EMPOWER TECHNOLOGIES CORPORATION

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Three-month periods ended March 31, 2013 and 2012

Notice to Readers

Under National Instrument 51-102, Part 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company for the period ending March 31, 2013 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

EMPOWER TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013
(Expressed in Canadian Dollars)
(Unaudited)

	March 31, 2013	December31, 2012
ASSETS		
Current		
Cash	$32,886	$ 3,052
Accounts receivable	39,656	15,758
Prepaid expenses	-	10,629
Loan receivable (Note 6)	-	–
	96,722	29,439
Deposit	-	-
Property and equipment (Note 7)	33,528	35,449
Total assets	$ 130,250	$ 64,888
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	$1,185,170	$ 1,091,755
Current portion of obligations under finance lease (Note 13)	3,595	3,595
Convertible debentures and interest (Note 8)	0	416,034
Customer deposit	437,224	1,278,912
Loans payable (Note 9)	-	$ 1,091,755
	2,997,277	2,790,296
Long term		
Loans payable (Note 9)	2,724,457	2,724,457
Obligations under finance lease (Note 13)	1,798	2,697
Total liabilities	5,723,532	5,517,450
Shareholders' deficiency		
Capital stock (Note 10)		
Authorized: unlimited common shares without par value	22,385,170	22,385,170
Issued and outstanding: 56,745,279 shares (2012 – 56,745,279)		
Contributed surplus (Note 11)	2,621,979	2,621,979
Equity portion of convertible debenture issued	61,412	61,412
Share proceeds received in advance	171,550	(30,521,123)
Deficit	(30,833,393)	22,385,170
Total shareholders' deficiency	(5,593,282)	(5,452,562)
Total liabilities and shareholders' deficiency	$ 130,250	$ 64,888

Nature and continuance of operations (Note 2)
Commitments (Note 19)
Subsequent events (Note 20)

On behalf of the Board:

"Paul Leung" Director "Edward Bagg" Director

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

EMPOWER TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	Three Month Period Ended March 31, 2013	Three Month Period Ended March 31, 2012
SALES	$ 52,834	$ -
COST OF SALES	41,082	-
	11,752	-
EXPENSES		
Accounting and audit	4,750	-
Advertising and promotion	2,216	2,266
Amortization of property and equipment	1,507	2,611
Amortization of assets under capital lease	414	518
Bad debt	-	-
Bank charges and interest	1,753	1,863
Consulting fees	58,350	49,150
Directors' fees	18,000	-
Foreign exchange gain	(422)	353
Insurance	5,388	6,135
Interest on short term debt and debentures	66,234	40,284
Interest on long term debt	82,043	64,696
Legal fees	4,764	17,786
Office expenses	5,475	1,852
Rent	6,250	5,940
Research and development	14,584	38,218
Share-based payments (Note 11)	-	11,857
Telephone and utilities	2,075	2,464
Transfer agent and filing fees	18,538	19,297
Travel	6,167	6,662
Wages and benefits	26,591	26,278
	(324,677)	(298,230)
Loss before other items	(312,925)	(298,230)
OTHER ITEM		
Interest and other income	655	5,850
Expense on amendment of terms of convertible debentures	-	-
Loss on settlement of debt	-	(134,400)
	655	(128,550)
Loss and comprehensive loss for the period	$ (312,270)	$ (426,780)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	56,745,279	52,861,741

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

EMPOWER TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY
THREE-MONTH PERIODS ENDED MARCH 31, 2013 AND 2012
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Capital Stock	Contributed Surplus	Equity Portion of Convertible Debenture	Share Proceeds Received in advance	Deficit	Total
Balance, December 31, 2011	52,507,279	21,970,497	2,589,491	18,182	-	(29,067,350)	(4,489,180)
Share proceeds received in advance	-	-	-	-	114,000	-	114,000
Settlement of directors debt for shares	2,688,000	268,800	-	-	-	-	268,800
Share-based payments	-	-	11,856	-	-	-	11,856
Loss for the period	-	-	-	-	-	(426,780)	(426,780)
Balance, March 31, 2012	55,195,279	$ 22,239,297	$ 2,601,347	$ 18,182	$ 114,000	$ (29,494,130)	$ (4,521,304)
Balance, December 31, 2012	42,968,504	$ 19,710,858	$ 2,394,451	$ 147,897	140,506	$ (27,272,545)	$ (4,878,833)
Share proceeds received in advance	-	-	-	-	171,550	-	171,550
Settlement of directors debt for shares	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(312,270)	(312,270)
Balance, March 31, 2013	56,745,279	$ 22,385,170	$ 2,621,979	$ 61,412	$ 171,550	$ (30,833,393)	$ (5,593,282)

