segment.

Historically, the Company has employed both a fixed fee pricing model and a time and materials pricing model for engineering services. This model is attractive to certain customers as it reduces the risk of product development delays which result when the amount of resources or time needed for a specific project has been underestimated. This transition to fixed fee engagements has been enabled by the Company's growing competencies in the complex mobile technology fields of telephony and power management and the development of enabling technology that can be reused on multiple projects.

The general engineering service offerings provided by the Company are as follows:

- Turnkey design, product test and certification services for OEMs developing mobile devices using Microsoft Windows Phone, Windows Embedded CE, Android, Linux, and QNX operating systems, including developing detailed product specifications in conjunction with OEM product development teams and managing in-market product testing;

- Telephony integration services for products running on 3G and 4G networks;

- Power management services for OEMs designing small form factor products which are needed to improve battery life while simultaneously increasing applications and features that drive increased power utilization efficiency;

- BSP and driver development;

- Conducting feasibility studies, requirements analyses and architecture designs;

- Providing detailed technical training and support programs to OEMs; and

- Enabling technology and intellectual property for device development, including:

  - RapidRIL: A cross platform telephony stack for 3G radio control;
  - Telephony Test Suite: A script-based system for automated telephony validation;
  - Touch UI Framework: A touch and gesture framework for next generation user interfaces ("UIs");
  - Predictive Power: A predictive power management technology for optimal device performance;
  - Remote Device Updater: A remote update solution that runs before the operOS launches;
  - UX-Zone: A software application that runs on a handheld device and alerts the user or changes the theme of the device when entering range of a high bandwidth femtocell; and
  - Wi-Fi Wake-up, Smartphone: A software tool that optimizes data offload by integrating carrier Wi-Fi with small cell base stations.

Other Software Solutions

The Company develops and markets its proprietary software products, including the following:

- J-Integra: a scalable, high-performance middleware solution for connecting Java directly to .NET, COM, and

Exchange objects; and

- Destinator: a feature rich, turn-by-turn navigation and LBS solution for Smartphones, PNDs and Automotive applications.

The Company markets its products and services on a worldwide basis through experienced sales and business development personnel based in Canada, the United States, and the United Kingdom.

SIGNIFICANT EVENTS FOR 2014

Financial Events

- Revenue increase of 71% in fiscal 2014 over the year ended December 31, 2013 which was primarily due to increased revenues attributable to the Company's Embedded Solutions business offset by a decrease in Destinator navigation software and General Engineering Services businesses.

- Expenses (excluding other operating expenses)[1] decreased by 17% from the year ended December 31, 2013. The decrease in total operating expenses was due primarily to a decrease in professional fees as well as a reversal of a prior third party technology royalty payable accrual and bad debt expense offset by increased sales commissions as well as costs related to the development of the Company's new products, including the hiring of the Company's new CTO.

- The net loss for the year ended December 31, 2014 was $173,668 compared to the net loss during the year ended December 31, 2013 of $2,083,955. The decrease in net loss over the prior year period was primarily due to increased revenues and decreased operating costs.

- Cash used in operations was approximately $727,000 during the year ended December 31, 2014 compared to cash used in operations of approximately $1.4 million during the year ended December 31, 2013.

- Invested in Stream TV Networks, Inc. ("Stream TV"), a current customer of Intrinsyc, an amount of $1,500,000 in the form of a secured convertible promissory note bearing interest at 3% per annum with a maturity date of December 31, 2015. Stream TV committed to acquire a minimum of $3,000,000 in Intrinsyc products, services, and royalties over the twelve month period ending September 30, 2015.

Business Highlights

- The Company introduced the Open-Q 8084 SOM and Development Kit.

- Signed a license agreement with Qualcomm Technologies Inc. for the Snapdragon 410 processor. The company is designing and building a development platform and production-ready system on module and expects to launch these products in the second quarter of 2015.

- The Company entered into agreements with Qualcomm Technologies Inc. for support of two Mobile Development Platforms based on the Snapdragon 810 processor, and development and support of the DragonBoard 8094 based on the Snapdragon APQ8094.

- The Company signed license agreements with Qualcomm Technologies Inc., for the Snapdragon APQ8026 and APQ8094 processors.

- The Company entered into an agreement to sell and support the Qualcomm Snapdragon Automotive Development Platform. This development platform is designed to allow automakers, Tier-1 suppliers and developers to rapidly innovate, test and deploy next-generation connected infotainment applications and experiences. The development kit is marketed to a limited set of automotive customers.

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[1] Expenses (excluding other operating expenses) is a non-IFRS measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate its cash operating expenses.

- The Company developed The "IoT Development Kit" to enable device makers and hobbyists to develop a wide range of connected devices. The kit includes an adapter board that connects to the Snapdragon 800 Series APQ8074 based DragonBoard Development Kit, extending functionality and control to Arduino shields or other accessories such as LEDs, motors etc. These devices can then be controlled remotely from a tablet or smartphone using the AllJoyn™ service. AllJoyn is an open source project which provides a universal software framework and core set of system services that enable interoperability among connected products and software applications across manufacturers to create dynamic proximal networks.

- The Company participated in several key industry conferences throughout the year in North America and Europe including: CES, Mobile World Congress, Wearbles DevCon, Embedded World Conference, Augmented World Expo 2014, AnDevCon, Maker Faire Qualcomm 3G/LTE Summit 2014 and Qualcomm UPLINQ™ 2014. The Company frequently exhibits at these events as an invited guest of Qualcomm due to the Company's programmatic relationships and products based on Qualcomm technologies.

- The Company announced the general availability of its MDP/T, based on a Qualcomm Snapdragon 805 processor from Qualcomm Technologies, Inc., a wholly owned subsidiary of Qualcomm Incorporated.

Customer Highlights

- The Company received an order exceeding $300,000 in value for the delivery of a custom version of the low-power, high performance, Open-Q 8060A SOM.

- The Company signed a design and development agreement with an OEM for a wearable display device based on Intrinsyc's Open-Q 8074 SOM.

- The Company received an order exceeding $300,000 in value for the delivery of Open-Q 8074 SOM from a previously announced customer.

- The Company received an order from a leading asset tracking company for the DTW 200 M2M module built by AnyDATA Corporation.

- The Company signed a master supply agreement with an OEM for a custom version of Intrinsyc's Open-Q 8074 SOM. The agreement follows a development agreement previously announced by the Company on December 12, 2013 which included a minimum commitment of 10,000 units by the OEM.

Management Change

- The Company hired Chris Ross to the role of Chief Technology Officer and Vice President of Manufacturing.

Corporate Changes

- The Company filed Articles of Amendment on June 17, 2014 to give effect to a change in its name to Intrinsyc Technologies Corporation and the consolidation of its common shares on the basis of eight (8) old common shares for one (1) new common share.

SELECTED QUARTERLY INFORMATION

The information in the tables below has been derived from the Company's unaudited interim condensed consolidated financial statements (excluding EBITDA[2]) with net income (loss) per share in prior periods adjusted for the share consolidation which occurred during the prior reporting period. The Company's quarterly operating

[2] EBITDA or Earnings before Interest, Taxes, Depreciation and Amortization is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. EBITDA referenced here relates to operating income (loss) less other operating expenses. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the cash operating loss of the business.

results have varied substantially in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

Consolidated Statements of Financial Position

(in US$ '000's)	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Cash and cash equivalents	$4,323	$7,198	$5,743	$4,632	$4,612	$4,418	$5,443	$7,004
Short-term investments	$2,494	$1,357	$2,678	$3,467	$4,535	$4,752	$3,959	$4,083
Working capital	$8,836	$8,868	$8,903	$8,636	$8,786	$8,920	$9,070	$10,492
Total assets	$11,001	$11,489	$11,326	$10,955	$10,849	$11,115	$11,282	$12,804
Shareholders' equity	$9,126	$9,211	$9,242	$8,971	$9,110	$9,248	$9,368	$10,832

Consolidated Statements of Operations

(in US$ '000's, except earnings per share)	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended June 30, 2014	Three months ended March 31, 2014	Three months ended December 31, 2013	Three months ended September 30, 2013	Three months ended June 30, 2013	Three months ended March 31, 2013
Revenue	$2,564	$2,707	$2,536	$2,269	$1,617	$1,471	$1,604	$1,206
Cost of sales	1,516	1,735	1,591	1,335	1,034	932	840	910
Gross margin	1,048	972	945	934	583	539	764	296
Expenses:								
Sales and marketing expenses	360	299	328	366	277	234	228	241
Research and development expenses	232	211	190	74	-	-	48	26
Administration expenses	425	342	314	392	276	551	1,720	821
EBITDA	31	120	113	102	30	(246)	(1,232)	(792)
Other expenses (earnings)	167	198	(87)	261	(73)	82	(99)	(69)
Income tax expense	-	-	-	1	-	-	-	2
Net income (loss)	($136)	($78)	$200	($160)	$103	($328)	($1,133)	($725)
Net income (loss) per share (basic and fully diluted)	($0.01)	$0.00	$0.01	($0.01)	$0.01	($0.02)	($0.06)	($0.04)

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

The following analysis of the results of operations for the three months ended December 31, 2014 includes comparisons to the three months ended September 30, 2014 and December 31, 2013.

Revenue

The Company has the following reporting segments, as described below, which represent the Company's business lines. The following summary describes the Company's business lines with revenues derived from the provision of services, as well as the licensing of software and the sale of hardware:

- Embedded Solutions segment includes the sales of the Company's proprietary computer modules and development kits as well as engineering services related to those modules and kits. In addition, this segment includes revenue generated by the distribution of cellular communication modules. The Company offers OEMs and application developers flexible wireless development platforms and production-ready M2M modules, with enabling technology and intellectual property for device development;

- General Engineering Services segment which includes RapidRIL telephony software, iDevice Manager, and other enabling technology, testing tools, hardware reference designs and platforms, and engineering services. These products and services are sold to OEMs, ODMs, software and silicon providers and mobile network operators; and

- Other Software Solutions segment which includes revenue generated from the sale of software licenses, royalties, implementation and other related services, maintenance and support attributable to the Company's J-Integra Enterprise Interoperability Software ("EIS") and Destinator software product offerings. Other Software Solutions revenue is also generated by way of licensing software products, along with providing related customer services.

Revenue by Source	Three months ended December 31, 2014	%	Three months ended September 30, 2014	%	Three months ended December 31, 2013	%
Embedded Solutions	$ 2,144,769	84%	$ 2,187,136	81%	$ 902,163	56%
General Engineering Solutions	159,809	6%	262,026	10%	337,672	21%
Other Software Solutions	259,762	10%	257,852	9%	376,936	23%
Total revenue	**$ 2,564,340**	**100%**	**$ 2,707,014**	**100%**	**$1,616,771**	**100%**

Revenue for the three months ended December 31, 2014 increased by 59% from the three months ended December 31, 2013 due to increased revenues attributable to the Company's Embedded Solutions business, especially increased revenues attributable to the Company's M2M connectivity solutions. Revenue for the three months ended December 31, 2014 decreased by 5% from the three months ended September 30, 2014 due primarily to decreased revenues attributable to the Company's General Engineering Solutions.

Embedded Solutions revenue was approximately $2.1 million during the three months ended December 31, 2014 as compared to approximately $902,000 for the three months ended December 31, 2013 and approximately $2.2 million for the three months ended September 30, 2014. The increase over the three months ended December 31, 2013 is due to increased sales of DragonBoard Development Kits, M2M connectivity modules, and Open-Q SOMs, as well as services related to these embedded solutions. A large contribution to the Company's revenue in the third and fourth quarters of fiscal 2014 is attributable to sales of AnyDATA M2M connectivity modules. The Company anticipates no additional revenue after 2014 from these products due to their end of life.

General Engineering Solutions revenue for the three months ended December 31, 2014 was approximately $160,000 compared to approximately $338,000 for the three months ended December 31, 2013 and approximately $262,000 for the three months ended September 30, 2014. This decrease over the prior period is due primarily to the decrease in engineering services projects that are not associated with the company's computing products.

Total revenues attributable to the Company's Other Software Solutions decreased by 31% during the three months ended December 31, 2014 compared to the three months ended December 31, 2013 and was consistent compared to the three months ended September 30, 2014. The decrease over the three months ended December 31, 2013 was due to lower sales of EIS and Destinator products.

To date, the Company has had a significant portion of its revenue derived from its largest customers. While the Company continues to focus its efforts on expanding to new markets and developing revenue from new software and hardware solutions, it is expected that in the near-term, revenue generation will continue to be concentrated from a small number of customers. In each respective period, revenues from customers which amounted to 10% or more of the Company's revenues accounted for the following percentages of the Company's total revenues:

	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended December 31, 2013
Revenue	$1,119,072	$1,173,868	$192,668
Percentage of total revenue	**44%**	**43%**	**12%**

There were three customers that accounted for 44% of the total revenue for the three months ended December 31, 2014 as compared to one customer that accounted 12% of the total revenues for the three months ended December 31, 2013 and two customers that accounted for 43% of the total revenues for the three months ended September 30, 2014.

