

**EMPOWER TECHNOLOGIES CORPORATION**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Nine-month periods ended September 30, 2011 and 2010**

## **Notice to Readers**

Under National Instrument 51-102, Part 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company for the period ending September 30, 2011 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

**EMPOWER TECHNOLOGIES CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2011, DECEMBER 31, 2010, AND JANUARY 1, 2010**  
(Expressed in Canadian Dollars)

(Unaudited)

	September 30, 2011	December 31, 2010	January 1, 2010
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$ 35,198	\$ 32,201	\$ 59,455
Accounts receivable	26,693	16,723	20,147
Inventory (Note 5)	73,292	123,973	56,610
Prepaid expenses	14,997	36,321	59,378
	<u>150,180</u>	<u>209,218</u>	<u>195,590</u>
<b>Deposit</b>	18,729	-	-
<b>Property and equipment (Note 6)</b>	<u>47,148</u>	<u>56,534</u>	<u>81,481</u>
<b>Total assets</b>	<u>\$ 216,057</u>	<u>\$ 265,752</u>	<u>277,071</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 701,420	\$ 722,137	\$ 521,200
Current portion of obligations under finance lease (Note 12)	3,595	3,595	3,595
Debenture proceeds received in advance	-	-	162,128
Convertible debentures (Note 7)	1,013,030	1,639,042	416,811
Customer deposit	-	45,467	5,000
Loans payable (Note 8)	644,757	571,957	17,280
	<u>2,362,802</u>	<u>2,982,198</u>	<u>1,126,014</u>
Loans payable (Note 8)	2,152,500	2,152,500	2,152,500
Obligations under finance lease (Note 12)	<u>7,190</u>	<u>9,887</u>	<u>13,482</u>
<b>Total liabilities</b>	<u>4,522,492</u>	<u>5,144,585</u>	<u>3,291,996</u>
<b>Shareholders' deficiency</b>			
Capital stock (Note 9)			
Authorized: unlimited common shares without par value			
Issued and outstanding: 51,271,279 shares (2010 – 42,968,504)	21,676,047	19,710,858	19,710,858
Contributed surplus (Note 9)	2,504,710	2,394,451	2,353,574
Equity portion of convertible debenture issued	88,678	147,897	41,190
Share proceeds received in advance	134,500	140,506	-
Deficit	<u>(28,710,370)</u>	<u>(27,272,545)</u>	<u>(25,120,547)</u>
<b>Total shareholders' deficiency</b>	<u>(4,306,435)</u>	<u>(4,878,833)</u>	<u>(3,014,925)</u>
<b>Total liabilities and shareholders' deficiency</b>	<u>\$ 216,057</u>	<u>\$ 265,752</u>	<u>\$ 277,071</u>

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

**Commitments (Note 18)**

**Subsequent events (Note 19)**

**On behalf of the Board:**

"Paul Leung"

Director

"Edward Bagg"

