FORM 51-102F1
EMPOWER TECHNOLOGIES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012

The following discussion and analysis, prepared as of April 30, 2012, should be read together with the consolidated financial statements for the year ended December 31, 2012 and related notes attached thereto, which are prepared using accounting policies consistent with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

References in this document to “we”, “the Company” and “Empower” refer to Empower Technologies Corporation and its wholly owned subsidiaries. Empower operates through our wholly-owned Washington State subsidiary Empower Technologies, Inc. (“Empower US”), and indirectly through Empower Technologies (Canada) Inc. (“Empower Canada”), Empower Technologies (Shanghai) Inc. (“Empower Shanghai”), and Empower Defense Systems Inc. (“EDS”). The Company trades on the TSX Venture Exchange under the symbol EPT.

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

Empower Technologies (the “Company”) has transformed from an embedded technology company to a full fledge technology, products and services and manufacturing company

The Company was found on its core technology - engineered embedded hardware and software. The core embedded hardware and software technology product is the LEOs embedded hardware platform (“Platform”). Under this Platform, the core embedded software is LEOs, which stands for “Linux Embedded Operating System” and the core embedded hardware is the knowledge and expertise to design and build ultra-small high performance Single Board Computer (SBC). Together the LEOs embedded technology is made up of a highly optimized and high power computing platform in a very small footprint and low power consumption. It is the Company’s branded operating software “LEOs” and the hardware design which allows product developers and manufacturers to create their own embedded software and hardware, or integrate the Company’s LEOs embedded software or hardware, for their own products.

With Empower’s core LEOs embedded technology, The Company has applied it to create its own real-time image processing technology. Empower’s proprietary innovative real-time image processing technology consist of:

a) Real-time Image Motion Stabilization (IMS) Technology,
b) Real-time Image Signal Correction (ISC) Technology

The Company has also applied its own image processing technology to create its own branded image stabilizer base on IMS technology and cameras with ISC and/or IMS technologies built-in. The Company's proprietary ISC and IMS technologies can be licensed or OEM by imaging product developers and manufacturers in the defense, automotive, security and surveillance industries.

The Company's technologies, products and services can cater to a broad range of customers such as product developers and manufacturers in the digital signage and interactive kiosk, security and surveillance, military, automotive and transportation, healthcare, industrial control and consumer electronics sectors.

Recently, the Company established a wholly-owned new subsidiary "Empower Defense Systems Inc.", it is a full service defense contractor that provides system integration, design, development, engineering, installation, maintenance and manufacturing services. Empower Defense Systems Inc. target customers are large aerospace, marine, land base and homeland security defense suppliers/contractors, militaries and governments.

In order for the Company to gain market penetration and recognition of its advanced technologies, products and services, the Company has commenced a growth strategy based on Merger and Acquisition of revenue producing companies as well as strategically dividing its business into three distinct operating divisions:

A: The Empower Embedded Engineering Division:

The embedded engineering division is focused on the sales and marketing of LEOs embedded platforms and tools. Under its administration, the embedded product division has developed several models of a LEOs development kit ("Development Kit") and LEOs embedded computer system boards ("Computer Boards") that provide all the software development tools and hardware platform for developers to create the software and the embedded hardware for their own products. The embedded technology product division markets and sells the Development Kits and Computer Boards (also known as "single board computers") to prospective interested product developers and manufacturers. It is the division's goal to sell as many Development Kits and Computer Boards as possible to achieve product adoption as well as selling engineering services which include OEM manufacturing. However, there are limitations to the number of Development Kits that can be sold. The division also believes a large portion of the revenue will be generated from engineering services and OEM manufacturing. It is because once product developers decide to use the Development Kit to create the software and hardware for their new product, the division has achieved a "design win" and the product developer must obtain a LEOs license or buy Computer Boards (with LEOs embedded) to go into production. Significant revenue for the Company can occur if the licensee's product has the potential to have high volume production. There are also possibilities customers coming to Empower only for its OEM manufacturing service and it can generate significant revenue due to the high value of the product or the volume.

