Business Acquisition Report
Form 51-102F4
Lumenpulse Inc.

May 20, 2016

Lumenpulse Inc. Form 51-102F4

Business Acquisition Report

Item 1 – Identity of Company

1.1. Name and Address of Company

Lumenpulse Inc. ("Lumenpulse" or the "Company")

1751 Richardson Street, Suite 1505

Montreal, QC H3K 1G6

1.2. Executive Officer

For further information in respect of this report and the significant acquisition described herein, please contact:

Nicolas Vanasse

Executive Vice President, Chief Legal Officer and Corporate Secretary 514 937-8796

Item 2 – Details of Acquisition

2.1 Nature of Business Acquired

On March 9, 2016, the Company completed the acquisition of Fluxwerx Illumination Inc. ("Fluxwerx"), a privately owned, fast growing, pure-play specification-grade LED lighting solutions provider based in British Columbia, Canada.

2.2 Acquisition Date

March 9, 2016

2.3 Consideration

The total consideration for the acquisition of Fluxwerx amounted to $85,000,000 with an excess working capital adjustment of $2,713,593. This transaction is subject to customary post-closing adjustments for working capital and indebtedness and additional adjustments following the determination of the contingent consideration. The details of the purchase price are set forth in the table below:

	Undiscounted purchase price	Fair value purchase price
	$	$
Consideration		
Initial cash consideration	27,544,802	27,544,802
Issuance of shares	20,000,014	20,000,014
Post-closing adjustments	(264,422)	(264,422)
Cash holdback	4,000,000	3,989,733
Contingent consideration	23,803,950	17,335,648
	75,084,344	68,605,775
Assumed liabilities		
Preferred shares	3,624,578	3,396,879
Long-term debt	9,004,671	9,004,671
	87,713,593	81,007,325

Item 2 – Details of Acquisition (continued)

2.3 Consideration (continued)

Presented as:

	$
Undiscounted purchase price	**85,000,000**
Excess working capital adjustment	**2,713,593**
	87,713,593

The upfront cash payment and repayments of assumed liabilities were financed with available liquidities.

The holdback of $4,000,000 is to be paid in two installments, with the first installment of $3,350,000 payable on March 9, 2017, and the balance concurrently with the payment of the contingent consideration. The contingent consideration is payable in cash or shares at the option of the Company, and is subject to a reduction based on a linear formula which combines revenue and Adjusted EBITDA (as defined in the Share Purchase Agreement) targets for the year commencing May 1st, 2016. The revenue component of the contingent consideration payment is based on a range between $43,800,000 and $55,000,000, subject to the achievement of a minimum Adjusted EBITDA.

2.4 Effect on Financial Position

The unaudited pro forma consolidated financial statements of Lumenpulse included in this report, which are further described in Item 3 below, give effect to the acquisition of Fluxwerx by Lumenpulse. Lumenpulse does not have any plans or proposals for material changes in its business affairs, or the affairs of Fluxwerx, which would have a significant effect on the financial performance or position of Lumenpulse.

2.5 Prior Valuations

N/A.

2.6 Parties to Transaction

The transaction described herein was not with any informed person, associate or affiliate of Lumenpulse.

2.7 Date of Report

May 20, 2016.

ITEM 3 – Financial Statements and other information

The following financial information is included in the Schedules hereto and forms part of this report:

3.1 The audited financial statements of Fluxwerx for the year ended December 31, 2015, which include the comparative financial statements for the year ended December 31, 2014, together with the notes and the Independent Auditors' Report. **(Schedule A)**

3.2 The unaudited pro forma consolidated statement of financial position of Lumenpulse as at January 31, 2016 and the unaudited consolidated pro forma income statement of Lumenpulse for the year ended April 30, 2015 and for the nine-month period ended January 31, 2016, together with the notes thereto. **(Schedule B)**

Schedule A – Fluxwerx financial statements for the year ended December 31, 2015

FLUXWERX ILLUMINATION INC.

Surrey, B.C.

FINANCIAL STATEMENTS

December 31, 2015

FLUXWERX ILLUMINATION INC.

FINANCIAL STATEMENTS

For the year ended December 31, 2015

WOLRIGE MAHON

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fluxwerx Illumination Inc.:

We have audited the accompanying financial statements of Fluxwerx Illumination Inc., which comprise the statements of financial position as at December 31, 2015, December 31, 2014 and January 1, 2014 and the statements of income and comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Fluxwerx Illumination Inc. as at December 31, 2015, December 31, 2014 and January 1, 2014 and its financial performance and its cash flows for the years ended December 31, 2015 and 2014 in accordance with International Financial Reporting Standards.

Wolrige Mahon LLP

Chartered Professional Accountants
Vancouver BC
March 7, 2016

FLUXWERX ILLUMINATION INC.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the year ended December 31, 2015

For the year ended December 31,	Note		**2015**		**2014**
					(note 18)
Revenue		$	25,174,692	$	9,600,485
Cost of sales			(13,880,863)		(6,754,818)
			11,293,829		2,845,667
Expenses					
General and administrative					
Amortization			111,356		46,835
Interest and accretion			781,124		656,927
Office and general			191,727		77,479
Professional fees			63,623		25,600
Rent and utilities			73,519		70,508
Salaries and benefits			159,684		109,405
			1,381,033		986,754
Sales and marketing					
Commissions			3,867,866		1,419,938
Freight, outbound			769,080		312,162
Materials			196,975		84,738
Office and general			22,395		16,468
Salaries, contracts and benefits			552,325		361,453
Travel and entertainment			284,161		203,699
			5,692,802		2,398,458
Research and development					
Materials			256,268		66,233
Office and general			15,426		13,515
Salaries, contracts and benefits			533,010		402,422
Travel and entertainment			9,796		13,196
Investment tax credits			(307,662)		(225,987)
			506,838		269,379
Other income (expenses)					
Interest income			6,044		5,327
Foreign exchange loss			(544,120)		(250,631)
			(538,076)		(245,304)
Income (loss) before taxes			3,175,080		(1,054,228)
Income taxes					
Current	14		471,300		-
Deferred	14		(489,200)		-
			(17,900)		-
Net and comprehensive income (loss)		$	3,192,980	$	(1,054,228)

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

FLUXWERX ILLUMINATION INC.

STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2015

	Common shares Number	Amount	Retained earnings (deficit)	Total
Balance, Jan 1, 2014	10,000,000	$ 1	$ (3,266,205)	$ (3,266,204)
Dividends paid (note 12)	-	-	(272,709)	(272,709)
Net and comprehensive income	-	-	(1,054,228)	(1,054,228)
Balance, Dec 31, 2014	10,000,000	1	(4,593,142)	(4,593,141)
Dividends paid (note 12)	-	-	(1,354,850)	(1,354,850)
Net and comprehensive income	-	-	3,192,980	3,192,980
Balance, Dec 31, 2015	10,000,000	$ 1	$ (2,755,012)	$ (2,755,011)

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

FLUXWERX ILLUMINATION INC.

STATEMENTS OF FINANCIAL POSITION

For the year ended December 31, 2015

	Note		Dec 31, 2015		Dec 31, 2014		Jan 1, 2014
					(Note 18)		(Note 18)
ASSETS							
Current							
Cash		$	3,065,205	$	1,424,137	$	1,032,205
Receivables	4		4,234,124		2,043,864		313,416
Inventory	5		1,713,092		1,001,676		400,786
Prepaid expenses			223,662		87,588		267,947
			9,236,083		4,557,265		2,014,354
Security deposit			147,000		-		-
Intangible assets	6		333,229		103,629		77,270
Property and equipment	7		867,344		702,544		272,781
Deferred income tax asset	14		17,900		-		-
		$	10,601,556	$	5,363,438	$	2,364,405
LIABILITIES							
Current							
Payables and accruals	8	$	3,620,524	$	1,934,445	$	134,270
Customer deposits			180,472		44,118		-
Due to related parties			6,723		9,505		10,245
Current portion of debt	9		8,715,682		3,450,850		1,158,266
			12,523,401		5,438,918		1,302,781
Long-term portion of debt	9		-		3,706,432		3,699,464
Preferred shares	10		833,166		811,229		628,364
			13,356,567		9,956,579		5,630,609
SHAREHOLDERS' EQUITY							
Common shares	10		1		1		1
Retained earnings (deficit)			(2,755,012)		(4,593,142)		(3,266,205)
			(2,755,011)		(4,593,141)		(3,266,204)
		$	10,601,556	$	5,363,438	$	2,364,405

Commitments and contingencies (note 15)
Subsequent event (note 17)

Approved by the Directors:

(*signed) Tim Berman* , Director *(signed) Lance Howitt* , Director

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

FLUXWERX ILLUMINATION INC.

STATEMENTS OF CASH FLOWS

For the year ended December 31, 2015

For the year ended December 31,		**2015**		**2014**
Cash flows related to operating activities				
Net income (loss) for the year	$	3,192,980	$	(1,054,228)
Adjustments for items not affecting cash				
Amortization		314,214		187,340
Interest and accretion		768,346		652,818
Unrealized foreign exchange loss		212,803		273,922
Deferred income tax recovery		(17,900)		-
Changes in non-cash working capital				
Receivables		(2,075,501)		(1,652,904)
Inventory		(711,416)		(600,890)
Prepaid expenses		(136,074)		180,359
Payables and accruals		1,627,019		1,756,459
Customer deposits		136,354		44,118
Cash provided by (used in) operating activities		3,310,825		(213,006)
Cash flows related to investing activities				
Purchase of property and equipment		(453,246)		(604,489)
Purchase of intangible assets		(255,368)		(38,973)
Security deposit paid		(147,000)		-
Cash used in investing activities		(855,614)		(643,462)
Cash flows related to financing activities				
Loans received		-		1,418,885
Advances to related parties		(2,783)		(739)
Dividends paid		(1,354,850)		(272,709)
Cash provided by (used in) financing activities		(1,357,633)		1,145,437
Foreign exchange gain on cash		543,490		102,963
Change in cash		1,641,068		391,932
Cash, beginning		1,424,137		1,032,205
Cash, ending	$	3,065,205	$	1,424,137

Supplemental cash flow information (note 16)				
Interest paid	$	-	$	-
Income taxes paid		-		-

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

1. Nature of Operations

The Company was incorporated in 2011 under the laws of British Columbia. The Company is in the business of designing, developing, and assembling LED light fixtures for commercial and institutional spaces. The Company's head office is located at 9255 194th Street, Surrey BC Canada.

2. Basis of Preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB").

These are the Company's first annual IFRS financial statements. Subject to certain transition elections disclosed in Note 18, we have consistently applied the same accounting policies in our opening IFRS statement of financial position as at January 1, 2014 and throughout all periods presented, as if the policies had always been in effect. Note 18 discloses the impact of the transition from Canadian Accounting Standards for Private Enterprises ("ASPE") to IFRS on our reported financial position, operating earnings and cash flows, including the nature and effect of significant changes in accounting policies from those used in our ASPE financial statements for the year ended December 31, 2014.

These financial statements were authorized for issuance by the Board of Directors of the Company on March 7, 2016.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as being fair value through profit or loss, which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Basis of Preparation (continued)

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

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

i) The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income; and
ii) The bifurcation of the debt into debt and preferred share components and the determination of a market rate of interest.

3. Significant Accounting Policies

Inventory

Raw materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. The cost of work in process and finished goods includes the cost of raw materials and the applicable share of the cost of labour and fixed and variable production overheads. A provision is made for obsolete and slow-moving items based on their expected future use and net realizable value. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

Intangible assets

Intangible assets include patents, trademarks, and software which are recognized at cost less accumulated amortization and impairment losses.

Amortization is calculated on the estimated useful lives using the straight-line method and the following periods:

Patents	14 – 25 years
Trademarks	not amortized
Software	5 years

3. Significant Accounting Policies (continued)

Property and equipment

Property and equipment are measured at cost less accumulated amortization and impairment losses. Amortization is provided using the declining balance method at the following rates:

Equipment	30%
Furniture	20%
Tooling	30%
Computer hardware	55%

An asset's residual value, useful life and amortization method are reviewed at each financial year end and adjusted if appropriate. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of the property or equipment.

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

Construction in progress is transferred to equipment when the assets are available for use. Amortization of these transferred assets commences at that point.

Impairment of long lived assets

Long-lived assets, including property and equipment and intangible assets are reviewed for impairment at each statement of financial position date. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of its recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Leases

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease term.

The benefits associated with lease inducements received on operating leases are recognized as a reduction in rent expense on a straight-line basis over the term of the respective leases.

Leases of property, plant and equipment where the Company has substantially all of the risks and rewards of ownership are classified as finance leases.

3. Significant Accounting Policies (continued)

Foreign currency translation

The Company's functional currency is the Canadian dollar. Foreign currency monetary assets and liabilities are translated using the exchange rates in effect at the reporting date, non-monetary assets and liabilities are translated at the transaction date and revenue and expense items at the average rates for the period. Exchange gains or losses are recognized in the statements of income and comprehensive income.