The Company earned revenues attributed to the following geographical regions based on the location of the customer:

	Three months ended December 31, 2014	%	Three months ended September 30, 2014	%	Three months ended December 31, 2013	%
United States	$ 1,925,231	75%	$ 2,283,402	84%	$1,208,418	75%
Asia Pacific	293,093	11%	152,520	6%	133,982	8%
Canada	193,084	8%	61,131	2%	17,666	1%
Europe	152,229	6%	209,961	8%	256,705	16%
Latin America	703	<1%	-	-%	-	-%
	$ 2,564,340	**100%**	**$ 2,707,014**	**100%**	**$1,616,771**	**100%**

The Company continues to generate the majority of its revenue from the United States market.

Gross Margin[3]

Gross margins vary depending upon the respective business segment of the Company with Other Software Solutions revenue gross margin being generally in the range of 75% to 85%, General Engineering Solutions revenue gross margin being generally in the range of 30% to 40% and Embedded Solutions revenue gross margins being generally in the range of 15% to 30% for hardware and 30% to 40% for related engineering services. As a result, the overall gross margin is a blend of the margins attributable to each respective business segment.

	Three months ended December 31, 2014	%	Three months ended September 30, 2014	%	Three months ended December 31, 2013	%
Revenues	$2,564,340	100%	$2,707,014	100%	$1,616,771	100%
Cost of sales	1,515,464	59%	1,734,780	64%	1,034,008	64%
Gross margin	**$1,048,876**	**41%**	**$ 972,234**	**36%**	**$ 582,763**	**36%**

The gross margin percentage for the three months ended December 31, 2014 was higher than the gross margin in prior periods due primarily to a one time reversal of previously accrued royalties of approximately $130,000. The Company's cost of sales includes Canadian denominated costs which are translated into the Company's U.S. functional currency. The decline in the Canadian dollar relative to the U.S. dollar during late fiscal 2014 resulted in a decrease in the Company's Canadian denominated costs of sales, primarily comprised of engineering services labor, and related allocated overhead costs that increased gross margin accordingly.

Expenses

	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended December 31, 2013
Sales and marketing	$ 360,338	$ 299,292	$ 277,265
Research and development	232,379	211,376	-
Administration	425,078	341,963	275,227
Other operating expenses	104,368	78,336	46,894
Total expenses	**$ 1,122,163**	**$ 930,967**	**$ 599,386**
As a percentage of total revenue	**44%**	**34%**	**37%**

Expenses during the three months ended December 31, 2014 were higher than the three months ended December 31, 2013 due primarily to a decrease in professional fees offset by an increase in bonus expense, bad debts expense, higher sales commissions and costs related to the development of the Company's products in addition to the hiring of the Company's new CTO. The increase in expenses compared to the previous three months ended September 30, 2014 was due primarily to an increase in employee related costs due to the increase the number of employees,

[3] Gross Margin is a non-IFRS measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Gross Margin referenced here relates to revenues less cost of sales. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the Company.

increased investment in research and development and an increase in the Company's annual bonus expense offset by decreased professional fees. The decline in the Canadian dollar relative to the U.S. dollar during late fiscal 2014 resulted in a decrease in the Company's Canadian denominated operating costs.

Sales and Marketing

	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended December 31, 2013
Sales and marketing	$360,338	$299,292	$277,265
As a percentage of total revenue	**14%**	**11%**	**17%**

The Company has three direct sales employees located in the United States and two solutions engineers in Canada who are responsible for working with prospective customers and the engineering staff to produce project proposals. The Company has relationships with one independent sales representative (based in the United Kingdom). This representative is paid on a commission only basis. The Company's Chief Executive Officer manages the sales team, as well as performs marketing, business development, and direct sales functions. Fifty percent of the Chief Executive Officer's salary and related expenses are allocated to sales and marketing. Sales and marketing expense consists primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, marketing collateral, advertising costs and facilities.

The increase in sales and marketing expense over the previous three months ended December 31, 2013 was due to the increase in employee related costs, commissions and travel and entertainment as well as tradeshows as the Company increased its investment in sales and marketing to fund its future sales pipeline. The increase over the three months ended September 30, 2014 was due to increased employee related costs.

Research and Development

	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended December 31, 2013
Research and development	$232,379	$211,376	$-
As a percentage of total revenue	**9%**	**8%**	**-%**

Research and development expense relates primarily to salaries and related benefit costs but excludes research and development activities which may be performed under customer specific engagements included in the Company's cost of sales. The increase in research and development costs during the three months ended December 31, 2014 over the three months ended December 31, 2013 and September 30, 2014 was attributable largely to the development of the Company's new products as well as the hiring of the Company's CTO in July of 2014.

Administration

	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended December 31, 2013
Administration	$425,078	$341,963	$275,227
As a percentage of total revenue	**17%**	**13%**	**17%**

Administration expenses include executive and administrative staff, facilities, public company costs, insurance, corporate variable compensation accruals, accounting, legal and strategic consulting fees as well as various general administrative costs.

The increase over the same period in the prior year was due to a bonus reversal during the three months ended December 31, 2013 of approximately $75,000. There was also an increase in bonus expense during the three months ended December 31, 2014. The increase over the previous period was due to an increase in bad debts expense and bonus expense offset by a decrease in professional fees.

Other Operating Expenses

	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended December 31, 2013
Depreciation of equipment	$ 23,607	$22,217	$22,979
Amortization of intangible assets	32,002	9,226	9,051
Share-based compensation	48,759	46,893	14,864
Total other operating expenses	**$104,368**	**$78,336**	**$46,894**

Other Expenses (Earnings)

	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended September 30, 2013
Foreign exchange loss (gain)	$ 118,483	$ 130,230	($ 95,250)
Interest income	(55,735)	(11,187)	(24,405)
Total other expenses (earnings)	**$ 62,748**	**$ 119,043**	**($119,655)**

Other expenses for the three months ended December 31, 2014 was attributable to a foreign exchange loss of $118,483 offset by interest income of $55,735. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency which accounted for the majority of the foreign exchange loss reported above due to the decline in the Canadian dollar as at December 31, 2014 over the prior period. Other earnings for the three months ended December 31, 2013 was attributable to a foreign exchange gain of $95,250 and interest income of $24,405. Other expenses for the three months ended September 30, 2014 was attributable to a foreign exchange loss of $130,230 offset by interest income of $11,187.

Net Income (Loss)

	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended December 31, 2013
Operating income (loss)	($ 73,287)	$ 41,267	($ 16,623)
Total other expenses (earnings)	62,748	119,043	(119,655)
Income tax expense	-	-	-
Net income (loss)	**($ 136,035)**	**($ 77,776)**	**$ 103,032**
Income (loss) per share (basic and fully diluted)	**($0.01)**	**($0.00)**	**$0.01**

Net loss for the three months ended December 31, 2014 was $136,035 or $0.01 loss per share compared to net income of $103,032 or $0.01 earnings per share for the three months ended December 31, 2013 and net loss for the three months ended September 30, 2014 of $77,776 or $0.00 loss per share.

SELECTED ANNUAL INFORMATION

The following selected annual information of the results of operations for the year ended December 31, 2014 includes comparisons to the years ended December 31, 2013 and 2012:

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Revenue	$ 10,076,266	$ 5,897,924	$ 7,536,750
Operating income (loss)	$ 80,399	($ 2,405,708)	($ 915,195)
Net loss	($ 173,668)	($ 2,083,955)	($ 874,638)
Loss per common share (basic and diluted)	($ 0.01)	($ 0.10)	($ 0.04)

As at	December 31, 2014	December 31, 2013	December 31, 2012
Total assets	$ 11,001,156	$ 10,848,604	$13,412,671

See Financial Results section below for discussion on Revenue and Net Loss for the year. The decrease in total assets as at December 31, 2014 from December 31, 2012 is due to a decrease in cash and cash and cash equivalents of approximately $1.7 million, a decrease in short-term investments of approximately $2.8 million, a decrease in accounts receivable of approximately $200,000, an increase in inventory of approximately $850,000, the Stream TV convertible loan receivable of $1.5 million and the purchase of equipment and intangible assets of approximately $288,000 offset by depreciation and amortization totaling $316,000 since December 31, 2012.

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2014

The following analysis of the results of operations for the year ended December 31, 2014 includes comparisons to the year ended December 31, 2013.

Revenue

Revenue by Source	Year ended December 31, 2014	%	Year ended December 31, 2013	%	Change
Embedded Solutions	$ 7,809,859	78%	$ 2,240,802	38%	248%
General Engineering Solutions	1,271,280	13%	2,358,212	40%	(46%)
Other Software Solutions	995,127	9%	1,298,910	22%	(23%)
Total revenue	**$10,076,266**	**100%**	**$ 5,897,924**	**100%**	**71%**

The increase in revenue is primarily attributable to increased revenues from the Company's Embedded Solutions, particularly computing and M2M connectivity hardware sales

In each respective period, revenues from customers which amounted to 10% or more of the Company's revenues accounted for the following percentages of the Company's total revenues:

	Year ended December 31, 2014	Year ended December 31, 2013	Change
Revenue	$ 4,218,039	$ 1,453,908	190%
Percentage of total revenue	**42%**	**25%**	

Three customers accounting for 42% of the total revenue for year ended December 31, 2014 while two customers accounted for 25% of the total revenue for the year ended December 31, 2013.

The Company earned revenues attributed to the following countries based on the location of the customer:

	Year ended December 31, 2014	%	Year ended December 31, 2013	%	Change
United States	$ 8,340,024	83%	$ 4,860,569	83%	72%
Europe	769,510	8%	536,912	9%	43%
Asia Pacific	659,933	7%	427,409	7%	54%
Canada	304,824	2%	72,467	1%	321%
Latin America	1,975	<1%	567	<1%	248%
	$ 10,076,266	**100%**	**$ 5,897,924**	**100%**	**71%**

The Company continues to generate the majority of its revenue from the United States.

Gross Margin

Gross margins vary depending upon the respective business segment of the Company with Other Software Solutions revenue gross margin being generally in the range of 75% to 85%, General Engineering Solutions revenue gross margin being generally in the range of 30% to 40% and Embedded Solutions revenue gross margins being generally in the range of 15% to 30% for hardware and 30% to 40% for related engineering services. As a result, the overall gross margin is a blend of the margins attributable to each respective business segment.

	Year ended December 31, 2014	%	Year ended December 31, 2013	%	Change
Revenues	$ 10,076,266	100%	$ 5,897,924	100%	71%
Cost of sales	6,175,700	61%	3,716,117	63%	66%
Gross margin	**$ 3,900,566**	**39%**	**$ 2,181,807**	**37%**	**79%**

The slight increase in gross margin percentage over the prior period is due to a one time reversal of previously accrued royalties of approximately $130,000. The Company's cost of sales includes Canadian denominated costs which are translated into the Company's U.S. functional currency. The decline in the Canadian dollar relative to the U.S. dollar during fiscal 2014 resulted in a decrease in the Company's Canadian denominated costs of sales, primarily comprised of engineering services labor, and related allocated overhead costs that increased gross margin accordingly.

Expenses

	Year ended December 31, 2014	Year ended December 31, 2013	Change
Sales and marketing	$ 1,352,723	$ 980,437	38%
Research and development	708,090	74,546	850%
Administration	1,473,152	3,366,312	(56%)
Other operating expenses	286,202	166,220	72%
Total expenses	**$ 3,820,167**	**$ 4,587,515**	**(17%)**
As a percentage of total revenue	**38%**	**78%**	

The decrease in total operating expenses was due primarily to a decrease in professional fees as well as a reversal of a bad debt expense offset by increased sales commissions and bonus expense as well as costs related to the development of the Company's new products, including the hiring of the Company's new CTO. The Company's operating expenses include Canadian denominated costs which are translated into the Company's U.S. functional currency. The decline in the Canadian dollar relative to the U.S. dollar during fiscal 2014 resulted in a decrease in the Company's Canadian denominated operating costs.

Sales and Marketing

	Year ended December 31, 2014	Year ended December 31, 2013	Change
Sales and marketing	$ 1,352,723	$ 980,437	38%
As a percentage of total revenue	**13%**	**17%**	

Total sales and marketing expenses for the year ended December 31, 2014 increased compared to the year ended December 31, 2013 due to an increase in employee related costs, commissions, travel and entertainment, advertising and promotion as well as office costs.

Research and Development

	Year ended December 31, 2014	Year ended December 31, 2013	Change
Research and development	$ 708,090	$ 74,546	850%
As a percentage of total revenue	**7%**	**1%**	

Research and development costs for the year ended December 31, 2014 increased over the year ended December 31, 2013 due to higher employee related costs as a result of the increased investment in the development of the Company's new products, including the hiring of the Company's new CTO.

Administration

	Year ended December 31, 2014	Year ended December 31, 2013	Change
Administration	$ 1,473,152	$ 3,366,312	(56%)
As a percentage of total revenue	**15%**	**57%**	

Administration costs for the year ended December 31, 2014 decreased over the year ended December 31, 2013 due to a decrease in professional fees as well as a reversal of a bad debt expense offset by an increase in bonus expense.

