EMPOWER TECHNOLOGIES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

September 30, 2008

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)

		September 30, 2008		December 31, 2007
ASSETS				
Current				
Cash and cash equivalents	$	221,539	$	774,830
Accounts receivable		62,404		56,073
Inventory (Note 3)		41,355		133,754
Prepaid expenses		109,137		44,958
		434,435		1,009,615
Property and equipment		98,544		119,723
Total assets	$	532,979	$	1,129,338
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current				
Accounts payable and accrued liabilities	$	374,307	$	291,799
Loans payable		-		482,000
Current portion of obligations under capital lease (Note 4)		4,410		4,410
Customer deposit		-		1,957
		378,717		780,166
Due to related party (Note 6)		72,500		-
Loans payable (Note 6)		1,485,500		100,000
Obligations under capital lease (Note 4)		367		3,675
Total liabilities		1,937,084		883,841
Shareholders' equity (deficiency)				
Capital stock (Note 5)				
Authorized: unlimited common shares without par value				
Issued and outstanding: 39,768,254 shares (2007 – 39,176,954)		19,180,201		18,781,755
Contributed surplus		2,058,713		1,797,859
Deficit		(22,643,019)		(20,334,117)
Total shareholders' equity (deficiency)		(1,404,105)		245,497
Total liabilities and shareholders' equity (deficiency)	$	532,979	$	1,129,338

Nature and continuance of operations (Note 2)
Commitments (Note 11)
Subsequent Events (Note 12)

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
(Unaudited – Prepared by Management)

	Nine Month Period Ended September 30, 2008	Nine Month Period Ended September 30, 2007	Three Month Period Ended September 30, 2008	Three Month Period Ended September 30, 2007
REVENUE				
Sales	$ 120,517	$ 149,204	$ 89,818	$ 17,834
COST OF SALES				
Cost of material sold	39,422	167,538	25,319	8,553
Write-off of inventory	116,309	-	-	-
	155,731	167,538	25,319	8,553
	(35,214)	(18,334)	64,499	9,281
EXPENSES				
Accounting and audit	23,828	41,562	23,828	5,850
Advertising and promotion	57,138	196,139	11,990	24,351
Amortization of property and equipment	19,655	22,758	6,552	8,320
Amortization of assets under capital lease	1,524	5,161	508	993
Bank charges and interest	45,254	7,912	25,693	3,492
Consulting fees	254,883	494,293	78,855	163,745
Directors' fees	90,000	90,000	30,000	30,000
Foreign exchange (gain) loss	2,424	125	(355)	(1,879)
Insurance	30,277	31,322	10,401	10,394
Legal fees	61,924	112,906	8,477	22,698
Office expenses	35,981	33,112	14,685	7,900
Rent	41,209	42,081	13,498	13,180
Research and development	903,510	853,901	295,772	270,810
Stock-based compensation	245,795	189,148	78,748	80,230
Telephone and utilities	42,760	44,028	13,873	15,742
Transfer agent and filing fees	25,423	30,330	6,731	3,323
Travel	65,315	96,442	9,490	31,481
Wages and benefits	328,915	245,639	86,482	74,994
	(2,275,815)	(2,536,859)	(715,228)	(765,624)
Loss before other items	(2,311,029)	(2,555,193)	(650,729)	(756,343)
OTHER ITEMS				
Interest and other income	2,127	8,328	4	205
Loss for the period	$ (2,308,902)	$ (2,546,865)	$ (650,725)	$ (756,138)
Basic and diluted loss per common share	$ (0.06)	$ (0.07)	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding	39,739,539	36,278,621	39,768,254	36,945,654

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

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited – Prepared by Management)

