EMPOWER TECHNOLOGIES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited-Prepared by Management)

March 31, 2007

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

		March 31, 2007		December 31, 2006
ASSETS				
Current				
Cash	$	975,369	$	95,530
Receivables		57,740		46,686
Inventory (Note 3)		656,384		662,973
Prepaid expenses		41,516		64,727
Total current assets		1,731,009		869,916
Property and equipment		147,662		154,738
Total assets	$	1,878,671	$	1,024,654
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	225,756	$	235,284
Loan Payable		-		95,000
Current portion of obligations under capital lease (Note 4)		4,410		4,410
Customer deposit		59,366		-
Total Current Liabilities		289,532		334,694
Obligations under capital lease (Note 4)		6,983		8,085
Total Liabilities		296,515		342,779
Shareholders' equity				
Capital stock				
Authorized, Unlimited common shares without par value				
Issued and outstanding 36,545,654 shares (December 31, 2006 – 34,055,654)		17,212,723		15,354,833
Contributed surplus		1,705,771		1,788,199
Deficit		(17,336,338)		(16,461,157)
Total shareholders' equity		1,582,156		681,875
Total liabilities and shareholders' equity	$	1,878,671	$	1,024,654

Basis of Presentation (Note 1)
Nature and continuance of operations (Note 2)

On behalf of the Board:

"Paul Leung" Director "Steve Gupta" 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, 2007		Three Month Period Ended March 31, 2006
SALES	$	16,936	$	14,009
COST OF SALES		10,386		14,957
		6,550		(948)
EXPENSES				
Accounting and audit		5,960		-
Advertising and promotion		61,778		116,647
Amortization of property and equipment		6,118		11,477
Amortization of assets under capital lease		3,175		992
Bank charges and interest		2,613		1,141
Consulting fees		153,000		63,702
Foreign exchange loss		3,007		983
Insurance		10,464		13,788
Research and development		290,546		367,698
Directors' fee		30,000		24,000
Legal fees		31,214		56,689
Office expenses		11,674		36,108
Rent		12,462		13,444
Stock-based compensation		92,397		71,289
Telephone and utilities		14,841		20,054
Transfer agent and filing fees		18,088		11,465
Travel		40,883		33,674
Wages and benefits		95,021		177,613
		(883,241)		(1,020,764)
Loss before other items		(876,691)		(1,021,712)
OTHER ITEMS				
Interest and other income		1,510		17,760
Loss for the period	$	(875,181)	$	(1,003,952)
Basic and diluted loss per common share	$	(0.02)	$	(0.03)
Weighted average number of common shares outstanding		35,121,073		33,513,942

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

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	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	725,000	0.47	632,505	(288,755)	-	343,750
Stock-based compensation	-	-	-	279,365	-	279,365
Loss for the year	-	-	-	-	(4,153,874)	(4,153,874)
Balance, December 31, 2006	34,055,654		15,354,833	1,788,199	(16,461,157)	681,875
Private placement (net of issuance costs) (Note 5)	1,700,000	0.90	1,308,030	-	-	1,308,030
Agent's options issued pursuant to the Private placement (Note 5)	-	-	-	49,035	-	49,035
Exercise of the agent's over-allotment options (Note 5)	90,000	0.90	81,000	-	-	81,000
Exercise of options	700,000	0.35	468,860	(223,860)	-	245,000
Stock-based compensation	-	-	-	92,397	-	92,397
Loss for the period	-	-	-	-	(875,181)	(875,181)
Balance, March 31, 2007	36,545,654		$ 17,212,723	$ 1,705,771	$ (17,336,338)	$ 1,582,156

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)

	Three Month Period Ended March 31, 2007	Three Month Period Ended March 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (875,181)	$ (1,003,952)
Items not affecting cash:		
Amortization of property and equipment	6,118	11,477
Amortization of property and equipment under capital lease	3,175	992
Stock-based compensation	92,397	71,289
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(11,054)	25
Decrease in inventory	6,589	8,358
Decrease (increase) in prepaid expenses	23,211	(7,582)
Decrease in accounts payable and accrued liabilities	(9,528)	(191,593)
Increase in customer deposit	59,366	-
Net cash used in operating activities	(704,907)	(1,110,986)
CASH FLOWS FROM INVESTING ACTIVITIES		
Promissory note	-	45,000
Purchase of property and equipment	(2,217)	(19,528)
Net cash provided by (used in) investing activities	(2,217)	25,472
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(1,102)	(1,102)
Repayment of loan payable	(95,000)	-
Proceeds from issuance of common shares, net of issuance costs	1,683,065	167,172
Net cash provided by financing activities	1,586,963	166,070
Change in cash during the period	879,839	(919,444)
Cash, beginning of period	95,530	3,440,124
Cash, end of period	$ 975,369	$ 2,520,680

Supplemental disclosure with respect to cash flows (Note 8)

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

(Expressed in Canadian Dollars)

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, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007.

