FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS
SIX MONTH PERIOD ENDED JUNE 30, 2006

The following discussion and analysis, prepared as of August 4, 2006, should be read together with the unaudited consolidated financial statements for the six month period ended June 30, 2006 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, 2005, and the Management Discussion and Analysis for 2005.

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

Since the Company accelerated its efforts to develop new products and commercialize its technologies, the total expenses excluding stock-based compensation increased to $1,084,596 compared to $814,834 for the three month period ended June 30, 2005. Revenue increased to $22,697 compared to $468 for the three month period ended June 30, 2005.

As at June 30, 2006, the Company had $1,552,592 of cash compared to $3,440,124 at December 31, 2005. The decrease was primarily attributed to the expenditures relating to the ongoing development and marketing of the Company's products. This is consistent with the Company's business plan.

The Company expects overall operating expenses will increase due to the sales and marketing efforts to commercialize LEOs (LinuxDA Embedded O/S), addition of engineering staff and the expansion of the Company's office and support systems.

Furthermore, during the 2nd quarter of 2006, the following events took place:

- The Company has begun a joint international sales effort with Texas Instrument (TI) to promote its LDK591x family of LEOs (LinuxDA Embedded Operating Systems) for TI's OMAP591x dual embedded software development kits to over 2,000 of the top universities and technical colleges worldwide.

- The Company launched LDK5912 at the Embedded Systems Conference (ESC) in San Jose , California , April 3 rd to April 7 th 2006 in the Texas Instruments Third Party Pavilion at the San Jose McEnery Conference Center. The LDK5912 Development Kit completed the LEOs for TI's OMAP591x dual-core embedded processor family.

- Also, the Company has signed the first LEOs operating software licensing agreement, a supply agreement and a software development agreement with an undisclosed customer on the US west coast. Due to the extremely competitive nature of their fast growing industry, the Customer has requested that Empower to keep their identity and business in strict confidence.

RESULTS OF OPERATIONS

	Six month Period Ended June 30, 2006	Six month Period Ended June 30, 2005	Three Month Period Ended June 30, 2006	Three Month Period Ended June 30, 2005
Revenue				
Canada	$ 16,634	$ 8,848	$ 2,625	$ 1,091
People's Republic of China	-	-	-	-
United States of America	20,072	24,293	20,072	(623)
	36,706	33,141	22,697	468
Cost of sales	23,056	28,628	8,099	963
Gross margin	13,650	4,513	14,598	(495)
Total expenses	2,204,181	1,751,643	1,183,417	846,965
Total expenses without stock-based compensation	2,034,071	1,607,938	1,084,596	814,834
Total expenses without stock-based compensation and research and development costs	1,296,347	979,573	714,570	487,778
Loss for the period				
Canada	(2,019,614)	(1,481,279)	(1,100,781)	(743,887)
People's Republic of China	(133,596)	(120,178)	(69,142)	(61,824)
United States of America	(9,105)	(145,214)	11,560	(41,490)
	$ (2,162,315)	$ (1,746,671)	$ (1,158,363)	$ (847,201)

Revenue

Presently the Company's activities continue to be primarily the development of the Company's LEOs operating software for Texas Instruments embedded processor families, engineering consumer electronics using LEOs and LDK5910 Development Kit, and filing patents for embedded systems and technologies. Revenues generated for the three months ended June 30, 2006 were $22,697 compared with $468 for the three months ended June 30, 2005. This increase is attributed to the Company's sales ($5,877) and R&D engineering service revenue ($16,820). The negative impact by the Company's decision to clear out and drop all distributed products and end of life product is near its end and the Company is starting to realize revenue from its principal products and services as stated in the Prospectus from the last financing. They are: (1) the licensing of the Company's core embedded operating software technology LEOs (LinuxDA Embedded O/S), (2) new product solutions/reference designs developed in-house using LEOs and LDK591x, and (3) fee based professional engineering and system development services.

The Company anticipates revenue to continue to improve through its plans to: introduce new reference designs and products using LEOs; move aggressively to set up a strong marketing and sales base in North America and in China for LEOs, the new LDK591x Development Kits, and the consumer reference design products such as the Osaka Project and PowerPlay 1x using LEOs and LDK591x technology.

General and Administrative

General and administrative expenses without stock-based compensation and R&D costs for the three months ended June 30, 2006 increased to $714,570 (2005 - $487,778). Advertising and promotion increased to $110,507 (2005 - $58,365) due to the Company's effort to commercialize its technologies by attending tradeshows and expanding investor relations. Rent increased to $13,141 (2005 - $5,450) for our new move to a larger premise. Consulting fees increased to $207,508 (2005 - $51,000) due to the Company's effort for expansion.