Other Operating Expenses

	Year ended December 31, 2014	Year ended December 31, 2013	Change
Depreciation of equipment	$ 87,939	$ 96,179	(9%)
Amortization of intangible assets	53,103	22,958	131%
Share-based compensation	145,160	45,850	217%
Loss on disposal of equipment	-	1,233	N/A
Total other operating expenses	**$ 286,202**	**$ 166,220**	**72%**

Other Expenses (Earnings)

	Year ended December 31, 2014	Year ended December 31, 2013
Foreign exchange loss (gain)	$ 354,061	($ 220,818)
Interest income	(101,094)	(102,548)
Total other expenses (earnings)	**$ 252,967**	**($ 323,366)**

Other expenses for the year ended December 31, 2014 was attributable to a foreign exchange loss of $354,061 offset by interest income of $101,094. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated into its U.S. dollar functional currency which accounted for the majority of the foreign exchange loss reported above due to the decline in the Canadian dollar as at December 31, 2014 over the prior period. Other earnings for the year ended December 31, 2013 was attributable to a foreign exchange gain of $220,818 and interest income of $102,548.

Net Loss

	Year ended December 31, 2014	Year ended December 31, 2013
Operating income (loss)	$ 80,399	($ 2,405,708)
Total other expenses (earnings)	252,967	(323,366)
Income tax expense	1,100	1,613
Net loss	**($ 173,668)**	**($ 2,083,955)**
Loss per share (basic and fully diluted)	**($0.01)**	**($0.10)**

Net loss for the year ended December 31, 2014 was $173,668 or $0.01 loss per share compared to a loss of $2,083,955, or $0.10 loss per share, for the year ended December 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

The Company's near-term cash requirements relate primarily to operations, working capital and general corporate purposes. Based on the current business plan, the Company believes cash and cash equivalents, along with its short-term investments will be sufficient to fund the Company's operating requirements for the next twelve months. The Company updates its forecasts on a regular basis and will consider additional financing sources as appropriate.

As at December 31, 2014, the Company had cash and cash equivalents totalling approximately $4.3 million and short-term investments totalling approximately $2.5 million with working capital[4] of approximately $8.9 million, as compared to cash and cash equivalents of approximately $4.6 million and short-term investments totalling approximately $4.5 million with working capital of approximately $8.8 million as at December 31, 2013.

Three Months ended December 31, 2014

Cash provided by (used in):	Three months ended December 31, 2014	Three months ended September 30, 2014	Three months ended December 31, 2013
Operating activities	($ 209,670)	$ 171,047	$ 271,073
Investing activities	(2,668,441)	1,284,395	29,735
Financing activities	3,107	-	35,064
Effect of exchange rate changes on cash and cash equivalents	-	-	(142,191)
Increase (decrease) in cash and cash equivalents	**($ 2,875,004)**	**$ 1,455,442**	**$ 193,681**

Cash provided by (used in) operating activities for comparable periods was attributable the Company's financial performance.

During the three months ended December 31, 2014, cash used in investing activities was related to the net purchase of short term investments that had a maturity greater than three months, the convertible loan with Stream TV of $1.5 million as well as the purchase of equipment and intangible assets During the three months ended December 31, 2013, cash provided by net short term investments with a maturity of less than one year offset by the redemption of short term investments offset by related to the purchase of equipment and intangible assets . During the three months ended September 30, 2014, cash was provided by net investment activities related to the redemption of short term investments that had matured offset by the purchase of equipment and intangible assets

[4] Working Capital is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable IFRS measure. Working capital as referenced herein is defined as current assets less current liabilities. The Company believes that the inclusion of this non-IFRS financial measure provides investors with an alternative presentation useful to investors' understanding of the Company's core operating results and trends.

During the three months ended December 31, 2014 and 2013, cash provided by financing activities consisted of the exercise of employee stock options. There were no investing activities during the three months ended September 30, 2014.

Year ended December 31, 2014

Cash provided by (used in):	Year ended December 31, 2014	Year ended December 31, 2013
Operating activities	($ 727,011)	($ 1,417,811)
Investing activities	393,917	328,191
Financing activities	44,918	35,064
Effect of exchange rate changes on cash and cash equivalents	-	(373,117)
Increase (decrease) in cash and cash equivalents	**($ 288,176)**	**($ 1,427,673)**

Cash provided by (used in) operating activities for comparable periods was attributable the Company's financial performance.

Cash provided by investing activities during the year ended December 31, 2014 was related to the redemption of short term investments that had matured offset by the purchase of equipment and intangible assets as well as the convertible loan to Stream TV. Cash provided by investing activities during the year ended December 31, 2013 was related to the redemption of short term investments that had matured offset by the purchase of equipment and intangible assets.

Cash provided by financing activities for the year ended December 31, 2014 and 2013 consisted of the exercise of employee stock options

STAFFING LEVELS

The following table summarizes the Company's headcount, consisting of employees and contractors, by functional group:

	As at December 31, 2014	As at September 30, 2014	As at December 31, 2013
Service engineers	36	34	29
Sales and marketing	7	7	6
Research and development	1	1	-
Administration	7	6	6
Total	**51**	**48**	**41**

COMMITMENTS

The Company continues to have no bank debt, off-balance sheet financing arrangements or significant finance leases. The Company has lease commitments for office premises until October 2015. The aggregate of minimum lease payments as at December 31, 2014 for the following year is approximately $184,931.

ACCOUNTS RECEIVABLE INSURANCE

On July 31, 2009, the Company entered into an agreement with Export Development Canada ("EDC") whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales for a premium of anywhere from CDN $0.69 to CDN $0.83 per CDN $100 of monthly invoiced sales (certain customers are excluded from this coverage). The policy period was from July 1, 2009 to June 30, 2010 with an automatic yearly renewal unless the policy is terminated by the Company (the policy has been renewed until June 30, 2015). The maximum liability coverage at any one time is CDN $175,000 for domestic sales and CDN $1,975,000 for sales outside of Canada.

During the year ended December 31, 2014, the Company recorded total premiums of $54,986 (December 31, 2013 - $25,666) (CDN $60,675; December 31, 2013 – CDN $26,482) in sales and marketing.

INTANGIBLE ASSETS IMPAIRMENT

None.

OFF-BALANCE SHEET ARRANGEMENTS

None.

TRANSACTIONS WITH RELATED PARTIES

Related parties include key management, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company for the years ended December 31, 2014 and 2013 are as follows:

	Year ended December 31, 2014	**Year ended December 31, 2013**
Short-term compensation	$ 712,694	$ 986,946
Post employment benefits	$ Nil	$ Nil
Other long-term benefits	$ Nil	$ Nil
Termination benefits	$ Nil	$ Nil
Share-based payments	$ 151,513	$ 55,260

The directors and key management were awarded 257,500 stock options under the Company's stock option plan during the year December 31, 2014 (December 31, 2013 – 144,791). Included in short-term compensation for the year ended December 31, 2014 is $9,640 (year ended December 31, 2013 - $15,437) related to the Company matching retirement savings contributions made by key management.

PROPOSED TRANSACTIONS

None.

CONVERTIBLE LOAN

On October 1, 2014, the Company announced that it invested in Stream TV Networks, Inc. ("Stream TV"), a current customer of Intrinsyc, an amount of $1,500,000 in the form of a secured convertible promissory note bearing interest at three percent (3%) per annum with a maturity date of December 31, 2015 (the "Note"). Interest is payable on the earlier of (i) December 31, 2015 or (ii) when converted to Stream TV shares. Stream TV committed to acquire a minimum of $3,000,000 in Intrinsyc products, services, and royalties over the next twelve months.

The Note is convertible into the securities of Stream TV at the sole option of Stream TV subject to the execution an equity financing of a minimum of $15 million by Stream TV (the "Qualifying Financing"). The Note is convertible into the class of securities sold in the Qualifying Financing at the share price issued in the Qualifying Financing.

The Company has determined that a reasonable market interest rate for a loan with the features of the Stream TV convertible loan and for pre-commercial entities in the emerging technology sector would be 12%. The Company recognized the difference as a deferred discount. The balance presented as convertible loan on the statement of financial position of $1.545 million is expressed gross of a deferred discount of $195,000 on the Note with a net present balance of $1.35 million for the Note as at December 31, 2014.

The Company has assessed the Note for impairment at the end of reporting period and concluded that no loss event had occurred since the granting of the Note.

Stream TV is not deemed to be a related party as the Company does not have any ownership of Stream TV as at December 31, 2014. Further, in the event of conversion of the Note, it is expected that Intrinsyc would hold a relatively low minority share ownership in Stream TV which would not lead to a determination that it would be a related party. As such, the engineering service and related hardware goods sales transactions have not been disclosed as related party transactions in the Company's financial statements.

SUBSEQUENT EVENTS

None.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These consolidated financial statements of the Company, approved by the Board of Directors on March 24, 2015, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"). For a complete description of the Company's significant accounting policies in accordance with IFRS, please refer to note 3 of the consolidated financial statements for the year ended December 31, 2014.

Revenue Recognition

Revenues consist of services from software modification, consulting, implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of these services. For those contracts where the services are not essential to the functionality of any other element of the transaction, the Company determines vendor-specific objective evidence ("VSOE") of fair value for these services based upon normal pricing and discounting practices for these services when sold separately. These services contracts are primarily time and material based contracts. Revenue from these services is recognized at the time such services are rendered by the Company so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

The Company also enters into contracts that are primarily fixed fee arrangements to render specific consulting and software modification services. The percentage of completion method is applied to these more complex contracts that involve the provision of services relating to the design or building of complex systems, because these services are essential to the functionality of other elements in the arrangement. Under this method, revenue is recognized using the percentage of completion method and is calculated based on actual hours incurred compared to the estimated total hours for the services under the arrangement, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. If the Company does not have a sufficient basis to measure progress towards completion, revenue is recognized when final acceptance is received by the Company from the customer.

The Company recognizes revenue from the sale of software licenses upon the transfer of title to the customer, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. The Company uses the residual method to recognize revenue on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenue related to the undelivered element is deferred based on VSOE of the fair value of the undelivered element. If VSOE of fair value does not exist for all undelivered elements, all revenue is deferred until sufficient evidence exists or as elements are delivered.

The Company's multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support ("PCS") are sold together. The Company has established VSOE of the fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple-element sales arrangement, as substantiated by contractual terms. The Company's multiple-element sales arrangements generally include rights for the customer to renew PCS after the bundled term ends. These rights are irrevocable to the customer's benefit, are for specified prices, are consistent with the initial price in the original multiple-element sales arrangement, and the customer is not subject to any economic or other penalty for failure to renew. Further, the renewal PCS options are for services comparable to the bundled PCS and cover similar terms.

PCS revenue associated with software licenses is recognized rateably over the term of the PCS period, which typically is one year. Any unrecognized revenue is recorded in deferred revenue. PCS revenue includes software license updates that provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the PCS period.

The Company recognizes revenue from the sales of hardware products upon the later of transfer of title or upon shipment of the hardware product to the customer so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

The Company has entered into contracts with some of its customers to bundle and resell the Company's products with their own products for a per unit royalty fee. Royalty revenue is recognized as the Company's products are sold by the Company's customers.

The Company has entered into a contract with one of its customers to provide support services for its own customers. Revenue is recognized rateably of the terms of the support service period, which is for a period of one year.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts based on specific accounts past due. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

New Standards Adopted in the Current Year

The Company has retrospectively adopted the following new and revised standards effective January 1, 2014, in accordance with the applicable transitional provisions.

IAS 32 - Financial Instruments: Presentation

The Company has adopted the amendments to IAS 32, Financial Instruments: Presentation. IAS 32 amendments clarify the meaning of "currently has a legally enforceable right to set-off". The adoption of these amendments did not result in any adjustments.

IAS 36 - Impairment of Assets

IAS 36, Impairment of Assets, was amended to require disclosures about assets for which an impairment loss was recognized or reversed during the period. These amendments did not result in any adjustments.

Amendments to Other Standards in the Current Year

In addition, there have been amendments to existing standards, including IFRS 2 - *Share-based Payment*, IFRS 3 - *Business Combinations*, IFRS 8 - *Operating Segments* and IAS 24 - *Related Party Disclosures*.

IFRS 2 amendments clarify the definition of share-based payment vesting conditions. IFRS 3 amendments address accounting for contingent consideration in business combinations. IFRS 8 addresses additional disclosure requirements for the aggregation of operating segments and clarifies the recognition of total reportable segments' assets to the entity's assets.. IAS 24 amends the definition of a related party, with additional disclosures required when key management personnel services are provided by a management entity.

These amendments were effective for fiscal years beginning on or after July 1, 2014. The Company did not adopt any of these standards before their effective dates. The Company will continue to evaluate the impact of these standards on its audited annual consolidated financial statements.

New Standards and Interpretations Not Yet Adopted

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of the following standards on the consolidated financial statements and intends to adopt these standards when they become effective.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 - *Financial Instruments* replaces the current IAS 39 *Financial Instruments Recognition and Measurement*. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The Company will start the application of IFRS 9 in the financial statements effective from January 1, 2018. The Company has not yet evaluated the impact on the financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – *Revenue from Contracts with Customers.* The standard replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1) Identify the contract(s) with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligations in the contract; and
5) Recognize revenue when (or as) the entity satisfies a performance obligation

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company will start the application of IFRS 15 in the financial statements effective from January 1, 2017. The Company has not yet evaluated the impact on the financial statements.

