

EMPOWER TECHNOLOGIES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

**(Expressed in Canadian Dollars)
(Unaudited-Prepared by management)**

March 31, 2006

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by management)

	March 31, 2006	December 31, 2005
ASSETS		
Current		
Cash	\$ 2,520,680	\$ 3,440,124
Receivables	66,661	66,686
Promissory note (Note 4)	-	45,000
Inventory	794,985	803,343
Prepaid expenses	73,995	66,413
Total current assets	3,456,321	4,421,566
Property and equipment	199,414	192,355
Total assets	\$ 3,655,735	\$ 4,613,921
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 192,788	\$ 384,382
Current portion of obligations under capital lease (Note 3)	4,410	4,410
Total current liabilities	197,198	388,792
Obligations under capital lease (Note 3)	11,393	12,495
Total liabilities	208,591	401,287
Shareholders' equity		
Capital stock		
Authorized		
Unlimited common shares without par value		
Issued and outstanding 33,555,654 shares (December 31, 2005 – 33,330,654)	15,018,356	14,722,328
Contributed surplus	1,740,023	1,797,589
Deficit	(13,311,235)	(12,307,283)
Total shareholders' equity	3,447,144	4,212,634
Total liabilities and shareholders' equity	\$ 3,655,735	\$ 4,613,921

Basis of Presentation (Note 1)

Nature and continuance of operations (Note 2)

Subsequent Events (Note 8)

On behalf of the Board:

“Paul Leung”

Director

“Edward Bagg”

Director

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

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by management)

	Three Month Period Ended March 31, 2006	Three Month Period Ended March 31, 2005
SALES	\$ 14,009	\$ 32,673
COST OF SALES	<u>14,957</u>	<u>27,665</u>
	(948)	5,008
EXPENSES		
Accounting and audit	-	403
Advertising and promotion	116,647	43,244
Amortization of property and equipment	11,477	9,520
Amortization of assets under capital lease	992	992
Bank charges and interest	1,141	2,194
Consulting fees	63,702	52,370
Foreign exchange loss	983	34,457
Insurance	13,788	13,375
Research and development	367,698	301,309
Directors' fee	24,000	30,000
Legal fees	56,689	8,677
Office expenses	36,108	18,566
Rent	13,444	5,290
Stock-based compensation	71,289	111,574
Telephone and utilities	20,054	10,154
Transfer agent and filing fees	11,465	6,696
Travel	33,674	59,867
Wages and benefits	177,613	176,404
Interest on long term debt	-	19,586
	<u>(1,020,764)</u>	<u>(904,678)</u>
Loss before other items	(1,021,712)	(899,670)
OTHER ITEMS		
Interest and other income	<u>17,760</u>	<u>200</u>
Loss for the period	<u>\$ (1,003,952)</u>	<u>\$ (899,470)</u>
Basic and diluted loss per common share	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding	<u>33,513,942</u>	<u>29,251,633</u>

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

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Price	Amount	Contributed Surplus	Deficit	Total
Balance, December 31, 2003	21,163,949	-	2,995,375	1,288,445	(3,329,139)	954,681
Short form offering (net of issuance costs)	1,000,000	0.80	695,640	-	-	695,640
Agent's shares issued pursuant to the short form offering	49,000	-	-	-	-	-
Agent's warrants issued pursuant to the short form offering	-	-	-	48,250	-	48,250
Exercise of warrants	6,794,005	0.44	3,444,431	(473,179)	-	2,971,252
Exercise of options	1,666	0.35	583	-	-	583
Stock-based compensation	-	-	-	861,097	-	861,097
Loss for the year	-	-	-	-	(4,850,830)	(4,850,830)
Balance, December 31, 2004	29,008,620	-	7,136,029	1,724,613	(8,179,969)	680,673
Prospectus offering (net of issuance costs)	3,186,370	2.25	6,169,256	-	-	6,169,256
Agent's warrants issued pursuant to the prospectus offering	-	-	-	187,172	-	187,172
Agent's shares issued pursuant to the prospectus offering	91,130	2.25	205,043	-	-	205,043
Exercise of warrants	701,200	1.00	749,450	(48,250)	-	701,200
Exercise of options	343,334	0.77	462,550	(199,883)	-	262,667
Stock-based compensation	-	-	-	133,937	-	133,937
Loss for the year	-	-	-	-	(4,127,314)	(4,127,314)
Balance, December 31, 2005	33,330,654		14,722,328	1,797,589	(12,307,283)	4,212,634
Exercise of options	225,000	0.75	297,606	(128,855)	-	168,751
Stock-based compensation	-	-	-	71,289	-	71,289
Share issuance costs	-	-	(1,578)	-	-	(1,578)
Loss for the period	-	-	-	-	(1,003,952)	(1,003,952)
Balance, March 31, 2006	33,555,654		\$ 15,018,356	\$ 1,740,023	\$ (13,311,235)	\$ 3,447,144

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by management)