	Number of Shares	Price	Capital Stock	Contributed Surplus	Deficit	Total
Balance, December 31, 2006	34,055,654		$ 15,354,833	$ 1,788,199	$ (16,461,157)	$ 681,875
Brokered private placement (net of issuance costs)	1,700,000	0.90	1,357,066	-	-	1,357,066
Agent's shares issued pursuant to the brokered private placement	90,000	0.90	81,000	-	-	81,000
Agent's compensation options pursuant to the brokered private placement	-	-	(49,035)	49,035	-	-
Short form offering (net of issuance costs)	1,881,300	0.75	1,263,097	-	-	1,263,097
Agent's warrants issued pursuant to the short form offering	-	-	(95,946)	95,946	-	-
Agent's shares issued pursuant to the short form offering	150,000	0.75	112,500	-	-	112,500
Issuance costs on agent's shares issued	-	-	(112,500)	-	-	(112,500)
Exercise of options	1,300,000	0.35	870,740	(415,741)	-	454,999
Stock-based compensation	-	-	-	280,420	-	280,420
Loss for the year	-	-	-	-	(3,872,960)	(3,872,960)
Balance, December 31, 2007	39,176,954		18,781,755	1,797,859	(20,334,117)	245,497
Short form offering (net of issuance costs)	561,300	0.75	386,505	-	-	386,505
Agent's warrants issued pursuant to the short form offering	-	-	(19,372)	19,372	-	-
Exercise of options	30,000	0.90	31,313	(4,313)	-	27,000
Stock-based compensation	-	-	-	245,795	-	245,795
Loss for the period	-	-	-	-	(2,308,902)	(2,308,902)
Balance, September 30, 2008	39,768,254		$ 19,180,201	$ 2,058,713	$ (22,643,019)	$ (1,404,105)

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

EMPOWER TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Nine Month Period Ended September 30, 2008	Nine Month Period Ended September 30, 2007	Three Month Period Ended September 30, 2008	Three Month Period Ended September 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (2,308,902)	$ (2,546,865)	$ (650,725)	$ (756,138)
Items not affecting cash:				
Amortization of property and equipment	19,655	22,758	6,552	8,320
Amortization of property and equipment under capital lease	1,524	5,161	508	993
Stock-based compensation	245,795	189,148	78,748	80,230
Write-off of obsolete inventories	116,309	-	-	-
Changes in non-cash working capital items:				
Decrease (increase) in receivables	(6,331)	14,754	(51,527)	45,254
Decrease (increase) in inventory	(23,910)	112,818	(1,324)	(2,115)
(Increase) in prepaid expenses	(64,179)	(9,985)	(28,266)	(17,602)
Increase in accounts payable and Accrued liabilities	82,508	49,593	138,608	40,747
Increase (decrease) in customer deposit	(1,957)	1,534	-	(5,540)
Net cash used in operating activities	(1,939,488)	(2,161,084)	(507,426)	(605,851)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	-	(2,217)	-	-
Net cash used in investing activities	-	(2,217)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of capital lease obligations	(3,308)	(3,307)	(1,103)	(1,102)
Proceeds from due to related party	72,500		10,000	
Proceeds from loan payable	1,385,500	442,000	600,500	442,000
Repayment of short term loan payable	(482,000)	(95,000)	-	-
Proceeds from issuance of common shares, net of issuance costs	413,505	1,823,065	1,208	140,000
Net cash provided by (used in) financing activities	1,386,197	2,166,758	610,605	580,898
Change in cash during the period	(553,291)	3,457	103,179	(24,953)
Cash, beginning of period	774,830	95,530	118,360	123,940
Cash, end of period	$ 221,539	$ 98,987	$ 221,539	$ 98,987

Supplemental disclosure with respect to cash flows (Note 8)

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

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 and nine month periods ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

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, 2007, except for the new accounting policies adopted effective January 1, 2008 discussed below. For further information, refer to the consolidated financial statements and footnotes thereto included for the year ended December 31, 2007.

New Accounting Policies:

Inventories: In June 2007, the CICA issued HB Section 3031, which is effective for financial years beginning on or after January 1, 2008, to prescribe the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This Section provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. Adoption of these new accounting provisions had no impact on the Company's financial position or results of operations.

Capital Disclosures: In December 2006, the CICA issued HB Section 1535 which establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007. This standard affects certain disclosures in the Company's financial statements, but has had no impact on the Company's financial position and results of operations.

Financial Instruments – Disclosures: In December 2006, the CICA issued HB Section 3862 which requires entities to provide disclosures in their financial statements that enable users to evaluate:
(a) the significance of financial instruments for the entity's financial position and performance; and
(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.
This standard is effective for fiscal years beginning on or after October 1, 2007. This standard had no impact on the Company's financial position or results of operations.