IFRS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization

IFRS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortization* clarify the principle in IAS 16 - *Property, Plant and Equipment* and IAS 38 - *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The Company will start the application of IFRS 15 in the financial statements effective from January 1, 2016. The Company has not yet evaluated the impact on the financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company has classified cash and cash equivalents as held-for-trading financial assets, measured at fair value with short-term investments being classified as available for sale financial assets. Trade and other receivables as well as the convertible loan are classified as loans and receivables, measured at amortized cost. Trade and other payables are classified as other liabilities, measured at amortized cost.

The carrying values and fair values of financial assets (liabilities) as at December 31, 2014 and December 31, 2013 are summarized as follows:

	December 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-for-Trading	$ 4,323,464	$ 4,323,464	$ 4,611,640	$ 4,611,640
Available for Sale	$ 2,493,634	$ 2,493,634	$ 4,535,292	$ 4,535,292
Loans and Receivables	$ 2,853,397	$ 2,853,397	$ 902,345	$ 902,345
Other Liabilities	($1,442,827)	($1,442,827)	($1,314,458)	($1,314,458)

At December 31, 2014, the Company's financial instruments which are measured at fair value on a recurring basis were its cash and cash equivalents and short term investments. As of December 31, 2014, Available for Sale financial assets totalling $2,493,634 were classified Level 2 (December 31, 2013 - $4,535,292).

Except for its investment in Stream TV, the Company has determined that the carrying value of its short term financial assets and liabilities approximates their fair values due to the short term maturity of these instruments.

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, short-term investments, trade and other receivables and convertible loan. The Company limits its exposure to credit risk with respect to cash and cash equivalents by investing available cash, from time to time, in short-term deposits with Canadian financial institutions and commercial paper with a rating not less than R1. With respect to trade and other receivables, the Company engages EDC to perform ongoing credit evaluations of Intrinsyc's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

Trade and other receivables were aged as follows as at December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Current	$ 1,073,889	$ 680,444
31-60 days	83,462	192,758
Over 60 days	151,046	29,143
	$ 1,308,397	**$ 902,345**

The Company has assessed the convertible loan (the "Note") for impairment at the end of reporting period and concluded that no loss event had occurred since the granting of the Note as at December 31, 2014. However, the Company acknowledges that there is uncertainty regarding eventual realization of the Note due to the uncertainty inherent to the fact that Stream TV is a pre-commercial entity in an emerging technology sector.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within one month.

Trade and other payables were aged as follows as at December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Current	$ 1,304,505	$ 1,136,769
31-60 days	136,961	56,627
Over 60 days	1,361	121,062
	$ 1,442,827	**$ 1,314,458**

Foreign Currency Risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations. The Company attempts to mitigate this risk by denominating many of its payment obligations in U.S. dollars. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. With all other variables remaining constant, assuming a 10% weakening of the Canadian dollar versus the US dollar would have had the following impact on net loss on the current year as follows in the table below. An assumed 10% strengthening of the Canadian dollar versus the US dollar would have had an equal but opposite effect on the amounts shown below.

Source of net earnings/loss variability from changes in foreign exchange rates	**Year ended December 31, 2014**
Statement of Financial Position exposure	($344,863)
Net Cost of Sales/Operating Expenses (net exposure)	547,223
Net exposure	**$ 202,360**

A 10% change in the Chinese yuan to U.S. dollar exchange rate on the December 31, 2014 balances would have a $51,553 impact on net loss.

Interest Rate Risk

The Company's exposure to interest rate fluctuations is primarily interest earned on its cash and cash equivalents as well as its short-term investments. During the year ended December 31, 2014, the Company earned $101,094 of interest income on its cash and cash equivalents as well as its short-term investments. An increase or decrease of 100 basis points in the average interest rate earned during the period would have adjusted net earnings by approximately $80,000. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Government Regulatory Risk

In connection with the Company's wind down of its Chinese legal entity, there is a risk that the Company may experience difficulty in repatriating all or a portion of the approximately $438,000 in cash that resides in this subsidiary due to the uncertainties and continuous changes related to the Chinese regulatory environment.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. On June 17, 2014, the Company filed Articles of Amendment to give effect to the consolidation of its common shares (the “Common Shares”) on a basis of eight (8) old common shares for one (1) new common share basis (the "Consolidation") effective June 17, 2014. As a result, all outstanding share and option information presented herein has been retroactively adjusted on an 8 to 1 basis. As of March 25, 2015, the Company has 20,561,967 common shares outstanding and no preference shares outstanding.

The Company has instituted a rolling incentive stock option plan whereby shares reserved for issuance under the plan shall reflect the lesser of (i) 10% less 1 share of the issued and outstanding common shares of the Company from time to time; and (ii) 3,750,000 common shares. As of March 25, 2015, the Company is entitled to grant incentive stock options for 2,056,195 common shares under the Company’s stock option plan, of which 1,182,927 have been granted.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company may be regarded as speculative due to the Company’s stage of development. Risk factors relating to the Company could materially affect the Company’s future results and could cause them to differ materially from those described in forward-looking statements relating to the Company. Prospective investors should carefully consider these risks.

The following are some of the risks that are associated with the Company’s business and operations and should be carefully considered by any potential investor in the Company’s shares:

Worsened General Economic Conditions

The decline in the global economic environment in 2009 and the continuing economic instability in certain parts of the world resulted in increasing uncertainty regarding future revenue and customer commitments, both in terms of timing and magnitude for such future sales. The economic crisis adversely impacted the software industry which the Company services. If the global economic climate does not continue to recover, the Company may not generate the sales activity required to support its operations resulting in requirement for additional restructurings and erosion of its existing capital resources which may hinder the future viability of the Company.

Additional Financing

The Company has a history of operating losses and uses cash raised in equity markets to partially fund working capital. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Company will be able to obtain the additional financial resources required to compete in its markets on favorable commercial terms or at all. Any equity offering may result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests.

Research and Development

The research and development activities of the Company may be funded by its customers through engineering services provided in addition to the Company’s investment in research and development activities. If the Company fails to develop new products, incurs delays in developing new products, or if the product the Company develops are not successful, the Company’s business could be harmed. Even if the Company does develop new products which are accepted by its target markets, the Company cannot assure that the revenue from these products will be sufficient to justify the Company’s investment in research and development. The Company is highly dependent on a strategic partner and some customers to subsidize development of new products. There can be no assurance that our strategic partners or customers will continue to support the Company’s product development initiatives.

Distribution of Third Party Products

The Company is a distributor or reseller of products manufactured in whole or part by other companies, including M2M communications and embedded computing modules. There can be no assurance that we will continue to be authorized to sell these products. Products that the Company sells may become obsolete and not replaced. This could have a materially negative effect on future revenue.

Reliance on Third Party Suppliers

The Company's Embedded Solutions business is dependent upon third party suppliers, inclusive of contract manufacturers with respect to the availability, timeliness of delivery, cost and quality of products purchased by the Company from suppliers in addition to potential liability exposure arising from contractual arrangements with its suppliers.

History of Losses

The Company has a history of losses, and there can be no assurance that the Company's losses will not continue in the future. As at December 31, 2014, the Company had an accumulated deficit of approximately $109.4 million. The Company's prospects must be considered in the context of the implementation stage of its current strategy, the risks and uncertainties it faces, and the inability of the Company to accurately predict its results of sales and marketing initiatives. There can be no assurances that implementation of the Company's strategy will result in the Company sustaining profitable operations.

Stock Price Volatility

The market price for the common shares of the Company fluctuates significantly, and these fluctuations tend to be exaggerated if the trading volume is low. The market price of the common shares may rise or fall in response to announcements of technological or competitive developments, acquisitions or strategic alliances by the Company or its competitors, the gain or loss by the Company of significant orders or broad market fluctuations.

Product Development and Technological Change

The market for the Company's products and services is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To be successful, the Company will need to enhance existing products and to introduce new products and features in response to changing standards, customer requirements, and technological innovations by others. There can be no assurance that the Company will be successful in doing this in a timely manner or at all.

The software industry is characterized by a continuous flow of improved products which render existing products obsolete. There can be no assurance that products or technologies developed by others will not render the Company's products obsolete or non-competitive.

Sales and Marketing and Strategic Alliances

If the Company is to become successful, it must maintain and expand its marketing and technology alliances. There is no assurance the Company will be able to reach agreements with additional alliance partners on a timely basis or at all, or that these partners will devote sufficient resources to advancing the Company's interests.

The Company's strategic alliances with operating system vendors, semiconductor manufacturers, and independent software vendors are a key part of the Company's overall business strategy. The Company cannot, however, be certain that it will be successful in developing new strategic relationships or that the Company's strategic partners will view such relationships as significant to their own business or that they will continue their commitment to the Company in the future. The Company's business, results of operation, financial condition and stock price may be materially adversely affected if any strategic partner discontinues its relationship with the Company for any reason. Additionally, the Company at times relies on the voluntary efforts of its strategic partners rather than compliance with contractual obligations, and there are at times no minimum performance requirements. Therefore, the Company cannot be certain that these relationships will be successful.

Dependence on a Small Number of Customers

The Company's revenue is dependent, in large part, on significant contracts from a limited number of customers. During the year ended December 31, 2014, approximately 42% of the Company's consolidated revenue was attributable to its largest three customers. Management believes that revenue derived from current and future large customers will continue to represent a significant portion of total revenue. The inability to continue to secure and maintain a sufficient number of large contracts would have a material adverse effect on the business, financial condition, operating results and cash flows of the Company. Moreover, the success of the Company will depend in part upon its ability to obtain orders from new customers, as well as the financial condition and success of its customers and general economic conditions.

Length of Sales Cycle

The typical sales cycle of the Company's products and services is lengthy (generally between six and nine months), unpredictable, and involves significant investment decisions by prospective customers, as well as education of those customers regarding the use and the benefits of the Company's products and services. The purchase of the Company's products and services is often delayed while prospective customers conduct lengthy internal reviews and obtain expenditure approvals. Even after deciding to purchase the Company's products or services, the Company's customers tend, in some cases, to deploy the products slowly and deliberately depending on a variety of factors, including the skill level of the customer and the status of its own technology with which the Company's products are to integrate. As a result, the Company's quarterly financial results may vary significantly.

Intellectual Property Protection

The Company's ability to compete may be affected by its ability to protect its intellectual property. It relies primarily on a combination of copyright, trademark, patent and trade secret laws, confidentiality procedures and contractual provisions to protect its intellectual property. While the Company believes that its products and technologies are adequately protected against infringement, there can be no assurance of effective protection. Monitoring and identifying unauthorized use of the Company's technology is difficult, and the prohibitive cost of litigation may impair the Company's ability to prosecute any infringement. The commercial success of the Company will also depend upon its products not infringing any intellectual property rights of others and upon no claims for infringement being made against the Company. The Company believes that it is not infringing any intellectual property rights of third parties, but there can be no assurance that such infringement will not occur. An infringement claim against the Company by a third party, even if it is invalid, could have a material adverse effect on the Company because of the costs of defending against such a claim.

Competition

Because of intense market competition, the Company may not succeed. Some of the Company's current and potential competitors have longer operating histories, stronger brand names and greater financial, technical, marketing and other resources than the Company. Current and potential competitors may also have existing relationships with many of the Company's prospective customers, and prospective OEM customers may be developing products for their own use that are comparable to the Company's products. In addition, the Company expects competition to persist and intensify in the future, which could adversely affect the Company's ability to increase sales.

International Business Operations

The Company continues to operate internationally. International sales and the related infrastructure support operations carry certain risks and costs such as the administrative complexities and expenses of administering a business abroad; complications in both compliance with and also unexpected changes in regulatory requirements, foreign laws, international import and export legislation, trading policies, tariffs and other barriers; potentially adverse tax consequences; and uncertainties of law and enforcement relating to the protection of intellectual property and unauthorized duplication of software. There can be no assurance that these factors will not be experienced in the future by the Company or that they will not have a material adverse impact on the Company's business, results of operations and financial conditions.

Foreign Exchange Risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. The Company attempts to mitigate this risk by denominating many of its payment obligations in U.S. dollars. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations of the Company.

Potential Fluctuations in Quarterly Results

The Company's quarterly operating results may vary significantly depending on factors such as the timing of new product introductions and changes in pricing policies by the Company and its competitors, market acceptance of new and enhanced versions of the Company's products and the timing of orders from its hardware customers. Because the Company's operating expenses are based on anticipated revenues and a high percentage of the Company's expenses are relatively fixed in the short term, variations in the timing of recognition of revenues can cause significant fluctuations in operating results from quarter to quarter and may result in unanticipated quarterly earnings shortfalls or losses. The Company may in the future experience lower profit margins as a result of an increased focus on a hardware-based business model to the extent that revenue from the sales of machine to machine and embedded computing modules may account for a greater percentage of the Company's revenues in future quarters. The market price of the Company's common shares may be highly volatile in response to such quarterly fluctuations.

