FORM 51-102F1
EMPOWER TECHNOLOGIES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2011

The following discussion and analysis, prepared as of June 28, 2011, should be read together with the unaudited interim consolidated financial statements for the three month period ended March 31, 2011 and related notes attached thereto, which are prepared using accounting policies consistent with International Financial Reporting Standards. 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, 2010. Additional information relating to Empower is available on SEDAR at 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. Empower has now added video technology to its core that include Empower's proprietary Image Signal Correction (ISC) Technology to offer to its customers. Examples of products that developers and manufacturers may produce include surveillance cameras, automotive cameras and digital signage systems.

The Company's target customers are product developers and manufacturers in the digital signage and interactive kiosk, security and surveillance, 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. Video technology including proprietary Image Signal Correction (ISC) Technology, proprietary motion image stabilization technology and product solutions such as surveillance cameras and video stabilizers for customer;
3. Engineering services – consulting services to customize products or technologies and product development and production services;

4. Solution support services - maintenance contracts to provide ongoing support to customers which purchased the Company's embedded systems; and
5. 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 video technology product solutions such as surveillance cameras and video stabilizers 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 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. Video Technology
The Company has developed in-house real time video stabilizer technology that can perform shaking and rolling motion stabilization. It has also developed video enhancement technology called "Image Signal Correction" Technology or ISC. The Company plans to offer video technology product solutions such as surveillance cameras and video stabilizer that incorporates Empower's proprietary real time motion image stabilizer, ISC and video analytic.

4. 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:

In the last quarter, the Company had the following developments:

1. Announced that the Convertible Debentures holders of $528,128 out of the total $689,628 have converted their Convertible Debentures plus the accumulated interest for the total of $599,525 into Common Shares in the capital of the Company at a price of $0.20 per Common Share for a total of 2,997,625 Empower Shares.

2. Announced the completion of the closing of Non-brokered private placement for a total of $141,287.50 for 565,150 Units at a price of $0.25 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase on common share (the "Additional Share") for a period of one year from the date of issue at a price equal to Cdn.$0.30 per Additional Share.

3. Announced reaching an agreement with its directors to convert all its debt to the directors into shares. Under the agreement a total of 1,440,000 common shares at $0.15 each will be issued for its $216,000 debt to the directors. The price reservation and the conversion of the debt are subject to TSX Venture Exchange approval.

4. Announced reaching an agreement with its directors and officers ("Lenders") for a revised loan terms. Under the revised terms the $925,000 long term loan is payable in 12 months, carries an annual interest rate of 14% renewable for three more years at the discretion of the Lender and the principal and any accrued interest in whole or in part can be converted into Units at any time at the discretion of the Lenders. Each Unit is priced at $0.15 and consists of one share and one common share purchase warrant. Each non-transferable warrant is exercisable into one Empower common share for a period of 5 years from the date of conversion at an exercise price of $0.20 per share. In exchange for the above revised term, subject to the approval of the TSX Venture Exchange, the Lender will waive the security requirement under the loan agreement.

5. Announced the shipment of the first customized production ready Empower media player module to Inflight Canada, Inc. (IFC) for final product assembly. The fully assembled unit will be submitted by IFC for the DO-160 testing and Supplemental Type Certification. Once it is certified, the Empower enabled IFC Proprietary Media Player will be installed into a commercial airliner for its first inaugural flight operation. The Company will provide a further update at that time.

6. Announced proceeding with a non-brokered private placement of units (the "Offering) to raise up to $600,000. The Offering is not subject to any minimum and is to be of up to 3,000,000 units (the "Units") at $0.20 per Unit, with each Unit consisting of one share and one half warrant. Each whole warrant is exercisable into one common share for a period of two years at $0.25 per share. The warrants will be non-transferable. The proceeds of the Offering will be used primarily to finance production, marketing and sales expenses and for general working capital. The Offering is subject to acceptance by TSX Venture Exchange.

7. Announced retaining Teatyn Enterprises Inc. ("Teatyn") to provide investor relation services. The agreement between Empower and Teatyn is for one year ending February 28, 2012 and provides for compensation of $5,000 per month plus 500,000 options to acquire up to that number of common shares at $0.22 per share until February 28, 2013. The Teatyn option is subject to a twelve month vesting period where the options will vest evenly over that period and TSX Venture Exchange approval.