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

EMPOWER TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Three Month Period Ended March 31, 2013	Three Month Period Ended March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (312,270)	$ (426,780)
Items not affecting cash:		
Amortization of property and equipment	1,507	2,611
Amortization of assets under capital lease	414	518
Share-based payments	-	11,856
Fair value of options granted for investor relations	-	-
Accretion and accrued interest on convertible debenture	21,190	3,885
Accrued interest on loan payable	94,712	68,580
Loss on settlement of debt	-	134,400
Loss (gain) on amendment of the terms for converted debentures	-	-
Changes in non-cash working capital items:		
Decrease (Increase) in accounts receivable	(23,898)	1,772
Decrease (Increase) in inventory	-	-
Decrease (Increase) in prepaid expenses and deposit	(13,551)	(5,756)
Decrease (Increase) in accounts payable and accrued liabilities	(1,279)	(57,877)
Increase (decrease) in customer deposit	-	6,688
Net cash used in operating activities	(233,193)	(260,103)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan receivable	-	(30,614)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(899)	(899)
Proceeds of loans payable	92,376	57,700
Repayment of loans payable	-	(2,000)
Proceeds from share issuance	-	134,400
Share proceed received in advance	171,550	114,000
Net cash provided by (used in) financing activities	263,027	303,201
Change in cash during the period	29,834	12,484
Cash, beginning of period	3,052	22,199
Cash, end of period	$ 32,886	$ 34,683

Supplemental disclosure with respect to cash flows (Note 16)

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

1. REPORTING ENTITY

Empower Technologies Corporation (the “Company”) is incorporated in Canada, is a public company listed on the TSX Venture Exchange (“TSX-V”) and trades under the symbol EPT. The corporate headquarters and principal place of business is located at 3751 Shell Road, Richmond, BC, V6X 2W2. The Company has transformed from an embedded technology company to a full-fledged innovative technology, products and services and manufacturing enterprise. Empower Technologies as a group caters to security and surveillance, military, automotive and transportation, healthcare, industrial control and consumer electronics industries.

2. NATURE AND CONTINUANCE OF OPERATIONS

Statement of compliance

The consolidated financial statements have been prepared using accounting policies in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. Previously the Company prepared its consolidated annual and interim financial statements in accordance with Canadian generally accepted accounting principles.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquation. The Company has incurred losses of $30,833,393 since inception and further losses are anticipated in the development of its business plan. As at March 31, 2013, the Company has a working capital deficiency of $2,900,555. These circumstances lead to significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company’s continuing operations as intended are dependent upon its ability to develop products and technologies that can be commercialized. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments may be necessary to the carrying value of the assets and liabilities, and the balance sheet classifications used.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

2. NATURE AND CONTINUANCE OF OPERATIONS (cont'd…)

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Empower Technologies, Inc. (incorporated in United States of America), and its wholly-owned subsidiaries, Empower Technologies (Canada) Inc. (incorporated in Canada), Empower Technologies (Shanghai) Inc. (incorporated in the People's Republic of China), and Empower Defense systems Inc. (incorporated in Canada). All intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Inventories

Inventories are carried at the lower of cost, using the weighted average method, and net realizable value. Inventories consist of material inventories; work in process and finished goods.

Property and equipment

i) Recognition and measurement:

Items of property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property and equipment (cont'd…)

ii) Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit (loss) as incurred.

iii) Depreciation:

Depreciation is calculated using the declining balance method at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%
Leasehold improvements	25%
Tools	20%

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting period-end and adjusted, if appropriate.

Intangible assets

Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria are usually met when a regulatory filing has been made in a major market and approval is considered highly probable. The expenditure capitalized includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are expensed as incurred. Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

As at March 31, 2013 and 2012 no development expenditures were capitalized.

Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

The Company has classified its cash as fair value through profit or loss, accounts receivable and loan receivable as loans and receivables. Accounts payable, amounts due to related parties, loans payable and debentures payable are classified as other financial liabilities, which are measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment

i) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each consolidated financial statement reporting date to determine whether there is objective evidence that it is impaired if objective evidence indicates that one or more loss events had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net profit (loss) and reflected in an allowance account against the respective financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net profit (loss).

ii) Non-Financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or group of assets. Impairment losses recognized in prior periods are determined at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An asset's carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are assessed by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount on provisions is recognized in finance costs.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Recognition of deferred tax assets and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future tax profit will allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments

The Company records all share-based payments at their fair value. The share-based payments costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contribute surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the net loss or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held, if applicable. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, if applicable, for the effects of all dilutive potential common shares, which consist of the stock options, warrants, and convertible debentures.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Revenue recognition

i) Software

The Company recognizes revenue from packaged software and license fees when the software is delivered, title has passed and customer acceptance has occurred, the fee is fixed and determinable and collection is probable.

ii) Products

The Company generates revenue through the sale of electronic products. Revenue from the sale of goods are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Subsidiaries that have functional currencies other than Canadian dollars translate their statement of operations items to Canadian dollars at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in the Accumulated Other Comprehensive Income/ Loss.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2011, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

i) New accounting standards effective January 1, 2013

IAS 1 *Presentation of Items of Other Comprehensive Income* - In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether they may be recycled to profit or loss in future periods

IAS 19 *Employee Future Benefits* - In June 2011, the IASB issued an amendment to IAS 19, which changes the recognition, measurement and presentation of defined benefit pension expense and provides for additional disclosures for all employee benefits.

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12 Consolidation - Special Purpose Entities* and parts of *IAS 27 Consolidated and Separate Financial Statements*.

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes *IAS 31 Interests in Joint Ventures* and *SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for the Company beginning on January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

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

ii) New accounting standards effective January 1, 2015:

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2015 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

5. INVENTORY

	March 31, 2013	March 31, 2012
Material inventories	$ -	$ -
Work in process	-	-
Finished goods	-	-
	$ -	$ -

6. LOAN RECEIVABLE

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.

7. PROPERTY AND EQUIPMENT

Cost	Computer equipment	Furniture and equipment	Leasehold Improvement	Tools	Total
As at December 31, 2012	$144,343	$109,889	$ 28,724	$38,501	$321,457
As at March 31, 2013	$144,343	$109,889	$ 28,724	$38,501	$321,457
Accumulated Depreciation					
As at December 31, 2012	$ 138,418	$87,351	$ 28,724	$31,515	$286,008
Depreciation	444	1,127	-	349	1,920
As at March 31, 2013	$ 138,862	$88,478	$ 28,724	$31,864	$287,928
Carrying Amounts					
Balance, December 31, 2012	$5,925	$22,538	$ -	$6,986	$35,449
Balance, March 31, 2013	$5,481	$21,411	$ -	$6,637	$33,529

8. CONVERTIBLE DEBENTURES

	March 31, 2013	December 31, 2012
On October 14, 2010, the Company closed a private placement of convertible debentures in the aggregate amount of $318,528. The convertible debentures bear interest at the rate of 12% per annum and are convertible into common shares of the Company at $0.50 per share until December 31, 2011. An equity portion of $35,194 was calculated which reflects the convertible feature attached to the debentures. In January 2011, a convertible debenture of $263,528 was converted into common shares of the Company at a reduced conversion rate of $0.20 per share. It was further extended from January 1, 2012 to June 30, 2012. Of the balance, $30,000 was extended from June 30, 2012 to December 31, 2013. The debentures are unsecured.	57,089	57,089
In January 2011, the Company extended an existing debenture agreement with a principal amount of $50,000 maturing on January 31, 2011 to May 15, 2011. In May 2011, maturity was extended to August 31, 2011 and further to December 31, 2011. It was further extended to June 30, 2012. The debenture is unsecured.	50,000	50,000
In January 2011, the Company extended existing debenture agreements with an aggregate principal amount of $20,000 maturing on January 31, 2011 to December 31, 2011 and further extended to June 30, 2012. The debentures are unsecured.	20,000	20,000

On June 8, 2012, the company closed a private placement of convertible debentures in the aggregate amount of $270,000. The convertible debentures bear interest at the rate of 10% per annum payable quarterly and convertible into common shares of the Company at $0.15 per share until December 7, 2013. An equity portion of $43,230 was calculated which reflects the convertible feature attached to the debentures. Transaction costs of $21,985 were recognized towards the liability portion of the debentures, which includes $4,346 of the fair value warrants issued in connection with the transaction (Note 12) and $17,638 in cash-based expenditures. Other transaction costs of $4,191, including $830 in the fair value of warrants issued (Note 12), was allocated to the equity component and recognized as a share issuance cost. The debentures are unsecured.	228,124	228,124
Interest accrued	88,697	60,821
	$ 443,910	$ 416,034

9. LOANS PAYABLE

The loans payable are due to a director and officer of the Company, are secured and unsecured, bear interest between 10% to 14% per annum, of which the secured $2,724,457 is due on January 31, 2014 and the unsecured $446,288 and $925,000 are due on demand.