Dependence on Key Personnel

The Company's future success depends largely on its ability to attract and retain talented employees. The Company is highly dependent on a limited number of key personnel to maintain customer and strategic relationships. Loss of key personnel could have an adverse effect on these relationships and negatively impact the Company's financial performance. The Company's future results of operations will depend in part on the ability of its officers, management and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel. If the Company were to lose the services of any key personnel, the Company may encounter difficulties finding qualified replacement personnel.

Acquisitions

The Company has, and from time to time in the future may, acquire businesses, products or technologies that it believes complement or expand its existing business. Acquisitions of this type involve a number of risks, including the possibility that the operations of the acquired business will not be profitable or that the attention of the Company's management will be diverted from the day-to-day operation of its business. An unsuccessful acquisition could reduce the Company's margins or otherwise harm its financial condition. Any acquisition could result in a dilutive issuance of equity securities, the incurrence of debt and the loss of key employees. The Company cannot ensure that any acquisitions will be successfully completed or that, if one or more acquisitions are completed, the acquired businesses, products or technologies will generate sufficient revenues to offset the associated costs of the acquisitions or other adverse effects.

Product Liability

The Company's license agreements with its customers typically contain provisions designed to limit the Company's exposure to potential product liability claims. There can be no assurance that such provisions will protect the Company from such claims. The Company does not maintain product liability insurance. A successful product liability claim brought against the Company could have a material adverse effect upon the Company's business, results of operations and prospects.

Convertible Loan

The Company has made a convertible loan provided to a customer, Stream TV (the "Note") on October 1, 2014. There is uncertainty regarding the eventual realization of the Note due to the uncertainty inherent to Stream TV being a pre-revenue entity in an emerging technology sector. There can be no assurance that the Note will be repaid nor that the Company will make an acceptable rate of return in the event that the Note is converted into common shares of Stream TV.

Future Share Sales

If the Company's shareholders sell substantial amounts of the Company's common shares, the market price of the Company's common shares could decrease.

Shareholder Rights Plan

The Company has implemented a Shareholder Rights Plan (the "Plan"). The Plan provides for substantial dilution to an acquirer making a take-over bid for the common shares of the Company unless the bid meets the requirements described in the Plan. This could discourage a potential acquirer from making a take-over bid and make it more difficult for a third party to acquire control of the Company, even if such acquisition or bid would be beneficial to the Company's shareholders.

Costs Not Related to Core Business

From time to time the Company may incur significant charges as a result of business segment shut-down, corporate restructuring, or other strategic activities which are not related to its core business. These charges could have an adverse effect on the business, financial condition, operating results or cash flow of the Company.

Management of Growth

The Company's future results of operations will depend in part on the ability of its officers and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel. Substantial growth in the Company's hardware initiatives may require the Company to raise additional capital through the issuance of additional shares or securing financing. There can be no assurance that the Company would be able to secure additional funding through these activities.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company. The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with IFRS.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design of the Company's internal controls over financial reporting. This evaluation identified no instances in which internal controls did not operate in an effective manner. Nonetheless, the Company has further strengthened its internal control processes to mitigate future potential material financial statement misstatements and other internal control violations during the three and twelve months ended December 31, 2014.

Because of the inherent limitations in a control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the financial statements. As the Company has a limited number of personnel, management has concluded that a weakness exists in the design of internal controls over financial reporting caused by a lack of adequate segregation of duties. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. Management has concluded that taking into account the present stage of the Company's development and the best interests of its shareholders; the Company does not have sufficient size and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, supervisory controls are exercised by management and the Audit Committee is vigilant in its' oversight.

The Chief Executive Officer and Chief Financial Officer of the Company conducted an evaluation of the disclosure controls and procedures as required by National Instrument 52-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings” issued by the Canadian Securities Administrators. They concluded that as at December 31, 2014, the Company’s disclosure controls and procedures were effective to provide reasonable assurance that material information regarding required disclosures was made known to them on a timely basis.

MANAGEMENT'S RESPONSIBILITY

The management of Intrinsyc Technologies Corporation is responsible for the preparation of the accompanying consolidated financial statements and the preparation and presentation of information in the Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted under International Financial Reporting Standards, and are considered by management to present fairly the financial position and operating results of the Company.

The Company maintains various systems of internal control to provide reasonable assurance that transactions are appropriately authorized and recorded, that assets are safeguarded, and that financial reports are properly maintained to provide accurate reliable financial statements.

The Company's audit committee is comprised entirely of independent directors and is appointed by the Board of Directors annually. The committee meets annually with the Company's management and independent auditors to review the consolidated financial statements and the independent auditors report. The audit committee has approved the consolidated financial statements and reported its findings to the Board of Directors.

The Company's independent auditors, Ernst & Young LLP, have performed an audit of the consolidated financial statements and their report follows.

"Tracy Rees"	*"George Reznik"*
Chief Executive Officer	Chief Financial Officer
March 25, 2015	March 25, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Intrinsyc Technologies Corporation

We have audited the accompanying consolidated financial statements of **Intrinsyc Technologies Corporation**, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and 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, 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 the auditors' 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, the auditors 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 **Intrinsyc 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.

Ernst & Young LLP

Vancouver, Canada
March 24, 2015.

Chartered Accountants

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Financial Position

(Expressed in U.S. Dollars)

As at	December 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents *(notes 17 and 18(c)(v))*	$ 4,323,464	$ 4,611,640
Short-term investments *(note 17)*	2,493,634	4,535,292
Trade and other receivables *(notes 4 and 12)*	1,308,397	902,345
Convertible loan *(note 5)*	1,545,000	-
Inventory *(note 6)*	942,310	325,821
Prepaid expenses	97,670	149,445
	10,710,475	10,524,543
Non-Current Assets		
Prepaid expenses	412	40,491
Equipment *(note 7)*	156,356	201,333
Intangible assets *(note 8)*	133,913	82,237
Total assets	$ 11,001,156	$ 10,848,604
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	$ 1,442,827	$ 1,314,458
Deferred revenue	431,848	424,075
Total liabilities	1,874,675	1,738,533
Shareholders' equity		
Share capital *(note 9)*	108,429,789	108,350,842
Other capital reserves – share based payments	9,954,684	9,843,553
Deficit	(109,350,428)	(109,176,760)
Translation of operations reserve	92,436	92,436
Total shareholders' equity	9,126,481	9,110,071
Total liabilities and shareholders' equity	$ 11,001,156	$ 10,848,604

Commitments and contingencies *(note 11)*

See accompanying notes to consolidated financial statements

Approved on behalf of the Board:

"George Duguay"
Director

"Daniel Marks"
Director

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Operations

(Expressed in U.S. dollars)

For the	Year ended December 31, 2014	Year ended December 31, 2013
Revenues *(note 13)*	$ 10,076,266	$ 5,897,924
Cost of sales *(note 13)*	6,175,700	3,716,117
	3,900,566	2,181,807
Expenses		
Sales and marketing	1,352,723	980,437
Research and development	708,090	74,546
Administration	1,473,152	3,366,312
Other operating expenses *(note 15)*	286,202	166,220
	3,820,167	4,587,515
Operating income (loss)	80,399	(2,405,708)
Other expenses (earnings)		
Foreign exchange loss (gain)	354,061	(220,818)
Interest income	(101,094)	(102,548)
	252,967	(323,366)
Loss before income taxes	(172,568)	(2,082,342)
Income tax expense *(note 10)*	1,100	1,613
Net loss for the year	(173,668)	(2,083,955)
Loss per share (basic and fully diluted) *(note 9b)*	($0.01)	($0.10)
Weighted average number of shares outstanding	20,526,325	20,409,582

See accompanying notes to consolidated financial statements

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Comprehensive Loss

(Expressed in U.S. Dollars)

For the	Year ended December 31, 2014	Year ended December 31, 2013
Net loss for the year	($ 173,668)	($ 2,083,955)
Other comprehensive income (loss):		
Translation of operations reserve	-	(692,804)
Comprehensive loss for the year	($ 173,668)	($ 2,776,759)

See accompanying notes to consolidated financial statements

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in U.S. Dollars)

	Share Capital	Other Capital Reserves – Share Based Payments	Deficit	Translation of Operations Reserve	Total Shareholders' Equity
Balance, January 1, 2014	$108,350,842	$ 9,843,553	($109,176,760)	$ 92,436	$ 9,110,071
Net loss for the year	-	-	(173,668)	-	(173,668)
Issued upon exercise of stock options	44,918	-	-	-	44,918
Reclassification upon exercise of stock options	34,029	(34,029)	-	-	-
Share-based compensation	-	145,160	-	-	145,160
Balance, December 31, 2014	$108,429,789	$ 9,954,684	($109,350,428)	$ 92,436	$ 9,126,481
Balance, January 1, 2013	$108,288,585	$ 9,824,896	($107,092,805)	$ 785,240	$ 11,805,916
Net loss for the year	-	-	(2,083,955)	-	(2,083,955)
Issued upon exercise of stock options	35,064	-	-	-	35,064
Reclassification upon exercise of stock options	27,193	(27,193)	-	-	-
Share-based compensation	-	45,850	-	-	45,850
Translation of operations into U.S. dollars	-	-	-	(692,804)	(692,804)
Balance, December 31, 2013	$108,350,842	$ 9,843,553	($109,176,760)	$ 92,436	$ 9,110,071

See accompanying notes to consolidated financial statements

INTRINSYC TECHNOLOGIES CORPORATION

Consolidated Statements of Cash Flows

(Expressed in U.S. Dollars)

For the	Year ended December 31, 2014	Year ended December 31, 2013
Cash provided by (used in):		
Operating Activities		
Net loss for the year	($ 173,668)	($ 2,083,955)
Adjustments to reconcile net loss to net cash flows:		
Depreciation of equipment *(note 7)*	87,939	96,179
Amortization of intangible assets *(note 8)*	53,103	22,958
Share-based compensation	145,160	45,850
Accrued interest on convertible loan	(45,000)	-
Loss on disposal of equipment *(note 7)*	-	1,233
	67,534	(1,917,735)
Working capital adjustments:		
Trade and other receivables	(406,052)	547,646
Inventory	(616,489)	(247,733)
Prepaid expenses	91,854	(53,913)
Trade and other payables	128,369	217,738
Deferred revenue	7,773	36,186
	(794,545)	499,924
Cash used in operating activities	(727,011)	(1,417,811)
Investing Activities		
Redemption of short-term investments	2,041,658	433,174
Convertible loan *(note 5)*	(1,500,000)	-
Purchase of equipment *(note 7)*	(42,962)	(15,096)
Purchase of intangible assets *(note 8)*	(104,779)	(89,887)
Cash provided by investing activities	393,917	328,191
Financing Activities		
Issuance of common shares	44,918	35,064
Cash provided by financing activities	44,918	35,064
Effect of exchange rate changes on cash and cash equivalents	-	(373,117)
Decrease in cash and cash equivalents	(288,176)	(1,427,673)
Cash and cash equivalents, beginning of the period	4,611,640	6,039,313
Cash and cash equivalents, end of the period	$ 4,323,464	$ 4,611,640
Supplementary information		
Interest received	*$69,050*	*$105,167*
Interest paid	*$ 789*	*$ 14*
Income taxes paid	*$ 1,100*	*$ 1,613*

1. REPORTING ENTITY

Intrinsyc Technologies Corporation (formerly Intrinsyc Software International, Inc.) ("Intrinsyc" or the "Company") is a public company domiciled in Canada and incorporated on August 31, 1992 under the laws of Alberta and continued under the Company Act (British Columbia) on July 19, 1995. Articles of Continuance were filed under the Canada Business Corporations Act on May 1, 2003 to continue the Company federally and change the name of the Company from Intrinsyc Software, Inc. to Intrinsyc Software International, Inc. Articles of Amendment were filed under the Canada Business Corporations Act on June 17, 2014 to change the name of the Company to Intrinsyc Technologies Corporation and consolidate all issued and outstanding common shares on the basis of eight (8) old common shares for one (1) new common share. The Company's principal business office is Suite 380, 885 Dunsmuir Street, Vancouver, British Columbia, V6C 1N5 and its registered office is Suite 680, 375 Water Street, Vancouver, British Columbia, V6B 5C6.

The Company is a mobile and embedded product development company, offering hardware development kits, computing and wireless modules, proprietary software products, and engineering design and development services. These solutions are focused on mobile and embedded product market; including smartphones, tablets, e-readers, and a wide variety of embedded and machine-to-machine ("M2M") devices including; robotics, digital signage, medical systems, asset and personnel tracking, and many others. The Company provides value by enabling device makers and technology suppliers to deliver compelling, next generation mobile and embedded wireless devices with faster time to market, higher quality, and differentiating innovation.

The consolidated financial statements of the Company, as at, and for the years ended December 31, 2014 and December 31, 2013 comprise the Company and its subsidiaries (together referred to as the "Company" and individually as "Company entities").

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements of the Company, approved by the Board of Directors on March 24, 2015, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB").

