

**FORM 51-102F1**  
**EMPOWER TECHNOLOGIES CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009**

The following discussion and analysis, prepared as of May 27, 2009, should be read together with the unaudited interim consolidated financial statements for the three month period ended March 31, 2009 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 and the Management Discussion and Analysis for the year ended December 31, 2008. Additional information relating to Empower, including the Annual Information Form filed May 1, 2009, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. References in this document to “we”, “us”, “Empower” and “the Company” refer to Empower Technologies Corporation and its subsidiaries.

## **DESCRIPTION OF BUSINESS**

The Company’s core technology is the LEOs embedded hardware platform. LEOs, which stands for “Linux Embedded Operating System” is the Company’s branded operating software which allows consumer electronic developers and manufacturers to create their own software and embedded hardware, or integrate the Company’s software or hardware, for their own products. Examples of products that developers and manufacturers may produce include surveillance cameras, and in-flight entertainment systems.

The Company’s target customers are product developers and manufacturers in the automotive and transportation, radio frequency identification (“RFID”), healthcare, industrial control and consumer electronics sectors. In order for the Company to get market penetration of its core technology, it has developed several models of a LEOs development kit (“Development Kit”) and LEOs embedded computer system boards (“Computer Boards”) that provide all the software development tools and hardware platform for developers to create the software and the embedded hardware for their own products. The Company markets and sells the Development Kits and Computer Boards (also known as “single board computers”) to prospective interested product developers and manufacturers. It is the Company’s goal to sell as many Development Kits and Computer Boards as possible to achieve product adoption. However, there are limitations to the number of Development Kits that can be sold.

Once product developers decide to use the Development Kit to create the software and hardware for their new product, the Company has achieved a “design win” and the product developer must obtain a LEOs license or buy Computer Boards (with LEOs embedded) to go into production. Significant revenue for the Company can occur if the licensee’s product has the potential to have high volume production.

The Company intends to generate or increase revenue by sales of the following:

1. Development Kits, Computer Boards, custom Computer Boards, and custom product solutions designed for the customer;
2. Engineering services – consulting services to customize products or technologies and product development and production services;
3. Solution support services - maintenance contracts to provide ongoing support to customers which purchased the Company’s embedded systems; and
4. Licenses of LEOs to product developers.

In the past, the focus of the Company's strategy was to develop revenue through licensing of LEOs and the sales of consumer products developed by the Company. While the Company may generate some revenue from licensing and through the sale of its own products in the future, the Company is now focused on generating increased sales from Development Kits and Computer Boards and from offering engineering and support services to developers.

### ***Principal Products or Services:***

The Company is currently selling Development Kits through its distributors and is selling Computer Boards to several customers. The Company to date has sold Development Kits, Computer Boards and engineering services. To date, there has been no revenue from licensing. The Company has generated total sales revenue in 2007 of \$194,786 and in 2008 of \$146,448. These revenues have been generated largely from the following sources:

1. Development Kits

The Company has developed two series of Developments Kits. The earlier series, referred to as the "LDK" or LEOs Development Kit series has been largely replaced by the "EDK" or the Empower Development Kit series. The EDK series contains enhancements helping designers accelerate development of digital video applications.

The Company has sold EDK6446 Development Kits to a number of customers. The Company has entered into several distribution agreements in various territories with a goal of generating increased sales of development kits.

The Company entered into a distribution agreement dated July 26, 2007 with Arrow Electronics ("Arrow"), which specializes in distributing development tools, electronic components and design services. The Company appointed Arrow as the distributor of the LEOs Development Kits. The Company has four other distributors distributing Development Kits, including Intelligent Control Technology (territory: Taiwan), Realtime Technology Co., LTD. (territory: Mainland China), Crane Software (territory: India), Ultimate Solutions (territory: Continental America), and Kane Computing (Territory: UK and Ireland). All of these distributors have purchased kits and continue to be active customers. The Development Kits are priced from \$1,200 to \$1,800 for the different models.

2. Computer Boards

The Company has also recently sold Computer Boards to a number of customers. Like the Development Kits, the Company has developed a series of Computer Boards.