8. Empower Technologies Announces an increase of the previous announced non-brokered private placement from $600,000 to $660,000. The total Offering shall not exceed 3,300,000 (the "Unit") at $0.20 per Unit, with each Unit consisting of one share and one half warrant. Each whole warrant is exercisable into one common share for a period of two years at $0.25 per share. The warrants will be non-transferable. The proceeds of the Offering will be used primarily to finance production, marketing and sales expenses and for general working capital. The Offering is subject to acceptance by TSX Venture Exchange.

PERFORMANCE SUMMARY

For the year three month period ended March 31, 2011, the Company has incurred a loss of $659,217 or $0.01 per share, compared with a loss of $445,163 or $0.01 per share for the three month period ended March 31, 2010. 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 $408,261 for the three months ended March 31, 2011, compared with $495,446 for the three month period ended March 31, 2010. Revenue increased to $134,673 for the Quarter, compared to $10,790 for the three month period ended March 31, 2010.

As at March 31, 2011, the Company had cash of $329,745 compared to $32,201 at December 31, 2010.

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, 2011	Year Ended December 31, 2010	Three Month Period Ended March 31, 2010
Sales			
Canada	$ 30,000	$ 28,142	$ -
United States of America	104,673	266,670	3,974
Asia	-	21,812	6,816
Europe	-	3,109	-
	134,673	319,733	10,790
Cost of Sales			
Cost of material sold	50,447	13,653	983
Cost of services	-	122,082	-
Write-down of inventory	-	4,415	-
	50,447	140,150	983
	84,226	179,583	9,807
Total expenses	435,362	2,404,249	499,992
Other items	(308,081)	62,379	45,022
Loss for the period			
Canada	(650,899)	(2,179,879)	(426,796)
People's Republic of China	-	-	17,186
United States of America	(8,318)	17,592	(35,553)
	$ (659,217)	$ (2,162,287)	$ (445,163)
Loss per share	$ (0.01)	$ (0.05)	$ (0.01)
Total assets	$ 505,809	$ 265,752	$ 327,700

Revenue

Revenues generated for the three months ended March 31, 2011 were $134,673, compared with $10,790 for the three months ended March 31, 2010. The increase in revenues is mainly due to the sales and marketing of LEOs and EDKxxxx development platforms, single board computers, solutions using LEOs and professional services. 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. The majority of the sales in this period are attributable to products and services provided to Pixon Imaging and Inflight Canada.

Cost of Sales

Cost of material sold during the Quarter was $50,447, compared with $983 for the period ended March 31, 2010. Cost of material sold as a percentage of sales amounted to 37% in the Quarter, compared with 9% for the same quarter in 2010.

General and Administrative

General and administrative expenses without stock-based compensation and R&D costs for the three months ended March 31, 2011 increased to $352,489 (2010 - $331,262) due to reduction in the number of R&D staff. Advertising and promotion increased to $7,934 (2010 - $1,387) due to increase in promotion activities. Rent decreased to $5,205 (2010 - $13,818) due to the moving to a smaller office with a lower rent. Consulting fees increased to $46,500 (2010 - $37,000) due to the Company's decision to use consultants instead of permanent staffs.

Research and Development

Research and Development costs ("R&D costs") relating to the development of LEOs, adding new operating software, the EDK644x development kits, EMP3530-SDK, EMP3530/3503 Single Board Computer and new products are expensed as incurred. R&D costs for the period ended March 31, 2011 were $55,772 compared to $164,184 for the period ended March 31, 2010. The R&D cost decrease is due to the Company's successful completion of developing its core technology - LEOs operating software, the development platform products – EDK644x and EMP3530-SDK.

	Three Month Period Ended March 31, 2011		Three Month Period Ended March 31, 2010	
Equipment and supplies	$	68	$	3,071
Rent		12,643		32,243
Salaries and benefits		43,061		128,870
	$	55,772	$	164,184

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended March 31, 2011 (i)		Three Months Ended December 31, 2010 (i)		Three Months Ended September 30, 2010 (i)		Three Months Ended June 30, 2010 (i)	
Total assets	$	505,809	$	265,752	$	708,640	$	505,981
Stock-based compensation		27,101		22,704		10,753		2,875
Working capital (deficiency)		(1,993,731)		(2,772,980)		(2,012,853)		(1,688,031)
Shareholders' deficiency		(4,083,084)		(4,878,833)		(4,108,500)		(3,779,962)
Revenues		(134,673)		(123,740)		186,155		246,528
Net loss		(659,217)		(1,039,233)		(339,291)		(366,455)
Loss per share	$	(0.01)	$	(0.02)	$	(0.01)	$	(0.01)