B. The Empower Imaging Laboratories Division

This division will take over the marketing and sales of video technology products. One of the very first imaging technology products is Empower's proprietary real time translational and rotational Image Motion Stabilization (IMS) Technology branded under the name "Bullseye". This state of the arts real time image stabilizer is the best priced unit under its class. The other is Image Signal Correction (ISC) Technology products which are under development. The Company will also have video analytic products in the future. In order to introduce those Empower proprietary imaging technologies and expedite their market penetration, Empower will embark on a sales and marketing strategy to embed its proprietary imaging technologies into a line of surveillance camera and sell into the security and surveillance industry. The Company believes by offering imaging technology product solutions such as surveillance cameras and video stabilizers that incorporate Empower's proprietary real time IMS, ISC and video analytics, it will fast track sales into the market and position Empower's imaging technology as the leader in the industry.

C. The Empower Defense Systems Division:

Empower Defense Systems is a full service defense contractor that provides system integration, design, development, engineering, installation, maintenance and manufacturing services. Through other divisions in the Empower Group - "Empower Embedded Engineering" and "Empower Imaging Labs", Empower Defense Systems can also provide full turnkey computer software, hardware and control electronics design and development and advance imaging technologies, products and services. Empower Defense Systems target customers are large aerospace, marine, land base and homeland security defense suppliers/contractors, militaries and governments.

The Company Focus

The Company is currently focused on generating revenue from Empower Defense Systems Inc. to build a sales channel for Empower's core technologies products and solutions such as LEOs embedded platforms, ISC and IMS surveillance cameras and video stabilizers and from offering embedded engineering and full service manufacturing to developers and manufacturers.

The Company intends to generate and increase revenue by deploying the following strategy:

1. Drive Empower Defense Systems as the catalyst to generate sales and profit growth and,

2. Empower Embedded Engineering and Empower Imaging Labs Divisions will focus their sales and marketing of their respective technology, products and services by leveraging on Empower Defense Systems customers and sales channel;

3. Empower will accelerate its M&A activity of complementary businesses to leverage Empower's technologies, products and services to achieve rapid revenue and profit growth;

Principal Products or Services:
The Company is currently offering embedded technology, products and services, real time image processing technology, products and services and defense contracting services. The Company to date has sold Development Kits, Computer Boards, embedded engineering services, image stabilizer and defense contract manufacturing. Revenue has been generated largely from the following sources:

1. Defense Contracting
Provide full service defense contracting services that provide system integration, design, development, engineering, installation, maintenance and manufacturing services.

2. Embedded Engineering
The Embedded Engineering Division sells LEOs embedded Computer Boards, products and services. The Company provides its prospective embedded customers with engineering and manufacturing services including maintenance and support for the LEOs and its Computer Boards, imaging technology products, product developments and contract manufacturing

3. Real-time Image Processing Technology

The Company has developed in-house real-time video stabilizer technology that can perform shaking and rolling motion stabilization. It has also developed image processing technology called "Image Signal Correction" Technology or ISC. The Company is selling surveillance cameras and video stabilizers that incorporate Empower's proprietary real-time IMS, ISC and video analytics technologies.

Recent Developments:

During 2012, the Company had the following developments:

1. Announced receiving the TSX Venture Exchange approval on March 8, 2012 to complete the conversion of the directors' debt of $134,400 into 2,688,000 common shares at a price of $0.05 per share.

2. Announced signing Supply Agreement for Purchase Orders with an Asian Automotive Camera & Electronics Manufacturer. The Company is close to completing the development of two automotive products for the Taiwan customer. The customer has already notified the Company that it will issue a firm order and estimated quantities in April. The first delivery target date is tentatively set after the summer of this year.

   Subsequently, the Company announced an update that following the Company's completion and delivery of the software code to the customer for approval, the Company was advised that no firm order or estimated quantities or product delivery would be made until the prototype was approved by the customer's OEM (original equipment manufacturer) client. The customer loaded the Empower software into its proprietary hardware prototype and delivered it to their European client for evaluation and acceptance in November 2012. The Company announced there is no assurance the European client will accept the prototype. If the approval is not received by end of February 2013, the Company anticipates that no approval and no product delivery will be likely forthcoming and that more development may have to follow. Further, it is possible that the product may have to be cancelled as a result of the customer's hardware problem. The Company's automotive product has a long development cycle that may require many iterations and a number of years and delays before it is accepted by the customer's OEM client. However, the Company still believes that, once fully developed and if approved, the product will generate strong order volume with a long product cycle that is typically at least 10 years for each car model.