Research and Development

Research and Development costs ("R&D costs") relating to the development of LEOs, the LDK591x Development Kit, and new products using LEOs are expensed as incurred. R&D costs for the period ended June 30, 2006 were $737,724 compared to $628,365 for the six month period ended June 30, 2005.

The R&D cost increase is due to the Company accelerating its efforts to develop its core technology, LEOs operating software, expand the TI embedded processor platform coverage and to apply it to new products to showcase the core technology.

		Three Month Period Ended June 30, 2006		Three Month Period Ended June 30, 2005
Equipment and supplies	$	28,153	$	27,183
Rent		36,699		12,906
Salaries and benefits		283,283		286,967
Technical consulting fees		21,892		-
	$	370,026	$	327,056

SIGNIFICANT PROJECTS

<u>LEOs II (LinuxDA Embedded O/S II)</u>

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") dual-core processors.

<u>LDK5912 Development Kit</u>

Empower US has completed work on LEOs for TI OMAP5912 Development Kit (LDK5912). This kit has the same features as the LDK5910. This product completes the LEOs for TI OMAP591x (LDK591x) Development Platform offering.

<u>Osaka Lite Project</u>

The Osaka Lite Project is a light version of Osaka Project. It is a compact, all-digital audio system with an Apple's iPod dock. Empower has joined the Apple "Made For iPod" licensing and accessories program. 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 Lite Project uses Empower's Totally Digital Audio Platform ("T-DAP") technology. The Osaka Lite Project fulfils the needs and demands of the Apple iPod accessory consumer.

<u>Osaka Project</u>

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 uses Empower's Totally Digital Audio Platform ("T-DAP") technology. 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 June 30, 2006.

DESCRIPTION OF USE OF PROCEEDS	Use of Proceeds as of the Offering	Use of Proceeds as of June 30, 2006	Remaining Proceeds
Product Development			
Milestone 1	$ 300,000	$ 300,000	$ -
Milestone 5	800,000	800,000	-
Sales and Marketing			
Milestone 2	306,000	306,000	-
Milestone 3	1,100,000	869,490	230,510
Milestone 4	50,000	50,000	-
Management			
Milestone 6	500,000	133,204	366,796
Proposed Acquisition			
Milestone 7	1,000,000	44,714	955,286
Administration and operating expenses	$ 1,773,000	$ 1,773,000	$ -

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" has been expensed on developing the products since the Offering was completed. The amount of "Sales and Marketing" is less than that identified in the Offering for the following reasons: the Company has decided to have a lower inventory for the LDK5910. 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 and spent $44,714 for consulting service on possible merger and acquisition opportunities.

The use of "Administration and operating expenses" is more than estimated is due to the Company's efforts to commercialize its technologies by attending tradeshows, expanding investor relations work, and moving to the new premises. It is also attributable to an increase in legal fees. Legal fees increased due to corporate matters such as regulatory and exchange filing and reporting, new contracts, new patents and trademarks application and filing.

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 June 30, 2006	Three Months Ended March 31, 2006	Three Months Ended December 31, 2005	Three Months Ended September 30, 2005
Total assets	$ 2,668,439	$ 3,655,735	$ 4,613,921	$ 5,808,234
Stock based compensation	98,821	71,289	133,937	-
Write-off of deferred costs	-	-	-	-
Working capital	2,206,395	3,259,123	4,032,774	5,329,032
Shareholders' equity	2,386,199	3,447,144	4,212,634	5,462,054
Revenues	22,697	14,009	(59,849)	30,454
Net Loss	(1,158,363)	(1,003,952)	(1,307,884)	(1,072,759)
Loss per share	$ (0.03)	$ (0.03)	$ (0.04)	$ (0.03)

	Three Months Ended June 30, 2005	Three Months Ended March 31, 2005	Three Months Ended December 31, 2004	Three Months Ended September 30, 2004
Total assets	$ 7,296,482	$ 1,689,982	$ 2,042,132	$ 4,184,716
Stock based compensation	-	-	-	-
Write-off of deferred costs	-	-	1,741,778	-
Working capital	6,692,250	1,041,987	1,134,756	2,361,674
Shareholders' equity	6,377,742	594,560	680,673	2,881,332
Revenues	468	32,673	31,241	82,185
Net Loss	(847,201)	(899,470)	(2,218,543)	(731,363)
Loss per share	$ (0.03)	$ (0.03)	$ (0.08)	$ (0.03)