	Three Months Ended March 31, 2010 (i)		Three Months Ended December 31, 2009 (ii)		Three Months Ended September 30, 2009 (ii)		Three Months Ended June 30, 2009 (ii)	
Total assets	$	327,700	$	277,071	$	220,955	$	197,014
Stock-based compensation		4,546		17,264		34,683		46,708
Working capital (deficiency)		(1,366,309)		(930,424)		(581,508)		(806,164)
Shareholders' deficiency		(3,454,525)		(3,014,925)		(2,521,693)		(2,654,851)
Revenues		10,790		4,497		3,695		8,329
Net loss		(445,163)		(510,496)		(507,084)		(565,938)
Loss per share	$	(0.01)	$	(0.01)	$	(0.01)	$	(0.01)

(i) Presented using accounting policies consistent with International Financial Reporting Standards
(ii) Presented in accordance with Canadian GAAP and was not required to be restated to IFRS

SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2010 (i)	Year Ended December 31, 2009 (ii)	Year Ended December 31, 2008 (ii)
Sales			
Canada	$ 28,142	$ 5,836	$ 6,778
United States of America	266,670	404	104,611
Asia	21,812	14,819	27,499
Europe	3,109	-	7,560
	319,733	21,059	146,448
Cost of Sales			
Cost of material sold	13,653	5,026	41,980
Cost of services	122,082	-	-
Write-off of inventory	4,415	10,793	127,691
	140,150	15,819	169,671
	179,583	5,240	(23,223)
Total expenses	2,393,960	2,068,697	2,629,509
Other items	62,379	(1,072)	(43,880)
Loss for the period			
Canada	(2,169,590)	(2,044,591)	(2,609,403)
People's Republic of China	-	(98,080)	115,587
United States of America	17,592	78,142	(202,796)
	$(2,151,998)	$ (2,064,529)	$ (2,696,612)
Loss per share	$ (0.05)	$ (0.05)	$ (0.07)
Total assets	$ 267,752	$ 277,071	$ 606,942

(i) Presented using accounting policies consistent with International Financial Reporting Standards.
(ii) Presented in accordance with Canadian GAAP and was not required to be restated to IFRS.

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, 2011, there were 4,207,937 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 using accounting policies consistent with International Financial Reporting Standards 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, 2011	As at March 31, 2010
Deficit	$ (27,931,762)	$ (25,565,710)
Working capital	$ (1,993,731)	$ (1,366,309)

Net cash used in operating activities for the Quarter was $254,039 compared to net cash used of $384,427 for the three month period ended March 31, 2010. The decrease in the use of cash was primarily due to reduction in R&D activities.

Net cash used for investing activities for the Quarter ended March 31, 2011 and 2010 was $Nil.

Net cash generated by financing activities for the Quarter was $551,583 compared to net cash used of $372,272 for the three month period ended March 31, 2010. The cash generated during the current period was caused primarily by proceeds of loans and proceeds from shares received in advance.

At March 31, 2011, the Company had $329,745 in cash. The Company has been incurring operating losses (excluding stock-based compensation and amortization) at the average rate of $106,753 per month over the last three months.

OUTSTANDING SHARE DATA

As at June 28, 2011, there were 51,271,279 common shares outstanding, in addition there were 3,235,000 stock options outstanding ranging between $0.10 and $0.62 per share, and 5,857,937 share purchase warrants ranging between $0.25 and $0.30. More information on these instruments and terms of their conversion is set out in note 9, 10 and 11 of the interim Financial Statements.

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 $24,294 (three month period ended March 31, 2010 - $Nil) for services provided by directors and officers.

b) Paid or accrued consulting fees of $36,500 (three month period ended March 31, 2010 - $27,000) for services provided by officers and directors of the Company.

c) Paid or accrued directors' fees of $24,000 (three month period ended March 31, 2010 - $24,000) for services provided by directors of the Company.

d) Paid or accrued salaries and benefits of $18,000 (three month period ended March 31, 2010 - $18,000) to an officer of the Company included in research and development costs.

e) Paid or accrued salaries and benefits of $11,500 (three month period ended March 31, 2010 - $21,000) to directors and officers of the Company. Included in current accounts payable is $475,050 (December 31, 2010 - $375,059) due to directors and officers of the Company.