Financial Instruments – Presentation: In December 2006, the CICA issued HB Section 3863 which establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains and the circumstances in which financial assets and financial liabilities are offset. This standard is effective for fiscal years beginning on or after October 1, 2007. This standard affects the presentation of its financial instruments in the financial statements, but had no impact on the Company's financial position or results of operations.

General Standards of Financial Statement Presentation: In June 2007, the CICA amended HB Section 1400 governing the overall standards to be applied to financial statement presentation, including requirements to assess and disclose an entity's ability to continue as a going concern. The new provisions are effective for fiscal years beginning on or after January 1, 2008 and affect certain disclosures in Note 2 to our financial statements for the period ended September 30, 2008.

1. BASIS OF PRESENTATION (cont'd)…

Future Accounting Policies:

In February 2008, the CICA issued new handbook Section 3064 – "Goodwill and Intangible Assets" that supersedes Section 3062 – "Goodwill and Other Intangible Assets" and 3450 – "Research and Development Costs". This section provides additional guidance on when expenditures qualify for recognition as intangible assets and requires that costs can be deferred only when relating to an item meeting the definition of an asset. The new accounting standard is effective for interim or annual financial statements relating to fiscal years beginning on or after October 31, 2008. The Company, having no intangible assets, does not expect any impact on its consolidated financial statements from this accounting standard.

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian public enterprises will need to adopt International Financial Reporting Standards effective for years beginning on or after January 1, 2011. The Company has not yet completed its evaluation the impact this new framework will have on its consolidated financial statements.

2. NATURE AND CONTINUANCE OF OPERATIONS

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 controlling interest in 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 as a going concern rather than through a process of forced liquidation. There are material uncertainties concerning the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing, in the form of debt, exercise of outstanding warrants and proceeds from the issue of new common shares as well as to commence profitable operations in the future. There is no certainty in any of the above.

		September 30, 2008		December 31, 2007
Deficit	$	(22,643,019)	$	(20,334,117)
Working capital	$	55,718	$	229,449

3. INVENTORY

		September 30, 2008		December 31, 2007
Material inventories	$	39,757	$	132,156
Work in process		-		-
Finished goods		1,598		1,598
	$	41,355	$	133,754

During the nine month period ended September 30, 2008, the inventory was written down to its estimated net realizable value and the Consolidated Statement of Operations included a corresponding charge of $116,309 for the nine month period ended September 30, 2008 (nine month period ended September 30, 2007 - $nil). The written down inventory remains in stock.

During the period, the Company adopted the new accounting policy for inventory as described in Note 1. The new policy had no impact on inventory amounts or the results of operations.

4. OBLIGATIONS UNDER CAPITAL LEASE

		September 30, 2008		December 31, 2007
Payments of $367 per month, due over lease terms expiring through September 2009	$	4,777	$	8,085
Less: current portion		(4,410)		(4,410)
	$	367	$	3,675
Estimated remaining lease payments are as follows:				
2008	$	1,102	$	4,410
2009		3,675		3,675
	$	4,777	$	8,085

5. CAPITAL STOCK

During the nine month period ended September 30, 2008:

a) The Company completed a Short Form Offering ("SFO") as of January 7, 2008 by closing the second tranche. The first tranche closed in December, 2007. The SFO was for 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 an exercise price of $0.90 per share. The warrants are non-transferable. The second tranche of the SFO resulted in the sale of 561,300 Units for gross proceeds of $420,975. The Company issued 84,195 agent's warrants (valued at $19,372), exercisable at $0.75 per share until January 7, 2010. The Company also paid $33,678 in agent's commissions and reimbursed the agent for $2,000 in legal and administration fees. In this SFO, a total of 2,442,600 units were sold for gross proceeds of $1,831,950, before expenses of the SFO.

b) The Company issued 895,000 share purchase warrants pursuant to a brokered private placement in February 2007. In February, 2008 the Company extended the expiry dates of these 895,000 share purchase warrants from February 20 and 27, 2008 to November 30, 2008.