3. Announced the completion and delivering of a real time video transcoder system for a major Asia telecommunication company. Video transcoder works like a translator (converter). It takes the older (legacy) or the latest large video format for VCR, CD/DVD players or other non-mobile devices and converts (translates) it into the H.264 video format for iPhone, iPad, Android smartphones/tablets or other mobile devices. This product provides real time transcoding capability for wireless carriers to transcode various legacy video format into mainstream mobile device video format for real time mobile video streaming services.

4. Announced receiving the approval from TSX Venture Exchange to complete the closing of a non-brokered private placement of unsecured convertible debentures ("Debentures") for a total of $270,000 (the "Offering").

   The Debentures will bear simple interest at the rate of 10% per annum payable quarterly and are due 18 months on December 8, 2013. The Debentures are convertible into common shares of Empower at a conversion price of $0.15 per share. In consideration of the finder's efforts in locating investors for the Debentures Private Placement, the

Company paid Canaccord Genuity Corp $18,900 finder's fee in cash and 126,000 Empower share purchase warrants. Each warrant is exercisable for one year at $0.15 per share. The holder of the securities must not trade the securities before October 9, 2012. The net proceeds of the offering are $251,100 ignoring other share issuance costs. Proceeds of the Offering are to be used for continued sales and marketing of Empower's products and general working capital.

5. Announced the resignation of Mr. Steve Gupta the director of the Company. Mr. Gupta cited his fast expanding business, a very busy schedule and the increasing director activities from NNL acquisition as the reasons for his resignation. The purchase of NNL from Northstar Electronics, Inc. was subsequently terminated on November 23, 2012.

6. Announced closing its previously announced non-brokered private placement (the "Private Placement") of 1,550,000 units of the Company ("Units") for aggregate gross proceeds of $155,000 at a price of $0.10 per Unit. Each Unit consists of one common share and one half share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one common share (the "Additional Share") for a period of one year from the date of issue at a price equal to $0.15 per Additional Share. Each Unit consists of one common share of the Company and one-half of a common share purchase warrant ("Half Warrant"). Each whole Warrant consists of two Half Warrants which entitles the holder to acquire an additional common share of the Company for a period of 12 months from the date of issue at a price of $0.15 per share. The common shares, together with the shares issued on the exercise of the Warrants, will be restricted from trading for a period of four months from the date of issuance of the Units, being December 29, 2012, in compliance with TSX Venture Exchange policies and securities legislation. The proceeds from the Private Placement will be used for general working capital purposes.

7. Announced the creation of a new subsidiary "Empower Defense Systems Inc.", ("EDS"). Empower Defense Systems will serve as the platform for the company to continue its strategy to enter the extremely profitable Defense contracting industry – a strategy that was first adopted when the Company announced the acquisition of Northstar Network Ltd. (the acquisition was subsequently terminated on November 23, 2012).

   EDS reported that it was expediting the qualification process to meet the requirements of a major Defense contractor with whom the company had been in discussions. The Company was conducting interviews with experienced defense industry veterans and technicians to fill the various executive, engineering and manufacturing positions relating to the expected sales and production.

8. On November 9, 2011, the Company and Northstar Electronics, Inc. (Northstar) signed a Binding Letter of Intent and on February 14, 2012, the Company and Northstar signed a Share Purchase Agreement (Definitive Agreement) for Northstar to sell 100% ownership of its subsidiary, Northstar Network Ltd. (NNL) in St. John's, Newfoundland to the Company. As a condition in both the Binding Letter of Intent and the Definitive Agreement, the Company was to provide a certain amount of cash loans subject to respective Loan Agreements to Northstar and to NNL.

   Under the Loan Agreement (NNL Loan Agreement) between Northstar, NNL and the Company and subject to certain conditions, the Company had agreed to provide bridge financing to NNL of up to $550,000 (the "Bridge Loan") during the period before closing. As security for the repayment of the Bridge Loan, NNL has signed a general security agreement securing all of NNL's assets and a share pledge agreement whereby Northstar will pledge 100% of the outstanding NNL shares as collateral once the Company has advanced the full $550,000.

