

EMPOWER TECHNOLOGIES CORPORATION

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Nine-month periods ended September 30, 2012 and 2011

Notice to Readers

Under National Instrument 51-102, Part 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company for the period ending September 30, 2012 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

EMPOWER TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2012, AND DECEMBER 31, 2011
(Expressed in Canadian Dollars)

(Unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Current		
Cash	\$ 13,843	\$ 22,199
Accounts receivable	75,819	18,194
Prepaid expenses	12,918	9,889
Loan receivable (Note 5)	194,885	61,045
	<u>297,465</u>	<u>111,327</u>
Deposit	7,551	7,287
Property and equipment (Note 6)	37,929	45,369
	<u>37,929</u>	<u>45,369</u>
Total assets	\$ 342,945	\$ 163,983
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	\$ 920,058	\$ 736,568
Current portion of obligations under finance lease (Note 12)	3,595	3,595
Convertible debentures and interest (Note 7)	419,017	158,464
Customer deposit	14,884	-
Loans payable (Note 8)	1,222,687	1,023,787
	<u>2,580,241</u>	<u>1,922,414</u>
Long term		
Loans payable (Note 8)	2,724,457	2,724,457
Obligations under finance lease (Note 12)	3,595	6,292
	<u>3,595</u>	<u>6,292</u>
Total liabilities	5,308,293	4,653,163
Shareholders' deficiency		
Capital stock (Note 9)		
Authorized: unlimited common shares without par value		
Issued and outstanding: 56,745,279 shares (2011 – 52,507,279)	22,394,297	21,970,497
Contributed surplus (Note 9)	2,640,001	2,589,491
Equity portion of convertible debenture issued	40,050	18,182
Deficit	(30,039,696)	(29,067,350)
	<u>(30,039,696)</u>	<u>(29,067,350)</u>
Total shareholders' deficiency	(4,965,348)	(4,489,180)
Total liabilities and shareholders' deficiency	\$ 342,945	\$ 163,983

Nature and continuance of operations (Note 2)

Commitments (Note 18)

Subsequent events (Note 19)

On behalf of the Board:

"Paul Leung" _____ Director "Edward Bagg" _____ Director

The accompanying notes are an integral part of these consolidated condensed financial statements.

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Nine Month Period Ended September 30, 2012	Nine Month Period Ended September 30, 2011	Three Month Period Ended September 30, 2012	Three Month Period Ended September 30, 2011
SALES	\$ 21,865	\$ 150,387	\$ -	\$ 12,000
COST OF SALES	10,152	51,112	-	401
	11,713	99,275	-	11,599
EXPENSES				
Accounting and audit	26,500	8,000	1,500	7,500
Advertising and promotion	14,617	47,362	7,796	18,236
Amortization of property and equipment	5,886	7,446	1,962	2,482
Amortization of assets under capital lease	1,554	1,941	518	647
Bad debt	-	48,499	-	-
Bank charges and interest	84,018	46,529	41,865	16,111
Consulting fees	150,500	184,653	48,000	54,100
Directors' fee	-	72,000	-	24,000
Finance fee	-	4,823	-	4,823
Foreign exchange (gain) loss	623	(498)	784	277
Insurance	17,449	18,669	4,577	6,205
Interest and accretion on debentures	67,002	167,283	18,931	40,158
Interest on long term debt	199,007	147,047	68,234	50,597
Legal fees	40,959	77,817	19,200	61,537
Office expenses	25,782	8,282	1,504	3,544
Rent	14,614	15,909	3,739	4,823
Research and development	80,802	149,703	18,018	42,812
Share-based payments (Note 10)	32,329	75,259	8,615	21,285
Telephone and utilities	11,518	15,822	5,811	4,207
Transfer agent and filing fees	25,609	71,608	3,757	15,232
Travel	30,185	27,773	14,715	11,721
Wages and benefits	94,221	122,120	46,756	29,243
	(923,175)	(1,318,047)	(316,282)	(419,540)
Loss before other items	(911,462)	(1,218,772)	(316,282)	(407,941)
OTHER ITEMS				
Interest and other income	68,052	213	30,002	200
Gain (Loss) on amendment of terms of convertible debenture	-	(234,566)	-	72,008
Loss on settlement of debt	(134,400)	-	-	-
Gain on the customer account settlement	5,464	15,300	-	11,098
	(60,884)	(219,053)	30,002	83,306
Loss and comprehensive loss for the period	\$ (972,346)	\$ (1,437,825)	\$ (286,280)	\$ (324,635)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.03)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	54,612,607	48,448,829	55,539,723	51,271,279

