

EMPOWER TECHNOLOGIES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2007

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

	September 30, 2007	December 31, 2006
ASSETS		
Current		
Cash	\$ 98,987	\$ 95,530
Receivables	31,932	46,686
Inventory (Note 3)	550,155	662,973
Prepaid expenses	74,712	64,727
Total current assets	755,786	869,916
Property and equipment	129,036	154,738
Total assets	\$ 884,822	\$ 1,024,654
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 284,877	\$ 235,284
Short-term loan (Note 6)	442,000	95,000
Current portion of obligations under capital lease (Note 4)	4,410	4,410
Customer deposit	1,534	-
Total current liabilities	732,821	334,694
Obligations under capital lease (Note 4)	4,778	8,085
Total liabilities	737,599	342,779
Shareholders' equity		
Capital stock		
Authorized		
Unlimited common shares without par value		
Issued and outstanding 36,945,654 shares (December 31, 2006 – 34,055,654)	17,480,643	15,354,833
Contributed surplus	1,674,602	1,788,199
Deficit	(19,008,022)	(16,461,157)
Total shareholders' equity	147,223	681,875
Total liabilities and shareholders' equity	\$ 884,822	\$ 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)

	Nine Month Period Ended September 30, 2007	Nine Month Period Ended September 30, 2006	Three Month Period Ended September 30, 2007	Three Month Period Ended September 30, 2006
REVENUE				
Sales	\$ 149,204	\$ 39,857	\$ 17,834	\$ 19,971
Research and development	-	16,820	-	-
	149,204	56,677	17,834	19,971
COST OF SALES				
	167,538	34,196	8,553	11,140
	(18,334)	22,481	9,281	8,831
EXPENSES				
Accounting and audit	41,562	29,202	5,850	9,485
Advertising and promotion	196,139	304,117	24,351	76,963
Amortization of property and equipment	22,758	34,312	8,320	11,310
Amortization of assets under capital lease	5,161	2,978	993	993
Bank charges and interest	7,912	3,299	3,492	1,082
Consulting fees	494,293	408,673	163,745	137,463
Foreign exchange (gain) loss	125	6,555	(1,879)	6,460
Insurance	31,322	35,920	10,394	10,857
Research and development	853,901	1,091,391	270,810	353,667
Directors' fees	90,000	81,000	30,000	30,000
Legal fees	112,906	159,268	22,698	54,786
Office expenses	33,112	72,343	7,900	19,312
Rent	42,081	39,726	13,180	13,141
Stock-based compensation	189,148	228,385	80,230	58,275
Telephone and utilities	44,028	61,738	15,742	17,487
Transfer agent and filing fees	30,330	24,269	3,323	3,976
Travel	96,442	132,123	31,481	42,782
Wages and benefits	245,639	460,918	74,994	123,997
	(2,536,859)	(3,176,217)	(765,624)	(972,036)
Loss before other items	(2,555,193)	(3,153,736)	(756,343)	(963,205)
OTHER ITEMS				
Interest and other income	8,328	36,518	205	8,302
Loss for the period	\$ (2,546,865)	\$ (3,117,218)	\$ (756,138)	\$ (954,903)
Basic and diluted loss per common share	\$ (0.07)	\$ (0.09)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding				
	36,278,621	33,582,983	36,945,654	33,624,695

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	1,100,000	0.35	736,780	(351,780)	-	385,000
Stock-based compensation	-	-	-	189,148	-	189,148
Loss for the period	-	-	-	-	(2,546,865)	(2,546,865)
Balance, September 30, 2007	36,945,654	\$	17,480,643	\$ 1,674,602	\$ (19,008,022)	\$ 147,223

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, 2007	Nine Month Period Ended September 30, 2006	Three Month Period Ended September 30, 2007	Three Month Period Ended September 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (2,546,865)	\$ (3,117,218)	\$ (756,138)	\$ (954,903)
Items not affecting cash:				
Amortization of property and equipment	22,758	34,312	8,320	11,310
Amortization of property and equipment under capital lease	5,161	2,978	993	993
Stock-based compensation	189,148	228,385	80,230	58,275
Changes in non-cash working capital items:				
Decrease (increase) in receivables	14,754	(4,500)	45,254	(4,215)
Decrease (increase) in inventory	112,818	34,627	(2,115)	10,042
(Increase) in prepaid expenses	(9,985)	(45,818)	(17,602)	(32,207)
Increase (decrease) in accounts payable and accrued liabilities	49,593	(350,985)	40,747	(234,143)
Increase (decrease) in customer deposit	1,534	22,253	(5,540)	22,253
Net cash used in operating activities	<u>(2,161,084)</u>	<u>(3,195,966)</u>	<u>(605,851)</u>	<u>(1,122,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Promissory note repaid	-	45,000	-	-
Purchase of property and equipment	<u>(2,217)</u>	<u>(29,422)</u>	<u>-</u>	<u>(6,696)</u>
Net cash provided by (used in) investing activities	<u>(2,217)</u>	<u>15,578</u>	<u>-</u>	<u>(6,696)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of capital lease obligations	(3,307)	(3,307)	(1,102)	(1,102)
Repayment of short-term loan	(95,000)	-	-	-
Receipt of short-term loan	442,000	-	442,000	-
Proceeds from issuance of common shares, net of issuance costs	<u>1,823,065</u>	<u>235,770</u>	<u>140,000</u>	<u>70,000</u>
Net cash provided by financing activities	<u>2,166,758</u>	<u>232,463</u>	<u>580,898</u>	<u>68,898</u>
Change in cash during the period	3,457	(2,947,925)	(24,953)	(1,060,393)
Cash, beginning of period	<u>95,530</u>	<u>3,440,124</u>	<u>123,940</u>	<u>1,552,592</u>
Cash, end of period	<u>\$ 98,987</u>	<u>\$ 492,199</u>	<u>\$ 98,987</u>	<u>\$ 492,199</u>

Supplemental disclosure with respect to cash flows (Note 8)

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, 2007

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, 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 in 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.