Income taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

Research and Development Expenditures

Research costs are expensed as they are incurred. Development costs are expensed as incurred except when they meet specific criteria at which time they are capitalized.

Tax credits

Government assistance in the form of tax credits is recorded in the financial statements when the related expenditures are incurred and there is reasonable assurance that they will be realized.

Revenue Recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount can be measured reliably.

The transfer of risks and rewards occurs at shipment of the products to customers, since title passes upon shipment.

Financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent.

3. Significant Accounting Policies (continued)

Transaction costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Company initially recognizes financial assets at fair value on the date that they are acquired, adjusted for transaction costs, if applicable. All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies its financial assets as financial assets at fair value through profit and loss or loans and receivables. 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 and if the Company manages such investments and evaluates the asset on its fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, adjusted for applicable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period.

Financial assets of the Company are classified as follows:

Cash	Loans and receivables
Receivables	Loans and receivables

Impairment of financial assets

Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3. Significant Accounting Policies (continued)

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date that they are originated, and adjusted for transaction costs, if applicable. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit and loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value through profit and loss are stated at fair value with changes being recognized in profit or loss.

Financial liabilities of the Company are classified as follows:

Payables and accruals	Other financial liabilities
Due to related parties	Other financial liabilities
Debt	Other financial liabilities
Preferred shares	Fair value through profit and loss
Employee participation bonus units	Fair value through profit and loss

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a previous event, and it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

Debt

Compound financial instruments issued by the Company comprise debt that includes rights to acquire preferred shares at the option of the holder. The debt component of the compound financial instrument is recognized initially at the fair value of a similar liability that does not have an attached right to acquire preferred shares. The preferred share derivative is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the debt component. Any directly attributable transaction costs are allocated to the components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the debt component of the compound financial instrument is measured at amortized cost using the effective interest rate method. The preferred share derivative is re-measured at the end of each reporting period. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss.

3. Significant Accounting Policies (continued)

New and revised IFRS standards issued but not yet effective

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")
In May 2014, the IASB issued IFRS 15 which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods of services to customers. IFRS 15 supersedes the following standards: IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue-Barter Transactions Involving Advertising Service. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The IASB has decided to propose to defer the effective date to January 1, 2018 from the previous expected effective date of January 1, 2017. The Company has not yet assessed the impact of the adoption of this standard on its financial statements.

IFRS 9, Financial Instruments ("IFRS 9")
Issued in July 2014, IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities and introduces a new hedge accounting model. This IFRS, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has not yet assessed the impact of the adoption of this standard on its financial statements.

4. Receivables

	Dec 31, 2015	Dec 31, 2014	Jan 1, 2014
Trade receivables	$ 3,542,879	$ 1,684,809	$ 4,394
GST recoverable	91,055	79,156	14,307
SRED claim receivable	307,662	225,987	294,715
Tenant inducements recoverable	151,302	-	-
Other	141,226	53,912	-
	$ 4,234,124	$ 2,043,864	$ 313,416

5. Inventory

	Dec 31, 2015	Dec 31, 2014	Jan 1, 2014
Raw materials	$ 1,569,395	$ 959,332	$ 277,451
Work in progress	87,664	42,344	123,335
Finished goods	56,033	-	-
	$ 1,713,092	$ 1,001,676	$ 400,786

The amount of inventories recognized as an expense during the year ended December 31, 2015 was $11,439,875 (2014 - $5,092,926).

6. Intangible assets

	Patents	Trademarks	Software	Total
Cost				
Balance January 1, 2014	$ 60,660	$ 6,928	$ 36,000	$ 103,588
Additions	31,299	1,811	5,863	38,973
Disposals	-	-	-	-
December 31, 2014	91,959	8,739	41,863	142,561
Additions	48,249	-	207,119	255,368
Disposals	-	-	(41,863)	(41,863)
December 31, 2015	$ 140,208	$ 8,739	$ 207,119	$ 356,066
Accumulated amortization				
Balance January 1, 2014	$ -	$ -	$ 26,318	$ 26,318
Additions	-	-	12,614	12,614
Disposals	-	-	-	-
December 31, 2014	-	-	38,932	38,932
Additions	2,125	-	23,643	25,768
Disposals	-	-	(41,863)	(41,863)
December 31, 2015	$ 2,125	$ -	$ 20,712	$ 22,837
Net book value Jan 1, 2014	$ 60,660	$ 6,928	$ 9,682	$ 77,270
Net book value Dec 31, 2014	$ 91,959	$ 8,739	$ 2,931	$ 103,629
Net book value Dec 31, 2015	$ 138,083	$ 8,739	$ 186,407	$ 333,229

Amortization during the year was expensed to cost of sales $15,368 (2014 - $0) and general and administrative $10,400 ($12,614).

7. Property and equipment

	Equipment and furniture	Tooling	Computer Hardware	Total
Cost				
January 1, 2014	$ 147,607	$ 165,521	$ 33,897	$ 347,025
Additions	25,517	575,047	3,925	604,489
Disposals	-	-	(2,208)	(2,208)
December 31, 2014	173,124	740,568	35,614	949,306
Additions	134,577	306,994	11,675	453,246
Disposals	-	(28,601)	(3,115)	(31,716)
December 31, 2015	$ 307,701	$ 1,018,961	$ 44,174	$ 1,370,836
Accumulated amortization				
January 1, 2014	$ 31,139	$ 24,828	$ 18,277	$ 74,244
Additions	36,267	128,465	9,994	174,726
Disposals	-	-	(2,208)	(2,208)
December 31, 2014	67,406	153,293	26,063	246,762
Additions	44,711	235,066	8,669	288,446
Disposals	-	(28,601)	(3,115)	(31,716)
December 31, 2015	$ 112,117	$ 359,758	$ 31,617	$ 503,492
Net book value, Jan 1, 2014	$ 116,468	$ 140,693	$ 15,620	$ 272,781
Net book value Dec 31, 2014	$ 105,718	$ 587,275	$ 9,551	$ 702,544
Net book value Dec 31, 2015	$ 195,584	$ 659,203	$ 12,557	$ 867,344

Amortization during the year was expensed to cost of sales $187,490 (2014 - $140,505) and general and administrative $100,956 ($34,221).