On March 20, 2012, Northstar, NNL and the Company agreed to change the amount required to advance to trigger the NNL shares into collateral from $550,000 to $50,000. Also, Northstar and NNL agreed to let the Company receive payments on NNL receivables/invoices directly from NNL customers. The total NNL loan amount was not be greater than 80% of the total current receivables NNL has on hand. NNL also was to pay $10,000 per month for the operation of the Bridge Loan starting in March 20, 2012. At the end of each month, the Company was to deduct the total Northstar customer payments received in the month from the Bridge Loan outstanding. In respect of any cash balance left after deducting the Bridge Loan and fees, the Company and NNL were to split the proceeds in half as earning between each party.

During the year ended December 31, 2011, the Company had advanced $61,045 to Northstar under a separate Loan Agreement ("Northstar Electronics Loan Agreement") that is backed by a general security agreement on Northstar. During the year ended December 31, 2012, the Company extended an additional $118,840 under the Northstar Electronics Loan Agreement.

On November 23, 2012, the Company terminated the Definitive Agreement. The Company deemed the loan receivable uncollectible, and recorded an impairment on the loan receivable of $179,885, which is recorded in the consolidated statement of operations and comprehensive loss.

PERFORMANCE SUMMARY

For the year ended December 31, 2012, the Company has incurred a loss of $1,453,773 or $0.03 per share, compared with a loss of $1,794,805 or $0.04 per share in 2011. This loss represents expenditures related to the ongoing development and marketing of the Company's products and the acquisition of Northstar Network Ltd. from Northstar Electronics Inc. which was subsequently terminated on November 23, 2012. This is consistent with the Company's business plan.

The total expenses excluding share-based payments decreased to $1,216,008, compared with $1,280,827 for the year ended December 31, 2011. Revenue decreased to $46,532, compared to $157,772 for the year ended December 31, 2011.

As at December 31, 2012 the Company had cash of $3,052 compared to $22,199 at December 31, 2011.

The Company expects overall operating expenses will stay at current levels until significant product shipments begin.

RESULTS OF OPERATIONS

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Sales			
Canada	$ -	$ 30,000	$ 28,142
United States of America	-	104,673	266,670
Asia	46,532	23,099	21,812
Europe	-	-	3,109
	46,532	157,772	319,733
Cost of Sales			
Cost of material sold	10,152	51,127	13,653

Cost of services	-	-	122,082
Write-off of inventory	-	73,292	4,415
	10,152	124,419	140,150
Gross Margin	36,380	33,353	179,583
Total expenses	1,243,320	1,405,370	2,393,960
Other items (expenses)	(246,833)	(422,788)	62,379
Income (Loss) for the period			
Canada	(1,444,654)	(1,824,253)	(2,169,590)
People's Republic of China	-	-	-
United States of America	(9,119)	29,448	17,592
	$(1,453,773)	$(1,794,805)	$(2,151,998)
Loss per share	$ (0.03)	$ (0.04)	$ (0.05)
Total assets	$ 64,888	$ 163,983	$ 265,752

Revenue

Revenues generated for the year ended December 31, 2012 were $46,532, compared with $157,772 for fiscal 2011. The decrease is mainly attributable to the Company's focus on the acquisition of Northstar Network Ltd. which was subsequently terminated on November 23, 2012 and the completion of all the design win projects and to the Company's effort to shift from selling LEOs embedded development kit and engineering service to sales and marketing of ISC and image stabilization technologies enabled surveillance cameras. These sales are attributed to the sales and marketing of the Company's core enabling embedded technology and solutions. All of the sales in this period are attributable to products and services provided to ITC in Asia.

Cost of Sales

Cost of sales for the year ended December 31, 2012 decreased to $10,152 (2011 - $124,419). Excluding the write off of inventory, cost of sales represented 22% of revenue for the year ended 2012 (2011– 33%). The change is attributable to the decrease in sales of goods and services relative to profit margin.

General and Administrative

General and administrative expenses without R&D for the year ended December 31, 2012 decreased to $1,134,937 (2011- $1,204,298). Wages and benefits decreased to $117,869 (2011 - $163,125). Advertising and promotion decreased to $19,655 (2011 - $24,103). Travelling expenses increased to $41,038 (2011 - $37,200). Office expenses decreased to $8,353 (2011 - $11,438). Rent decreased to $19,539 (2011 - $19,715). Legal fees decreased to $43,981 (2011 - $90,451). Consulting fee decreased to $202,500 (2011-$233,453). Bad debt increased to $65,000 (2011-($276,988)) due to write-off of management fees from Northstar. Directors fees decreased to $Nil (2011-$158,400). Transaction costs remains at $Nil (2011-$Nil). A concerted effort to maintain the administrative costs in line with the budget was successful during year 2012.