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Principles of Consolidation

Subsidiaries are entities controlled by Intrinsyc. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The accompanying consolidated financial statements include the accounts of Intrinsyc Technologies Corporation and the following subsidiaries:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Company entity	Active	Country of Incorporation	Ownership Interest 2014	Ownership Interest 2013
Intrinsyc Software (USA), Inc.	Yes	U.S.	100%	100%
Intrinsyc Europe Limited	No	U.K.	100%	100%
Intrinsyc Software (Beijing) Inc.	No	China	100%	100%

Use of Critical Accounting Judgement and Estimates

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Estimates and assumptions are pervasive throughout the consolidated financial statements and are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods impacted.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

[a] The recoverability of trade and other receivables which are included in the consolidated statements of financial position;

[b] The recoverability of the convertible loan which is included in the consolidated statements of financial position;

[c] The estimated useful lives of equipment which are included in the consolidated statements of financial position and the related amortization included in the consolidated statements of operations;

[d] The estimated useful lives of intangible assets which are included in the consolidated statements of financial position and the related amortization included in the consolidated statements of operations;

[e] The inputs used in accounting for share-based payment expense in the consolidated statements of operations;

[f] The provision for income taxes which is included in the consolidated statements of operations;

[g] The estimated revenues and related expenses that are recognized during the warranty period of a given project, which is included in the consolidated statements of operations;

[h] The provision for inventory obsolescence which is included in the consolidated statements of operations; and

[i] The estimates used in calculating revenue on fixed fee service engagements which is included in the consolidated statements of operations.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Foreign Currency

Since January 1, 2008, the Company’s reporting currency has been the U.S. dollar. The change from the Canadian dollar was to enhance comparability of the Company’s results with other publicly traded companies in the industry.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's revenues derived from its embedded solutions operating segment are primarily denominated in U.S. dollars and the related cost of sales is also significantly denominated in U.S. dollars. The Company has determined that the significant increase in activities from its embedded solutions operating segment resulted in a change in its function currency. As such, the Company has changed its functional currency from the Canadian dollar to the U.S. dollar effective January 1, 2014.

Transactions in foreign currencies are translated to the respective functional currency of the Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at the dates of the initial transactions. Foreign currency differences arising on translation are recognized in profit or loss.

Revenues

Revenues from services consist of revenues from software modification, consulting, implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of these services. For those contracts where the services are not essential to the functionality of any other element of the transaction, the Company determines vendor-specific objective evidence ("VSOE") of fair value for these services based upon normal pricing and discounting practices for these services when sold separately. These services contracts are primarily time and material based contracts. Revenue from these services is recognized at the time such services are rendered by the Company so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

The Company also enters into contracts that are primarily fixed fee arrangements to render specific consulting and software modification services. The percentage of completion method is applied to these more complex contracts that involve the provision of services relating to the design or building of complex systems, because these services are essential to the functionality of other elements in the arrangement. Under this method, revenue is recognized using the percentage of completion method and is calculated based on actual hours incurred compared to the estimated total hours for the services under the arrangement, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. If the Company does not have a sufficient basis to measure progress towards completion, revenue is recognized when final acceptance is received by the Company from the customer.

The Company recognizes revenue from the sale of software licenses upon the transfer of title to the customer, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. The Company uses the residual method to recognize revenue on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenue related to the undelivered element is deferred based on VSOE of the fair value of the undelivered element. If VSOE of fair value does not exist for all undelivered elements, all revenue is deferred until sufficient evidence exists or as elements are delivered.

The Company's multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support ("PCS") are sold together. The Company has established VSOE of the fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple-element sales arrangement, as substantiated by contractual terms. The Company's multiple-element sales arrangements generally include rights for the customer to renew PCS after the bundled term ends. These rights are irrevocable to the customer's benefit, are for specified prices, are consistent with the initial price in the original multiple-element sales arrangement, and the customer is not subject to any economic or other penalty for failure to renew. Further, the renewal PCS options are for services comparable to the bundled PCS and cover similar terms.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

PCS revenue associated with software licenses is recognized rateably over the term of the PCS period, which typically is one year. Any unrecognized revenue is recorded in deferred revenue. PCS revenue includes software license updates that provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the PCS period.

The Company recognizes revenue from the sales of hardware products upon the later of transfer of title or upon shipment of the hardware product to the customer so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

The Company has entered into contracts with some of its customers to bundle and resell Intrinsyc's products with their own products for a per unit royalty fee. Royalty revenue is recognized as the Company's products are sold by the Company's customers.

The Company has entered into a contract with one of its customers to provide support services for its own customers. Revenue is recognized rateably over the terms of the support service period, which is one year.

Unbilled Revenue

Unbilled revenue represents the gross unbilled amount expected to be collected from customers for contract work to be performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to specific projects.

Deferred Revenue

Deferred revenue represents the gross billed amounts received from customers for contract work to be performed at a later date. It is measured at amounts received from customers less any revenue recognized to date.

Research and Development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are 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. The expenditure 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 expenditure is recognized in profit or loss as incurred.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits, which are all deposits rated R1, term deposits, savings investment deposits or guaranteed investment certificate deposits, with a term to maturity of less than three months when acquired and are carried at fair value.

Short-Term Investments

Short-term investments, which are all deposits rated R1, term deposits, savings investment deposits or guaranteed investment certificate deposits, with a term to maturity of greater than three months but less than one year when acquired and are carried at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts related to trade and other receivables that are considered to be uncollectible. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

Convertible Note

The Company has assessed the Note for impairment at the end of reporting period and concluded that no loss event had occurred since the granting of the Note. However, the Company acknowledges that there is uncertainty regarding eventual realization of the Note due to the uncertainty inherent to the fact that Stream TV is a pre-commercial entity in an emerging technology sector.

Equipment

Items of equipment are measured at cost less accumulated amortization and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognized net in the consolidated statements of operations.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Amortization is recognized in profit or loss over the estimated useful lives of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The Company rates for amortization are as follows:

Computers and equipment	30% declining-balance
Furniture and fixtures	20% declining-balance

Leasehold improvements are amortized on a straight-line basis over the shorter of the initial lease term or their expected useful lives.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible Assets

Intangible assets, acquired separately, are measured on initial recognition at cost.

Intangible assets with finite useful lives are amortized over their estimated useful lives as follows:

Computer software	3 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The amortization methods and estimated useful lives of intangible assets are reviewed annually.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

Leases

Operating lease payments are recognized as an operating expense in the consolidated statements of operations on a straight-line basis over the lease term.

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.

Share-Based Payment Transactions

The Company grants stock options to directors, officers, employees, service providers and consultants. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The grant date fair value of options granted to directors, officers, employees, consultants and service providers is recognized as share-based payment expense, with a corresponding increase in other capital reserves-share based payments, over the period that the individual becomes unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the number of share options for which the related service are expected to be met, such that the amount ultimately recognized as an expense is based on the number of share options that do meet the related service at the vesting date.

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 determined 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 is recognized as a finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. No provision is made for future operating losses.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower that the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected cost net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date. Deferred tax is recognized with respect to 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 at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Earnings per Share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. A dilutive share capital quantification has not been performed as the Company is in a net loss position for the periods resulting in an anti-dilutive effect.

Financial Instruments

<u>Financial Assets</u>

From time-to-time, the Company may have the following non-derivative financial assets: financial assets at fair value through profit or loss, available-for-sale financial assets, held to maturity financial assets, trade and other receivables and cash and cash equivalents. Management determines the appropriate classification upon initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or losses, directly attributable transaction costs.

Financial Assets at Fair Value through Profit or Loss:

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any financial assets upon initial recognition as at fair value through profit or losses.

Available-for-Sale Financial Assets:

Any investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognized in translation of operations reserve. When an investment is derecognized, the cumulative gain or loss is recorded in accumulated other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Held-to-Maturity Financial Assets:

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. The Company did not have any held-to-maturity financial assets for the periods presented.

Loans and Receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables as well as a convertible loan.

Other Liabilities

From time-to-time the Company may have the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized costs using the effective interest method.

Classification

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

[i] Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;
[ii] Level 2 - Inputs other than quoted prices that are observable for the asset or liability directly or indirectly; and
[iii] Level 3 - Inputs that are not based on observable market data.

Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment

Financial Assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Financial Assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets which are separately assessed, are reviewed each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are to reduce the carrying amounts of the assets in the unit on a pro rata basis.

Segment Reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segment results are regularly reviewed by the Company's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related income, corporate assets and head office expenses, and income tax assets and liabilities.

New Standards Adopted in the Current Year

The Company has retrospectively adopted the following new and revised standards effective January 1,2014, in accordance with the applicable transitional provisions.

IAS 32 - Financial Instruments: Presentation

The Company has adopted the amendments to IAS 32, Financial Instruments: Presentation. IAS 32 amendments clarify the meaning of "currently has a legally enforceable right to set-off". The adoption of these amendments did not result in any adjustments
.

IAS 36 - Impairment of Assets

IAS 36, Impairment of Assets, was amended to require disclosures about assets for which an impairment loss was recognized or reversed during the period. These amendments did not result in any adjustments.

Amendments to Other Standards in the Current Year

In addition, there have been amendments to existing standards, including IFRS 2 - *Share-based Payment*, IFRS 3 - *Business Combinations*, IFRS 8 - *Operating Segments* and IAS 24 - *Related Party Disclosures*.

IFRS 2 amendments clarify the definition of share-based payment vesting conditions. IFRS 3 amendments address accounting for contingent consideration in business combinations. IFRS 8 addresses additional disclosure requirements for the aggregation of operating segments and clarifies the recognition of total reportable segments' assets to the entity's assets.. IAS 24 amends the definition of a related party, with additional disclosures required when key management personnel services are provided by a management entity.

These amendments were effective for fiscal years beginning on or after July 1, 2014. The Company did not adopt any of these standards before their effective dates. The Company will continue to evaluate the impact of these standards on its audited annual consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards and Interpretations Not Yet Adopted

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of the following standards on the consolidated financial statements and intends to adopt these standards when they become effective.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 - *Financial Instruments* replaces the current IAS 39 *Financial Instruments Recognition and Measurement*. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The Company will start the application of IFRS 9 in the financial statements effective from January 1, 2018. The Company has not yet evaluated the impact on the financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – *Revenue from Contracts with Customers.* The standard replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1) Identify the contract(s) with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligations in the contract; and
5) Recognize revenue when (or as) the entity satisfies a performance obligation

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company will start the application of IFRS 15 in the financial statements effective from January 1, 2017. The Company has not yet evaluated the impact on the financial statements.

IFRS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization

IFRS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortization* clarify the principle in IAS 16 - *Property, Plant and Equipment* and IAS 38 - *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The Company will start the application of IFRS 15 in the financial statements effective from January 1, 2016. The Company has not yet evaluated the impact on the financial statements.

(Expressed in U.S. Dollars)

4. TRADE AND OTHER RECEIVABLES

	December 31, 2014	December 31, 2013
Trade and other receivables	$ 1,191,247	$ 849,034
Less: Allowance for doubtful accounts	(110,196)	(211,468)
Unbilled revenue	227,346	264,779
	$ 1,308,397	**$ 902,345**

Included in trade and other receivables balance as at December 31, 2014 was an amount of $99,933 payable by one customer that had not been fully insured with Export Development Canada ("EDC" – see Note 11) by the Company. While the Company is currently working with EDC to collect from this customer, this amount has been reserved for.

Included in trade and other receivables balance as at December 31, 2013 was an amount of $144,244 payable by one customer that had not been insured with Export Development Canada. This amount was included in the allowance for doubtful accounts. On January 17, 2014, the Company filed a claim against this customer in the Supreme Court of British Columbia to recover the balance outstanding. On April 2, 2014, a settlement was reached by both parties whereby the customer would pay $150,000 (amount owing plus legal costs) in three (3) tranches of $50,000 due April 4, May 1 and July 1, 2014. During 2014, the Company received $150,000 from the customer and withdrew its claim against this customer. Also, as of December 31, 2014, the Company had received its deposit of CDN $7,499 related to the sublease it had entered into in late 2013 and subsequently terminated.

At December 31, 2014, unbilled revenue on open contracts accounted for using the percentage of completion method amounted to $227,346 (December 31, 2013 - $264,779).

5. CONVERTIBLE LOAN

On October 1, 2014, the Company announced that it invested in Stream TV Networks, Inc. ("Stream TV"), a current customer of Intrinsyc, an amount of $1,500,000 in the form of a secured convertible promissory note bearing interest at three percent (3%) per annum with a maturity date of December 31, 2015 (the "Note"). Interest is payable on the earlier of (i) December 31, 2015 or (ii) when converted to Stream TV shares. Stream TV committed to acquire a minimum of $3,000,000 in Intrinsyc products, services, and royalties over the next twelve months.

The Note is convertible into the securities of Stream TV at the sole option of Stream TV subject to the execution an equity financing of a minimum of $15 million by Stream TV (the "Qualified Financing"). The Note is convertible into the class of securities sold in the Qualifying Financing at the share price issued in the Qualifying Financing.

The Company has determined that a reasonable market interest rate for a loan with the features of the Stream TV convertible loan and for pre-commercial entities in the emerging technology sector would be 12%. The Company recognized the difference as a deferred discount. The balance presented as convertible loan on the statement of financial position of $1.545 million is expressed gross of a deferred discount of $195,000 on the Note with a net present balance of $1.35 million for the Note as at December 31, 2014.

The Company has assessed the Note for impairment at the end of reporting period and concluded that no loss event had occurred since the granting of the Note.