Director

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

**EMPOWER TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

	Nine Month Period Ended September 30, 2011	Nine Month Period Ended September 30, 2010	Three Month Period Ended September 30, 2011	Three Month Period Ended September 30, 2010
<b>SALES</b>	\$ 150,387	\$ 443,473	\$ 12,000	\$ 186,155
<b>COST OF SALES</b>	51,112	184,721	401	105,464
	99,275	258,752	11,599	80,691
<b>EXPENSES</b>				
Accounting and audit	8,000	52,400	7,500	3,500
Advertising and promotion	47,362	9,018	18,236	5,924
Amortization of property and equipment	7,446	11,415	2,482	3,805
Amortization of assets under capital lease	1,941	2,427	647	809
Bad debt	48,499	-	-	-
Bank charges and interest	46,529	34,384	16,111	19,614
Consulting fees	184,653	67,000	54,100	15,000
Directors' fee	72,000	72,000	24,000	24,000
Finance fee	4,823	39,497	4,823	39,497
Foreign exchange gain	(498)	(2,448)	277	535
Insurance	18,669	35,908	6,205	12,108
Interest and accretion on debentures	167,283	95,904	40,158	33,005
Interest on long term debt	147,047	152,172	50,597	52,360
Legal fees	77,817	60,601	61,537	1,265
Office expenses	8,282	15,334	3,544	4,193
Rent	15,909	41,454	4,823	13,818
Research and development	149,703	374,311	42,812	68,380
Stock-based compensation	75,259	18,174	21,285	10,753
Telephone and utilities	15,822	31,423	4,207	7,577
Transfer agent and filing fees	71,608	16,785	15,232	(1,529)
Travel	27,773	27,813	11,721	10,889
Wages and benefits	122,120	272,744	29,243	95,779
	(1,318,047)	(1,428,316)	(419,540)	(421,282)
<b>Loss before other items</b>	(1,218,772)	(1,169,564)	(407,941)	(340,591)
<b>OTHER ITEMS</b>				
Interest and other income	213	6,900	200	1,300
Gain on extension of convertible debenture	-	40,022	-	-
Gain (Loss) on amendment of terms of convertible debenture	(234,566)	-	72,008	-
Gain on the customer account settlement	15,300	-	11,098	-
	(219,053)	46,922	83,306	1,300
<b>Loss and comprehensive loss for the period</b>	\$ (1,437,825)	\$ (1,122,642)	\$ (324,635)	\$ (339,291)
<b>Basic and diluted loss per common share</b>	\$ (0.03)	\$ (0.03)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	48,448,829	42,968,504	51,271,279	42,968,504

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

**EMPOWER TECHNOLOGIES CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Number of Shares	Capital Stock	Contributed Surplus	Equity Portion of Convertible Debenture	Share Proceeds Received in advance	Deficit	Total
<b>Balance, January 1, 2010</b>	42,968,504	\$ 19,710,858	\$ 2,353,574	\$ 41,190	-	\$ (25,120,547)	\$ (3,014,925)
Extension of convertible debentures	-	-	-	1,017	-	-	1,017
Issuance of convertible debentures	-	-	-	-	-	-	-
Share proceeds received in advance	-	-	-	-	-	-	-
Stock-based compensation	-	-	18,174	-	-	-	18,174
Loss for the period	-	-	-	-	-	(1,122,642)	(1,122,642)
<b>Balance, September 30, 2010</b>	42,968,504	19,710,858	2,371,748	42,207	-	(26,243,189)	(4,118,376)
<b>Balance, December 31, 2010</b>	42,968,504	19,710,858	2,394,451	147,897	140,506	(27,272,545)	(4,878,833)
Non-brokered private placement	565,150	141,287	-	-	392,894	-	534,181
Non-brokered private placement	3,300,000	660,000	-	-	(533,400)	-	126,600
Share proceeds received in advance	-	-	-	-	134,500	-	134,500
Conversion of debentures to shares	2,997,625	947,902	-	(59,219)	-	-	888,683
Director's debt for share	1,440,000	216,000	-	-	-	-	216,000
Services rendered by the Investor relation firm	-	-	35,000	-	-	-	35,000
Stock-based compensation	-	-	75,259	-	-	-	75,259
Loss for the period	-	-	-	-	-	(1,437,825)	(1,437,825)
<b>Balance, September 30, 2011</b>	51,271,279	\$ 21,676,047	\$ 2,504,710	\$ 88,678	134,500	\$ (28,710,370)	\$ (4,306,435)