Computer Boards are currently manufactured by third party contract manufacturers in Asia, however the Company may contract with other manufacturers, subject to the economics. The pricing for the Computer Boards also depends on the features and the volume and may range up to \$750 per board.

3. Engineering and System Development Services

The Company provides its prospective customers with engineering and system development services including maintenance and support for the LEOs and its Computer Boards, custom developments and consultation. The Company intends to increase such services in conjunction with selling the Development Kit and selling its Computer Boards to electronic manufacturers and product developers.

### ***Recent Developments:***

Furthermore, during the 1st quarter of 2009, our Company:

1. Announced closing of a first tranche of its private placement of convertible debentures in the aggregate amount of \$160,000. The convertible debentures bear interest at the rate of 10% per annum and are convertible into common shares of Empower at \$0.40 per share until January 31, 2010. Interest is payable semi-annually on July 31, 2009 and January 31, 2010. The convertible debentures and any shares issued upon conversion have a hold period expiring May 16, 2009.
2. Announced that the company has received a patent certificate from the US Patent Office for a design patent titled "Vehicle Expansion Dock".
3. Received an international patent titled "System and Method of Pen-based Data input into a computing Device" in Japan.
4. Announced closing of a second tranche of its private placement of convertible debentures in the aggregate amount of \$96,500. The convertible debentures bear interest at the rate of 10% per annum are convertible into common shares of Empower at \$0.40 per share until January 31, 2010. Interest is payable semi-annually on July 31, 2009 and January 31, 2010. The convertible debentures and any shares issued upon conversion have a hold period expiring July 17, 2009.

### **PERFORMANCE SUMMARY**

For the year three month period ended March 31, 2009, the Company has incurred a loss of \$481,011 or \$0.01 per share, compared with a loss of \$872,742 or \$0.02 per share for the three month period ended March 31, 2008. This loss represents expenditures related to the ongoing development and marketing of the Company's products. This is consistent with the Company's business plan.

The total expenses excluding stock-based compensation decreased to \$430,929 for the three months ended March 31, 2009, compared with \$680,903 for the three month period ended March 31, 2008. Revenue decreased to \$4,538 for the Quarter, compared to \$17,632 for the three month period ended March 31, 2008.

As at March 31, 2009, the Company had cash and cash equivalents of \$26,276 compared to \$421,920 at December 31, 2008.

The Company expects overall operating expenses will stay at current level in the foreseeable future until significant product shipments begin.

## RESULTS OF OPERATIONS

	Three month Period Ended March 31, 2009	Year Ended December 31, 2008	Three Month Period Ended March 31, 2008
<b>Sales</b>			
United States of America	\$ -	\$ 104,611	\$ 10,709
Canada	2,732	6,778	4,259
Asia	1,806	27,499	2,664
Europe	-	7,560	-
	<u>4,538</u>	<u>146,448</u>	<u>17,632</u>
<b>Cost of Sales</b>			
Cost of material sold	352	41,980	8,192
Write-down of inventory	-	127,691	116,309
	<u>352</u>	<u>169,671</u>	<u>124,501</u>
	<u>4,186</u>	<u>(23,223)</u>	<u>(106,869)</u>
Total expenses	<u>485,367</u>	<u>2,629,509</u>	<u>767,885</u>
Other items	<u>170</u>	<u>(43,880)</u>	<u>2,012</u>
<b>Income (loss) for the period</b>			
Canada	(474,768)	(2,609,403)	(864,988)
People's Republic of China	(18,713)	115,587	(43,470)
United States of America	12,470	(202,796)	35,716
	<u>\$ (481,011)</u>	<u>\$ (2,696,612)</u>	<u>\$ (872,742)</u>
Loss per share	<u>\$ (0.01)</u>	<u>\$ (0.07)</u>	<u>\$ (0.02)</u>
Total assets	<u>\$ 221,115</u>	<u>\$ 606,942</u>	<u>\$ 532,640</u>

### Revenue

In recent quarters, the Company's activities have shifted from the development of the Company's technology to commercialize the sales and marketing of LEOs and EDKxxxx development platforms and solutions using LEOs. Revenues generated for the three months ended March 31, 2009 were \$4,538, compared with \$17,632 for the three months ended March 31, 2008. The decrease in revenues is mainly due to the major downturn in the economy. These sales are attributed to the ongoing execution of the Company's decision to focus on the sales and marketing of the Company's core enabling embedded technology and solutions.