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, 2007 - $90,000) for services provided by directors of the Company.

b) Recorded stock-based compensation of $178,823 (nine month period ended September 30, 2007 - $137,715) for services provided by directors and officers of the Company.

c) Paid or accrued consulting fees and compensation of $282,733 (nine month period ended September 30, 2007- $446,026) for services provided by directors and officers of the Company.

d) Paid or accrued salaries and benefits of $90,000 (nine month period ended September 30, 2007 - $90,000) to an officer of the Company included in research and development costs.

e) Paid or accrued interest of $38,298 (nine month period ended September 30, 2007 - $3,475) to an officer of the company on loans advanced to the Company

Included in current accounts payable is $114,862 (nine month period ended September 30, 2007 - $93,500) due to directors and officers of the Company. $72,500 due to a related party represents consulting fees upon which payment has been deferred to October 30, 2009. There was no similar amount in 2007.

At September 30, 2008, the non-current loans payable are due to an officer of the Company. They bear interest at 8.5% per annum, are unsecured and repayable in October 15, 2009.

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, 2008	December 31, 2007
Property and equipment:		
Canada	$ 98,544	$ 119,723

	Nine month period ended September 30, 2008	Nine month period ended September 30, 2007	Three month period ended September 30, 2008	Three month period ended September 30, 2007
Revenue:				
Canada	$ 6,609	$ 646	$ 2,200	$ 425
United States of America	85,175	137,607	71,881	9,369
Asia	22,818	10,951	9,822	8,040
Europe	5,915	-	5,915	-
	$ 120,517	$ 149,204	$ 89,818	$ 17,834

7. SEGMENTED INFORMATION (cont'd)…

Revenues are attributed to geographic areas based upon the location of the customers. Sales to four customers each were in excess of 10% of revenue in the nine month period ended September 30, 2008. For the nine month period ended September 30, 2007, sales to one customer were also in excess of 10% of revenue.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Nine month period ended September 30, 2008	Nine month period ended September 30, 2007
Cash paid during the period for interest	$ 23,500	$ 4,163
Cash paid during the period for income taxes	$ -	$ -

During the nine month period ended September 30, 2008, the Company:
Granted 84,195 non-transferable warrants (valued at $19,372) as agent service fees pursuant to the short form offering.

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.

9. FINANCIAL RISK MANAGEMENT

The Company has an exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

(a) 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.

Provisions for doubtful accounts are made on a customer by customer basis. All write downs against receivables are recorded in the expenses on the Consolidated Statement of Operations. The Company is exposed to credit related losses on sales to customers outside of North America due to higher risks of enforceability and collectibility. Accounts receivable at September 30, 2008 are comprised of trade accounts receivable. There is no provision for doubtful accounts at September 30, 2008.

(b) 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.
(i) 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 period ended September 30, 2008 and at September 30, 2008, the Company held only minor amounts of cash deposits in foreign currencies.

9. FINANCIAL RISK MANAGEMENT (cont'd)…

(ii) 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's cash and cash equivalents include short term, highly liquid investments that earn interest at market rates. The Company does not have any debt instruments outstanding with variable interest rates at September 30, 2008. 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. The carrying value of long-term debt approximates its fair value.

(c) 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, 2008, the Company had cash of approximately $221,000. Monthly operating expenses approximate $227,000. The continuation of the Company depends upon the support of its lender and equity investors, which cannot be assured. The Company's debt is from a related party and approximates fair value.

10. CAPITAL RISK 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 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 period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

11. COMMITMENTS

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

2008	$	32,979
2009		131,918
2010		98,938

The Company has outstanding payments of US$139,950 to Navigon, Inc. for the balance of the term. The Company is in the process of negotiating the termination of Navigon Inc. contracts.

12. SUBSEQUENT EVENTS

- Subsequent to September 30, 2008, an officer loaned $67,000 to the Company. The loans bear interest at 8.5% per annum and are repayable on January 15, 2010.

- On November 10, 2008, the Company announced an unsecured non-brokered private placement of convertible debentures (the "Debentures") for a maximum aggregate principal amount of $500,000 (the "Offering"). The Debentures will bear interest at 10% per annum payable semi-annually and have a term of one year. The Debentures will be convertible by the holder thereof into common shares of the Company at a conversion price of $0.40 per share. Closing of the Offering remains subject to the acceptance of the TSX Venture Exchange.