Stream TV is not deemed to be a related party as the Company does not have any ownership of Stream TV as at December 31, 2014. Further, in the event of conversion of the Note, it is expected that Intrinsyc would hold a relatively low minority share ownership in Stream TV which would not lead to a determination that it would be a related party. As such, the engineering service and related hardware goods sales transactions have not been disclosed as related party transactions in the Company's financial statements.

(Expressed in U.S. Dollars)

6. INVENTORY

	December 31, 2014	December 31, 2013
Parts	$ 337,553	$ 324,013
Finished goods	604,757	1,808
	$ 942,310	**$ 325,821**

During the year ended December 31, 2014, the Company charged $3,346,461 (2013: $824,982) of inventory related amounts to cost of sales.

7. EQUIPMENT

The following table presents details of movement in the carrying value of equipment by type:

Cost

	Computers and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance, January 1, 2013	**$ 1,893,538**	**$ 834,047**	**$ 785,593**	**$ 3,513,178**
Additions	12,251	2,845	-	15,096
Disposals	(12,304)	-	-	(12,304)
Foreign exchange	(156,378)	(53,925)	(50,743)	(261,046)
Balance, December 31, 2013	**$ 1,737,107**	**$ 782,967**	**$ 734,850**	**$ 3,254,924**
Additions	21,073	21,889	-	42,962
Balance, December 31, 2014	**$ 1,758,180**	**$ 804,856**	**$ 734,850**	**$ 3,297,886**

Accumulated Depreciation

	Computers and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance, January 1, 2013	**($ 1,762,817)**	**($ 794,658)**	**($ 654,231)**	**($ 3,211,706)**
Disposals	11,071	-	-	11,071
Depreciation	(38,190)	(12,737)	(45,252)	(96,179)
Foreign exchange	147,786	51,731	43,706	243,223
Balance, December 31, 2013	**($ 1,642,150)**	**($ 755,664)**	**($ 655,777)**	**($ 3,053,591)**
Depreciation	(31,685)	(12,067)	(44,187)	(87,939)
Balance, December 31, 2014	**($ 1,673,835)**	**($ 767,731)**	**($ 699,964)**	**($ 3,141,530)**

Net Book Value

	Computers and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Balance, December 31, 2013	$ 94,957	$ 27,303	$ 79,073	**$ 201,333**
Balance, December 31, 2014	$ 84,345	$ 37,125	$ 34,886	**$ 156,356**

During the year ended December 31, 2014, the Company did not write off any assets (year ended December 31, 2013 – $1,233).

(Expressed in U.S. Dollars)

8. INTANGIBLE ASSETS

The following table presents details of movement in the carrying value of the intangible assets by type:

Cost

	Acquired Software Technology	Computer Software	Customer Relationships	Patent Portfolio	Trademark and Brand	Total
Balance, January 1, 2013	**$ 846,475**	**$ 990,941**	**$ 35,101**	**$ 38,832**	**$ 13,603**	**$ 1,924,952**
Additions	-	89,887	-	-	-	89,887
Foreign exchange	(54,675)	(65,823)	(2,267)	(2,508)	(879)	(126,152)
Balance, December 31, 2013	**$ 791,800**	**$ 1,015,005**	**$ 32,834**	**$ 36,324**	**$ 12,724**	**$ 1,888,687**
Additions	-	104,779	-	-	-	104,779
Balance, December 31, 2014	**$ 791,800**	**$ 1,119,784**	**$ 32,834**	**$ 36,324**	**$ 12,724**	**$ 1,993,466**

Accumulated Amortization

	Acquired Software Technology	Computer Software	Customer Relationships	Patent Portfolio	Trademark and Brand	Total
Balance, January 1, 2013	**($ 846,475)**	**($ 974,395)**	**($ 35,101)**	**($ 38,832)**	**($ 13,603)**	**($1,908,406)**
Amortization	-	(22,958)	-	-	-	(22,958)
Foreign exchange	54,675	64,585	2,267	2,508	879	124,914
Balance, December 31, 2013	**($791,800)**	**($ 932,768)**	**($ 32,834)**	**($ 36,324)**	**($ 12,724)**	**($1,806,450)**
Amortization	-	(53,103)	-	-	-	(53,103)
Balance, December 31, 2014	**($791,800)**	**($ 985,871)**	**($ 32,834)**	**($ 36,324)**	**($ 12,724)**	**($1,859,553)**

Net Book Value

	Acquired Software Technology	Computer Software	Customer Relationships	Patent Portfolio	Trademark and Brand	Total
Balance, December 31, 2013	$ -	$ 82,237	$ -	$ -	$ -	**$ 82,237**
Balance, December 31, 2014	$ -	$ 133,913	$ -	$ -	$ -	**$ 133,913**

(Expressed in U.S. Dollars)

9. SHARE CAPITAL

Authorized

Unlimited number of preference shares without par value; and
Unlimited number of common shares without par value.

Issued and outstanding

[a] Preference Shares

There are no preference shares outstanding as at December 31, 2014.

[b] Common Shares

On June 17, 2014, the Company filed Articles of Amendment to give effect to the consolidation of its common shares on the basis of (8) old common shares for one (1) new common share. As a result, all outstanding share and option information presented have been retroactively adjusted on an 8 to 1 basis:

	Number of common shares	**Amount**
Outstanding, January 1, 2013	**20,407,383**	**$108,288,585**
Issued upon exercise of stock options	66,875	35,064
Reclassification upon exercise of stock options	-	27,193
Outstanding, December 31, 2013	**20,474,258**	**$108,350,842**
Issued upon exercise of stock options	87,709	44,918
Reclassification upon exercise of stock options	-	34,029
Outstanding, December 31, 2014	**20,561,967**	**$108,429,789**

[c] Stock options

The Company has a rolling incentive stock option plan. Under the terms of the Company's stock option plan, the Board of Directors may grant options to directors, officers, employees, consultants and service providers equal to the lower of: (i) up to 10% of issued and outstanding common shares of the Company from time to time less one share; and, (ii) 3,750,000 shares. The plan provides for the granting of options at the closing price of the Company's stock on the day prior to the grant date. Options granted generally vest over three years with the first one-third vesting at the first anniversary date of the grant and the balance vesting in equal amounts at the end of each quarter thereafter. There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these share options.

The Company determines the term of each option at the time it is granted, with options generally having a five-year term. As of December 31, 2014, the Company was entitled to grant 2,056,195 incentive stock options under the plan of which 1,178,302 have been granted.

9. SHARE CAPITAL (continued)

A summary of the Company's share option activity for the year ended December 31, 2014 is as follows:

	Outstanding options	
	Number of options	**Weighted average exercise price (in Canadian dollars)**
Outstanding, January 1, 2013	**966,966**	**$ 1.05**
Options granted	289,790	0.52
Options exercised	(66,875)	0.56
Options forfeited	(193,397)	0.69
Options expired	(107,538)	3.69
Outstanding, December 31, 2013	**888,946**	**$ 0.67**
Options granted	524,000	0.67
Options exercised	(87,709)	0.56
Options forfeited	(13,750)	0.73
Options expired	(133,185)	0.82
Outstanding, December 31, 2014	**1,178,302**	**$ 0.73**

The following table summarizes the share options outstanding as at December 31, 2014:

Options outstanding				Options exercisable	
Range of exercise price (in Canadian dollars)	**# of common shares**	**Weighted average remaining contractual life**	**Weighted average exercise price (in Canadian dollars)**	**# of options exercisable**	**Weighted average exercise price (in Canadian dollars)**
$ 0.52 - $ 0.55	265,206	3.63	$ 0.52	121,132	$ 0.52
$ 0.56 - $ 0.79	205,173	0.62	$ 0.57	193,091	$ 0.56
$ 0.80 - $ 0.91	498,774	4.48	$ 0.83	19,259	$ 0.80
$ 0.92 - $ 1.04	209,149	1.38	$ 0.92	209,149	$ 0.92
	1,178,302	**3.07**	**$ 0.73**	**542,631**	**$ 0.70**

The weighted average fair value of stock options granted during the year ended December 31, 2014 was CDN $0.63 per share (December 31, 2013 – CAD $0.40).

The total stock-based compensation calculated for the year ended December 31, 2014 was $145,160. The total stock-based compensation calculated for the year ended December 31, 2013 was $45,850.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

(Expressed in U.S. Dollars)

9. SHARE CAPITAL (continued)

	Year ended December 31, 2014	Year ended December 31, 2013
Expected life (in years)	4.2	4.1
Risk-free interest rate	1.36%	1.65%
Volatility	114.41%	118.28%
Dividend yield	0.00%	0.00%

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

10. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 26.00% (December 31, 2013 – 25.75%) to loss before income taxes due to the following:

	December 31, 2014	December 31, 2013
Net loss before income taxes	($ 172,568)	($ 2,082,342)
Tax recovery at applicable rates	($ 44,867)	($ 536,203)
Change in unrecognized deferred tax assets	(668,119)	593,855
Non-deductible expenses and other differences	237,448	58,903
Effect of difference between combined Canadian statutory income rate and those rates applicable to foreign subsidiaries	9,708	2,796
Write-down of intercompany receivable	-	13,524
Foreign withholding taxes	8,971	-
Non-capital losses expiring	457,959	272,353
Adjustment to future income tax assets and liabilities for enacted changes in tax law and rates	-	(403,615)
Income tax expense	**$ 1,100**	**$ 1,613**

The deferred tax assets have not been recognized in these consolidated financial statements, as management does not consider it more likely than not those assets will be realized in the carry forward period.

The composition of the Company's deferred tax assets as at December 31, 2014 and December 31, 2013 is as follows:

(Expressed in U.S. Dollars)

10. INCOME TAXES (continued)

	December 31, 2014	December 31, 2013
Deferred tax assets in relation to:		
Equipment	$ 3,945,403	$ 4,252,170
Intangible assets	702,191	780,205
Non-capital losses carry forward	4,602,586	5,785,276
Capital losses carry forward	36,049	49,013
SR&ED pool	960,671	1,047,832
Other	8,826	13,676
Deferred tax assets not recognized	**$ 10,255,726**	**$ 11,928,172**

As at December 31, 2014, the Company has non-capital loss carry forwards for Canadian purposes available to reduce taxable income otherwise payable in future years. These losses expire as follows:

2025	2,813,000
2026	4,848,000
2027	2,514,000
2028	1,970,000
2032	1,667,000
2033	1,635,000
	$ 15,447,000

The Company also has approximately $3,695,000 of scientific research and experimental development expenditures ("SR&ED") that may be carried forward indefinitely to be deducted against future Canadian taxable income. It has federal investment tax credits of approximately $1,330,000 available to offset future Canadian federal income taxes payable which expire commencing in 2019 until 2025. As well, it has provincial investment tax credits of approximately $127,000 which expire in 2015. The benefit of the investment tax credits has not been recognized as the realization is not reasonably assured.

As well, the Company has Undepreciated Capital Cost ("UCC") amounts of approximately $15.3 million dollars and Cumulative Eligible Capital ("CEC") amounts of approximately $2.8 million which can be carried forward indefinitely.

The Company has an aggregate potential tax shield pertaining to federal and provincial taxable income in the amount of approximately $37.2 million which is attributable to its non-capital loss carry forward of approximately $15.4 million, approximately $3.7 million due to SR&ED expenditures, UCC of approximately $15.3 million and CEC of approximately $2.8 million and is exclusive of the Company's investment tax credits above.

At December 31, 2014, the Company also has loss carry forwards in other jurisdictions as a result of its foreign operations. For U.S. income tax purposes, there are net operating loss carry forwards totalling approximately $383,000 that expire in 2031. For UK income tax purposes, there are non-capital loss carry forwards totalling approximately $2,222,000 that may be carried forward indefinitely to reduce taxable income otherwise calculated in future years.

11. COMMITMENTS AND CONTINGENCIES

[a] The Company has lease commitments for office premises until 2015. In early 2014, the Company terminated its sublease agreement and entered into a lease agreement with its landlord for an additional 2,672 sq. ft. on the same floor as the Company's current office facilities. The term of this lease is from January 1, 2014 to October 15, 2015. The aggregate of minimum lease payments as at December 31, 2014 for the following year is approximately $184,931.

11. COMMITMENTS AND CONTINGENCIES (continued)

[b] The Company has a commitment to pay a royalty of $15 per $100 of licenses sold of certain software licenses. In the event the cumulative royalty is less than $150,000, the Company was required to pay the difference between the cumulative amount paid and the $150,000 on November 30, 2008 which amounted to $129,926 (CDN $150,727). This amount was reversed through cost of sales (under Other Software Solutions) during the year ended December 31, 2014 (see Note 13 – Segmented Information) as the commitment was past the statute of limitations and the vendor has been out of business for a number of years. Therefore, it was determined that the Company no longer had a legal obligation to pay this commitment.

[c] The Company warrants that its software and hardware products will operate substantially in conformity with product documentation and that the physical media will be free from defect. The specific terms and conditions of the warranties are generally ninety days. The Company accrues for known warranty issues if a loss is probable and can be reasonably estimated, and accrues for estimated incurred but unidentified warranty issues based on historical activity. To date, the Company has had no material warranty claims.

