



**FORM 51-102F1  
EMPOWER TECHNOLOGIES CORPORATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010**

The following discussion and analysis, prepared as of May 27, 2010, should be read together with the unaudited interim consolidated financial statements for the three month period ended March 31, 2010 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, 2009. 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 product 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 digital signage systems.

The Company’s target customers are product developers and manufacturers in the digital signage and interactive kiosk, security and military, 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. Revenue has 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.
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 1<sup>st</sup> quarter of 2010, the Company:

1. Announced that it has signed an amendment to the Purchase Agreement with Pixon Imaging LLC to among other things, extend the closing date of the purchase to be on or before February 26, 2010. The amendment provides for further repayable deposits to be advanced to the vendors, which could total as much as US\$210,000 depending on when the closing occurs.
2. Announced the launch of its first BullsEye Real time Video Motion Stabilizer BE1000. It uses the latest embedded processing technology and video stabilization algorithm to create a state of the art real time video motion stabilizer. This product is a perfect companion product to Pixon Imaging's real time video image processor line of products. Empower's real time video motion stabilizer and Pixon Imaging's real time video image processor together provide an unprecedented level of translational and rotational image stabilization, dehazing, deblurring, contrast enhancement, sharpening, and signal-to-noise ratio enhancement
3. Announced a 30 days extension commencing March 17, 2010 of the definitive agreement to purchase Pixon Imaging, LLC which was terminated and expired earlier. Under this extension, Empower has an option to extend for another 30 days subject to certain terms and conditions.
4. Announced the termination of the brokered private placement of unsecured convertible debentures ("Debentures") with Canaccord Capital Corporation, the sole agent for the Offering.

#### **PERFORMANCE SUMMARY**

For the year three month period ended March 31, 2010, the Company has incurred a loss of \$414,157 or \$0.01 per share, compared with a loss of \$481,011 or \$0.01 per share for the three month period

ended March 31, 2009. 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 increased to \$467,179 for the three months ended March 31, 2010, compared with \$430,929 for the three month period ended March 31, 2009. Revenue increased to \$10,790 for the Quarter, compared to \$4,538 for the three month period ended March 31, 2009.

As at March 31, 2010, the Company had cash of \$47,300 compared to \$59,455 at December 31, 2009.

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, 2010	Year Ended December 31, 2009	Three Month Period Ended March 31, 2009
Sales			
Canada	\$ -	\$ 5,836	\$ 2,732
United States of America	3,974	404	-
Asia	<u>6,816</u>	<u>14,819</u>	<u>1,806</u>
	<u>10,790</u>	<u>21,059</u>	<u>4,538</u>
Cost of Sales			
Cost of material sold	983	5,026	352
Write-down of inventory	-	10,793	-
	<u>983</u>	<u>15,819</u>	<u>352</u>
	<u>9,807</u>	<u>5,240</u>	<u>4,186</u>
Total expenses	<u>478,862</u>	<u>2,068,697</u>	<u>485,367</u>
Other items	<u>54,898</u>	<u>(1,072)</u>	<u>170</u>
Income (loss) for the period			
Canada	(395,790)	(2,044,591)	(474,768)
People's Republic of China	17,186	(98,080)	(18,713)
United States of America	<u>(35,553)</u>	<u>78,142</u>	<u>12,470</u>
	<u>\$ (414,157)</u>	<u>\$ (2,064,529)</u>	<u>\$ (481,011)</u>
Loss per share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>
Total assets	<u>\$ 327,700</u>	<u>\$ 277,071</u>	<u>\$ 221,115</u>

## Revenue

Revenues generated for the three months ended March 31, 2010 were \$10,790, compared with \$4,538 for the three months ended March 31, 2009. The increase in revenues is mainly due to the shifting of the Company's activities from the development of the Company's technology to commercialize the sales and marketing of LEOs and EDKxxxx development platforms and solutions using LEOs.

## Cost of Sales

Cost of material sold during the Quarter was \$983, compared with \$352 for the period ended March 31, 2009. Cost of material sold as a percentage of sales amounted to 9% in the Quarter, compared with 8% for the same quarter in 2009.

## General and Administrative

General and administrative expenses without stock-based compensation and R&D costs for the three months ended March 31, 2010 increased to \$302,995 (2009 - \$269,871) due to reduction in the number of R&D staff and decrease in stock-based compensation. Advertising and promotion decreased to \$1,387 (2009 - \$7,631) due to reduced tradeshow activities. Rent increased to \$13,818 (2009 - \$4,101) due to the expiration of free-rent periods. Consulting fees increased to \$31,000 (2009 - \$10,531) due to the Company's effort for engagement with new 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, 2010 were \$164,184 compared to \$161,058 for the period ended March 31, 2009.

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, 2010	Three Month Period Ended March 31, 2009
Equipment and supplies	\$ 3,071	\$ -
Rent	32,243	9,569
Salaries and benefits	128,870	151,489
	<u>\$ 164,184</u>	<u>\$ 161,058</u>

## SUMMARY OF QUARTERLY RESULTS

	Three Months Ended March 31, 2010	Three Months Ended December 31, 2009	Three Months Ended September 30, 2009	Three Months Ended June 30, 2009
Total assets	\$ 327,700	\$ 277,071	\$ 220,955	\$ 197,014
Stock-based compensation	11,683	17,264	34,683	46,708
Working capital	(1,328,166)	(930,424)	(581,508)	(806,164)
Shareholders' deficiency	(3,416,382)	(3,014,925)	(2,521,693)	(2,654,851)
Revenues	10,790	4,497	3,695	8,329
Net loss	(414,157)	(510,496)	(507,084)	(565,938)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

	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' deficiency	(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)

## SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Sales			
Canada	\$ 5,836	\$ 6,778	\$ 848
United States of America	404	104,611	148,825
Asia	14,819	27,499	43,579
Europe	-	7,560	1,534
	<u>21,059</u>	<u>146,448</u>	<u>194,786</u>
Cost of Sales			
Cost of material sold	5,026	41,980	208,503
Write-off of inventory	10,793	127,691	385,277
	<u>15,819</u>	<u>169,671</u>	<u>593,780</u>
	<u>5,240</u>	<u>(23,223)</u>	<u>(398,994)</u>
Total expenses	<u>2,068,697</u>	<u>2,629,509</u>	<u>3,482,917</u>
Other items	<u>(1,072)</u>	<u>(43,880)</u>	<u>8,951</u>
Loss for the period			
Canada	(2,044,591)	(2,609,403)	(3,744,902)
People's Republic of China	(98,080)	115,587	(84,162)
United States of America	78,142	(202,796)	(43,896)
	<u>\$(2,064,529)</u>	<u>\$(2,696,612)</u>	<u>\$(3,872,960)</u>
Loss per share	<u>\$ (0.05)</u>	<u>\$ (0.07)</u>	<u>\$ (0.11)</u>
Total assets	<u>\$ 277,071</u>	<u>\$ 606,942</u>	<u>\$ 1,129,338</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. As at March 31, 2010, there were 4,864,087 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, 2010		As at March 31, 2009	
Deficit	\$	(25,509,415)	\$	(23,511,740)
Working capital	\$	(1,328,166)	\$	(410,505)

Net cash used in operating activities for the Quarter was \$238,608 compared to net cash used of \$387,144 for the three month period ended March 31, 2009. The decrease in the use of cash was primarily caused by reduced spending on the Company's operations.

Net cash used for investing activities for the Quarter ended March 31, 2010 and 2009 was \$Nil.

Net cash generated by financing activities for the Quarter was \$226,453 compared to net cash used of \$8,500 for the three month period ended March 31, 2009. The cash generated during the current period was caused primarily by proceeds of loans and proceeds from debentures received in advance. The cash used in the first quarter of 2009 was caused primarily by repayment of long term loan.

At March 31, 2010, the Company had \$47,300 in cash. The Company has been incurring operating losses (excluding stock-based compensation and amortization) at the average rate of \$150,650 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, 2010, there were 42,968,504 common shares issued and outstanding.

Empower has 4,864,087 share purchase warrants outstanding as of March 31, 2010. Should these warrants be exercised by the warrant holders, then the equity contributed to the Company would be \$2,169,879.

As at March 31, 2010	Shares	Exercise Price	Expiry Date	Amount
Warrants outstanding*	940,650	0.90	June 19, 2011	846,585
Warrants outstanding*	280,650	0.90	July 7, 2011	252,585
Warrants outstanding	2,950,250	0.30	July 9, 2011	885,075
Agent's warrants outstanding	250,000	0.30	July 9, 2011	75,000
Agent's warrants outstanding	442,537	0.25	July 9, 2011	110,634
	4,864,087			\$ 2,169,879

\* The extension of the expiry date of the Warrants is subject to the approval of the TSX Venture Exchange.

Empower has not committed to any material future capital expenditure.

## OUTSTANDING SHARES

As at March 31, 2010, the Company has shares outstanding as follows:

	Shares
Authorized Unlimited common shares without par value	
Balance, March 31, 2010	<u>42,968,504</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) Recorded stock-based compensation of \$Nil (three month period ended March 31, 2009 - \$37,548) for services provided by directors and officers.
- b) Paid or accrued consulting fees of \$21,000 (three month period ended March 31, 2009 - \$3,000) for services provided by officers and directors of the Company.
- c) Paid or accrued salaries and benefits of \$18,000 (three month period ended March 31, 2009 - \$21,000) to an officer of the Company included in research and development costs.
- d) Paid or accrued salaries and benefits of \$21,000 (three month period ended March 31, 2009 - \$45,000) to two directors and officers of the Company.

Included in current accounts payable is \$284,257 (December 31, 2009 - \$211,484) due to directors and officers of the Company.

At March 31, 2010, the long term 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 \$51,615 (March 31, 2009 - \$39,901) for the three month period ended March 31, 2010.

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, 2010 and had the same \$Nil as at March 31, 2009.

#### 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, obligations under capital leases 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.

## **NEW ACCOUNTING POLICIES ADOPTED DURING THE YEAR**

### **Amendment to Financial Instruments – Disclosures**

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
- Level 3 – Inputs that are not based on observable market data.

### **Goodwill and Intangible Assets**

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The Company adopted the section effective January 1, 2009 and management does not expect the adoption to have a material impact on the Company's financial results.

### **Recent accounting pronouncements**

#### *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.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

#### *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, 2010 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.

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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’s risk exposures and the impact on the Company’s financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company’s credit risk is limited to the carrying amount on the balance sheet and arises from the Company’s cash, marketable securities, receivables and reclamation bonds.

The Company’s cash, marketable securities, and reclamation bonds are held through a Canadian chartered bank and brokerage firm, which are high-credit quality financial institutions. The Company’s receivables primarily consist of goods and services tax due from Federal Government of Canada.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company had a cash balance of \$47,300 to settle current liabilities of \$1,578,999. All of the Company’s financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

##### *(a) Interest rate risk*

The Company has cash balances and no outsider interest-bearing debt. The Company’s current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking

institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

*Sensitivity analysis*

The carrying value of cash, marketable securities, receivables, reclamation bonds, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments. Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

**SUBSEQUENT EVENTS**

There are no subsequent events to be disclosed as of March 31, 2010.