The total interest accrued/paid on the loans for three month period ended March 31, 2013 was $126,950 (2012 - $104,979).

10. CAPITAL STOCK AND CONTRIBUTED SUPRLUS

During the three month period ended March 31, 2013, there is no new issuance of stock (March 31, 2012, issued 2,688,000 common shares for the settlement of $134,400 debt to its directors).

11. STOCK OPTIONS

On September 19, 2003, the Company adopted a stock option plan under which it is authorized to grant options to directors and employees to acquire common shares, up to an amount equivalent to 20% of the outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company’s stock as calculated on the date of grant, less applicable discounts. The options can be granted for a maximum term of 5 years.

On June 28, 2005, the Company amended the vesting period of the options to officers and directors to 1/3 one year after the date of grant, 1/3 two years after the date of grant and 1/3 three years after the date of grant. The Company also amended the vesting period of the options to employees and consultants to 1/4 one year after the date of grant, 1/4 two years after the date of grant, 1/4 three years after the date of grant and 1/4 four years after the date of grant. Under the current option plan, the maximum aggregate number of shares that may be reserved for issuance is 6,000,000 common shares.

As at March 31, 2013, the following incentive stock options are outstanding:

	Number of Shares	Exercise Price ($)	Expiry Date
Stock options	1,440,000	0.10	August 23, 2015

11. STOCK OPTIONS (cont’d…)

Stock option transactions are summarized as follows:

	Three-month Period Ended March 31, 2013		Year Ended December 31, 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,540,000	$ 0.10	2,486,662	$ 0.12
Options granted	-	-	-	-
Options forfeited	(100,000)	0.10	-	-
Options expired or cancelled			(291,662)	0.22
Outstanding, end of period	1,440,000	$ 0.10	2,195,000	$ 0.11
Number of options exercisable, end of period	960,000	$ 0.10	747,500	$ 0.13

Share-based payments

During the year ended December 31, 2012 the Company recorded $27,312 (2011 - $124,543) for share-based compensation. The weighted average fair value of the options granted in 2011 is $0.22.

For the three month period ended March 31, 2013 the company recorded Nil (2012-$11,857) for share based compensation.

The following weighted average assumptions were used in the Black-Scholes Option Pricing Model in determining the fair value of share-based payments issued for services during the year:

	2013	2012
Risk-free interest rate	-	1.79%
Expected life	-	1.67 years
Annualized volatility	-	140%
Dividend	-	-

12. WARRANTS

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

	Three-month Period Ended March 31, 2013		Year Ended December 31, 2012	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,551,000	$ 0.21	2,833,150	$ 0.25
Warrants granted	-	-	901,000	0.15
Warrants expired	-	-	(1,183,150)	0.25
Outstanding, end of period	2,551,000	$ 0.21	2,551,000	$ 0.21
Number of warrants currently exercisable	2,551,000	$ 0.21	2,551,000	$ 0.21

As at March 31, 2013, the following warrants are outstanding:

	Number of Warrants	Exercise Price ($)	Expiry Date
Warrants	1,650,000	0.25	April 13, 2013
	126,000	0.15	June 8, 2013
	775,000	0.15	August 28, 2013
Total outstanding Warrants	**2,551,000**		

13. OBLIGATIONS UNDER FINANCE LEASE

	March 31, 2013	December 31, 2012
Payments of $300 per month, non-interest bearing, due over lease terms expiring through September 2014	$ 5,393	$ 6,292
Less: current portion	(2,696)	(3,595)
	$ 2,697	$ 2,697
Estimated remaining lease payments are as follows:		
2013	2,696	3,595
2014	2,697	2,697
Balance of obligation	$ 5,393	$ 6,292

14. RELATED PARTY TRANSACTIONS

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

a) Paid or accrued consulting fees of $48,000 (three month period ended March 31, 2012 - $40,000) for services provided by officers and directors of the Company.

b) Paid or accrued directors' fees of $18,000 (three month period ended March 31, 2012 - Nil) for services provided by directors of the Company.

c) Paid or accrued salaries and benefits of $Nil (three month period ended March 31, 2012 - $8,000) to directors and officers of the Company. Included in current accounts payable is $1,002,698 (December 31, 2012 - $946,642) due to directors and officers of the Company.