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 June 30, 2006	As at June 30, 2005
Deficit	$ (14,469,598)	$ (9,926,640)
Working capital	2,206,395	6,692,250

Net cash used in operating activities for the three month period ended June 30, 2006 was $962,384 compared to net cash used of $1,119,801 for the three month period ended June 30, 2005. The cash used in operating activities for the year consisted primarily of the operating expenses, marketing and sales activities, advertising and promotion, tradeshows, travel and accommodation, and investor relations.

Net cash used in investing activities for the three month period ended June 30, 2006 was $3,198 compared to net cash used in investing activities of $10,361 for the three month period ended June 30, 2005. The cash used during the current period consisted primarily of the purchase of office equipment.

Net cash used in financing activities for the three month period June 30, 2006 was $2,506 compared to net cash provided by financing activities of $6,464,535 for the three month period ended June 30, 2005. The cash used during the current period consisted primarily of repayment of lease and issuance costs.

As at June 30, 2006, the Company had $1,552,592 in cash and equivalents. The Company has been incurring operating losses at the average rate of $352,493 per month over the last three months.

CAPITAL RESOURCES

The authorized capital of the Company consists of unlimited common shares without par value. As at June 30, 2006, there are 33,555,654 common shares issued and outstanding.

The company has 1,593,185 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 20, 2007. 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 June 30, 2006	Shares	Exercise Price	Expiry Date	Amount
Warrants outstanding	1,593,185	$ 2.50	June 20, 2007	$ 3,982,963
	1,593,185			$ 3,982,963

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 June 30, 2006, the Company has shares outstanding as followings:

	Shares
Authorized	
Unlimited common shares without par value	
Balance, December 31, 2005	33,330,654
Exercise of options	225,000
Balance, June 30, 2006	33,555,654

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued compensation and benefits of $302,000 (six month period ended June 30, 2005 - $89,100) for the services provided by the directors and officers of the Company.

b) Paid or accrued directors' fees of $51,000 (six month period ended June 30, 2005 - $60,000) for services provided by directors of the Company.

c) Recorded stock-based compensation of $32,696 (six month period ended June 30, 2005 - $111,574) for options granted to officers of the company.

Included in research and development costs are compensation and benefits of $98,286 (six month period ended June 30, 2005 - $54,000) paid to an officer of the Company.

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Significant inter-company balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Allowance for receivables

The Company establishes an allowance for receivables on a specific account basis. The Company had an allowance for doubtful accounts of $18,970. No allowance for receivables was recorded by the Company as at December 31, 2004.

Inventories

Inventories are carried at the lower of cost using the first-in, first-out method and net realizable value.

Inventories consist of material inventories, work in process and finished goods. The material inventory balances include electronic parts for research and development use. The work in process and finished goods balances include electronic consumer products.

Research and development expenses

Costs related to research, design and development of software products are charged to research and development expense as incurred. Software development costs are capitalized beginning when a product's technological feasibility has been established, which generally occurs upon completion of a working model, and ending when a product is available for general release to customers. All subsequent costs are expensed as incurred. The Company reassesses whether it has met the relevant criteria for deferral and amortization and whether there is any impairment in value at each reporting date.

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

i) Software
The Company recognizes revenue as described below which is consistent with Statement of Position 97-2, "S*oftware Revenue Recognition*" ("SOP 97-2") issued by the American Institute of Certified Public Accountants.

The Company recognizes revenue from packaged software and license fees when the software is delivered, title has passed and customer acceptance has occurred, there is persuasive evidence that an arrangement exists, the fee is fixed and determinable, and collection is probable.

ii) Products

The Company generates revenue through the sale of electronic products. Revenue is recognized only when persuasive evidence for a sales arrangement exists i.e., delivery of the product has occurred; the product fee is fixed or determinable; and collection of the sale 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 year 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 subsidiaries whose functional currencies other than the Canadian dollar 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.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, promissory note, accounts payable and accrued liabilities, obligations under capital leases, loan payable 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.

Certain operations of the Company are conducted in the People’s Republic of China (“PRC”). As a result, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, and by the general state of the PRC economy. The operations in the PRC are subject to different considered rations and other risks not typically associated with companies in North America. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittances abroad, and rates and methods of taxation, among other things.