8. Payables and accruals

	Dec 31, 2015	Dec 31, 2014	Jan 1, 2014
Trade payables	$ 2,467,108	$ 1,390,038	$ 116,513
Commissions payable	990,745	487,612	-
Payroll liabilities	89,898	38,550	9,145
Accrued liabilities	72,773	18,245	8,612
	$ 3,620,524	$ 1,934,445	$ 134,270

9. Debt

	Dec 31, 2015	Dec 31, 2014	Jan 1, 2014
Loans denominated in US dollars			
Opening balance	$ 3,739,113	$ 2,267,622	$ 2,267,622
Foreign exchange	721,674	205,717	-
Loans received	-	918,220	-
Loans repaid	-	-	-
Accretion and interest	469,560	347,554	-
	4,930,347	3,739,113	2,267,622
Loans denominated in Canadian dollars			
Opening balance	3,418,166	2,590,108	2,590,108
Loans received	-	500,665	-
Loans repaid	-	-	-
Accretion and interest	367,169	327,393	-
	3,785,335	3,418,166	2,590,108
Closing balance	8,715,682	7,157,279	4,857,730
Current portion	8,715,682	3,450,847	1,158,266
Long term portion	$ -	$ 3,706,432	$ 3,699,464

The debt is unsecured and bears interest at 8.00% compounded annually for the initial three years, and at US prime plus 1.00% compounded annually thereafter. The debt and accrued interest are demandable three years after issue with 90 days notice.

9. Debt (continued)

As partial consideration for the debt, the company issued rights to the lenders to purchase Class A and Class B preferred shares of the company as described in Note 10. One right is issued for every dollar of principal received on the date of such receipt, and for every dollar of interest accrued on the principal amount outstanding on the anniversary date of the loan.

Each right entitles the holder to subscribe for one Class A or Class B preferred share at a subscription price of $0.000001 per share. Rights for Class A preferred shares are issued for the debt denominated in Canadian dollars, and rights for Class B preferred shares are issued for the debt denominated in US dollars. As at December 31, 2015, there are 255,566 issued and unexercised rights for Class A preferred shares and 274,242 issued and unexercised rights for Class B preferred shares.

The debt has been classified into its separate debt liability and preferred share liability components in the financial statements by the fair value method using an effective interest rate of 10% when valuing the liability first. At the inception of the debt this resulted in a cumulative amount of CDN$2,687,571 and US$2,666,238 being allocated to the debt and $756,195 being allocated to the preferred share rights. Over the term of the debt this carrying value is to be accreted to the face value (CDN$3,100,000 & US$3,010,000) principal amount using the effective interest rate method, with an effective interest rate of 10%. The preferred share liability is revalued at every reporting period and charged to operations.

10. Share capital

Authorized

Unlimited	Common shares, without par value
Unlimited	Class A preferred shares, without par value
Unlimited	Class B preferred shares, without par value

Preferred shares

	Class A			Class B			Total
	#		Amount	#		Amount		
Balance Jan 1, 2014	2,682,000	$	363,094	2,230,800	$	265,272	$	628,366
Issued	764,560		49,335	1,033,664		78,494		127,829
Foreign exchange	-		-	-		55,034		55,034
Balance Dec 31, 2014	3,446,560		412,429	3,264,464		398,800		811,229
Issued	270,598		-	254,981		-		-
Foreign exchange	-		-	-		21,937		21,937
Balance Dec 31, 2015	3,717,158	$	412,429	3,519,445	$	420,737	$	833,166

10. Share capital (continued)

During the year, the company issued 270,598 Class A preferred shares (2014 - 764,560) and 254,981 Class B preferred shares (2014 - 1,033,664) in connection with the debt (note 9).

The Class A and Class B preferred shares are non-voting and non-participating with redemption and retraction rights. As a consequence the preferred shares have been classified as a liability on the statement of financial position.

The company can redeem the preferred shares at the option of the directors as follows:

- Upon the arms-length sale of 100% of the assets of the company or over 85% of the common shares of the company for a price in excess of $10,000,000 ("triggering event") for a redemption price based on the company's aggregate gross revenue in the 12 month period prior to the triggering event and the sales multiple paid by the purchaser of the company; or
- On or after January 1, 2020 if no triggering event has occurred for a redemption price based on the company's aggregate gross revenue in the 12 month period prior to redemption; or
- Prior to January 1, 2020 if no triggering event has occurred for a redemption price of $.000001 per share.

In the event that a triggering event occurs within 6 months after the redemption of the shares, the company must pay additional proceeds such that the total redemption price of the shares is the same as if the shares were redeemed at the time of the triggering event.

The holders of the preferred shares can request the redemption of the preferred shares by the company on or after January 1, 2020 for a redemption price based on the company's aggregate gross revenue in the 12 month period prior to redemption.

11. Employee participation bonus agreements

In fiscal 2012 the company entered into participation agreements with certain employees. Pursuant to these agreements the employees were granted bonus units, which vest on the completion of a sale of the company for net sale proceeds in excess of $10,000,000 and so long as the employment contract has not been terminated. The units are redeemable in the event of such a sale as follow:

- for a redemption price based on the company's aggregate gross revenue in the 12 month period prior to the triggering event and the sales multiple paid by the purchaser of the company; or
- On or after 10 years from the date of grant if no triggering event has occurred for a redemption price based on the company's aggregate gross revenue in the 12 month period prior to redemption.

If the employee’s contract termination was a no-fault termination prior to the completion of a sale the amount otherwise payable will be pro-rated over the term of service actually completed.

At December 31, 2015 2,950,000 (2,950,000) units are outstanding, no amount has been recorded in the financial statements with regard to these units.

12. Related party transactions

Key management personnel include the President and Vice Presidents.

The compensation of key management includes:

For the year ended December 31,		2015		2014
Salaries and benefits	$	174,630	$	116,696
Dividends paid		1,354,850		272,710
	$	1,529,480	$	389,406

At December 31, 2015 additional amounts due to key management personnel of $82,714 (December 31, 2014 – $33,623; January 1, 2014 - $33,071) are included in payables and accruals.

Amounts due to related parties are non-interest bearing, unsecured and due on demand.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. Capital disclosures and financial instrument risks

Capital is comprised of the Company's shareholder's equity and any debt it may issue. The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support its ongoing activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company will spend its existing working capital and raise additional amounts as needed. The Company is not subject to any externally imposed capital requirements. There have been no changes in the Company's approach to capital management during the year ended December 31, 2015.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:
Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

13. Capital disclosures and financial instrument risks (continued)

At December 31, 2015, the fair values of cash, receivables, payables and accruals, and due to related parties approximate their carrying values due to the relatively short-term to maturity.

The Company is exposed to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash and receivables. The carrying amounts of financial assets on the statements of financial position represent the Company's maximum exposure. The Company's credit risk is primarily from trade receivables. The Company does not have significant exposure to any individual customer and has not incurrent significant bad debts during the period. To minimize the credit risk related to cash the Company places these instruments with a high credit quality financial institution of Canada.