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, 2006. For further information, refer to the consolidated financial statements and footnotes thereto included for the year ended December 31, 2006.

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. INVENTORY

The Company has changed its accounting policy with regards to inventory valuation method from the first in first out method to the weighted average method beginning January 1, 2007.

The reasons for applying the weighted average method are 1) cost-saving effect and 2) simplicity in calculating the cost of items used in projects.

The effect of the change of method in inventory valuation had a minor impact on inventory and no impact on cost of goods sold. The net effects are shown as follows:

	2006	**2005**	**2004**
Inventory- FIFO	$662,973	$803,343	$398,616
Inventory- Weighted Average	663,498	803,924	398,638
Net increase(decrease) in inventory	($60)	$562	$21
Net increase(decrease) in research and development expense	$60	($562)	($21)

This change of method has no effect on financial statements before 2004.

(Expressed in Canadian Dollars)

4. OBLIGATIONS UNDER CAPITAL LEASE

	March 31, 2007	December 31, 2006
Payments of $367 per month, due over lease terms expiring through September 2009	$ 11,393	$ 12,495
Less: current portion	(4,410)	(4,410)
	$ 6,983	$ 8,085
Estimated remaining lease payments are as follows:		
2007	$ 3,309	$ 4,410
2008	4,410	4,410
2009	3,674	3,675
	$ 11,393	$ 12,495

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

During the three month period ended March 31, 2007, the Company completed a brokered private placement with Union Securities Ltd. (“the Agent”). The private placement was for 1,700,000 Units (the “Offering”) at a price of $0.90 per Unit for total proceeds of $1,530,000. Each Unit consists of one common share and one-half common share purchase warrant. Each whole warrant has an exercise price of $1.25 with an expiry date of February 20, 2008. The Company granted the Agent an Over-Allotment Option (“Over-Allotment Option”) exercisable to February 27, 2007 to purchase 170,000 Units on the same terms as the Units in the offering. 90,000 of the Over-Allotment Options were exercised by the Agent immediately and the balance expired. The Agent’s compensation includes a commission of 8% of the gross subscription amount and the Over-Allotment Option. In addition, the Agent received 179,000 compensation options (the “Agent’s Compensation Options” valued at $49,035) equal to 10% of all Units sold pursuant to the Offering and the Over-Allotment Option. Each Agent’s Compensation Option entitles the Agent to purchase one Unit of the Company at $0.90 per Unit at any time prior to February 20, 2008.

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued directors’ fees of $30,000 (three month period ended March 31, 2006 - $24,000) for services provided by directors and officers of the Company,

b) Recorded stock-based compensation of $66,324 (three month period ended March 31, 2006 - $21,574) for services provided by directors and officers of the Company.

c) Paid or accrued consulting fees of $147,000 (three month period ended March 31, 2006- $63,702) for services provided by directors and officers of the Company.

Included in research and development costs are wages and benefits of $30,000 (three month period ended March 31, 2006 - $32,450) paid to an officer of the Company.

Included in current accounts payable is $132,480 (three month period ended March 31, 2006 - $161) due to directors and officers of the Company.

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (cont'd…)

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.

7. 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, 2007		December 31, 2006
Property and equipment:				
Canada	$	147,662	$	154,738

		Three month period ended March 31, 2007		Three month period ended March 31, 2006
Revenue:				
Canada	$	6,925	$	14,009
United States of America		10,011		-
	$	16,936	$	14,009

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		Three month period ended March 31, 2007		Three month period ended March 31, 2006
Cash paid during the period for interest	$	2,251	$	-
Cash paid during the period for income taxes		-		-

During the three month period ended March 31, 2007, the Company granted 179,000 compensation options (valued at $49,035) as agent service fees pursuant to a brokered private placement.

During the three month period ended March 31, 2006, there were no significant non-cash transactions.