



FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005

The following discussion and analysis, prepared as of November 18, 2005, should be read together with the unaudited consolidated financial statements for the nine month period ended September 30, 2005 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the audited financial statements for the year ended December 31, 2004, and the Management Discussion and Analysis for 2004.

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.

Additional information related to Empower Technologies Corporation ("the Company") is available for view on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

The Company is a developer and provider of Linux-based operating software, embedded system technologies and solutions for the consumer electronics industry and the intelligent appliance market. The Company operates through its wholly-owned Washington State subsidiary Empower Technologies, Inc. ("Empower US"), and indirectly; Empower Technologies (Canada) Inc. ("Empower Canada") and Empower Technologies (Shanghai) Inc. ("Empower Shanghai"). The Company trades on the TSX Venture Exchange under the symbol EPT.

PERFORMANCE SUMMARY

The Company has met the requirements for a TSX Venture Exchange Tier 1 company. Accordingly, effective September 12, 2005, Empower's Tier classification will change from Tier 2 to Tier 1.

Since the Company accelerated its efforts to develop new products and commercialize its technologies, the total expenses increased to \$1,103,994 compared to \$753,565 for the three month period ended September 30, 2004. Revenue decreased to \$30,454 compared to \$82,185 for the three month period ended September 30, 2004 due to the Company's decision to drop all distributed products and end of product life to make way for the new products developed in-house using the Company's embedded Linux-base operating software technologies LEOs (LinuxDA Embedded O/S).

As at September 30, 2005, the Company had \$4,501,280 of cash and equivalents compared to \$1,243,042 at December 31, 2004. The increase was primarily attributed to the proceeds of a Prospectus Offering in the second quarter of 2005. The Company expects overall operating expenses will increase due to the sales and marketing efforts to commercialize LEOs, addition of engineering staff and the expansion of the Company's office and support systems.

Furthermore, during the 3rd quarter of 2005, the following events took place:

- The Company continues to build its sales and distribution momentum by appointing Ultimate Solutions Inc. as the first specialized LDK5910 distributor for North America.
- Delivered a one-stop Linux-based development platform to consumer electronics designers. The Company and Texas Instruments Incorporated (“TI”) announced the availability of the LinuxDA for OMAP5910 Development Kit (LDK5910), running LinuxDA Embedded O/S (LEOs™) by the Company. Optimized for TI’s OMAP5910 dual-core DSP and ARM CPU, the LDK5910 leverages the versatility of LEOs and the performance of TI’s OMAP™ processor to serve as a powerful reference design that significantly reduces product development time, cost and risk.
- August 1st, 2005, the Company announced that Mr. Alex Romanov has been appointed Vice President, Sales and Marketing of its Canadian subsidiary.
- The Company and Wipro, Ltd. (“Wipro”) announced the signing of a Letter of Engagement. Under the terms and conditions of the engagement, the Company has appointed Wipro as the authorized service provider and system integrator of LDK5910 – the first LEOs Development Kit for Texas Instruments’ (“TI”) OMAP5910 dual core processor.

RESULTS OF OPERATIONS

	Nine Month Period Ended September 30, 2005	Nine Month Period Ended September 30, 2004	Three Month Period Ended September 30, 2005	Three Month Period Ended September 30, 2004
Sales				
Canada	\$ 35,296	\$ 120,337	\$ 26,448	\$ 81,921
United States of America	28,299	18,791	4,006	264
	63,595	139,128	30,454	82,185
Cost of Sales	55,041	104,454	26,413	60,273
Gross Margin	8,554	34,674	4,041	21,912
Total expenses	2,855,637	2,670,991	1,103,994	753,565
Total expenses without stock-based compensation	2,711,932	1,809,894	1,103,994	753,565
Total expenses without stock-based compensation, research and development costs, and amortization of research and development costs	1,737,189	838,352	757,616	361,136
Loss for the period				
Canada	(2,450,802)	(2,105,808)	(969,523)	(501,693)
People's Republic of China	(194,155)	(170,777)	(73,976)	(108,679)
United States of America	(174,473)	(355,702)	(29,260)	(120,991)
	\$ (2,819,430)	\$ (2,632,287)	\$ (1,072,759)	\$ (731,363)

Revenue

Revenues generated for the three months ended September 30, 2005 were \$30,454 compared with revenues for the three months ended September 30, 2004 of \$82,185. This decrease is attributed to the Company's decision to clear out and to drop all distributed products and end of product life to make way for the new products developed in-house using the Company's embedded technologies including LEOs (LinuxDA Embedded O/S).