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

**EMPOWER TECHNOLOGIES CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Nine Month Period Ended September 30, 2011	Nine Month Period Ended September 30, 2010	Three Month Period Ended September 30, 2011	Three Month Period Ended September 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (1,437,825)	\$ (1,122,642)	\$ (324,635)	\$ (339,291)
Items not affecting cash:				
Amortization of property and equipment	7,446	11,415	2,482	3,805
Amortization of property and equipment under capital lease	1,940	2,427	646	809
Stock-based compensation	75,259	18,174	21,285	10,753
Fair value of options granted for investor relations	35,000	-	15,000	-
Accretion and accrued interest on convertible debenture	134,908	76,957	40,159	14,058
Accrued interest on loans payable	187,787	180,320	65,311	70,269
Loss (gain) on amendment of the terms for convertible debenture	234,566	(40,022)	(72,008)	-
Gain on the customer account settlement	(15,300)	-	(11,098)	-
	(776,219)	(873,371)	(262,858)	(239,597)
Changes in non-cash working capital items:				
Decrease (Increase) in receivables	(9,970)	(375,773)	(14,662)	(183,038)
Decrease (increase) in inventory	50,681	(24,337)	-	-
Decrease (increase) in prepaid expenses and deposit	2,595	(65,128)	710	(11,997)
Increase (decrease) in accounts payable and accrued liabilities	(47,428)	(204,235)	26,500	(382,043)
Increase (decrease) in customer deposit	(45,467)	29,730	(5,367)	34,730
Net cash used in operating activities	(825,808)	(1,513,114)	(255,677)	(781,945)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of capital lease obligations	(2,697)	(2,696)	(899)	(898)
Repayment of loans payable	72,800	1,746,898	28,000	1,278,005
Proceeds from loans payable	(36,500)	(499,721)	-	(457,324)
Proceeds from share issuance	782	-	-	-
Proceeds from debenture payable	-	156,400	-	(18,006)
Repayment of debenture payable	-	(25,600)	-	(25,600)
Share proceeds received in advance	794,420	118,006	261,020	18,006
Net cash provided by(used in) financing activities	828,805	1,493,287	288,121	794,183
<b>Change in cash during the period</b>	2,997	(19,827)	32,444	12,238
<b>Cash, beginning of period</b>	32,201	59,455	2,754	27,390
<b>Cash, end of period</b>	\$ 35,198	\$ 39,628	\$ 35,198	\$ 39,628

**Supplemental disclosure with respect to cash flows (Note 15)**

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

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
**(Unaudited)**

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**1. REPORTING ENTITY**

Empower Technologies Corporation (the “Company”) is incorporated in Canada, is a public company listed on the TSX Venture Exchange (“TSX-V”) and trades under the symbol EPT. The corporate headquarters is located at 3751 Shell Road, Richmond, BC, V6X 2W2. The condensed consolidated interim financial statements of the Company comprise of the Company and its subsidiaries. The Company is a provider of Linux-based embedded system technologies and solutions for the consumer electronic industry and the intelligent appliance market.

**2. NATURE AND CONTINUANCE OF OPERATIONS**

**Statement of compliance**

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. These are the Company’s first IFRS condensed interim financial statements for a portion of the period covered by the Company’s first IFRS annual financial statements for year ending December 31, 2011. Subject to certain IFRS transition elections disclosed in Note 21, the Company has consistently applied the same accounting policies in its opening IFRS financial position at January 1, 2010 and throughout all periods presented, as if the policies have always been in effect. These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* and do not contain all of the information required for full annual financial statements. The Company prepared its previous 2010 annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) and these condensed consolidated interim financial statements should be read in conjunction with the Company’s 2010 annual consolidated financial statements considering the IFRS transition disclosures included in Note 21.

The unaudited condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on June 28, 2011.

Comparative figures for 2010 have been reclassified to conform to the current’s period presentation.

**Going concern**

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes 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 Company has incurred losses of \$28,710,370 since inception and further losses are anticipated in the development of its business plan. These circumstances lead to significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company’s continuing operations as intended are dependent upon its ability to develop products and technologies that can be commercialized. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

**Basis of measurement**

The condensed consolidated interim financial statements have been prepared on the historical cost basis for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3.

**Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency.

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
**(Unaudited)**

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**2. NATURE AND CONTINUANCE OF OPERATIONS (cont'd...)**

**Use of estimates and judgments**

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the years reported. Significant areas requiring the use of management estimates include the determination of impairment of property and equipment, amortization rates for equipment, effective interest rate used in calculating the debt portion of convertible debenture, future income tax assets and liabilities, and the determination of the assumptions used in calculating fair value of share-based compensation calculations. Actual results could differ from these estimates.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently in all periods presented in these condensed consolidated interim financial statements, and have been applied consistently by the Company's subsidiaries.

**Basis of consolidation**

The financial statements of subsidiaries are included in the condensed consolidated financial statements from the date on which control commences until the date on which control ceases. Subsidiaries are entities controlled by the Company. Control is present where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Company.

All intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed consolidated financial statements.

**Inventories**

Inventories are carried at the lower of cost, using the weighted average method, and net realizable value. Inventories consist of material inventories; work in process and finished goods. The material inventory balances include electronic parts for research and development use. The work in process and finished goods balances include electronic consumer products.

**Property and equipment**

*i) Recognition and measurement:*

Items of property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in net profit (loss).

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
**(Unaudited)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Property and equipment (cont'd...)**

*ii) Subsequent costs:*

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit (loss) as incurred.

*iii) Depreciation:*

Depreciation is calculated using the declining balance method at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%
Leasehold improvements	25%
Tools	20%

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting period-end and adjusted, if appropriate.

**Intangible assets**

*Research and development:*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria are usually met when a regulatory filing has been made in a major market and approval is considered highly probable. The expenditure capitalized includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are expensed as incurred. Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

During the periods ended September 30, 2011 and 2010, December 31, 2010 and January 1, 2010, no development expenditures were capitalized.

**Financial instruments**

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

**Leases**

Operating lease payments are recognized in net profit (loss) on a straight-line basis over the term of the lease.

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
**(Unaudited)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Impairment**

*i) Financial assets:*

A financial asset not carried at fair value through profit or loss is assessed at each consolidated financial statement reporting date to determine whether there is objective evidence that it is impaired if objective evidence indicates that one or more loss events had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment test is performed, on an individual basis, for each material financial asset. Other individually non-material financial assets are tested as groups of financial assets with similar risk characteristics. Impairment losses are recognized in net profit (loss).

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net profit (loss) and reflected in an allowance account against the respective financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net profit (loss).

*ii) Non-Financial assets:*

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or group of assets. Impairment losses recognized in prior periods are determined at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An asset's carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are assessed by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount on provisions is recognized in finance costs.

**Income taxes**

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any deferred income tax asset to the extent that it is not probable the asset will be realized

**EMPOWER TECHNOLOGIES CORPORATION**  
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**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Share-based payments**

The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

Share-based payment arrangements in which the Company receives goods and services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Company.

**Loss per share**

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the net loss or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held, if applicable. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, if applicable, for the effects of all dilutive potential common shares, which consist of the stock options granted to employees.

**Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

**Revenue recognition**

i) Software

The Company recognizes revenue from packaged software and license fees when the software is delivered, title has passed and customer acceptance has occurred, the fee is fixed and determinable and collection is probable.

ii) Products

The Company generates revenue through the sale of electronic products. Revenue from the sale of goods are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

**Foreign currency translation**

Transactions in foreign currencies are translated to the respective functional currencies of the subsidiaries of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
**(Unaudited)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Foreign currency translation (cont'd...)**

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

**4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

i) New accounting standards effective January 1, 2012

*Amendments to IFRS 7 Financial Instruments: Disclosures* - In October 2010, the IASB issued amendments to IFRS 7 that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated interim financial statements.

*IAS 12 Income taxes* - In December 2010, the IASB issued an amendment to IAS 12 that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated interim financial statements.

ii) New accounting standards effective January 1, 2013

*IFRS 9 Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

*IFRS 10 Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

**4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd...)**

iii) New accounting standards effective January 1, 2013 (cont'd...)

*IFRS 11 Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers.