	Three Month Period Ended March 31, 2006	Three Month Period Ended March 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,003,952)	\$ (899,470)
Items not affecting cash:		
Amortization of property and equipment	11,477	9,520
Amortization of property and equipment under capital lease	992	992
Stock-based compensation	71,289	111,574
Changes in non-cash working capital items:		
Decrease in receivables	25	11,028
Decrease (Increase) in inventory	8,358	(114,292)
Decrease (Increase) in prepaid expenses	(7,582)	9,744
Decrease in accounts payable and accrued liabilities	(191,593)	(257,374)
Net cash used in operating activities	(1,110,986)	(1,128,278)
CASH FLOWS FROM INVESTING ACTIVITIES		
Promissory note	45,000	-
Purchase of property and equipment	(19,528)	(7,977)
Net cash provided by (used in) investing activities	25,472	(7,977)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(1,102)	(735)
Proceeds (repayment) of loan payable	-	(8,334)
Proceeds from issuance of common shares, net of issuance costs	167,172	701,783
Net cash provided by financing activities	166,070	692,714
Change in cash during the period	(919,444)	(443,541)
Cash, beginning of period	3,440,124	1,243,042
Cash, end of period	\$ 2,520,680	\$ 799,501

Supplemental disclosure with respect to cash flows (Note 7)

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

EMPOWER TECHNOLOGIES CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by management)

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation have been included. Operating results for the three month period ended March 31, 2006 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006.

The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended December 31, 2005. For further information, refer to the consolidated financial statements and footnotes thereto included for the year ended December 31, 2005.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the *Company Act* (British Columbia) on February 21, 2003. The Company is a provider of Linux-based embedded system technologies and solutions for the consumer electronics industry and the intelligent appliance market.

On September 19, 2003, the Company completed a share exchange with Empower Technologies, Inc. ("Empower US"). Sufficient common shares of the Company were issued so that a controlling interest of the Company passed to the former shareholders of Empower US. These consolidated financial statements are a continuation of the financial statements of the accounting acquirer, Empower US, and not the Company, the legal parent.

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

3. OBLIGATIONS UNDER CAPITAL LEASE

	March 31, 2006	December 31, 2005
Payments of \$367 per month, due over lease terms expiring through September 2009	\$ 15,803	\$ 16,905
Less: current portion	(4,410)	(4,410)
	<u>\$ 11,393</u>	<u>\$ 12,495</u>
Estimated remaining lease payments are as follows:		
2006	\$ 3,309	\$ 4,410
2007	4,410	4,410
2008	4,410	4,410
2009	3,674	3,675
	<u>\$ 15,803</u>	<u>\$ 16,905</u>

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4. PROMISSORY NOTE

On October 3rd, 2005, the Company loaned \$45,000 to an officer of the Company for home relocation to Vancouver. The principal amount of \$45,000 together with interest at the rate of 4.0% per annum, calculated before and after maturity, is to be repaid in full on or before January 31, 2006.

In February 2006, the officer re-paid the loan and the interest.

5. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued compensation and benefits of \$129,750 (three month period ended March 31, 2005 - \$94,050) for the services provided by the directors and officers of the Company.
- b) Paid or accrued directors' fees of \$24,000 (three month period ended March 31, 2005 - \$30,000) for services provided by directors of the Company.
- c) Recorded stock-based compensation of \$21,574 (three month period ended March 31, 2005 - \$111,574) for options granted officers of the company.

Included in research and development costs are wages and benefits of \$32,450 (three month period ended March 31, 2005 - \$27,000) paid to an officer of the Company.

Empower US previously entered into service and research and development agreements with various companies related by virtue of a common director. The agreements will remain in effect until terminated by both parties.

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties. In general, the Company conducts these transactions on terms similar to those that would be encountered were the transactions conducted with arm's length parties.

6. 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:

	March 31, 2006	December 31, 2005
Property and equipment:		
Canada	\$ 179,994	\$ 171,776
People's Republic of China	19,420	20,579
	\$ 199,414	\$ 192,355

EMPOWER TECHNOLOGIES CORPORATION
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6. SEGMENTED INFORMATION (cont'd...)

	Three month period ended March 31, 2006	Three month period ended March 31, 2005
Revenue:		
Canada	\$ 14,009	\$ 7,757
United States of America	-	24,916
	\$ 14,009	\$ 32,673

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Three Month Period Ended March 31, 2006	Three Month Period Ended March 31, 2005
Cash paid during the period for long term debt interest	\$ -	\$ 19,586
Cash paid during the period for income taxes	-	-

8. SUBSEQUENT EVENTS

- a) The Company has granted the existing officers options for 300,000 shares at \$2.50 each for five years.
- b) The Company has appointed Dr. K.T. Ma as the new Chief Operating Officer and Senior Vice President of Business Development for its US subsidiary Empower Technologies, Inc., and granted options of 50,000 to be exercised at \$1.12 each in a five year period.
- c) The legal proceeding against the Company by Infinite Media has been settled.
- d) Mr. Suresh (Steve) Gupta is appointed as an additional director of the Company effective May 16, 2006.