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 typically settles its financial obligations out of working capital.

The Company's payables and accruals are due in the short term. The Company's debt is expected to be settled in fiscal 2016 (note 17).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. It is management's opinion that the company is not exposed to significant other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company undertakes sales and purchase transactions in foreign currencies and, consequently, certain of its financial instruments are exposed to foreign currency fluctuations. Financial instruments include the following amounts, denominated in US dollars:

13. Capital disclosures and financial instrument risks (continued)

	Dec 31, 2015	Dec 31, 2014	Jan 1, 2014
Cash	$ 1,798,687	$ 919,460	$ 695,641
Receivables	2,027,316	1,394,821	901
Payables and accruals	964,772	786,366	40,478
Loans payable	3,562,345	3,223,116	2,132,018
Preferred shares, Class B	343,766	343,766	265,272

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate and non-interest bearing financial instruments are subject to changes in fair value, while floating-rate financial instruments are subject to fluctuations in cash flows. The company is exposed to interest rate risk through its fixed-rate debt.

14. Incomes taxes

The following table reconciles the expected income taxes (expense) recovery at the Canadian statutory income tax rates to the amounts recognized in the statements of income and comprehensive income for the years ended December 31, 2015 and 2014:

For the year ended December 31,	2015	2014
Income (loss) before taxes	$ 3,175,080	$ (1,054,228)
Combined statutory tax rate	13.5%	13.5%
Income tax (recovery) at statutory rates	428,600	(142,300)
Income tax effect of non-deductible expenses	42,700	13,100
Current income tax expense (recovery)	471,300	(129,200)
Loss carry forwards not recognized (recognized)	(530,200)	129,200
Change in other unrecognized temporary differences	41,000	-
Deferred income tax expense (recovery)	(489,200)	129,200
Net income tax recovery	$ (17,900)	$ -

14. Incomes taxes (continued)

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

		Dec 31, 2015		Dec 31, 2014		Jan 1, 2014
Deferred income tax assets						
Non-capital loss carry-forwards	$	94,800	$	530,200	$	407,200
Deferred income tax liabilities						
Capital and intangible assets		(47,100)		(20,400)		(20,100)
Debt		(29,800)		(80,000)		(61,000)
		(76,900)		(100,400)		(81,100)
Deferred income tax assets not recognized		-		(429,800)		(326,100)
Deferred income tax asset	$	17,900	$	-	$	-

At December 31, 2015 the Company has non-capital loss carry-forwards of approximately $702,000 (2014 - $3,927,500), if unused these losses will expire in 2034.

15. Commitment and contingencies

Obligations under rental leases are:

2016	$	500,451
2017		542,576
2018		695,036
2019		704,004
2020 and thereafter		3,008,831

16. Supplemental disclosure with respect to cash flows

The Company had no significant non-cash financing and investing activities during the years ended December 31, 2015 and 2014.

17. Subsequent event

The company's shareholders have entered into a Share Purchase Agreement (the "Agreement") to sell 100% of the common and preferred shares of the company to Lumenpulse Inc. ("Lumenpulse"), a public company trading on the TSX. The Agreement is expected to close on or about March 9, 2016. The consideration consists of an upfront cash payment of $36 million, the issuance of Lumenpulse shares for an aggregate of $20 million and a cash holdback of $4 million. The transaction is subject to post-closing adjustments and to an earn-out payment of up to $25 million, payable in cash or shares at the option of Lumenpulse, based on a linear formula which combines revenue and Adjusted EBITDA targets for fiscal 2017.

As part of the Agreement the company will repay in full the principal and interest on the debt (note 9) estimated at $9,100,000. The repayment to be funded from the sale proceeds under the Agreement.

This Agreement constitutes a "triggering event" as defined in the preferred share agreements (note 10), accordingly the Class A and Class B preferred shareholders will receive approximately $2,000,000 on closing, and subject to an additional earn-out.

This Agreement is also a "triggering event as defined in the employee participation bonus agreements (note11), these units will be redeemed for $750,000, and subject to an additional earn-out.

18. Transition to International Financial Reporting Standards

The Company adopted IFRS on January 1, 2015 with a transition date of January 1, 2014 (the "Transition Date"). Under IFRS 1 'First–time Adoption of International Financial Reporting Standards'("IFRS 1"), IFRS is applied retrospectively at the Transition Date with all adjustments to assets and liabilities as stated under Accounting Standards for Private Enterprises ("ASPE") taken to retained earnings (deficit) unless certain optional exemptions are applied.

The Company has elected to apply the following IFRS 1 optional exemptions at the Transition Date:

Business combinations
IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 Business Combinations (IFRS 3) retrospectively to business combinations prior to the date of transition avoiding the requirement to restate prior business combinations. The Company has elected to apply IFRS 3 only to business combinations that occur on or after January 1, 2014, of which there were none.

Consolidated and separate financial statements
In accordance with IFRS 1, if a company elects to apply IFRS 3 retrospectively, IAS 27 'Consolidated and Separate Financial Statements' ("IAS 27") must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

Borrowing costs
IFRS 1 provides the Company with an option to account for borrowing costs under IAS 23 'Borrowing Costs' ("IAS 23") as of the Transition Date. The Company has elected to apply IAS 23 prospectively from the Transition Date.

Fair value as deemed cost
The Company may elect from among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or the fair value of an assets at the opening statement of financial position date. The Company has elected to use historical cost for its assets.

In addition the Company has applied the following mandatory exception at the Transition Date:

Estimates
IFRS 1 requires that the Company's estimates under IFRS at the Transition Date be consistent with estimates made for the same date under ASPE, unless there is objective evidence that those estimates are in error.

The Company's IFRS estimates as of January 1, 2014 are consistent with its ASPE estimates at the same date.

18. Transition to International Financial Reporting Standards (continued)

IFRS employs a conceptual framework that is similar to ASPE. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and financial performance. In order to allow the users of the financial statements to better understand these changes, the Company's ASPE statement of loss and comprehensive loss and statement of financial position for the year ended December 31, 2014 and its ASPE statement of financial position as at January 1, 2014 and December 31, 2014 have been reconciled to IFRS, with the resulting differences explained.

a) Under ASPE the company accounted for the preferred shares issued as a component of the debt at par value of $0.0001. Under IFRS the company has bifurcated the preferred share liability from the debt liability after calculating the fair value of the debt component using a market interest rate of 10%. At January 1, 2014 the preferred share liability was increased by $628,359, and reclassified to liabilities from equity, the debt was decreased by $586,564 and the deficit increased by $41,795 representing the cumulative accretion of the debt. During the year ended December 31, 2014 accretion of $125,329 was recorded, which increased the loss and deficit by the same amount.
b) Under ASPE the software was classified as a component of property equipment, under IFRS it has been classified as an intangible asset.
c) Under ASPE certain overhead expenses were expensed in the general and admin category, these have been reclassified to cost of sales under the IFRS, there was no impact to the net and comprehensive loss for the year.
d) Under ASPE the company presented sales commissions and outbound freight as a component of cost of sales, under IFRS these have been reclassified to sales and marketing expenses, there was no impact to the net and comprehensive loss for the year.