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4. OBLIGATIONS UNDER CAPITAL LEASE

	September 30, 2007	December 31, 2006
Payments of \$367 per month, due over lease terms expiring through September 2009	\$ 9,188	\$ 12,495
Less: current portion	(4,410)	(4,410)
	<u>\$ 4,778</u>	<u>\$ 8,085</u>
Estimated remaining lease payments are as follows:		
2007	\$ 1,103	\$ 4,410
2008	4,410	4,410
2009	3,675	3,675
	<u>\$ 9,188</u>	<u>\$ 12,495</u>

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

During the nine month period ended September 30, 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.

In February 2007, the TSX Venture Exchange approved the repricing of the Company’s 1,593,185 share purchase warrants from an exercise price of \$2.50 to \$1.25 per share. Those repriced warrants expired on June 20, 2007 without being exercised.

The Company also has 895,000 warrants outstanding from the brokered private placement described above. Each warrant entitles the holder to purchase one share of the Company at a price of \$1.25 at any time on or before February 20, 2008.

These warrants represent a source of new equity capital for the company in the event that market conditions lead to their being exercised.

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued directors’ fees of \$90,000 (nine month period ended September 30, 2006 - \$81,000) for services provided by directors and officers of the Company.
- b) Recorded stock-based compensation of \$137,715 (nine month period ended September 30, 2006 - \$122,564) for services provided by directors and officers of the Company.
- c) Paid or accrued consulting fees of \$446,026 (nine month period ended September 30, 2006- \$453,000) for services provided by directors and officers of the Company.

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6. RELATED PARTY TRANSACTIONS (cont'd...)

Included in research and development costs are wages and benefits of \$90,000 (nine month period ended September 30, 2006 - \$147,422) paid to an officer of the Company.

Included in current accounts payable is \$93,500 (nine month period ended September 30, 2006 - \$Nil) due to directors and officers of the Company.

At September 30, 2007, the short term loan is due to an officer of the Company. It bears interest at 8.5%, is unsecured and repayable on demand.

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:

	September 30, 2007		December 31, 2006	
Property and equipment:				
Canada	\$	129,036	\$	154,738
<hr/>				
	Nine month period ended September 30, 2007	Nine month period ended September 30, 2006	Three month period ended September 30, 2007	Three month period ended September 30, 2006
Revenue:				
Canada	\$ 135,485	\$ 21,290	\$ 17,714	\$ 4,656
United States of America	13,719	35,387	120	15,315
	\$ 149,204	\$ 56,677	\$ 17,834	\$ 19,971

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8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Nine month period ended September 30, 2007		Nine month period ended September 30, 2006	
Cash paid during the period for interest	\$	4,163	\$	-
Cash paid during the period for income taxes		-		-

During the nine month period ended September 30, 2007, the Company:

Granted 179,000 compensation options (valued at \$49,035) as agent service fees pursuant to a brokered private placement. Granted 30,000 compensation options (valued at \$4,313) to a service provider. Granted 350,000 compensation options (valued at \$230,829) to employees.

During the nine month period ended September 30, 2006, there were no significant non-cash transactions.

9. SUBSEQUENT EVENTS

Subsequent to September 30, 2007, the Company:

- Appointed a new Chief Financial Officer and granted him 100,000 options to acquire common shares, with an exercise price of \$0.85, expiring October 16, 2012.
- Announced an intent to proceed with a Short Form Offering (the “Offering”) to raise up to \$2,000,000. The Offering is not subject to any minimum and is to be of up to 2,666,667 units (the “Units”) at \$0.75 per Unit, with each Unit consisting of one share and one half warrant. Each whole warrant is exercisable into one common share for a period of two years at \$0.90 per share. The warrants will be non-transferable. The Agent is to receive 8% cash commission and Agent’s warrants equal to 15% of the Offering sold, with each Agent’s warrant exercisable into one common share for a period of two years at \$0.75 per share. The Agent is to also receive a corporate finance fee of 150,000 Units having the same terms as the Units offered and is to receive an administration fee of \$5,000. The Offering will be pursuant to a Short Form Offering Document which has been filed with and is subject to acceptance by TSX Venture Exchange.
- Announced a plan to reprice the 895,000 share purchase warrants (“the Warrants”) that currently have an exercise price of \$1.25 and expire on February 20th, 2008. The Company proposed to reduce the exercise price to \$0.90 per share. The TSX Venture Exchange requires that for the proposed repricing of the Warrants, the exercise period must be amended to be shortened to a period of 30 days if, for 10 consecutive trading days, the closing price of Empower's shares exceeds the revised exercise price by 20%, that price being \$1.08. The proposed repricing of the Warrants is subject to TSX Venture Exchange and warrant holders' approval.
- Received total proceeds of \$70,000 when an officer exercised 200,000 options to acquire common shares at \$0.35.
- Received loans from officers totaling \$140,000. The loans are unsecured and bear interest at 8.5%. \$40,000 is repayable upon demand and \$100,000 is repayable on January 31, 2009.