### Cost of sales

Cost of material sold during the Quarter was \$352, compared with \$8,192 for the period ended March 31, 2008. Excluding the write off of inventory, cost of material sold as a percentage of sales amounted to 8% in the Quarter, compared with 46% for the same quarter in 2008. The change is attributable to the efforts to improve our margins and lower our costs and the write off of certain inventory in previous periods.

### General and Administrative

General and administrative expenses without stock-based compensation and R&D costs for the three months ended March 31, 2009 decreased to \$269,871 (2008 - \$392,820) due to reduction in the number of administration staff. Advertising and promotion decreased to \$7,631 (2008 - \$28,813) due to reduced tradeshow activities. Rent decreased to \$4,101 (2008 - \$13,498) due to the free rent in the lease agreement. Consulting fees decreased to \$10,531 (2008 - \$90,420) due to the Company's effort to reduce costs and the resulting engagement with new contractors and consultants.

### Research and Development

Research and Development costs ("R&D costs") relating to the development of LEOs, adding new operating software, the EDK644x development kits, and new solutions are expensed as incurred. R&D costs for the period ended March 31, 2009 were \$161,058 compared to \$288,083 for the period ended March 31, 2008.

Expenditures are expected to relate to regular maintenance, improvement and upgrade to the core technology LEOs and adding new embedded CPU platforms such as TI's DM6467 and OMAP35xx.

	Three Month Period Ended March 31, 2009	Three Month Period Ended March 31, 2008
Equipment and supplies	\$ -	\$ 11,548
Rent	9,569	31,496
Salaries and benefits	151,489	245,039
	<u>\$ 161,058</u>	<u>\$ 288,083</u>

## SUMMARY OF QUARTERLY RESULTS

	Three Months Ended March 31, 2009	Three Months Ended December 31, 2008	Three Months Ended September 30, 2008	Three Months Ended June 30, 2008
Total assets	\$ 221,115	\$ 606,942	\$ 532,979	\$ 355,743
Stock-based compensation	54,438	41,577	78,748	80,065
Working capital	(410,505)	182,778	55,718	10,030
Shareholders' equity	(2,153,856)	(1,750,238)	(1,404,105)	(833,336)
Revenues	4,538	25,931	89,818	13,067
Net loss	(481,011)	(387,710)	(650,725)	(785,435)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)

  

	Three Months Ended March 31, 2008	Three Months Ended December 31, 2007	Three Months Ended September 30, 2007	Three Months Ended June 30, 2007
Total assets	\$ 532,640	\$ 1,129,338	\$ 884,822	\$ 944,625
Stock-based compensation	86,982	91,272	80,230	16,521
Working capital	216,943	229,449	22,965	550,662
Shareholders' equity	(154,966)	245,497	147,223	683,131
Revenues	17,632	45,582	17,834	114,434
Net loss	(872,742)	(1,326,095)	(756,138)	(915,546)
Loss per share	\$ (0.02)	\$ (0.04)	\$ (0.02)	\$ (0.03)

## SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
<b>Sales</b>			
United States of America	\$ 104,611	\$ 148,825	\$ 71,912
Asia	27,499	43,579	5,390
Europe	7,560	1,534	-
Canada	6,778	848	7,836
	<u>146,448</u>	<u>194,786</u>	<u>85,138</u>
<b>Cost of Sales</b>			
Cost of material sold	41,980	208,503	128,101
Write-off of inventory	127,691	385,277	43,111
	<u>169,671</u>	<u>593,780</u>	<u>171,212</u>
	<u>(23,223)</u>	<u>(398,994)</u>	<u>(86,074)</u>
<b>Total expenses</b>	<u>2,629,509</u>	<u>3,482,917</u>	<u>4,102,673</u>
<b>Other items</b>	<u>(43,880)</u>	<u>8,951</u>	<u>34,873</u>
<b>Loss for the period</b>			
Canada	(2,609,403)	(3,744,902)	(3,825,696)
People's Republic of China	115,587	(84,162)	(163,566)
United States of America	(202,796)	(43,896)	(164,612)
	<u>\$(2,696,612)</u>	<u>\$(3,872,960)</u>	<u>\$(4,153,874)</u>
<b>Loss per share</b>	<u>\$ (0.07)</u>	<u>\$ (0.11)</u>	<u>\$ (0.12)</u>
<b>Total assets</b>	<u>\$ 606,942</u>	<u>\$ 1,129,338</u>	<u>\$ 1,024,654</u>

Our operations throughout the years displayed above have been focused on the development of our technologies and promoting those technologies to product designers and engineers.

## 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. At March 31, 2009, there were 1,662,690 share purchase warrants outstanding. These warrants represent a source of equity capital for empower, should they be exercised.

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

	As at March 31, 2009		As at March 31, 2008	
Deficit	\$	(23,511,740)	\$	(21,206,859)
Working capital	\$	(410,505)	\$	216,943

Net cash used in operating activities for the Quarter was \$387,144 compared to net cash used of \$802,202 for the three month period ended March 31, 2008. The decrease in the use of cash was primarily caused by reduced spending on the Company's operations.

The Company had no investing activities for the three month period ended March 31, 2009 and had no investing activities for three month period ended March 31, 2008 either.

Net cash used by financing activities for the Quarter was \$8,500 compared to net cash generated by financing activities of \$284,195 for the three month period ended March 31, 2008. The cash used during the current period was caused primarily by repayment of long term loan. The increase in the first quarter of 2008 was mostly due to the issue of common shares and loans advanced by an officer.

At March 31, 2009, the Company had \$26,276 in cash and equivalents. The Company has been incurring operating losses (excluding stock-based compensation and amortization) at the average rate of \$140,469 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, 2009, there were 39,768,254 common shares issued and outstanding.

As at March 31, 2009, the Company has warrants outstanding as follows:

As at March 31, 2009	Warrants	Exercise Price	Expiry Date	Amount
Warrants outstanding	940,650	\$0.90	December 19, 2009	\$ 846,585
Warrants outstanding-Agent's	75,000	\$0.90	December 19, 2009	67,500
Warrants outstanding-Agent's	282,195	\$0.75	December 19, 2009	211,646
Warrants outstanding-Agent's	84,195	\$0.75	January 7, 2010	63,146
Warrants outstanding	280,650	\$0.90	January 7, 2010	252,585
	1,662,690			\$1,441,462

To continue its operations, the Company will need to issue more debt, to have the support of warrant holders to exercise the warrants detailed above and/or to have the support of investors to acquire common stock that may be issued in the future. There is no certainty in any of the above.

Currently the Company is not committed to any material future capital expenditures.

## OUTSTANDING SHARES

As at March 31, 2009, the Company has shares outstanding as follows:

	Shares
Authorized Unlimited common shares without par value	
Balance, March 31, 2009	<u>39,768,254</u>

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued directors' fees of \$Nil (three month period ended March 31, 2008 - \$30,000) for services provided by directors.
- b) Recorded stock-based compensation of \$37,548 (three month period ended March 31, 2008 - \$60,820) for services provided by directors and officers.
- c) Paid or accrued consulting fees of \$3,000 (three month period ended March 31, 2008 - \$70,000) for services provided by officers and directors of the Company.
- d) Paid or accrued salaries and benefits of \$21,000 (three month period ended March 31, 2008 - \$30,000) to an officer of the Company included in research and development costs.
- e) Paid or accrued salaries and benefits of \$45,000 (three month period ended March 31, 2008 - \$42,500) to two directors and officers of the company.