The adoption of IFRS does not have a significant impact on the statement of cash flows for the year ended December 31, 2014. Therefore, no reconciliation is presented in these financial statements.

The adoption of IFRS has resulted in the Company re-classifying the expenses reported on the statements of loss and comprehensive loss in accordance with their nature. These reclassifications have not impacted the reported loss and comprehensive loss.

18. Transition to International Financial Reporting Standards (continued)

	Note		Jan 1, 2014 ASPE		Transition adjustments		Jan 1, 2014 IFRS
ASSETS							
Current		$	2,014,354	$	-	$	2,014,354
Intangible assets	b)		67,588		9,682		77,270
Property and equipment	b)		282,463		(9,682)		272,781
		$	2,364,405	$	-	$	2,364,405
LIABILITIES							
Current							
Payables and accruals		$	134,270	$	-	$	134,270
Due to related parties			10,245		-		10,245
Debt	a)		5,444,293		(586,563)		4,857,730
Preferred shares	a)		-		628,364		628,364
			5,588,808		41,801		5,630,609
SHAREHOLDERS' EQUITY							
Common shares			1		-		1
Preferred shares	a)		5		(5)		-
Deficit	a)		(3,224,409)		(41,796)		(3,266,205)
			(3,224,403)		(41,801)		(3,266,204)
		$	2,364,405	$	-	$	2,364,405

18. Transition to International Financial Reporting Standards (continued)

	Note	Dec 31, 2014 ASPE	Transition adjustments	Dec 31, 2014 IFRS
ASSETS				
Current		$ 4,557,265	$ -	$ 4,557,265
Intangible assets		100,699	2,930	103,629
Property and equipment		705,474	(2,930)	702,544
		$ 5,363,438	$ -	$ 5,363,438
LIABILITIES				
Current				
Payables and accruals		$ 1,934,445	$ -	$ 1,934,445
Customer deposits		44,118	-	44,118
Due to related parties		9,505	-	9,505
Debt		7,801,467	(644,185)	7,157,282
Preferred shares		-	811,229	811,229
		9,789,535	167,044	9,956,579
SHAREHOLDERS' EQUITY				
Common shares		1	-	1
Preferred shares		7	(7)	-
Deficit		(4,426,105)	(167,037)	(4,593,142)
		(4,426,097)	(167,044)	(4,593,141)
		$ 5,363,438	$ -	$ 5,363,438

18. Transition to International Financial Reporting Standards (continued)

			Dec 31, 2014 ASPE		Transition adjustments		Dec 31, 2014 IFRS
Revenue		$	9,600,485	$	-	$	9,600,485
Cost of sales	c)		7,928,496		(1,173,678)		6,754,818
			1,671,989		(1,173,678)		2,845,667
Expenses							
	b)						
General and administrative			1,443,776		(457,021)		986,755
Sales and marketing	c)		666,358		1,732,100		2,398,458
Research and development	d)		269,379		-		269,379
Other							
Interest income			(5,327)		-		(5,327)
Foreign exchange loss	b)		226,789		23,841		250,631
			221,462		23,841		245,303
Loss before taxes			(928,986)		(125,223)		(1,054,228)
Income taxes							
Current			-		-		-
Deferred			-		-		-
			-		-		-
Loss		$	(928,986)	$	(125,242)	$	(1,054,228)

Unaudited Pro Forma Consolidated Financial Statements of

LUMENPULSE INC.

As at January 31, 2016
For the year ended April 30, 2015 and
For the nine-month period ended January 31, 2016

Lumenpulse Inc.

Unaudited consolidated pro forma statement of financial position

As at January 31, 2016

(In thousands of Canadian dollars)

	Lumenpulse Inc.	Fluxwerx Illumination Inc	Pro Forma Adjustments	Notes	Pro Forma Consolidated
	$	$	$		$
Assets					
Current assets					
Cash and cash equivalents	41,329	3,065	(28,856)	3(d)	15,538
Accounts receivable	32,654	4,234	(444)	3(a)	36,444
Inventories	23,811	1,713	385	3(a)	25,909
Investment tax credits receivable	976	—	418	3(a)	1,394
Income taxes receivable	264	—	—		264
Prepaid expenses and other assets	1,543	224	372	3(a)	2,139
	100,577	9,236	(28,125)		81,688
Other receivables and security deposits	455	147	2	3(a)	604
Deferred tax assets	420	18	(18)	3(a)	420
Property, plant & equipment	10,245	868	502	3(a)	11,615
Intangible assets	25,401	333	(333)	3(a)	25,401
Customer relationships	—	—	1,490	3(a)	1,490
Intellectual property	—	—	42,000	3(a)	42,000
Trade name	—	—	13,400	3(a)	13,400
Goodwill	26,100	—	30,642	3(a)	56,742
	163,198	10,602	59,560		233,360
Liabilities and shareholders' equity					
Current liabilities					
Bank borrowings	953	—	—		953
Accounts payable and accrued liabilities	27,806	3,621	1,745	3(a)	33,172
Income taxes payable	321	—	—		321
Other liabilities	3,318	187	20,874	3(a)	24,379
Current portion of deferred lease inducements	214	—	—		214
Current portion of finance lease obligations and other loans	120	8,716	289	3(a)	9,125
	32,732	12,524	22,908		68,164
Deferred lease inducements	1,346	—	—		1,346
Long-term portion of finance lease obligations and other loans	498	—	—		498
Other long-term liabilities	3,730	—	88	3(a)	3,818
Preferred shares	—	833	2,564	3(a)	3,397
Deferred tax liabilities	2,472	—	13,122	3(a)	15,594
	40,778	13,357	38,682		92,817
Shareholders' equity					
Share capital	145,042	—	20,000	3(a)	165,042
Contributed surplus	6,093	—	—		6,093
Accumulated other comprehensive income	2,869	—	—		2,869
Deficit	(31,584)	(2,755)	878	3(e)	(33,461)
Total shareholders' equity	122,420	(2,755)	20,878		140,543
Total liabilities and shareholders' equity	163,198	10,602	59,560		233,360