At March 31, 2011, $590,257 (December 31, 2010 - $571,957; January 1, 2010 - $17,280) of short term loans payable is due to a director and officer of the Company. The short term loans bear interest at 8.5% and are unsecured. The Company also has $906,219 (December 31, 2010 - $883,646; January 1, 2010 - $Nil) of convertible debentures (See Note 7 on the Financial Statements), and $2,152,500 (December 31, 2010 - $2,152,000; and January 1, 2010 - $2,152,000) of long term loans payable (See Note 8 on the Financial Statements) to the same director and officer. The loans bear interest at 8.5%, and are unsecured. The total interest paid or accrued to the director was $92,597 (March 31, 2010 - $51,615) for the three month period ended March 31, 2011.

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 ESTIMATES

Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the years reported. Significant areas requiring the use of management estimates include the determination of impairment of property and equipment, amortization rates for equipment, effective interest rate used in calculating the debt portion of convertible debenture, future income tax assets and liabilities, and the determination of the assumptions used in calculating fair value of share-based compensation calculations. Actual results could differ from these estimates.

FINANCIAL INSTRUMENTS AND RISK

The carrying value of accounts receivable, accounts payable and accrued liabilities, obligation under finance lease, convertible debenture and loans payable approximated their fair value.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 329,745	$ -	$ -	$ 329,745

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.

(i) Credit Risk

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

The Company's cash is held with high-credit quality financial institutions. Provisions for doubtful accounts are made on a customer by customer basis. All write downs against receivables are recorded in the Consolidated Statement of Operations and Comprehensive Loss. The Company is exposed to credit related losses on sales to customers outside of North America due to higher risks of enforceability and collectability. Accounts receivable at March 31, 2011 are comprised of trade accounts receivable. Sufficient allowance for doubtful accounts is set up as at March 31, 2011.

(ii) 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.

(a) 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 Renmibi. 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, 2011 and at December 31, 2010, the Company held only minor amounts of cash deposits in foreign currencies.

(b) 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 does not have any debt instruments outstanding with variable interest rates at March 31, 2011. 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.

(iii) 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. At March 31, 2011, the Company had cash of $329,745. Monthly operating expenses approximate $145,000. The continuation of the Company depends upon the support of its lender and equity investors, which cannot be assured. Subsequent to period-end, the Company closed a financing and converted debt to equity (see Note 19 on the Financial Statements).

SUBSEQUENT EVENTS

Subsequent to period ended March 31, 2011:

a) The Company announced the completion of closing the non-brokered private placement. The total non-brokered private placement of $660,000 for 3,300,000 Units at the price of $0.20 per Unit. Each Unit consists of one common share and one half common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share for a period of two year from the date of issue at a price equal to Cdn.$0.25 per additional share.

b) The Company announced the TSX approval and the completion of directors' debt for equity conversion for $216,000 into 1,440,000 common shares at a price of $0.15 per share.

INTERNATIONAL REPORTING STANDARDS (IFRS)

FIRST TIME ADOPTION OF IFRS

i) Transition to IFRS

The Company has adopted IFRS effective January 1, 2011 with a transition date of January 1, 2010. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP.

The comparative information presented in these first condensed interim financial statements for the three months ended March 31, 2010, year ended December 31, 2010 and the opening financial position as at January 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1").

ii) Initial elections upon adoption

The Company adopted IFRS in accordance with IFRS 1 which requires the retrospective application of IFRS at the Transition Date with all adjustments to assets and liabilities taken to deficit, subject to mandatory exceptions and the application of optional exemptions. The IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS by the Company are explained as follows:

(a) Share-based payments – The Company elected under IFRS 1 to apply IFRS 2, *Share-Based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date

(b) Business combinations – The Company elected under IFRS 1 to not to apply IFRS 3, *Business Combinations* retrospectively to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

(c) Compound financial instruments – The Company has elected under IFRS 1 not to retrospectively apply IAS 32, *Financial Instruments – Presentation* to compound instruments settled before the Transition Date.

(d) Borrowing costs – The Company has elected to apply the transitional provisions of IAS 23, *Borrowing Costs* ("IAS 23") to qualifying assets that occurred since the date of transition to IFRS.

iii) Estimates

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used at the Transition Date are consistent with estimates made at the same date under Canadian GAAP.

iv) Reconciliation between Canadian GAAP and IFRS

In preparing the Company's IFRS Transition Date statement of financial position management noted that adjustments related to share-based compensation were necessary to be made by the Company previously in its financial statements prepared in accordance with previous Canadian GAAP.