The Company anticipates revenue to be improved through its plans to: introduce new products using LEOs; move aggressively to set up a strong marketing and sales base in North America; and introduce the new LDK5910 Development Kit.

Costs of Goods Sold

The gross margin for the three months ended September 30, 2005 decreased due to the Company's decision to clear out and to drop all distributed products and end of life product.

General and Administrative

General and administrative expenses without stock-based compensation for the three months ended September 30, 2005 increased to \$1,103,994 (2004 - \$753,565). Wages and benefits increased to \$370,531 (2004 - \$115,993), reflecting staff additions in all areas of the company; advertising and promotion increased to \$116,745 (2004 - \$72,883) due to the company's effort to commercialize its technologies; and travelling expenses increased to \$51,095 (2004 - \$26,928) due to management's efforts to promote and market products by attending tradeshows.

Management believes that future general and administrative costs will increase due to the addition of staff and the expansion of the Company's office and support systems.

Research and Development

Research and development expenses ("R&D expenses") relating to the development of Linux-based embedded system technologies, the development of LEOs, the LDK5910 Development Kit, and new products using LEOs are expensed as incurred unless they meet Canadian generally accepted accounting principles for deferral and amortization.

R&D expenses for the three month period ended September 30, 2005 were \$346,378 compared to \$234,085 for the three month period ended September 30, 2004. This increase is attributed to the Company accelerating its efforts to develop LEOs, LDK5910, and new products.

	Three Month Period Ended September 30, 2005	Three Month Period Ended September 30, 2004
Equipment and supplies	\$ 24,393	\$ 42,517
Rent	12,826	7,147
Salaries and benefits	309,159	112,800
Technical consulting fees	-	71,621
	<u>\$ 346,378</u>	<u>\$ 234,085</u>

SIGNIFICANT PROJECTS

LinuxDA Embedded O/S II (LEOs II)

Empower US has commenced work on the next version of LEOs. Once the new LEOs II is tested and released then it will be optimized for the Texas Instruments ("TI") OMAP processors.

LDK5910 Development Kit

Empower US has launched LEOs for TI OMAP5910 Development Kit (LDK5910) on August 9, 2005 with a Texas Instruments joint press announcement. This kit will enable electronic manufacturers and developers to develop new products using the TI OMAP5910 dual core processor with LEOs as the operating software. The kit comes with hardware development boards using TI OMAP5910 and a CD with LEOs and the SDK (Software Development Kit). The manufacturer's suggested retail price is \$900 USD. LEOs for TI OMAP5910 initiates a new level of performance expectations for intelligent devices with increased headroom for applications and expansion capabilities for other functions.

LDK5912 Development Kit

Empower US has commenced work on LEOs for TI OMAP5912 Development Kit (LDK5912). This kit has the same features as the LDK5910. This product completes the TI OMAP591x offering. LDK5912 is backward compatible with LDK5910 for both the hardware and the software.

Osaka Project

With CD, DVD, MP3 and clock radio capabilities, the Osaka Project is a compact, all-digital audio system. Supporting a wide range of sound functions, it integrates all the elements of personal and home audio, in addition to a PDA with QVGA display. Powered by LEOs for the TI OMAP5910 dual core processor, the Osaka Project increases digital audio decoding standards. The Osaka Project fulfils the needs and demands of the cutting edge consumer.

PowerPlay 1x

This new mobile data terminal model is still under development. Besides the regular PDA functions, this new model will have wireless communication capability.

USE OF PROCEEDS OF PROSPECTUS OFFERING FROM LAST FINANCING

On June 24, 2005, the Company completed its Prospectus Offering (“Offering”), resulting in the sale of 3,186,370 Units at \$2.25 per Unit, for gross proceeds of \$7,169,332. The proceeds of the Offering will be used primarily to build and expand the business by achieving milestones in product development, sales and marketing, new management positions, and the remaining balance for working capital. Canaccord Capital Corporation acted as agent for the Offering and received a commission of 7.5% of gross proceeds, of which the Agent elected to be partially paid in Units under the same terms as the Offering.