[d] The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. The Company received a Notice of Claim filed by a former employee who was seeking CDN $12,750 related to pay in lieu of reasonable notice in 2013. The Company disputed such claim and as a result of a mediation session on June 18, 2014, it was agreed that the Company would pay the former employee a lump sum amount of CDN $5,000. This amount was paid and the Notice of Claim was cancelled.

12. EXPORT DEVELOPMENT CANADA

On July 31, 2009, the Company entered into an agreement with EDC whereby EDC agreed to provide 90% insurance coverage for the Company's invoiced sales for a premium of anywhere from CDN $0.69 to CDN $0.83 per CDN $100 of monthly invoiced sales (certain customers are excluded from this coverage). The policy period was from July 1, 2009 to June 30, 2010 with an automatic yearly renewal unless the policy is terminated by the Company (the policy has been renewed until June 30, 2015). The maximum liability coverage at any one time is CDN $175,000 for domestic sales and CDN $1,975,000 for sales outside of Canada.

During the year ended December 31, 2014, the Company recorded total premiums of $54,986 (December 31, 2013 - $25,666) (CDN $60,675; December 31, 2013 – CDN $26,482) in sales and marketing.

13. SEGMENTED INFORMATION

Operating segments

The Company has three operating segments, as described below, which are the Company's strategic business units. For each of the strategic business units, the Company's CODM reviews internal management reports on at least a quarterly basis. The following summary describes the operations of the Company's reportable segments:

1. Embedded Solutions segment includes the sales of the Company's proprietary computer modules and development kits as well as engineering services related to those modules and kits. In addition, this segment includes revenue generated by the distribution of cellular communication modules. The Company offers original equipment manufacturers ("OEMs") and application developers flexible wireless development platforms and production-ready Machine-to-Machine ("M2M") modules, with enabling technology and intellectual property for device development;

(Expressed in U.S. Dollars)

13. SEGMENTED INFORMATION (continued)

2. **General Engineering Services segment** which includes RapidRIL telephony software, iDevice Manager, and other enabling technology, testing tools, hardware reference designs and platforms, and engineering services. These products and services are sold to OEMs, original device manufacturers ("ODMs"), software and silicon providers and mobile network operators; and

3. Other Software Solutions segment which includes revenue generated from the sale of software licenses, royalties, implementation and other related services, maintenance and support attributable to the Company's J-Integra Enterprise Interoperability Software ("EIS") and Destinator software product offerings. Other Software Solutions revenue is also generated by way of licensing software products, along with providing related customer services.

Corporate includes all operating expenses of the Company.

Information regarding the operations of each operating segment is included below. Performance is based on revenue less cost of sales.

A breakdown of revenues and cost of sales for each operating segment for the years ended December 31, 2014 and December 31, 2013 is as follows:

Year ended December 31, 2014	**Embedded Solutions**	**General Engineering Solutions**	**Other Software Solutions**	**Corporate**	**Total**
Revenue	$ 7,809,859	$ 1,271,280	$ 995,127	$ -	$ 10,076,266
Cost of sales	5,590,209	621,385	(35,894)	-	6,175,700
	2,219,650	649,895	1,031,021	-	3,900,566
Operating expenses	-	-	-	3,820,167	3,820,167
Operating profit (loss)	**$ 2,219,650**	**$ 649,895**	**$ 1,031,021**	**($3,820,167)**	**$ 80,399**

Year ended December 31, 2013	**Embedded Solutions**	**General Engineering Solutions**	**Other Software Solutions**	**Corporate**	**Total**
Revenue	$ 2,240,802	$ 2,358,212	$ 1,298,910	$ -	$ 5,897,924
Cost of sales	1,788,390	1,707,363	220,364	-	3,716,117
	452,412	650,849	1,078,546	-	2,181,807
Operating expenses	-	-	-	4,587,515	4,587,515
Operating profit (loss)	**$ 452,412**	**$ 650,849**	**$ 1,078,546**	**($4,587,515)**	**($ 2,405,708)**

Geographic information

All of the Company's equipment is located in Canada.

(Expressed in U.S. Dollars)

13. SEGMENTED INFORMATION (continued)

The Company earned revenues attributed to the following countries based on the location of the customer:

	Year ended December 31, 2014	Year ended December 31, 2013
United States	$ 8,340,024	$ 4,860,569
Europe	769,510	536,912
Asia Pacific	659,933	427,409
Canada	304,824	72,467
Latin America	1,975	567
	$ 10,076,266	**$ 5,897,924**

Significant customers

In each respective period, revenues from customers which amounted to 10% of more of the Company's revenues accounted for the following percentage of the Company's total revenues and accounts receivable, as indicated below:

	% of Revenues for the year ended December 31, 2014	% of Accounts Receivable at December 31, 2014	% of Revenues for the year ended December 31, 2013	% of Accounts Receivable at December 31, 2013
Customer 1	16%	36%	1%	-%
Customer 2	16%	9%	2%	8%
Customer 3	10%	8%	14%	15%
Customer 4	5%	3%	11%	4%

For the year ended December 31, 2014 and 2013, revenues earned from Customer 1-3 related to Embedded Solutions while revenues earned from Customer 4 related to General Engineering Solutions. Receivables owing from Customers 1-3 are covered by EDC insurance in the event of payment default. Receivables from Customer 4 are excluded from EDC insurance coverage.

14. EXPENSES BY NATURE

Total salaries and wages as well as other personnel related expenses included in Cost of Sales and Expenses for the year ended December 31, 2014 were $5,120,393 compared to $4,462,566 during the year ended December 31, 2013.

15. OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

(Expressed in U.S. Dollars)

15. OTHER OPERATING EXPENSES (continued)

	Year ended December 31, 2014	Year ended December 31, 2013
Depreciation of equipment *(note 7)*	$ 87,939	$ 96,179
Amortization of intangible assets *(note 8)*	53,103	22,958
Share-based compensation *(note 9)*	145,160	45,850
Loss on disposal of equipment *(note 7)*	-	1,233
	$ 286,202	**$ 166,220**

16. RESTRUCTURING

In June 2011, the Company reduced the size of its operations in China and began the process of winding the Chinese entity down.

The following table summarizes the remaining associated liabilities with respect to the reduction of the Company's China operations which occurred during 2011 which are presented in Trade and Other Payables.

	Total
Balance at January 1, 2013	**$ 27,592**
Additional estimated expenses pertaining to wind up of the Chinese legal entity	34,056
Settlements in 2013	(20,402)
Balance at December 31, 2013	**$ 41,246**
Additional estimated expenses pertaining to foreign currency clearance of Chinese legal entity	**69,691**
Settlements in 2014	(32,897)
Balance at December 31, 2014	**$ 78,040**

17. CAPITAL DISCLOSURES

The Company's objectives for managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders.
- To maintain a capital base so as to maintain investor, creditor, customer and market confidence.

The Company considers the items included in the consolidated statements of changes in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it (by either issuing new shares or buying back shares) in the light of changes in economic conditions and the risk characteristics of the underlying assets.

18. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

The Company has classified cash and cash equivalents as held-for-trading financial assets, measured at fair value with short-term investments being classified as available for sale financial assets. Trade and other receivables as

(Expressed in U.S. Dollars)

18. FINANCIAL INSTRUMENTS (continued)

well as the convertible loan are classified as loans and receivables, measured at amortized cost. Trade and other payables are classified as other liabilities, measured at amortized cost.

The carrying values and fair values of financial assets (liabilities) as at December 31, 2014 and December 31, 2013 are summarized as follows:

	December 31, 2014		December 31, 2013	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Held-for-Trading	$ 4,323,464	$ 4,323,464	$ 4,611,640	$ 4,611,640
Available for Sale	$ 2,493,634	$ 2,493,634	$ 4,535,292	$ 4,535,292
Loans and Receivables	$ 2,853,397	$ 2,853,397	$ 902,345	$ 902,345
Other Liabilities	($1,442,827)	($1,442,827)	($1,314,458)	($1,314,458)

[b] Fair Value Disclosure

At December 31, 2014, the Company's financial instruments which are measured at fair value on a recurring basis were its cash and cash equivalents and short term investments. As of December 31, 2014, Available for Sale financial assets totalling $2,493,634 were classified Level 2 (December 31, 2013 - $4,535,292).

Except for its investment in Stream TV, the Company has determined that the carrying value of its short term financial assets and liabilities approximates their fair values due to the short term maturity of these instruments.

[c] Risk Management

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, and interest rate risk are provided below.

[i] Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, short-term investments, trade and other receivables and convertible loan. The Company limits its exposure to credit risk with respect to cash and cash equivalents by investing available cash, from time to time, in short-term deposits with Canadian financial institutions and commercial paper with a rating not less than R1. With respect to trade and other receivables, the Company engages EDC to perform ongoing credit evaluations of Intrinsyc's customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

Trade and other receivables were aged as follows as at December 31, 2014 and December 31, 2013:

	December 31, 2014	**December 31, 2013**
Current	$ 1,073,889	$ 680,444
31-60 days	83,462	192,758
Over 60 days	151,046	29,143
	$ 1,308,397	**$ 902,345**

18. FINANCIAL INSTRUMENTS (continued)

[ii] Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within one month.

Trade and other payables were aged as follows as at December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Current	$ 1,304,505	$ 1,136,769
31-60 days	136,961	56,627
Over 60 days	1,361	121,062
	$ 1,442,827	**$ 1,314,458**

[iii] Foreign Currency Risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations. The Company attempts to mitigate this risk by denominating many of its payment obligations in U.S. dollars. While a weaker Canadian dollar relative to the Company's U.S. dollar functional currency reduces Canadian denominated expenses, inclusive of labor costs pertaining to its engineering services in cost of sales, the Company also maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. It is estimated that a 10% change in the U.S. to Canadian dollar exchange rate on the December 31, 2014 balances would have an approximate $345,000 impact on net income / loss with this exposure dependent upon the future amount of Canadian assets being held by the Company at any given time. A 10% change in the Chinese yuan to U.S. dollar exchange rate on the December 31, 2014 balances would have an approximate $52,000 impact on net income / loss.

[iv] Interest Rate Risk

The Company's exposure to interest rate fluctuations is primarily interest earned on its cash and cash equivalents as well as its short-term investments. During the year ended December 31, 2014, the Company earned $101,094 of interest income on its cash and cash equivalents as well as its short-term investments. An increase or decrease of 100 basis points in the average interest rate earned during the period would have adjusted net earnings by approximately $80,000. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

[v] Government Regulatory Risk

In connection with the Company's wind down of its Chinese legal entity, there is a risk that the Company may experience difficulty in repatriating all or a portion of the approximately $438,000 in cash that resides in this subsidiary due to the uncertainties and continuous changes related to the Chinese regulatory environment.

(Expressed in U.S. Dollars)

19. RELATED PARTY TRANSACTIONS

Related parties include key management, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company for the years ended December 31, 2014 and 2013 are as follows:

	Year ended December 31, 2014	**Year ended December 31, 2013**
Short-term compensation	$ 712,694	$ 986,946
Post employment benefits	$ Nil	$ Nil
Other long-term benefits	$ Nil	$ Nil
Termination benefits	$ Nil	$ Nil
Share-based payments	$ 151,513	$ 55,260

The directors and key management were awarded 257,500 stock options under the Company's stock option plan during the year December 31, 2014 (December 31, 2013 – 144,791). Included in short-term compensation for the year ended December 31, 2014 is $9,640 (year ended December 31, 2013 - $15,437) related to the Company matching retirement savings contributions made by key management.

20. EMPLOYEE RETIREMENT SAVINGS CONTRIBUTIONS

	Year ended December 31, 2014	**Year ended December 31, 2013**
Benefit costs	$ 135,755	$ 128,242

The Company matches employees' retirement savings contributions to registered pension plans as part of the employee benefits plan. The funds are transferred to the individual employees' retirement savings plans on a periodic basis. The expense is accrued throughout the year. During the year ended December 31, 2014, $106,283 was paid out (year ended December 31, 2013 - $147,104).

DIRECTORS AND OFFICERS

DIRECTORS

George A. Duguay, Chairman
Independent Director
Director since 2003
Committee Membership:
Audit and Compensation & Corporate Governance

Michael W.Bird
Independent Director
Director since 2013
Committee Membership:
Compensation & Corporate Governance

Thomas J. Bitove
Independent Director
Director since 2005
Committee Membership:
Compensation & Corporate Governance

Daniel S. Marks
Independent Director
Director since 2013
Committee Membership:
Audit

Howard “Skip” Speaks
Independent Director
Director since 2009
Committee Membership:
Audit

OFFICERS

Tracy Rees
President and Chief Executive Officer

George Reznik
Chief Financial Officer and Secretary

Chris Ross
Chief Technology Officer and VP of Manufacturing

CORPORATE INFORMATION

Corporate Headquarters
Suite 380, 885 Dunsmuir Street
Vancouver, BC
Canada V6C 1N5

Registrar and Transfer Agent
TMX Equity Transfer Services
Vancouver, BC

Independent Auditors
Ernst & Young LLP
Vancouver, BC

Legal Counsel
LaBarge Weinstein LLP
Vancouver, BC

Stock Listing
The common shares of
Intrinsyc Technologies Corporation
are listed on the Toronto Stock Exchange.

Symbol: ITC

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