The accompanying notes are an integral part of these consolidated financial statements.

EMPOWER TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Capital Stock	Contributed Surplus	Equity Portion of Convertible Debenture	Share Proceeds Received in advance	Deficit	Total
Balance, December 31, 2010	42,968,504	\$ 19,710,858	\$ 2,394,451	\$ 147,897	\$ 140,506	\$ (27,272,545)	\$ (4,878,833)
Non-brokered private placement	565,150	141,287	-	-	392,894	-	534,181
Non-brokered private placement	3,300,000	660,000	-	-	(533,400)	-	126,600
Share proceeds received in advance	-	-	-	-	134,500	-	134,500
Conversion of debentures to shares	2,997,625	947,902	-	(59,219)	-	-	888,683
Director's debt for share	1,440,000	216,000	-	-	-	-	216,000
Services rendered by the Investor relation firm	-	-	35,000	-	-	-	35,000
Stock-based compensation	-	-	75,259	-	-	-	75,259
Loss for the period	-	-	-	-	-	(1,437,825)	(1,437,825)
Balance, September 30, 2011	51,271,279	\$ 21,676,047	\$ 2,504,710	\$ 88,678	\$ 134,500	\$ (28,710,370)	\$ (4,306,435)
Balance, December 31, 2011	52,507,279	21,970,497	2,589,491	18,182	-	(29,067,350)	(4,489,180)
Share proceeds received in advance	1,550,000	155,000	-	-	-	-	155,000
Issuance of convertible debenture	-	-	-	40,050	-	-	40,050
Modification of Conversion feature of debenture	-	-	18,182	-18,182	-	-	-
Settlement of directors debt for shares	2,688,000	268,800	-	-	-	-	268,800
Share-based payments	-	-	32,328	-	-	-	32,328
Loss for the period	-	-	-	-	-	(972,346)	(972,346)
Balance, September 30, 2012	56,745,279	\$ 23,394,297	\$ 2,640,001	\$ 40,050	\$ -	\$ (30,039,696)	\$ (4,965,348)

The accompanying notes are an integral part of these consolidated condensed financial statements.