The following is a comparison of the relevant estimated milestones with actual usage of funds to September 30, 2005.

DESCRIPTION OF USE OF PROCEEDS	Use of Proceeds as of the Offering	Use of Proceeds as of September 30, 2005	Remaining Proceeds
Product Development			
Milestone 1	\$ 300,000	\$ 132,050	\$ 167,950
Milestone 5	800,000	17,650	782,350
Sales and Marketing			
Milestone 2	306,000	69,750	236,250
Milestone 3	1,100,000	-	1,100,000
Milestone 4	50,000	-	50,000
Management			
Milestone 6	500,000	-	500,000
Proposed Acquisition			
Milestone 7	1,000,000	-	1,000,000
Administration and operating expenses	\$ 1,773,000	\$ 383,409	\$ 1,389,591

For a description of the “Milestones” please refer to “Business of the Issuer – Milestones” of the Final Prospectus dated May 12, 2005.

The amount of “Product Development” is less than that identified in the offering as the Company was already in the process of developing the products by the time the Offering was completed; the amount of “Sales and Marketing” is less than that identified in the Offering as the Company has not built the inventory for the LDK5910; the amount of “Management” is \$Nil as the Company is still seeking the proposed new management.

The amount of “Proposed Acquisition” is \$Nil as the Company cancelled the proposed acquisition. Milestone 7 as set out above, For which \$1,000,000 was allocated, was initially with respect to the proposed acquisition of a Vancouver based software developer, which acquisition is not proceeding at this time; however, the Company has amended Milestone 7 to be an allocation of \$1,000,000 to be applied to any future acquisition of another business. The amount of “Administration and operation expenses” are more than that identified in the Offering as company accelerated its efforts to develop new products and commercialize its technologies.

Although there are variances in individual milestones, overall the Company has been meeting the milestones in the estimation of the use of proceeds of the Offering, and management will continue to make adjustment with the use of proceeds according to the changes in its business operating environment and requirements.

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended September 30, 2005	Three Months Ended June 30, 2005	Three Months Ended March 31, 2005	Three Months Ended December 31, 2004
Total assets	\$ 5,808,234	\$ 7,296,482	\$ 1,689,982	\$ 2,042,132
Stock Based Compensation	-	32,131	111,574	-
Write-off of deferred costs	-	-	-	1,741,778
Working capital	5,329,032	6,692,250	1,041,987	1,134,756
Shareholders' equity	5,462,054	6,377,742	594,560	680,673
Revenues	30,454	468	32,673	31,241
Net Loss	(1,072,759)	(847,201)	(899,470)	(2,218,543)
Loss per share	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.08)

	Three Months Ended September 30, 2004	Three Months Ended June 30, 2004	Three Months Ended March 31, 2004	Three Months Ended December 31, 2003
Total assets	\$ 4,184,716	\$ 2,359,470	\$ 2,821,999	\$ 2,299,123
Stock Based Compensation	-	-	861,097	805,865
Amortization of Deferred development costs	-	-	-	158,344
Working capital	2,361,674	266,393	694,898	279,828
Shareholders' equity	2,881,332	920,923	1,459,425	954,681
Revenues	82,185	13,869	43,074	133,465
Net Loss	(731,363)	(600,857)	(1,300,067)	(1,408,604)
loss per share	\$ (0.03)	\$ (0.03)	\$ (0.06)	\$ (0.09)

Significant changes in key financial data in 2005 can be attributed to the implementation of stock-based compensation, and the Company accelerating its efforts to develop new products.

LIQUIDITY

The Company has financed its operations to date primarily through the issuance of common shares and the exercise of warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with 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.

	As at September 30, 2005	As at September 30, 2004
Deficit	\$ (10,999,399)	\$ (5,230,063)
Working capital	\$ 5,329,032	\$ 266,393

Net cash used in operating activities for the three month period ended September 30, 2005 was \$1,090,108 compared to net cash used of \$626,789 for the three month period ended September 30, 2004. The cash used in operating activities for the period consists primarily of the operating loss and a change in non-cash working capital.