Research and Development

Research and Development costs ("R&D costs") relating to the development of LEOs, adding new operating software, the EDK644x development kits, EMP3530-SDK, EMP3530/3503 Single Board Computer and new products are expensed as incurred. R&D costs for the year ended December 31, 2012 were $108,383 compared to $201,072 for 2011. The R&D cost decrease is due to the new developments which are either at early stage or their resources requirements are much lower.

	Year Ended December 31, 2012	Year Ended December 31, 2011
Equipment and supplies	$ (5,295)	$ 19,529
Rent	45,590	46,499
Salaries and benefits	68,088	135,044
	$ 108,383	$ 201,072

SUMMARY OF QUARTERLY RESULTS (i)

	Three Months Ended December 31, 2012	Three Months Ended September 30, 2012	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012
Total assets	$ 64,888	$ 342,945	$ 356,335	$ 207,936
Share-based payments	(5,017)	8,615	11,857	11,857
Working capital (deficiency)	(2,760,858)	(2,282,776)	(2,006,692)	(1,840,981)
Shareholders' deficiency	(5,452,562)	(4,965,348)	(4,687,683)	(4,521,304)
Revenues	24,667	-	21,865	-
Net loss	(481,427)	(286,280)	(259,286)	(426,780)
Loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

	Three Months Ended December 31, 2011	Three Months Ended September 30, 2011	Three Months Ended June 30, 2011	Three Months Ended March 31, 2011
Total assets	$ 163,983	$ 216,057	$ 172,790	$ 505,809
Share-based payments	49,284	21,285	26,873	27,101
Working capital (deficiency)	(1,811,087)	(2,212,622)	(2,061,001)	(1,993,731)
Shareholders' deficiency	(4,489,180)	(4,306,435)	(4,152,584)	(4,083,084)
Revenues	7,385	12,000	3,714	134,673
Net loss	(356,980)	(324,635)	(453,973)	(659,217)
Loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

(i) Presented using accounting policies consistent with International Financial Reporting Standards

FOURTH QUARTER RESULTS

Revenue for the fourth quarter ended December 31, 2012 was $24,667 compared to $7,385 for the fourth quarter ended December 31, 2011, the revenue for the third quarter ended September 30, 2012 is $Nil.

The general and administrative cost for the fourth quarter ended December 31, 2012 increased due to the cost of acquiring Northstar Network Ltd. (which was subsequently terminated on November 23, 2012) and the increase in interest, especially for the debentures in 2012.

R&D costs for the fourth quarter ended December 31, 2012 were $27,581 compared to $51,369 for the fourth quarter of 2011 and $18,018 for the third quarter ended September 30, 2012.

During the fourth quarter, there is a credit of share-based payments due to an adjustment made at year-end.

LIQUIDITY

The Company has financed its operations to date primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt. As at December 31, 2012, there were 2,551,000 share purchase warrants outstanding. These warrants represent a source of equity capital for Empower, should they be exercised.

The consolidated financial statements have been prepared using accounting policies in accordance with International Financial Reporting Standards on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

		2012		2011
Deficit	$	(30,521,123)	$	(29,067,350)
Working capital	$	(2,760,857)	$	(1,811,087)

Net cash used in operating activities for the year ended December 31, 2012 was $567,709 compared to net cash used of $817,379 for the year ended December 31, 2011. The cash used in operating activities for the year consisted primarily of the Northstar Network Ltd. acquisition expense (which was subsequently terminated on November 23, 2012), operating expenses, office, marketing and sales activities, R&D and engineering activities.

Net cash used for investing activities for the year ended December 31, 2012 was $118,840 and for the year ended December 31, 2011 was $62,546.

Net cash provided by financing activities for the year ended December 31, 2012 was $667,402 compared to net cash provided of $869,923 for the year ended December 31, 2011. The cash provided during the year was due to the proceeds from issuance of common shares, issuance of debentures and proceeds from loan.

As of December 31, 2012, the Company had $3,052 in cash compared to $22,199 as at December 31, 2011.