EMPOWER TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Nine Month Period Ended September 30, 2012	Nine Month Period Ended September 30, 2011	Three Month Period Ended September 30, 2012	Three Month Period Ended September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (972,346)	\$ (1,437,825)	\$ (286,280)	\$ (324,635)
Items not affecting cash:				
Amortization of property and equipment	5,886	7,446	1,962	2,482
Amortization of property and equipment under capital lease	1,554	1,940	518	646
Share-based payment	32,329	75,259	8,615	21,285
Fair value of options granted for investor relations	-	35,000	-	15,000
Accretion and accrued interest on convertible debenture	30,603	134,908	18,931	40,159
Accrued interest on loans payable	216,215	187,787	75,893	65,311
Loss on settlement of debt	134,400	-	-	-
Loss (gain) on amendment of the terms for convertible debenture	-	234,566	-	(72,008)
Gain on the customer account settlement	5,464	(15,300)	-	(11,098)
Changes in non-cash working capital items:				
Decrease (Increase) in receivables	(57,625)	(9,970)	(25,348)	(14,662)
Decrease (increase) in inventory	-	50,681	-	-
Decrease (increase) in prepaid expenses and deposit	(3,293)	2,595	(493)	710
Increase (decrease) in accounts payable and accrued liabilities	(38,190)	(47,428)	95,466	26,500
Decrease in customer deposit	14,884	(45,467)	14,884	(5,367)
Net cash used in operating activities	<u>(630,119)</u>	<u>(825,808)</u>	<u>(95,852)</u>	<u>(255,677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Loan receivable	<u>(133,840)</u>	<u>-</u>	<u>(5,350)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of capital lease obligations	(2,697)	(2,697)	(899)	(899)
Repayment of loans payable	(2,000)	72,800	-	28,000
Proceeds from loans payable	200,900	(36,500)	60,000	-
Proceeds from share issuance	289,400	782	155,000	-
Proceeds from debenture payable	270,000	-	-	-
Share proceeds received in advance	<u>-</u>	<u>794,420</u>	<u>(155,000)</u>	<u>261,020</u>
Net cash provided by(used in) financing activities	<u>755,603</u>	<u>828,805</u>	<u>59,101</u>	<u>288,121</u>
Change in cash during the period	(8,356)	2,997	(42,101)	32,444
Cash, beginning of period	<u>22,199</u>	<u>32,201</u>	<u>55,944</u>	<u>2,754</u>
Cash, end of period	\$ 13,843	\$ 35,198	\$ 13,843	\$ 35,198

Supplemental disclosure with respect to cash flows (Note 15)

The accompanying notes are an integral part of these condensed consolidated financial statements.

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011
(Unaudited)

1. REPORTING ENTITY

Empower Technologies Corporation (the “Company”) is incorporated in Canada, is a public company listed on the TSX Venture Exchange (“TSX-V”) and trades under the symbol EPT. The corporate headquarters is located at 3751 Shell Road, Richmond, BC, V6X 2W2. The condensed consolidated interim financial statements of the Company comprise of the Company and its subsidiaries. The Company is a provider of Linux-based embedded system technologies and solutions for the consumer electronic industry and the intelligent appliance market.

2. NATURE AND CONTINUANCE OF OPERATIONS

Basis of preparation

We prepare our financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with our most recent annual financial statements.

Statement of compliance

The consolidated financial statements have been prepared using accounting policies in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. Previously the Company prepared its consolidated annual and interim financial statements in accordance with Canadian generally accepted accounting principles.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes 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 Company has incurred losses of \$30,039,696 since inception and further losses are anticipated in the development of its business plan. As at September 30, 2012, the Company has a working capital deficiency of \$2,282,776. These circumstances lead to significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company’s continuing operations as intended are dependent upon its ability to develop products and technologies that can be commercialized. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011
(Unaudited)

2. NATURE AND CONTINUANCE OF OPERATIONS (cont'd...)

Use of estimates and judgments

The preparation of these consolidated 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, depreciation rates for equipment, effective interest rate used in calculating the debt portion of convertible debenture, deferred income tax assets and liabilities, allowance for doubtful accounts, provisions including amounts for inventories and the determination of the assumptions used in calculating fair value of share-based payment calculations. Actual results could differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Empower Technologies, Inc. (incorporated in United States of America), and its wholly-owned subsidiaries, Empower Technologies (Canada) Inc. (incorporated in Canada) and Empower Technologies (Shanghai) Inc. (incorporated in the People's Republic of China). All intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

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. As at September 30, 2012 there is no balance for inventory and no balance for work in process.

Property and equipment

i) Recognition and measurement:

Items of property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in net profit (loss).

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(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Property and equipment (cont'd...)

ii) Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit (loss) as incurred.

iii) Depreciation:

Depreciation is calculated using the declining balance method at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%
Leasehold improvements	25%
Tools	20%

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting period-end and adjusted, if appropriate.

Intangible assets

Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria are usually met when a regulatory filing has been made in a major market and approval is considered highly probable. The expenditure capitalized includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are expensed as incurred. Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

As at September 30, 2012 and 2011 no development expenditures were capitalized.

Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

The Company has classified its cash as fair value through profit or loss, accounts receivable and loan receivable as loans and receivables. Accounts payable, amounts due to related parties, loans payable and debentures payable are classified as other financial liabilities, which are measured at amortized cost.

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment

i) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each consolidated financial statement reporting date to determine whether there is objective evidence that it is impaired if objective evidence indicates that one or more loss events had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net profit (loss) and reflected in an allowance account against the respective financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net profit (loss).

ii) Non-Financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or group of assets. Impairment losses recognized in prior periods are determined at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An asset's carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are assessed by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount on provisions is recognized in finance costs.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any deferred income tax asset to the extent that it is not probable the asset will be realized

EMPOWER TECHNOLOGIES CORPORATION
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NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

The Company records all share-based payments at their fair value. The share-based payments costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

Share-based payment arrangements in which the Company receives goods and services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Company.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the net loss or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held, if applicable. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, if applicable, for the effects of all dilutive potential common shares, which consist of the stock options granted to employees.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

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, the fee is fixed and determinable and collection is probable.

ii) Products

The Company generates revenue through the sale of electronic products. Revenue from the sale of goods are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Subsidiaries that have functional currencies other than Canadian dollars translate their statement of operations items to Canadian dollars at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in the Accumulated Other Comprehensive Income/ Loss.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2011, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

i) New accounting standards effective January 1, 2013

IAS 1 Presentation of Items of Other Comprehensive Income - In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether they may be recycled to profit or loss in future periods

IAS 19 Employee Future Benefits - In June 2011, the IASB issued an amendment to IAS 19, which changes the recognition, measurement and presentation of defined benefit pension expense and provides for additional disclosures for all employee benefits.

IFRS 10 Consolidated Financial Statements - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12 Consolidation - Special Purpose Entities* and parts of *IAS 27 Consolidated and Separate Financial Statements*.

IFRS 11 Joint Arrangements - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes *IAS 31 Interests in Joint Ventures* and *SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

EMPOWER TECHNOLOGIES CORPORATION
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(Unaudited)

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd...)

i) New accounting standards effective January 1, 2013 (cont'd...)

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for the Company beginning on January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

ii) New accounting standards effective January 1, 2015:

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2015 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

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5. LOAN RECEIVABLE

On November 9, 2011, the Company and Northstar Electronics, Inc. (Northstar) signed the Binding Letter of Intent and on February 14, 2012, the Company and Northstar signed the Share Purchase Agreement (Definitive Agreement) for Northstar to sell 100% ownership of its subsidiary "Northstar Network Ltd." in St. John's, Newfoundland to Empower. As a condition in both the Binding Letter of Intent and the Definitive Agreement, the Company will provide certain amount of cash loans subject to respective Loan Agreement to Northstar and to its subsidiary Northstar Network.

On March 30, 2012, Empower has commenced loaning Northstar Network Ltd. (NNL) funds to meet its production schedule and sales commitment to their customers. Under the Loan Agreement (NNL Loan Agreement) between Northstar, NNL and Empower and subject to certain conditions, Empower had agreed to provide bridge financing to NNL, the subsidiary of Northstar of up to \$550,000 (the "Bridge Loan") during the period before closing. As security for the repayment of the Bridge Loan, NNL has signed a general security agreement securing all of NNL's assets and a share pledge agreement whereby Northstar will pledge 100% of the outstanding NNL shares as collateral once Empower has advanced the full \$550,000.

On March 20, 2012, Northstar, NNL and the Company have agreed to change the amount required to advance to trigger the NNL shares into collateral from \$550,000 to \$50,000. Also as part of the changes, Northstar and NNL agreed to let Empower receive payments on NNL receivables/invoices directly from NNL customers. Also the total NNL loan amount cannot be greater than 80% of the total current receivables NNL has on hand. NNL also has to pay \$10,000 per month for the operation of the Bridge Loan starting in March 20, 2012. At the end of each month, Empower will deduct the total Northstar customer payments received in the month from the Bridge Loan outstanding. Any cash balance left after deducting the Bridge Loan and fees, Empower and NNL will split the proceeds in half as earning between each other.

During the year 2011, Empower had also advanced \$61,655 to Northstar the parent under a separate Loan Agreement (Northstar Electronics Loan Agreement) that is backed by a general security agreement on Northstar the parent. There will not be any further advance under this Loan Agreement except for the amount noted in this paragraph.

Loan Receivable is fully attributable to loans to Northstar Network and its parent Northstar Electronics under the two Loan Agreements stated above. For the nine months ended September 30, 2012 Loan Receivable were \$194,885, compared with \$61,045 for the year ended December 31, 2011.

On November 23, 2012, Empower terminated the Northstar Network Ltd. acquisition.

6. PROPERTY AND EQUIPMENT

Cost	Computer equipment	Furniture and equipment	Leasehold Improvement	Tools	Total
As at December 31, 2011	\$144,343	\$109,889	\$ 28,724	\$38,501	\$321,457
As at September 30, 2012	\$144,343	\$109,889	\$ 28,724	\$38,501	\$321,457
Accumulated Depreciation					
As at December 31, 2011	\$ 135,879	\$81,717	\$ 28,724	\$29,768	\$276,088
Depreciation	1,905	4,226	-	1,309	7,440
As at September 30, 2012	\$ 137,784	\$ 85,943	\$ 28,724	\$31,077	\$283,528
Carrying Amounts					
Balance, December 31, 2011	\$8,464	\$28,172	\$ -	\$8,733	\$45,369
Balance, September 30, 2012	\$6,559	\$23,946	\$ -	\$7,424	\$37,929

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7. CONVERTIBLE DEBENTURES

	September 30, 2012	December 31, 2011
On October 14, 2010, the Company closed a private placement of convertible debentures in the aggregate amount of \$318,528. The convertible debentures bearing interest at the rate of 12% per annum and are convertible into common shares of the Company at \$0.50 per share until December 31, 2011. An equity portion of \$35,194 was calculated which reflects the convertible feature attached to the debentures. In January 2011, a convertible debenture of \$263,528 was converted into common shares of the Company at a reduced conversion rate of \$0.20 per share. It was further extended to June 30, 2012.	55,000	57,089
In January 2011, the Company extended existing debenture agreement with a principle amount of \$50,000 maturing on January 31, 2011 to May 18, 2011 and further extended to June 30, 2012.	50,000	50,000
In January 2011, the Company extended existing debenture agreements with an aggregate principle amount of \$20,000 maturing on January 31, 2011 to December 31, 2011 and further extended to June 30, 2012.	20,000	20,000
On June 6, 2012, the company closed a private placement of convertible debentures in the aggregate amount of \$270,000. The convertible debentures bearing interest at the rate of 10% per annum payable quarterly and convertible into common shares of the Company at \$0.15 per share until December 7, 2013. An equity portion of \$40,050 was calculated which reflects the convertible feature attached to the debentures.	241,942	-
Interest accrued	52,075	31,375
	<u>\$ 419,017</u>	<u>\$ 158,464</u>

In January 2011, the Company reduced the conversion rate of convertible debenture in an aggregate amount of \$264,600 and \$263,528 with an original conversion rate of \$0.40 and \$0.50 per share to \$0.20 per share maturing on January 31, 2011 and December 31, 2011 respectively. The Company recorded an expense on amendment of terms of convertible debenture of \$312,776, which is the difference of the fair value of the consideration the holder receives under the revised terms and under the original terms.

In January 2011, the Company recorded a gain of \$4,689 on extending the maturity date of existing debentures from January 31, 2011 to May 31, 2011 and December 31, 2011, which is the difference of the fair value of the existing debentures and extended debentures on the date of extension.