Included in current accounts payable is \$75,747 (December 31, 2008 - \$35,393) due to directors and officers of the Company.

At March 31, 2009, the loans payable are due to a director of the Company. The loans bear interest at 8.5%, and are unsecured. The total interest paid or accrued to the director was \$39,901 (March 31, 2008-\$72,159) for the three month period ended March 31, 2009.

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

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

### Principles of consolidation

The 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 no allowance for doubtful accounts as at March 31, 2009 and had the same \$Nil as at March 31, 2008.

### 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. 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 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, accounts receivable, accounts payable and accrued liabilities, convertible debentures and loans payable. 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.

## **NEWLY ADOPTED ACCOUNTING POLICIES**

In February 2008, the CICA issued new handbook Section 3064 – "Goodwill and Intangible Assets" that supersedes Section 3062 – "Goodwill and Other Intangible Assets" and 3450 – "Research and Development Costs". This section provides additional guidance on when expenditures qualify for recognition as intangible assets and requires that costs can be deferred only when relating to an item meeting the definition of an asset. The new accounting standard is effective for interim or annual financial statements relating to fiscal years beginning on or after October 31, 2008. The Company, having no intangible assets, does not expect any impact on its consolidated financial statements from this accounting standard.

## **FUTURE ACCOUNTING POLICIES**

### *International financial reporting standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### *Business Combinations, Non-controlling Interest and Consolidated Financial Statements*

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

### *Changeover Plan to International Financial Reporting Standards (“IFRS”)*

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standard Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Company’s consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

For the Company, the changeover to IFRS will be required for interim and annual financial statements beginning on January 1, 2011. As a result, the Company will begin to develop a plan to convert its Consolidated Financial Statements to IFRS. The Company will provide training to key employees and will be monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting.

### *Financial Instruments and Risk*

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.

#### (a) Credit Risk –

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill 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.

Provisions for doubtful accounts are made on a customer by customer basis. All write downs against receivables are recorded in the expenses on the consolidated statement of operations. The Company is exposed to credit related losses on sales to customers outside of North America due to higher risks of enforceability and collectibility. Accounts receivable at March 31, 2009 are comprised of trade accounts receivable. There is no provision for doubtful accounts at March 31, 2009.

#### (b) 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.

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

During the three month period ended March 31, 2009 and as at March 31, 2009, the Company held only minor amounts of cash deposits in foreign currencies.

(ii) 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's cash and cash equivalents include short term, highly liquid investments that earn interest at market rates. The Company does not have any debt instruments outstanding with variable interest rates at March 31, 2009. 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. The carrying value of long-term debt approximates its fair value.

(c) 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. As at March 31, 2009, the Company had cash of approximately \$26,276. Monthly operating expenses approximate \$162,000. The continuation of the Company depends upon the support of its lender and equity investors, which cannot be assured. The Company's long-term loans payable is from a related party and approximates fair value.

## **SUBSEQUENT EVENTS**

Subsequent to March 31, 2009:

- a) On May 6, 2009 the Company proceeded with a TSX Venture exchange short form offering (the "Offering") to raise up to \$2,000,000. The Offering is not subject to any minimum and is to be of up to 8,000,000 units (the "Units") at \$0.25 per unit, with each Unit consisting of one share and one warrant. Each warrant is exercisable into one common share for a period of two years at \$0.30 per share. The warrants will be non-transferable. The Agent's fee is \$45,000 in cash, plus a commission equal to 8% in cash based upon the gross proceeds raised under this offering plus 250,000 Units, plus 15% in Broker's warrants where each Broker's warrant will be exercisable into one Unit at \$0.25 per Unit for a 24 month period.
- b) The Company received an additional \$80,000 in loan advances from a director of the Company.
- c) On April 24, 2009 the Company closed its third and final tranche of its private placement convertible debenture in the aggregate amount of \$145,200. The convertible debentures bear interest at the rate of 10% per annum are convertible into common shares of Empower at \$0.40 per share for a period of one year. Interest is payable semi-annually on July 31, 2009 and January 31, 2010.