CAPITAL RESOURCES

The authorized capital of the Company consists of unlimited common shares without par value. As at December 31, 2012, there are 56,745,279 common shares issued and outstanding.

Empower has 1,540,000 outstanding stock options as of December 31, 2012 and 1,440,000 as at April 30, 2013. Should these stock options be exercised by the holders, then the equity contributed to the company would be $154,000.

Stock options as at December 31, 2012	Exercise Price	Expiry Date	Amount
1,540,000	0.10	August 23, 2015	154,000

Empower has 2,551,000 share purchase warrants outstanding as of December 31, 2012 and 901,000 as at April 30, 2013. Should these warrants be exercised by the warrant holders, then the equity contributed to the Company would be $547,650.

As at December 31, 2012	Shares	Exercise Price	Expiry Date	Amount
Warrants outstanding	1,650,000	$0.25	April 6, 2013	$ 412,500
Warrants outstanding	126,000	0.15	June 8, 2013	18,900
Warrants outstanding	775,000	0.15	August 28, 2013	116,250
	2,551,000			$ 547,650

Empower has not committed to any material future capital expenditure.

COMMITMENTS

a) The Company has entered into an operating lease agreement for its premises. The annual basic lease commitments under this lease are as follows:

Not later than one year	$ 26,663
Later than one year and no later than five years	-
	$ 26,663

b) During the year 2011, the Company entered a Corporate Finance Consulting Agreement with Performance Capital Advisors Inc. ("PCA"). PCA is engaged to raise financing of up to $2,000,000. The Company is committed to pay PCA in pro-rate up to $105,000 in cash and 105,000 in share purchase warrants priced the same as the shares issued under any financing until April 2013.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

OUTSTANDING SHARES

As at December 31, 2012 and April 30, 2013, the Company has 56,745,279 common shares outstanding. Changes since December 31, 2010 are as follows:

	Shares
Balance, December 31, 2010	42,968,504
Debenture conversion	2,997,625
Non-brokered private placement	565,150
Non-brokered private placement	3,300,000
Shares for debt to directors	1,440,000
Non-brokered private placement	1,236,000
Balance, December 31, 2011	52,507,279
Shares for debt to directors	2,688,000
Non-brokered private placement	1,550,000
Balance, April 30, 2013	56,745,279

RELATED PARTY TRANSACTIONS

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

		2012		2011
Short-term benefits	$	258,000	$	419,400
Share-based payments		26,540		79,375
Total	$	284,540	$	498,775

The Company also entered into the following transactions with related parties:

During the year ended December 31, 2012, the Company settled debt of $134,400 with directors and officers for shares with a fair value of $268,800, resulting in a loss of $134,400.

Included in accounts payable and accrued liabilities as at December 31, 2012 is $946,642 (2011 - $661,301) due to directors and officers of the Company. The amounts are non-interest bearing, unsecured and due on demand.

At December 31, 2012, $1,278,912 (2011 - $1,023,787) of short term loans payable (see Note 8) is due to a director and officer of the Company. The short term loans bear interest between 8.5% to 14% and are unsecured. The Company also has $2,724,457 (2011 - $2,724,457) of loans payable (Note 8) to the same director and officer. The long term loans bear interest at 8.5%, and are unsecured. The total interest paid or accrued to the director was $424,357 (2011 - $437,790) for the year ended December 31, 2012.

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

CRITICAL ACCOUNTING ESTIMATES

Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the years reported. Significant areas requiring the use of management estimates include the determination of impairment of property and equipment, depreciation rates for equipment, effective interest rate used in calculating the debt portion of convertible debenture, deferred income tax assets and liabilities, allowance for doubtful accounts, provisions including amounts for inventories and the determination of the assumptions used in calculating fair value of share-based payment calculations. Actual results could differ from these estimates.

FINANCIAL INSTRUMENTS AND RISK

Cash is classified as fair value through profit or loss. The carrying value of accounts receivable, accounts payable, amounts due to related parties, obligation under finance lease, convertible debenture and loans payable approximated their fair value.

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

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 3,052	$ -	$ -	$ 3,052

The Company is exposed to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

(i) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfil its contractual obligations. Such risk arises principally from certain financial assets held by the Company consisting of trade receivables. The maximum exposure to credit risk of the Company at period end is the carrying value of these financial assets.