In January 2012, the Company extended the maturity date of existing debentures from December 31, 2011 to June 30, 2012.

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8. LOANS PAYABLE

The loans payable are due to a director and officer of the Company, are unsecured, bear interest at the rate of 8.5% to 14% per annum, of which \$2,724,457 is due on October 31, 2013 and \$1,222,687 (\$297,687 and \$925,000) are due on demand.

The total interest accrued/paid on the loans for the nine month period ended September 30, 2012 was \$313,343 (2011 - \$285,017).

9. CAPITAL STOCK AND CONTRIBUTED SUPRLUS

During the nine month period ended September 30, 2012, the Company;

- issued 2,688,000 common shares for the settlement of \$134,400 debt to its directors.
- closed a non-brokered private placement issuing 1,550,000 Units at a price of \$0.10 per unit for gross proceeds of \$155,000. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each share purchase warrant is exercisable for a term of one year at a price equal to \$0.15.

During the nine month period ended September 30, 2011, the Company;

- closed a non-brokered private placement issuing 565,150 Units at a price of \$0.25 per unit for gross proceeds of \$141,288. Each unit is comprised of one common share and one common share purchase warrant. Each share purchase warrant is exercisable for a term of one year at a price equal to \$0.30.
- issued 2,997,625 common shares for convertible debenture and accrued interest of \$599,525 (See note 7).
- closed a non-brokered private placement issuing 3,300,000 Units at a price of \$0.20 per unit for gross proceeds of \$660,000. Each unit is comprised of one common share and one common share purchase warrant. Each share purchase warrant is exercisable for a term of two year at a price equal to \$0.25.
- Issued 1,440,000 shares at a price of \$0.15 per share for \$216,000 directors' debt.

10. STOCK OPTIONS

On September 19, 2003, the Company adopted a stock option plan under which it is authorized to grant options to directors and employees to acquire common shares, up to an amount equivalent to 20% of the outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant, less applicable discounts. The options can be granted for a maximum term of 5 years.

On June 28, 2005, the Company amended the vesting period of the options to officers and directors to 1/3 one year after the date of grant, 1/3 two years after the date of grant and 1/3 three years after the date of grant. The Company also amended the vesting period of the options to employees and consultants to 1/4 one year after the date of grant, 1/4 two years after the date of grant, 1/4 three years after the date of grant and 1/4 four years after the date of grant. Under the current option plan, the maximum aggregate number of shares that may be reserved for issuance is 6,000,000 common shares. On June 18, 2008 the shareholders amended and approved the share option plan to 7,800,000 common shares.

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10. STOCK OPTIONS (cont'd...)

As at September 30, 2012, the following incentive stock options are outstanding:

	Number of Shares	Exercise Price (\$)	Expiry Date
Stock options	1,995,000	0.10	August 23, 2015

Stock option transactions are summarized as follows:

	Nine-month Period Ended September 30, 2012		Year Ended December 31, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	2,486,662	\$ 0.12	3,217,500	\$ 1.48
Options granted	-	-	500,000	0.22
Options forfeited	(160,000)	0.10	(335,838)	0.24
Options expired or cancelled	(331,662)	0.19	(895,000)	1.54
Outstanding, end of period	1,995,000	\$ 0.10	2,486,662	\$ 0.12
Number of options exercisable, end of period	1,415,000	\$ 0.10	1,039,162	\$ 0.15

Share-based payments

During the year ended December 31, 2011, the Company granted 500,000 stock options to a non-employee which was valued using the Black-Scholes Option Pricing Model as the fair value of services received was not reliably measurable.

For the nine month period ended September 30, 2012 the company recorded \$32,329 (2011-\$75,259) for share based compensation.

The following weighted average assumptions were used in the Black-Scholes Option Pricing Model in determining the fair value of share-based payments issued for services during the year:

	2012	2011
Risk-free interest rate	-	1.79%
Expected life	-	1.67 years
Annualized volatility	-	140%
Dividend	-	-

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11. WARRANTS

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Nine-month Period Ended September 30, 2012		Year Ended December 31, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,833,150	\$ 0.25	3,642,787	\$ 0.29
Warrants granted	126,000	0.15	2,833,150	0.25
Warrants granted	775,000	0.15		
Warrants expired	(565,150)	0.30	(3,642,787)	0.29
Outstanding, end of period	3,169,000	\$ 0.21	2,833,150	\$ 0.25
Number of warrants currently exercisable	2,268,000	\$ 0.24	2,833,150	\$ 0.25

As at September 30, 2012, the following warrants are outstanding:

	Number of Warrants	Exercise Price (\$)	Expiry Date
Warrants	618,000	0.20	October 20, 2012
	1,650,000	0.25	April 13, 2013
	126,000	0.15	June 7, 2013
	775,000	0.15	August 28, 2013
Total outstanding Warrants	3,169,000		

12. OBLIGATIONS UNDER FINANCE LEASE

	September 30, 2012	December 31, 2011
Payments of \$300 per month, non-interest bearing, due over lease terms expiring through September 2014	\$ 7,190	\$ 9,887
Less: current portion	(3,595)	(3,595)
	\$ 3,595	\$ 6,292

Estimated remaining lease payments are as follows:

2012	\$ 898	\$ 3,595
2013	3,595	3,595
2014	2,697	2,697
Balance of obligation	\$ 7,190	\$ 9,887

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13. RELATED PARTY TRANSACTIONS

Key management includes directors, and officers of the Company. The Company entered into the following transactions with related parties:

- a) Recorded share-based payments of \$30,360 (nine month period ended September 30, 2011 - \$68,094) for services provided by directors and officers.
- b) Paid or accrued consulting fees of \$136,000 (nine month period ended September 30, 2011 - \$113,000) for services provided by officers and directors of the Company.
- c) Paid or accrued directors' fees of \$Nil (nine month period ended September 30, 2011 - \$72,000) for services provided by directors of the Company.
- d) Paid or accrued salaries and benefits of \$54,000 (nine month period ended September 30, 2011 - \$54,000) to an officer of the Company included in research and development costs.
- e) Paid or accrued salaries and benefits of \$8,000 (nine month period ended September 30, 2011 - \$31,000) to directors and officers of the Company. Included in current accounts payable is \$801,526 (nine month period ended September 30, 2011- 488,851) due to directors and officers of the Company.

At September 30, 2012, \$1,222,687 (December 31, 2011 - \$1,023,787) 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 \$2,724,457 (December 31, 2011 - \$2,724,457) of long term loans payable (Note 8) 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 \$313,343 (September 30, 2011 - \$285,017) for the nine month period ended September 30, 2012.

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.

14. SEGMENTED INFORMATION

The Company currently conducts substantially all of its operations in one business segment, being the development of Linux-based embedded systems technologies, in the following geographical areas:

	September 30, 2012	December 31, 2011
Property and equipment:		
Canada	\$ 37,929	\$ 45,369

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14. SEGMENTED INFORMATION (cont'd...)

	Nine month period ended September 30, 2012	Nine month period ended September 30, 2011
Revenue:		
Canada	\$ -	\$ 30,000
United States of America	-	104,673
Asia	<u>21,865</u>	<u>15,714</u>
	<u>\$ 21,865</u>	<u>\$ 150,387</u>

Revenues are attributed to geographic areas based upon the location of the customers.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Nine month period ended September 30, 2012	Nine month period ended September 30, 2011
Cash paid during the period for interest	\$ 100,480	\$ 43,168
Cash paid during the period for income taxes	\$ -	\$ -

During the nine month period ended September 30, 2012 the Company:

- a) issued 2,688,000 of common stock, the proceeds of \$134,400 for the debt to directors.
- b) issued convertible debentures in the aggregate amount of \$270,000.
- c) issued 1,550,000 of common stock with the proceeds of 1,550,000.

During the nine month period ended September 30, 2011 the Company:

- a) converted \$575,907 of its convertible debentures and accrued interest into shares in first quarter of 2011.
- b) issued \$141,287 of common stock, the proceeds of \$140,506 was received before December 31, 2010 – non-brokered private placement in first quarter of 2011.
- c) issued \$660,000 of common stock in second quarter of 2011 - non-brokered private placement.
- d) issued \$216,000 of common stock in second quarter of 2011 for directors' debt.

16. 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 financial position are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 13,843	\$ -	\$ -	\$ 13,843

The Company is exposed to the following risks from its use of financial instruments: credit risk, market risk and

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16. FINANCIAL INSTRUMENTS AND RISK (cont'd...)

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 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 September 30, 2012 are comprised of trade accounts receivable. Sufficient allowance for doubtful accounts is set up as at September 30, 2012.

(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 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 nine month period ended September 30, 2012 and at December 31, 2011, 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 September 30, 2012. 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 September 30, 2012, the Company had cash of \$13,843. Monthly operating expenses approximate \$103,000. The continuation of the Company depends upon the support of its lender and equity investors, which cannot be assured.

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17. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its assets while at the same time maintaining investor and market confidence and to sustain future development of the business. In the management of capital, the Company includes shareholder's equity, convertible debentures and loans payable in the definition of capital. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt with different characteristics or acquire and dispose of assets. There were no changes in the Company's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

18. COMMITMENTS

The Company has entered into an operating lease agreement for its premises. The annual basic lease commitments under this lease are as follows:

2012	7,618
2013	<u>26,663</u>
	<u>34,281</u>

19. SUBSEQUENT EVENTS

Subsequent to period ended September 30, 2012:

a) The Company announced that it, together with Northstar Electronics, Inc.(OTCPK: NEIK) ("Northstar"), has negotiated a settlement with Northstar Network Ltd.'s ("NNL") major creditor with respect to loans that will be outstanding at the closing of the Company's previously announced acquisition (the "Acquisition") of NNL. The settlement reduces NNL's maximum exposure to the creditor from approximately \$3,000,000 to \$1,500,000. Further, provided NNL and Northstar meet the required payment obligations and otherwise maintain the loan in good standing, NNL may fully satisfy approximately \$1,500,000 upon payment of approximately \$260,000 over a period of 48 months. The conditions include that NNL make the first payment of \$30,000 toward the \$260,000 prior to the closing of the Transaction and in any event, not later than December 14, 2012. Empower has provided no guarantees in connection with the settlement.

Empower and Northstar view the settlement as a significant and positive development for NNL moving forward. Upon satisfaction of the first \$30,000 payment, Northstar and NNL will receive the creditor's written consent to complete the Acquisition. The parties have accordingly agreed to extend the outside date for completion of the transaction to November 30, 2012 ("Outside Date").

b) The Company announced it terminated the Northstar Network Ltd. acquisition. Empower has also delivered notice to each of Northstar Electronics and NNL of their respective defaults under loan agreements with Empower. Empower has reserved the right under the loan agreements and the related general security agreements to, among other remedies available to Empower, take possession of the assets of NNL and Northstar Electronics following such default. Empower will issue a further announcement once it has determined how it will proceed.

c) The Company announced the creation of a new subsidiary "Empower Defense Systems Inc.", ("EDS"). Empower Defense Systems will serve as the platform for the company to continue its strategy to enter the extremely profitable defense contracting industry – a strategy that was first adopted when the Company announced the acquisition of Northstar Network Ltd. (the acquisition was subsequently terminated on November 23, 2012). It is Empower's plan to use the new subsidiary "Empower Defense Systems Inc." to assume and to operate any assets in the event that Empower does proceed with the GSA and is awarded the assets through the court. This will also fast track the establishment of the sales and operations of Empower Defense Systems Inc.