Net cash used in investing activities for the three month period ended September 30, 2005 was \$9,473 compared to net cash used in investing activities of \$30,694 for the three month period ended September 30, 2004. The cash used during the current period consisted primarily of the purchase of property and equipment.

Net cash used by financing activities for the three month period September 30, 2005 was \$533,013 compared to net cash provided by financing activities of \$2,458,439 for the three month period ended September 30, 2004. The cash provided during the current period consisted primarily of proceeds from the exercise of stock options.

As at September 30, 2005, the Company had \$4,501,280 in cash and equivalents. The Company has been incurring operating losses at the average rate of \$357,586 per month over the last three months.

CAPITAL RESOURCES

The authorized capital of the Company consists of 100,000,000 common shares without par value. As at September 30, 2005, there are 33,255,654 common shares issued and outstanding.

The company has 2,021,114 warrants from a Prospectus Offering ("Offering") outstanding. Each Offering warrant entitles the holder to purchase a common share of the Company at a price of \$2.50 at any time on or before June 23, 2006. These warrants represent a source of new equity capital for the company in the event that market conditions lead to their being exercised.

As at September 30, 2005	Shares	Exercise Price	Expiry Date	Amount
Warrants outstanding	2,021,114	\$2.50	June 23, 2006	\$5,052,785
	2,021,114			\$5,052,785

It is expected that the Prospectus Offering warrants will be a valuable source of new equity capital and currently the Company is not committed to any material future capital expenditure.

OUTSTANDING SHARES

As at September 30, 2005, the Company has shares outstanding as followings:

	Shares
Authorized	
100,000,000 common shares without par value	
Balance, December 31, 2004	29,008,620
Exercise of warrants	701,200
Exercise of options	268,334
Prospectus offering	3,186,370
Agent shares issued pursuant to the prospectus offering	91,130
Balance, September 30, 2005	<u>33,255,654</u>

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued wages and benefits of \$267,471 (nine month period ended September 30, 2004 - \$107,100) to directors and officers of the Company.
- b) Paid or accrued interest of \$52,177 (nine month period ended September 30, 2004 - \$75,010) to a director of the Company.
- c) Paid or accrued directors' fees of \$84,000 (nine month period ended September 30, 2004 - \$60,000) for services provided by directors of the Company.
- d) Paid or accrued consulting fees of \$153,000 (nine month period ended September 30, 2004 - \$20,000) for services provided by an officer of the Company.

Included in research and development costs are wages and benefits of \$81,000 (nine month period ended September 30, 2004 - \$54,000) paid to an officer of the Company.

Empower US previously entered into service and research and development agreements with various companies related by virtue of a common director. The agreements will remain in effect until terminated by both parties.

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties. In general, the Company conducts these transactions on terms similar to those that would be encountered were the transactions conducted with arm's length parties.

OFF-BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Inventories

Finished goods are stated at the lower of average cost and net realizable value. Cost is determined on a first in, first out basis.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the declining balance method at the following annual rates:

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

Revenue recognition

The company records revenue when services have been completed, a sales invoice has been rendered, transfer of title has occurred and collection of the amount is reasonably assured.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Foreign currency translation

The Company's activities denominated in currencies other than Canadian dollars are translated as integrated operations using the temporal method. Under this method, monetary items are translated into Canadian dollar equivalents at the exchange rate in effect at the balance sheet date, non-monetary items are translated at historical rates, and revenue and expense items are translated at exchange rates prevailing when such items are recognized in the statement of operations. Exchange gains or losses arising on translation of foreign currency items are included in operating results.

Stock-based compensation

The Company uses the fair-value method of accounting for all stock-based compensation.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalent, receivables, accounts payable and accrued liabilities, loan payable, obligations under capital lease and due to related party. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

SUBSEQUENT EVENTS

- a) On October 3rd, 2005, the Company loaned \$45,000 to an officer of the Company for home relocation to Vancouver. The principal amount of \$45,000 together with interest at the rate of 4.0% per annum, calculated before and after maturity, is to be repaid in full on or before January 31, 2006.
- b) A legal proceeding has been commenced against the Company by Infinite Media, the Company's previous Brand Development Account. On September 26, 2005, the Company has filed a Statement of Defence and Counterclaim.