The Company's cash is held with high-credit quality financial institutions. Provisions for doubtful accounts are made on a customer by customer basis. All write downs against receivables are recorded in the Consolidated Statement of Operations and Comprehensive Loss. The Company is exposed to credit related losses on sales to customers outside of North America due to higher risks of enforceability and collectability. Accounts receivable at December 31, 2012 are comprised of trade accounts receivable. The Company had an allowance of doubtful accounts of $31,500 as at December 31, 2012 (2011 - $31,500). The

Company's customer accounts comprise 100% (2011 – 100%) of accounts receivable from one (2011 – one) customer.

(ii) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments.

(a) Foreign Exchange Risk – The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily the U.S. Dollar and the Chinese Renminbi. Foreign exchange risk arises from sales and purchase transactions as well as recognized financial assets and liabilities that are denominated in currencies other than the Canadian dollar, which is the functional currency of the Company and its subsidiaries.

During the year ended December 31, 2012 and at December 31, 2011, the Company held only minor amounts of cash deposits in foreign currencies.

(b) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not have any debt instruments outstanding with variable interest rates at December 31, 2012. Financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. No hedging relationships have been established for the related monthly interest or for the principal payments. The Company manages its interest rate risk by minimizing financing costs on its borrowings and maximizing income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day to day basis.

(iii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2012, the Company had cash of $3,052. The continuation of the Company depends upon the support of its lender and equity investors, which cannot be assured.

SUBSEQUENT EVENTS

Subsequent to year ended December 31, 2012:

a) On April 3, 2013, the Company closed a non-brokered private placement of 4,330,000 units of the Company ("Units") for aggregate gross proceeds of $216,500. Each Unit consists of a common share of the Company and one-half of a common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire an additional common share of the Company for a period of 12 months from the date of issue at a price of $0.10 per share.

b) On March 26, 2013, the Company received the final approval from the TSX-Venture Exchange on the conversion of the existing $2,724,457 loan payable due related parties to a convertible debenture, convertible into 27,244,570 common shares at a conversion price of $0.10 per share. The convertible debenture bears an interest rate of 10% per annum, maturing on November 27, 2017.

c) On April 9, 2013, the Company signed a definitive share purchase agreement ("Definitive Agreement") with a privately held corporation (the "Vendor"), to purchase 100% of its wholly owned subsidiary (the “Acquiree”) in consideration for the Company’s shares. The Company will acquire all rights to the shares of the Acquiree and all liabilities, including $4,985,460 owing to the Vendor.

The aggregate purchase price for the shares of the Acquiree will be $750,000, which will be paid by the issuance of 3,000,000 shares of the Company, at a deemed value of $0.25 per share. In addition, the Company will pay a performance based earnout bonus payment up to a maximum of $400,000 (“Maximum Earnout”) within the first 3 years from the date of Closing subject to:

> i) the Acquiree generating positive earnings before interest, depreciation, taxes and amortization (“EBITDA”) equal to or greater than $200,000 (“Annual Earnout”) within any of those first 3 years from the date of closing of the share purchase transaction, then the Company will pay the Vendor 25% of the positive EBITDA in cash, provided that the Vendor has not received the Maximum Earnout from the cumulative Annual Earnout: or
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> ii) if the Acquiree generates positive EBITDA equal to or greater than $25,000 but less than $200,000 within any of those first 3 years from the date of closing of the share purchase transaction, then the Company will pay the Vendor 10% of the positive EBITDA in cash, provided that the Vendor has not received the Maximum Earnout from the cumulative Annual Earnout.

Earnout bonus payment, if there is any, the Vendor may elect by written notice to Empower to receive any portion of the Annual Earnout payable to the Vendor in the form of Empower Shares in lieu of cash; and the number of Empower Shares to be issued pursuant to such election shall be determined based on a conversion price that shall be the greater of the following:

> i. a conversion price of $0.25 per Empower Share; or,
> ii. the Market Price of Empower Shares at the time of notice, as defined by the policies of the TSX Venture Exchange, and shall be subject to resale restrictions, with 25% of such Empower Shares being released from the restrictions every six months.

The closing of the share purchase transaction is subject to regulatory approval, diligence and other conditions, no later than June 30, 2013.