Share-based compensation

In certain situations, stock options granted vest in instalments over a specified vesting period. When the only vesting condition is service from the grant date to the vesting date of each tranche awarded, then each instalment should be accounted for as a separate share-based payment arrangement under IFRS, otherwise known as graded vesting. Canadian GAAP permits an entity the accounting policy choice with respect to graded vesting awards. Each installment can be considered as a separate award, each with a different vesting period, consistent with IFRS, or the arrangement can be treated as a single award with a vesting period based on the average vesting period of the instalments depending on the policy elected.

The Company's policy under Canadian GAAP was to treat graded vesting awards under the latter method and, as a result, an adjustment of $25,289 was required on the application of IFRS 2 at the transition date and an adjustment of $(10,289) was required for the restated December 31, 2010, and ($7,137) for March 31, 2010.

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position		**January 1, 2010 Canadian GAAP**		**Effect of IFRS Transition**		**January 1, 2010 IFRS**
Total Assets	$	277,071	$	–	$	277,071
Total Liabilities	$	3,291,996	$	–	$	3,291,996
Shareholders' Deficiency						
Share capital		19,710,858		–		19,710,858
Contributed surplus		2,328,285		25,289		2,353,574
Equity portion of convertible debenture		41,190		–		41,190
Deficit		(25,095,258)		(25,289)		(25,120,547)
Total Shareholders' Deficiency		(3,014,925)		–		(3,014,925)
Total Liabilities and Shareholder's Deficiency	$	277,071	$	–	$	277,071

The March 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	March 31, 2010 Canadian GAAP	Effect of IFRS Transition	March 31, 2010 IFRS
Total Assets	$ 327,700	$ –	$ 327,700
Total Liabilities	$ 3,782,225	$ –	$ 3,782,225
Shareholders' Deficiency			
Share capital	19,710,858	–	19,710,858
Contributed surplus	2,339,968	18,152	2,358,120
Equity portion of convertible debenture	42,207	–	42,207
Deficit	(25,547,558)	(18,152)	(25,565,710)
Total Shareholders' Deficiency	(3,454,525)	–	(3,454,525)
Total Liabilities and Shareholder's Deficiency	$ 327,700	$ –	$ 327,700

The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	December 31, 2010 Canadian GAAP	Effect of IFRS Transition	December 31, 2010 IFRS
Total Assets	$ 265,752	$ –	$ 265,752
Total Liabilities	$ 5,144,585	$ –	$ 5,144,585
Shareholders' Deficiency			
Share capital	19,710,858	–	19,710,858
Contributed surplus	2,379,451	15,000	2,394,451
Equity portion of convertible debenture	147,897	–	147,897
Share proceeds received in advance	140,506	–	140,506
Deficit	(27,257,545)	(15,000)	(27,272,545)
Total Shareholders' Deficiency	(4,878,833)	–	(4,878,833)
Total Liabilities and Shareholder's Deficiency	$ 265,752	$ –	$ 265,752

The December 31, 2010 Canadian GAAP statement of operations and comprehensive loss has been reconciled to IFRS as follows

Statement of Operations and Comprehensive Loss	Year Ended Dec. 31, 2010 Canadian GAAP	Effect of IFRS Transition	Year Ended Dec. 31, 2010 IFRS
Revenue	$ 319,733	$ –	$ 319,733
Cost of sales	140,150	–	140,150
Stock-based compensation	$ 51,166	$ (10,289)	$ 40,877
Total expenses	2,404,249	$ (10,289)	$ 2,393,960
Total other income	(62,379)	–	(62,379)
Net loss and comprehensive loss	$ (2,162,287)	$ 10,289	$ (2,151,998)

The March 31, 2010 Canadian GAAP statement of operations and comprehensive loss has been reconciled to IFRS as follows

Statement of Operations and Comprehensive Loss		**3 months ended March 31, 2010 Canadian GAAP (Restated See Note 20)**		**Effect of IFRS Transition**		**3 months ended March 31, 2010 IFRS**
Revenue	**$**	10,790	**$**	–	**$**	10,790
Cost of sales		983		–		983
Stock-based compensation	$	11,683	$	(7,137)	$	4,546
Total expenses		507,129	$	(7,137)	$	499,992
Total other income		(45,022)		–		(45,022)
Net loss and comprehensive loss	$	(452,300)	$	7,137	$	(445,163)

There are no material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows