

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTH PERIOD ENDED MARCH 31, 2007

The following discussion and analysis, prepared as of May 28, 2007, should be read together with the unaudited consolidated financial statements for the three month period ended March 31, 2007 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, 2006, and the Management Discussion and Analysis for 2006.

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 embedded operating software, development platforms, and system technologies for the embedded computing industry. The licensing of Empower’s embedded software and system technologies requires that the licensee purchase custom System on Chip (SoC) called LEOs Enabling Chip (LEC) from Empower. The LEC enables the licensee’s application program developed using the LEOs and its runtime library (SDK – Software Development Kit) to be operable within their product. Developers running LEOs will be required to design their own embedded hardware with LEC onboard. They must also purchase the LEC from Empower when they are ready to go into production.

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 decreased to \$790,844 compared to \$949,475 for the three month period ended March 31, 2006. Revenue increased to \$16,936 compared to \$14,009 for the three month period ended March 31, 2006.

As at March 31, 2007, the Company had \$975,369 of cash compared to \$95,530 at December 31, 2006. The increase was primarily attributed to the successful completion of a brokered private placement and the exercising of stock options during the first quarter of 2007.

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 sales and marketing effort.

Furthermore, during the 1st quarter of 2007, the following events took place:

- On January 15, the Company announced a new Digital Media Tablet (DMT) reference design platform using Empower’s LEOs Digital Media Edition software development suite and Texas Instruments Incorporated’s (TI) latest DaVinci processor DM6441 for portable video and audio applications.

- On February 22, the Company completed a fully subscribed brokered private placement of units (the “Units”) with Union Securities Ltd in Toronto (“the Agent”) originally announced on January 29, 2007. This Brokered Private Placement of up to 1,700,000 Units (the “Offering”) is priced at \$0.90 per Unit for total proceed \$1,530,000. Each Unit consists of one common share and one-half a common share purchase warrant. Each whole warrant has an exercise price of \$1.25 with a 12 month expiry date from the date of closing.
- On March 27, the Company announced that Mr. Lee Faulk has joined Empower’s team as Director of Sales and Marketing for embedded system technologies at the Company’s U.S. subsidiary in Redmond, Washington. Mr. Faulk will be taking over the sales and marketing of Empower’s core embedded technology LEOs (Linux-based Embedded Operating software) from the outgoing VP of Sales and Marketing, Mr. Alex Romanov.

RESULTS OF OPERATIONS

	Three month Period Ended March 31, 2007	Year Ended December 31, 2006	Three Month Period Ended March 31, 2006
Sales			
Canada	\$ 6,925	\$ 83,356	\$ 14,009
People’s Republic of China	-	-	-
United States of America	10,011	1,782	-
	16,936	85,138	14,009
Cost of Sales	10,386	128,101	14,957
Gross Margin	6,550	(42,963)	(948)
Total expenses	883,241	4,102,673	1,020,764
Total expenses without stock-based compensation	790,844	3,823,308	949,475
Total expenses without stock-based compensation, research and development costs, and amortization of research and development costs	500,298	2,485,656	581,777
Loss for the period			
Canada	(860,254)	(3,825,696)	(918,834)
People's Republic of China	751	(163,566)	(64,453)
United States of America	(15,678)	(164,612)	(20,665)
	\$ (875,181)	\$ (4,153,874)	\$ (1,003,952)

Revenue

Presently the Company's activities has shifted from primarily the development of the Company's LEOs operating software for Texas Instruments embedded processors, the engineering of reference designs using LEOs, LDK5910 and LDK5912 Development Kit, and filing patents for embedded systems and technologies, to commercialize the sales and marketing of LEOs, LDKxxxx development platform and the reference designs using LEOs. Revenues generated for the three months ended March 31, 2007 were \$16,936 compared with \$14,009 for the three months ended March 31, 2006. This increase is attributed to the successful execution of the Company’s decision to change the sales focus from distributed products and end

of life products to sales and market the Company's core enabling embedded technology LEOs (LinuxDA Embedded O/S) and LDK591x.

The Company anticipates revenue to continue to improve through its new sales and marketing strategies Empower has devised during the course of transition:

- o Create an efficient sales network that will consist of manufacturer's representatives and major electronics and technologies distributors to market and to sell LEOs and LDKxxxx platform development kits among developers, manufacturers, value-added resellers, and system integrators.
- o Widen the focus of the Company's sales and marketing efforts from the consumer electronics market to the broader embedded-system market, which includes the automotive, RFID, industrial control, and medical devices sectors.
- o Accelerate the process of turning Empower customer Design Wins into engineered products and purchase LEC when they are ready to go into production.

General and Administrative

General and administrative expenses without stock-based compensation and R&D costs for the three months ended March 31, 2007 decreased to \$500,298 (2006 - \$581,777) due to reduction in the number of administration staff. Advertising and promotion decreased to \$61,778 (2006 - \$116,647). Rent decreased to \$12,462 (2006 - \$13,444) due to closing down our shanghai office. Consulting fees increased to \$153,000 (2006 - \$63,702) due to the Company's effort to search for new executives and new business opportunities.

Research and Development

Research and Development costs ("R&D costs") relating to the development of LEOs, the LDK591x and LDK6441 Development Kit, and new reference designs using LEOs are expensed as incurred. R&D costs for the period ended March 31, 2007 were \$290,546 compared to \$367,698 for the period ended March 31, 2006.

The R&D cost leveled off is due to the Company successfully developed its core technology, LEOs operating software and LDK591x. From here on, it is regular maintenance, improvement and upgrade to the core technology LEOs and adding new embedded CPU platforms such as TI's DM6441.

	Three Month Period Ended March 31, 2007	Three Month Period Ended March 31, 2006
Equipment and supplies	\$ 27,796	\$ 19,806
Rent	29,078	37,521
Salaries and benefits	<u>233,672</u>	<u>310,371</u>
	<u>\$ 290,546</u>	<u>\$ 367,698</u>

SIGNIFICANT PROJECTS

LEOs III (LinuxDA Embedded O/S III)

Empower US has commenced work on the next version of LEOs for Texas Instruments' (TI) latest DA VINCI dual-core microprocessor – DM6441.

LDK6441 Development Kit

Empower US has commenced work on LEOs III for TI DM6441 Development Kit (LDK6441). This will be a brand new kit made specifically for TI's new DA VINCI family of dual-core microprocessor.

Osaka Technology

With CD, DVD, MP3, user programming and PC connectivity capabilities, the Osaka Technology (formerly "Osaka Project") is a compact, all-digital intelligent audio/video reference design platform. Supporting a wide range of Audio and video functions, it integrates all the elements of personal computer and home audio/video, in addition to a PDA with QVGA display. Powered by LEOs for the TI OMAP591x dual core processor. The Company targeted the audio video developers, designers and manufacturers to use the "Osaka Technology" to fast track their AV product development.

PowerPlay iH

This mobile data terminal model is near the end of development. It was previously named "PowerPlay 1x". The letters "iH" stands for "industrial Handheld". The Company is working on the industrial design of the housing of the unit. Besides the regular PDA functions, this new model will have wireless communication capability. The "PowerPlay iH" is targeted toward the industrial control market.

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended March 31, 2007	Three Months Ended December 31, 2006	Three Months Ended September 30, 2006	Three Months Ended June 30, 2006
Total assets	\$ 1,878,671	\$ 1,024,654	\$ 1,628,819	\$ 2,668,439
Stock based compensation	92,397	50,980	58,275	98,821
Working capital	1,441,477	535,222	1,384,272	2,206,395
Shareholders' equity	1,582,156	681,875	1,559,571	2,386,199
Revenues	16,936	28,461	19,971	22,697
Net Loss	(875,181)	(1,036,656)	(954,903)	(1,158,363)
Loss per share	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.03)

	Three Months Ended March 31, 2006	Three Months Ended December 31, 2005	Three Months Ended September 30, 2005	Three Months Ended June 30, 2005
Total assets	\$ 3,655,735	\$ 4,613,921	\$ 5,808,234	\$ 7,296,482
Stock based compensation	71,289	133,937	-	-
Working capital	3,259,123	4,032,774	5,329,032	6,692,250
Shareholders' equity	3,447,144	4,212,634	5,462,054	6,377,742
Revenues	14,009	(59,849)	30,454	468
Net Loss	(1,003,952)	(1,307,884)	(1,072,759)	(847,201)
Loss per share	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ (0.03)

LIQUIDITY

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

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 March 31, 2007	As at March 31, 2006
Deficit	\$ (17,336,338)	\$ (13,311,235)
Working capital	1,441,477	3,259,123

Net cash used in operating activities for the three month period ended March 31, 2007 was \$704,907 compared to net cash used of \$1,110,986 for the three month period ended March 31, 2006. The cash used in operating activities for the year consisted primarily of the operating expenses, marketing and sales activities, advertising and promotion, tradeshow, travel and accommodation, and investor relations.

Net cash used in investing activities for the three month period ended March 31, 2007 was \$2,217 compared to net cash provided in investing activities of \$25,472 for the three month period ended March 31, 2006. The cash used during the current period consisted primarily of the purchase of office equipment.

Net cash provided in financing activities for the three month period March 31, 2007 was \$1,586,963 compared to net cash provided by financing activities of \$166,070 for the three month period ended March 31, 2006. The cash provided during the current period consisted primarily of issuance of common shares and exercising options.

As at March 31, 2007, the Company had \$975,369 in cash and equivalents. The Company has been incurring operating losses (excluding stock-based compensation and amortization) at the average rate of \$258,334 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 March 31, 2007, there are 36,545,654 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. In February, 2007, the TSX Venture Exchange has approved the repricing of its 1,593,185 share purchase warrants (the "Warrants") from an exercise price of \$2.50 each to the reduced exercise price of \$1.25 per share. Expiring date remains at June 20, 2007. TSX Venture Exchange requires that the repriced Warrants, the exercise period must be amended to be shortened to a period of 30 days if, for 10 consecutive trading days, the closing price of the Company's shares exceeds \$1.50 per share.

The company also has 895,000 warrants from a brokered private placement outstanding. Each warrant entitles the holder to purchase one share of the Company at a price of \$1.25 at any time on or before February 20, 2008.

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 March 31, 2007	Shares	Exercise Price	Expiry Date	Amount
Warrants outstanding	1,593,185	\$ 1.25	June 20, 2007	\$ 1,991,481
Warrants outstanding	895,000	\$ 1.25	February 20, 2008	\$ 1,118,750
	2,488,185			\$ 3,110,231

It is expected that the Prospectus Offering warrants and the brokered private placement 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 March 31, 2007, the Company has shares outstanding as followings:

	Shares
Authorized	
Unlimited common shares without par value	
Balance, December 31, 2006	34,055,654
Brokered private placement	1,700,000
Agent's shares issued pursuant to the brokered private placement	90,000
Exercise of options	700,000
Balance, March 31, 2007	36,545,654

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- Paid or accrued directors' fees of \$30,000 (three month period ended March 31, 2006 - \$24,000) for services provided by directors and officers of the Company.
- Recorded stock-based compensation of \$66,324 (three month period ended March 31, 2006 - \$21,574) for options granted to directors, officers of the company.
- Paid or accrued consulting fees of \$147,000 (three month period ended March 31, 2006-\$63,702) for services provided by officers and directors or the Company.

Included in research and development costs are compensation and benefits of \$30,000 (three month period ended March 31, 2006 - \$32,450) paid to an officer of the Company.

Included in current accounts payable is \$132,480 (three month period ended March 31, 2006 - \$161) due to directors and officers of the Company.

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.

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.

Inventories

The Company has changed its inventory valuation method from FIFO to Weighted Average beginning January 1, 2007.

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, “*Software 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 considerations 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.