Lumenpulse Inc.
Fluxwerx Illumination Inc.
Unaudited consolidated pro forma statement of loss
For the year ended April 30, 2015
(In thousands of Canadian dollars)

	Lumenpulse Inc.	Fluxwerx Illumination Inc.			
	For the year ended April 30, 2015	For the twelve months ended March 31, 2015 (constructed)	Pro Forma adjustments	Notes	Pro forma consolidated 2015
	$	$	$		$
Revenue					
Lumenpulse products	88,454	14,391	—		102,845
Other manufacturers' products	12,231	—	—		12,231
	100,685	14,391	—		115,076
Cost of sales	57,476	9,465	14	4(a)	66,955
Gross profit	43,209	4,926	(14)		48,121
Operating expenses					
Selling and marketing	25,439	3,305	2,074	4(a)	30,818
Research and development	4,789	298	366	4(a)	5,453
General and administrative	14,607	1,082	1,051	4(a)	16,740
Total operating expenses	44,835	4,685	3,491		53,011
Operating (loss) income	(1,626)	241	(3,505)		(4,890)
Financing (income) costs, net	(1,185)	—	103	4(b)	(1,082)
Other income (expenses)	—	577	—		577
Loss before income tax	(441)	(336)	(3,608)		(4,385)
Income tax recovery	(76)	—	(1,014)	4(c)	(1,090)
Net loss and comprehensive loss for the year	(365)	(336)	(2,594)		(3,295)
Net loss per share					
Basic and diluted	(0.02)				(0.13)

Lumenpulse Inc.
Fluxwerx Illumination Inc.
Unaudited consolidated pro forma income statement
For the nine-month period ended January 31, 2016
(In thousands of Canadian dollars)

	Lumenpulse Inc.	Fluxwerx Illumination Inc.			
	For the nine months ended January 31, 2016	For the nine months ended December 31, 2015 (constructed)	Pro Forma adjustments	Notes	Pro forma consolidated 2016
Revenue					
Lumenpulse products	98,182	20,147	—		118,329
Other manufacturers' products	6,622	—	—		6,622
	104,804	20,147	—		124,951
Cost of sales	54,316	10,911	37	4(a)	65,264
Gross profit	50,488	9,236	(37)		59,687
Operating expenses					
Selling and marketing	26,001	4,585	35	4(a)	30,621
Research and development	5,629	420	379	4(a)	6,428
General and administrative	16,393	1,077	2,168	4(a)	19,638
Total operating expenses	48,023	6,082	2,582		56,687
Operating income (loss)	2,465	3,154	(2,619)		3,000
Financing (income) costs, net	—	—	77	4(b)	77
Other income (expenses)	(2,899)	180	—		(2,719)
Income (loss) before income tax	5,364	2,974	(2,696)		5,642
Income tax recovery	(260)	(18)	99	4(c)	(179)
Net income (loss) and comprehensive income (loss) for the year	5,624	2,992	(2,795)		5,821
Net income per share					
Basic	0.24				0.23
Diluted	0.22				0.22

1. Basis of presentation

The unaudited pro forma consolidated statement of financial position as at January 31, 2016, the unaudited pro forma interim consolidated statement of income for the nine-month period ended January 31, 2016 and the unaudited pro forma consolidated statement of income for the year ended April 30, 2015 (collectively the “unaudited pro forma consolidated financial statements”), have been prepared by management in connection with the filing by Lumenpulse Inc.’s (“Lumenpulse” or the ”Company”) of a Business Acquisition Report regarding the Acquisition completed on March 9, 2016, of Fluxwerx Illumination Inc. (“Fluxwerx”) (the “Acquisition”).

The pro forma financial statements have been prepared for illustrative purposes only and give effect to the Acquisition as further described in Note 3 and Note 4. The unaudited pro forma consolidated statement of financial position as at January 31, 2016, gives effect to the Acquisition as if it had occurred as at January 31, 2016. The unaudited pro forma consolidated income statement for year ended April 30, 2015, and the unaudited pro forma consolidated income statement for the nine-month period ended January 31, 2016, give effect to the Acquisition as if it had occurred on May 1, 2014 and May 1, 2015, respectively.

The pro forma financial information is not necessarily indicative of the financial position and results of operations that would have been achieved if the Acquisition had been completed on the dates or for the period presented, nor do they claim to project the results of operations or financial position of the consolidated entities for any future period or as of any future date. Any potential synergies that may be realized and integration costs that may be incurred upon completion of the Acquisition have been excluded from the pro forma financial information.

In preparing the unaudited pro forma financial information, the following historical information, that was prepared in accordance with International Financial Reporting Standards (“IFRS”), was used:

(a) For the unaudited pro forma consolidated statement of financial position as at January 31, 2016:

  (i) the unaudited consolidated statement of financial position of Lumenpulse as at January 31, 2016; and

  (ii) the audited statement of financial position of Fluxwerx as at December 31, 2015.

(b) For the unaudited pro forma consolidated statement of income for the year ended April 30, 2015:

  (i) the consolidated statement of income of Lumenpulse for the year ended April 30, 2015; and

  (ii) the constructed statement of income of Fluxwerx for the twelve-month period ended March 31, 2015 derived from:

    i. the unaudited interim statement of income of Fluxwerx for the three-month period ended March 31, 2015;

    ii. the audited statement of income of Fluxwerx for the year ended December 31, 2014; and

    iii. the unaudited interim statement of income of Fluxwerx for the three-month period ended March 31, 2014.

1. Basis of presentation (continued)

(c) For the unaudited pro forma consolidated statement of income for the nine-month period ended January 31, 2016:

i. the consolidated statement of Lumenpulse for the nine-month period ended January 31, 2016; and

ii. the constructed statement of income of Fluxwerx for the nine-month period ended December 31, 2015 derived from:

- the audited statement of income of Fluxwerx for the year ended December 31, 2015; and
- the unaudited interim statement of income of Fluxwerx for the three-month period ended March 31, 2015.

The financial statements of Fluxwerx for the three-month periods ended March 31, 2015 and March 31, 2014 used to prepare the constructed financial statements of Fluxwerx were prepared for the purpose of the pro forma financial statements and do not conform with the financial statements for Fluxwerx included elsewhere in the Business Acquisition Report.

Under acquisition accounting, the measurement of the fair value of the Fluxwerx assets acquired and liabilities assumed is dependent upon certain valuations and other studies that have not yet been finalized. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma consolidated financial statements. Differences between these preliminary estimated values and the final acquisition accounting may occur and may be material.