*IFRS 12 Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

*IFRS 13 Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 9 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim financial statements or whether to early adopt any of the new requirements.

**5. INVENTORY**

	September 30, 2011	December 31, 2010	January 1, 2010
Material inventories	\$ 7,983	\$ 7,983	\$ 12,872
Work in process	-	50,432	43,204
Finished goods	65,309	65,558	534
	<u>\$ 73,292</u>	<u>\$ 123,973</u>	<u>\$ 56,610</u>

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

**6. PROPERTY AND EQUIPMENT**

Cost	Computer equipment	Furniture and equipment	Leasehold Improvement	Tools	Total
As at January 1, 2010	\$144,343	\$109,889	\$ 28,724	\$37,000	\$319,956
Additions	-	-	-	-	-
As at December 31, 2010	\$144,343	\$109,889	\$28,724	\$37,000	\$319,956
Additions	-	-	-	-	-
As at September 30, 2011	\$144,343	\$109,889	\$ 28,724	\$37,000	\$319,956
Accumulated Depreciation					
As at January 1, 2010	\$ 127,069	\$65,870	\$ 20,070	\$25,466	\$238,475
Depreciation	5,182	8,804	8,654	2,307	24,947
As at December 31, 2010	\$ 132,251	\$ 74,674	\$ 28,724	\$27,773	\$263,422
Depreciation	2,721	5,282	-	1,383	9,386
As at September 30, 2011	\$ 134,972	\$ 79,956	\$ 28,724	\$29,156	\$272,808
Carrying Amounts					
Balance, January 1, 2010	\$ 17,274	\$44,019	\$8,654	\$11,534	\$81,481
Balance, December 31, 2010	\$12,092	\$35,215	\$-	\$9,227	\$56,534
Balance, September 30, 2011	\$9,371	\$29,933	\$-	\$7,844	\$47,148

**7. CONVERTIBLE DEBENTURES**

	September 30, 2011	December 31, 2010	January 1, 2010
On January 20, 2009, the Company closed the first tranche of its private placement of convertible debentures in the aggregate amount of \$160,000 of which \$70,000 was received before December 31, 2008. The convertible debentures bearing interest at the rate of 10% per annum are convertible into common shares of Empower at \$0.40 per share until January 31, 2010. Interest is payable semi-annually on July 31, 2009 and January 31, 2010. An equity portion of \$18,573 was calculated which reflects the convertible feature attached to the debentures.	\$ -	\$ -	\$ 169,293
On March 20, 2009, the Company closed the second tranche of its private placement of convertible debentures in the aggregate amount of \$96,500. The convertible debentures bearing interest at the rate of 10% per annum are convertible into common shares of Empower at \$0.40 per share until January 31, 2010. Interest is payable semi-annually on July 31, 2009 and January 31, 2010. An equity portion of \$9,887 was calculated which reflects the convertible feature attached to the debentures.	-	-	101,178

Continued ....

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

**7. CONVERTIBLE DEBENTURES (cont'd...)**

	September 30, 2011	December 31, 2010	January 1, 2010
<p>On April 28, 2009, the Company closed the third and final tranche of its private placement of convertible debentures in the aggregate amount of \$140,200. The convertible debentures bear interest at the rate of 10% per annum and are convertible into common shares of Empower at \$0.40 per share until January 31, 2010. An equity portion of \$12,730 was calculated which reflects the convertible feature attached to the debentures.</p>	-	-	146,340
<p>In January 2010, the Company extended its existing debenture agreement for an additional year to January 31, 2011. An equity portion of \$1,017 relating to the extension was calculated which reflects the convertible feature attached to the debentures. In January 2011, convertible debentures of \$264,600 were converted into common shares of the Company at a reduced conversion rate of \$0.20 per share. Debenture agreements in the aggregate amount of \$36,500 matured in January 31, 2011 and was reclassified to loan payable.</p>	-	390,046	-
<p>On July 30, 2010, the Company entered into a convertible loan agreement with one director and officer in the aggregate amount of \$925,000 subject to TSX Venture approval. The convertible loan bear interest at the rate of 14% per annum and are convertible into common shares of the Company at \$0.15 per share until July 30, 2011. An equity portion of \$70,496 was calculated which reflects the convertible feature attached to the loan agreement. The Company further extended the convertible loan for additional one year until July 30, 2012.</p>	861,461	883,646	-
<p>On October 14, 2010, the Company closed a private placement of convertible debentures in the aggregate amount of \$318,528. The convertible debentures bearing interest at the rate of 12% per annum and are convertible into common shares of the Company at \$0.50 per share until December 31, 2011. An equity portion of \$35,194 was calculated which reflects the convertible feature attached to the debentures. In January 2011, a convertible debenture of \$263,528 was converted into common shares of the Company at a reduced conversion rate of \$0.20 per share.</p>	53,307	289,981	-
Interest accrued	30,846	75,369	-

