

**EMPOWER TECHNOLOGIES CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

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

**September 30, 2006**

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

	September 30, 2006	December 31, 2005
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 492,199	\$ 3,440,124
Receivables	71,186	66,686
Promissory note	-	45,000
Inventory	768,716	803,343
Prepaid expenses	112,231	66,413
<b>Total current assets</b>	<b>1,444,332</b>	<b>4,421,566</b>
<b>Property and equipment</b>	<b>184,487</b>	<b>192,355</b>
<b>Total assets</b>	<b>\$ 1,628,819</b>	<b>\$ 4,613,921</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 33,397	\$ 384,382
Current portion of obligations under capital lease (Note 3)	4,410	4,410
Customer deposit	22,253	0
<b>Total current liabilities</b>	<b>60,060</b>	<b>388,792</b>
<b>Obligations under capital lease (Note 3)</b>	<b>9,188</b>	<b>12,495</b>
<b>Total liabilities</b>	<b>69,248</b>	<b>401,287</b>
<b>Shareholders' equity</b>		
Capital stock		
Authorized		
Unlimited common shares without par value		
Issued and outstanding 33,755,654 shares (December 31, 2005		
– 33,330,654)	15,150,913	14,722,328
Contributed surplus	1,833,159	1,797,589
Deficit	(15,424,501)	(12,307,283)
<b>Total shareholders' equity</b>	<b>1,559,571</b>	<b>4,212,634</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,628,819</b>	<b>\$ 4,613,921</b>

**Basis of Presentation** (Note 1)

**Nature and continuance of operations** (Note 2)

**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)

	Nine Month Period Ended September 30, 2006	Nine Month Period Ended September 30, 2005	Three Month Period Ended September 30, 2006	Three Month Period Ended September 30, 2005
<b>REVENUE</b>				
Sales	\$ 39,857	\$ 63,595	\$ 19,971	\$ 30,454
Research and development	16,820	-	-	-
	56,677	63,595	19,971	30,454
<b>COST OF SALES</b>				
	34,196	55,041	11,140	26,413
	22,481	8,554	8,831	4,041
<b>EXPENSES</b>				
Accounting and audit	29,202	21,996	9,485	7,226
Advertising and promotion	304,117	218,354	76,963	116,745
Amortization of property and equipment	34,312	29,659	11,310	9,635
Amortization of assets under capital lease	2,978	2,977	993	992
Bank charges and interest	3,299	7,088	1,082	2,209
Consulting fees	408,673	155,313	137,463	51,943
Foreign exchange (gain) loss	6,555	27,637	6,460	(3,845)
Insurance	35,920	39,855	10,857	13,675
Research and development	1,091,391	974,743	353,667	346,378
Interest on long term debt	-	52,177	-	13,637
Directors' fees	81,000	84,000	30,000	24,000
Legal fees	159,268	109,165	54,786	54,393
Office expenses	72,343	59,567	19,312	19,429
Rent	39,726	16,190	13,141	5,450
Stock-based compensation	228,385	143,705	58,275	-
Telephone and utilities	61,738	37,837	17,487	12,909
Transfer agent and filing fees	24,269	31,648	3,976	7,592
Travel	132,123	146,847	42,782	51,095
Wages and benefits	460,918	696,879	123,997	370,531
	(3,176,217)	(2,855,637)	(972,036)	(1,103,994)
<b>Loss before other items</b>	(3,153,736)	(2,847,083)	(963,205)	(1,099,953)
<b>OTHER ITEMS</b>				
Interest and other income	36,518	27,653	8,302	27,194
<b>Loss for the period</b>	\$ (3,117,218)	\$ (2,819,430)	\$ (954,903)	\$ (1,072,759)
<b>Basic and diluted loss per common share</b>	\$ (0.09)	\$ (0.09)	\$ (0.03)	\$ (0.03)
<b>Weighted average number of common shares outstanding</b>	33,582,983	30,806,428	33,624,695	33,160,545

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

**EMPOWER TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by management)

	Number of Shares	Price	Amount	Contributed Surplus	Deficit	Total
<b>Balance, December 31, 2004</b>	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)
<b>Balance, December 31, 2005</b>	33,330,654		14,722,328	1,797,589	(12,307,283)	4,212,634
Exercise of options	425,000	0.56	431,566	(192,815)	-	238,751
Stock-based compensation	-	-	-	228,385	-	228,385
Share issuance costs	-	-	(2,981)	-	-	(2,981)
Loss for the period	-	-	-	-	(3,117,218)	(3,117,218)
<b>Balance, September 30, 2006</b>	33,755,654		\$ 15,150,913	\$ 1,833,159	\$ (15,424,501)	\$ 1,559,571

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

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

	Nine Month Period Ended September 30, 2006	Nine Month Period Ended September 30, 2005	Three Month Period Ended September 30, 2006	Three Month Period Ended September 30, 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (3,117,218)	\$ (2,819,430)	\$ (954,903)	\$ (1,072,759)
Items not affecting cash:				
Amortization of property and equipment	34,312	29,659	11,310	9,635
Amortization of property and equipment under capital lease	2,978	2,977	993	992
Stock-based compensation	228,385	143,705	58,275	-
Changes in non-cash working capital items:				
Increase in receivables	(4,500)	(15,061)	(4,215)	(14,666)
Decrease (Increase) in inventory	34,627	(454,716)	10,042	(125,810)
Increase in prepaid expenses	(45,818)	(42,778)	(32,207)	(5,906)
Increase (Decrease) in accounts payable and accrued liabilities	(350,985)	(182,543)	(234,143)	118,406
Increase (Decrease) in customer deposit	22,253	-	22,253	-
Net cash used in operating activities	(3,195,966)	(3,338,187)	(1,122,595)	(1,090,108)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Promissory note	45,000	-	-	-
Purchase of property and equipment	(29,422)	(27,811)	(6,696)	(9,473)
Net cash provided by (used in) investing activities	15,578	(27,811)	(6,696)	(9,473)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of capital lease obligations	(3,307)	(2,940)	(1,102)	(1,103)
Repayment of loan payable	-	(25,002)	-	(8,334)
Repayment of advances from related party	-	(804,928)	-	(680,648)
Proceeds from issuance of common shares, net of issuance costs	235,770	7,457,106	70,000	157,072
Net cash provided by (used in) financing activities	232,463	6,624,236	68,898	(533,013)
<b>Change in cash during the period</b>	(2,947,925)	3,258,238	(1,060,393)	(1,632,594)
<b>Cash, beginning of period</b>	3,440,124	1,243,042	1,552,592	6,133,874
<b>Cash, end of period</b>	\$ 492,199	\$ 4,501,280	\$ 492,199	\$ 4,501,280

**Supplemental disclosure with respect to cash flows (Note 6)**

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)  
September 30, 2006

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**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 nine month period ended September 30, 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**

	September 30, 2006	December 31, 2005
Payments of \$367 per month, due over lease terms expiring through September 2009	\$ 13,597	\$ 16,905
Less: current portion	(4,410)	(4,410)
	<u>\$ 9,187</u>	<u>\$ 12,495</u>
Estimated remaining lease payments are as follows:		
2006	\$ 1,103	\$ 4,410
2007	4,410	4,410
2008	4,410	4,410
2009	3,674	3,675
	<u>\$ 13,597</u>	<u>\$ 16,905</u>

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**4. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued compensation and benefits of \$453,000 (nine month period ended September 30, 2005 - \$267,471) for the services provided by the directors and officers of the Company.
- b) Paid or accrued directors' fees of \$81,000 (nine month period ended September 30, 2005 - \$84,000) for services provided by directors of the Company.
- c) Recorded stock-based compensation of \$122,564 (nine month period ended September 30, 2005 - \$27,037) for options granted to officers of the company.

Included in research and development costs are compensations and benefits of \$147,422 (nine month period ended September 30, 2005 - \$81,000) paid to an officer of the Company.

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.

**5. 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, 2006	December 31, 2005
Property and equipment:		
Canada	\$ 168,228	\$ 171,776
People's Republic of China	16,259	20,579
	\$ 184,487	\$ 192,355

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**5. SEGMENTED INFORMATION (cont'd...)**

	Nine month period ended September 30, 2006	Nine month period ended September 30, 2005	Three month period ended September 30, 2006	Three month period ended September 30, 2005
Revenue:				
Canada	\$ 21,290	\$ 35,296	\$ 4,656	\$ 26,448
United States of America	35,387	28,299	15,315	4,006
	<u>\$ 56,677</u>	<u>\$ 63,595</u>	<u>\$ 19,971</u>	<u>\$ 30,454</u>

**6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	Nine Month Period Ended September 30, 2006	Nine Month Period Ended September 30, 2005
Cash paid during the period for long term debt interest	\$ -	\$ 52,177
Cash paid during the period for income taxes	-	-

There were no material non-cash financing or investing activities during the periods presented.