The pro forma financial statements should be read in conjunction with: (i) the description of the transaction in the Business Acquisition Report, and (ii) the historical audited annual and unaudited interim consolidated financial statements of Lumenpulse which are filed on SEDAR and available on www.sedar.com and the historical audited financial statements of Fluxwerx which are included elsewhere in the Business Acquisition Report.

In the opinion of Lumenpulse's management, the pro forma financial statements include all adjustments necessary for a fair presentation of the transactions described in the notes to the pro forma financial statements applied on a basis consistent with Lumenpulse's accounting policies.

2. Significant accounting policies

The accounting policies used in preparing the pro forma financial information are set out in Lumenpulse's audited consolidated financial statements for the year ended April 30, 2015. In preparing the pro forma financial information, a review of available information was undertaken to identify accounting policy differences between Lumenpulse and Fluxwerx. While management believes that the significant accounting policies of Lumenpulse and Fluxwerx are consistent in all material respects except for the amortization methods for property, plant and equipment, and for intangible assets, additional accounting policy differences may be identified until the time that Lumenpulse includes Fluxwerx's in its own financial reporting processes.

(In thousands of Canadian dollars)

3. Pro forma consolidated statement of financial position assumptions and adjustments

(a) On March 9, 2016, Lumenpulse completed the acquisition of Fluxwerx in exchange for total consideration of $68,606.

The transaction will be accounted for as a business combination by Lumenpulse.

The assets acquired and the liabilities assumed are to be recorded at their estimated fair market values, which are based on preliminary management estimates and are subject to final valuation adjustments. The excess of purchase price over net identifiable assets acquired will be allocated to goodwill.

Lumenpulse's unaudited pro forma consolidated financial statements incorporate the Fluxwerx preliminary Acquisition equation. The following table summarizes the preliminary fair value of the consideration owing and the fair value tentatively assigned to each of the major classes of assets acquired and liabilities assumed.

Estimated fair value recognized on Acquisition date:

	$
Assets acquired	
Cash and cash equivalents	3,631
Accounts receivable	3,790
Inventories	2,098
Investment tax credits receivable	418
Prepaid expenses and other assets	596
Customer relationships	1,490
Intellectual property	42,000
Trade name	13,400
Other receivables	149
Property, plant & equipment	1,370
Liabilities assumed	
Accounts payable and accrued liabilities	5,366
Deferred tax liabilities	13,122
Long-term debt	9,005
Asset retirement obligation	88
Preferred shares	3,397
Total identifiable net assets at fair value	37,964
Goodwill arising on acquisition	30,642
Purchase price consideration	68,606

(In thousands of Canadian dollars)

3. Pro forma consolidated statement of financial position assumptions and adjustments (continued)

Consideration given:

	$
Initial cash consideration	27,545
Common shares	20,000
Post-closing adjustments	(264)
Cash holdback	3,021
Contingent consideration	18,304
	68,606

The fair value determination of the assets acquired and liabilities assumed is preliminary and is based on management's best estimates and information known at the time of preparing this consolidated financial information. Since the Company is still in the process of finalizing the valuation of intangible assets and other assets and liabilities assumed at the date of Acquisition, the allocation of the purchase consideration is subject to change.

The fair values of the identifiable net assets have been determined provisionally and will continue to be reviewed and adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed as of the Acquisition date.

(b) Transaction costs after January 31, 2016 are expected to approximate $1,877. For the purposes of the pro forma consolidated statement of financial position at January 31, 2016, an adjustment to reduce cash by $1,877 and increase deficit by $1,877 has been recorded for Acquisition costs incurred to complete the Acquisition.

(c) Subsequent to the date of Acquisition, the Company repaid the Fluxwerx long-term debt and preferred shares from available funds.

(d) Net adjustment to cash comprises adjustments related to:

	$
Acquisition of Fluxwerx (a)	(27,545)
Acquisition related costs (b)	(1,877)
Adjustment resulting from movement in cash acquired	566
	(28,856)

(e) Net adjustment to deficit comprises adjustments related to:

	$
Elimination of Fluxwerx deficit (a)	2,755
Acquisition related cost (b)	(1,877)
	878

(In thousands of Canadian dollars)

4. Pro forma consolidated statement of income assumptions and adjustments

The pro forma consolidated financial statements include the following adjustments:

(a) The costs of sales, general and administrative, research and development and selling and marketing expenses have been adjusted to record the estimated additional amortization resulting from the recognition of property, plant and equipment and intangible assets of Fluxwerx at fair value. Lumenpulse is in the process of evaluating the fair value of the acquired intangible assets, therefore the amortization expense is preliminary.

Depreciation of property, plant and equipment has been increased by $100 for the year ended April 30, 2015 and by $75 for the nine-month period ended January 31, 2016.

Amortization of intangible assets has been increased by $3,405 for the year ended April 30, 2015 and by $ 2,544 for the nine-month period ended January 31, 2016.

(b) Adjustments to financial income considering that cash and cash equivalents were used for the payment of the initial cash consideration.

(c) Adjustments to the income tax expense for the tax impacts of the various pro forma adjustments affecting the unaudited pro forma consolidated statement of income as described above and also for the impact on the effective income tax rate resulting from the recognition of the deferred tax assets and liabilities on deductible and taxable difference at the beginning of the year ended April 30, 2015.

5. Pro forma earnings attributable to shareholders

The following table sets forth the computation of pro forma basic and diluted net loss per share.

Basic and diluted pro forma net loss per share	Year ended April 30, 2015
	$
Pro forma net loss	(3,295)
Historical weighted average number of Lumenpulse common shares outstanding	23,277,188
Shares deemed issued for the Acquisition	1,267,428
Pro forma weighted average number of common shares outstanding	24,544,616
Pro forma net loss per share	(0.13)

Pro forma diluted loss per share is identical to pro forma basic loss per share as all potentially dilutive instruments are anti-dilutive.

(In thousands of Canadian dollars)

5. Pro forma earnings attributable to shareholders (continued)

Basic and diluted pro forma net income per share	**Nine-month period ended January 31, 2016**
	$
Pro forma net income	**5,821**
Historical weighted average number of Lumenpulse common shares outstanding	**23,824,531**
Shares deemed issued for the Acquisition	**1,267,428**
Pro forma weighted average number of common shares outstanding	**25,091,959**
Pro forma net earnings per share (basic)	**0.23**
Dilutive weighted average number of Lumenpulse common shares outstanding	**1,308,637**
Pro forma dilutive weighted average number of Lumenpulse common shares outstanding	**26,400,596**
Pro forma net income per share (diluted)	**0.22**