At March 31, 2013, $1,371,288 (2012 - $1,278,912) of short term loans payable (see Note 9) is due to a director and officer of the Company. The short term loans bear interest between 10% to 14% and are unsecured. The Company also has $2,724,457 (2012 - $2,724,457) of secured loans payable (Note 8) to the same director and officer. The long term loans bear interest at 10%, and are secured. The total interest paid or accrued to the director was $126,950 (March 31, 2012 - $104,979) for the three month period ended March 31, 2013.

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.

15. SEGMENTED INFORMATION

The Company currently conducts substantially all of its operations in one business segment, being the development and sales of Linux-based embedded systems and imaging technologies and products and act as system integration subcontractor for primary defense contractors, in the following geographical areas:

	March 31, 2013	December 31, 2012
Property and equipment:		
Canada	$ 33,528	$ 35,449

	Three month period ended March 31, 2013	Three month period ended March 31, 2012
Revenue:		
Canada	$ 52,834	$ -
United States of America	-	-
Asia	-	-
	$ 52,834	$ -

Revenues are attributed to geographic areas based upon the location of the customers.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Three month period ended March 31, 2013	Three month period ended March 31, 2012
Cash paid during the period for interest	$ -	$ 32,468
Cash paid during the period for income taxes	$ -	$ -

17. FINANCIAL INSTRUMENTS AND RISK

The carrying value of accounts receivable, accounts payable and accrued liabilities, obligation under finance lease, convertible debenture and loans payable approximated their fair value.

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

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 32,886	$ -	$ -	$ 32,886

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 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 March 31, 2013 are comprised of trade accounts receivable. Sufficient allowance for doubtful accounts is set up as at March 31, 2013.

(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 Renmibi. 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 three month period ended March 31, 2013 and at December 31, 2012, 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 March 31, 2013. 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.

17. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

(iii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At March 31, 2013, the Company had cash of $32,886. Monthly operating expenses approximate $99,000. The continuation of the Company depends upon the support of its lender and equity investors, which cannot be assured.

18. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its assets while at the same time maintaining investor and market confidence and to sustain future development of the business. In the management of capital, the Company includes shareholder's equity, convertible debentures and loans payable in the definition of capital. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt with different characteristics or acquire and dispose of assets. There were no changes in the Company's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

19. COMMITMENTS

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

2013	26,663
	26,663

20. SUBSEQUENT EVENTS

Subsequent to period ended March 31, 2013:

a) On April 4, 2013, the Company closed a non-brokered private placement issuing 4,330,000 Units at a price of $0.05 per unit 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 warrant, a "Warrant"). Each whole 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 April 10, 2013, the Company announced it has signed a definitive share purchase agreement ("Definitive Agreement") with a privately held corporation (the "Vendor"), to purchase 100% of its wholly owned subsidiary (the "Telco") for Empower shares. Due to the confidentiality agreement with the Vendor and the competitive nature of their business, the name of the Vendor and its subsidiary are withheld at this time until further notice.

   Empower will issue 3,000,000 Empower shares for the purchase of the Telco. The Vendor values the Empower share at $0.25 per share. There are no long term liabilities or significant liabilities to assume only regular trade payables that are in line with its sales and size of operation. 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 Telco generates positive EBITDA equal to or greater than $200,000 ("Annual Earnout") within any of those first 3 years from the date of Closing then Empower 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

20. SUBSEQUENT EVENTS (cont'd…)

ii. the Telco 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 then Empower will pay the Vendor 10% of the positive EBITDA in cash, provided that the Vendor has not received the Maximum Earnout from the cumulative Annual Earnout. The EBITDA amounts above shall be determined by the Company's auditors calculated based solely on the audited financial statements of the Telco in each of the three year.

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:

1) a conversion price of $0.25 per Empower Share; or,

2) 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.

If any portion of the Annual Earnout is to be paid in cash, it must be paid from the cash flow generated from the Telco or the Business and not from capital or investment provided by Empower. Any financing arrangement to make the cash payment at once or over time must have the mutual approval of the Purchaser and the Vendor, such approval not to be unreasonably withheld.

The Closing date is on or before June 30, 2013 or such later date as the Vendor and Empower may agree upon in writing.

The completion of the purchase of the Telco by Empower is subject to due diligence, receipt of regulatory approval and acceptance by TSX Venture Exchange.