Continued ....



**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

**10. STOCK OPTIONS**

On September 19, 2003, the Company adopted a stock option plan under which it is authorized to grant options to directors and employees to acquire common shares, up to an amount equivalent to 20% of the outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant, less applicable discounts. The options can be granted for a maximum term of 5 years.

On June 28, 2005, the Company amended the vesting period of the options to officers and directors to 1/3 one year after the date of grant, 1/3 two years after the date of grant and 1/3 three years after the date of grant. The Company also amended the vesting period of the options to employees and consultants to 1/4 one year after the date of grant, 1/4 two years after the date of grant, 1/4 three years after the date of grant and 1/4 four years after the date of grant. Under the current option plan, the maximum aggregate number of shares that may be reserved for issuance is 6,000,000 common shares.

As at September 30, 2011, the following incentive stock options are outstanding:

	Number of Shares	Exercise Price ( \$ )	Expiry Date
Stock options	60,000	0.62	August 24, 2012
	500,000	0.22	February 28, 2013
	<u>2,225,000</u>	0.10	August 23, 2015
<b>Total outstanding options</b>	<b><u>2,785,000</u></b>		

Stock option transactions are summarized as follows:

	Nine-month Period Ended September 30, 2011		Year Ended December 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	3,217,500	\$ 0.51	1,080,000	\$ 1.45
Options granted	500,000	0.22	2,510,000	0.10
Options expired or cancelled	(932,500)	1.50	(372,500)	0.45
<b>Outstanding, end of period</b>	<b><u>2,785,000</u></b>	<b>\$ 0.13</b>	<b><u>3,217,500</u></b>	<b>\$ 0.51</b>
<b>Number of options exercisable, end of period</b>	<b><u>762,500</u></b>	<b>\$ 0.14</b>	<b><u>965,875</u></b>	<b>\$ 1.48</b>

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

**10. STOCK OPTIONS (cont'd...)**

**Stock-based compensation**

The Company granted 500,000 stock options during the nine month period ended September 30, 2011 to an investor relation firm. The fair value of \$35,000 was recorded for the fair value of services received during the nine month period ended September 30, 2011. Compensation costs of \$21,284 (2010 - \$10,753) resulted from amortization of stock-based compensation of options granted in the current and prior period.

The following weighted average assumptions were used in the Black-Scholes Option Pricing Model in determining the fair value of stock-based compensation issued for services during the year:

	2011	2010
Risk-free interest rate	-	2.61%
Expected life	-	5 years
Annualized volatility	-	213.09%
Dividend	-	-

**11. WARRANTS**

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Nine-month Period Ended September 30, 2011		Year Ended December 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	3,642,787	\$ 0.29	4,948,282	\$ 0.45
Warrants granted	565,150	0.30	-	-
Warrants granted	1,650,000	0.25	-	-
Warrants expired	(3,642,787)	0.29	(1,305,495)	0.89
Outstanding, end of period	2,215,150	\$ 0.26	3,642,787	\$ 0.29
Number of warrants currently exercisable	2,215,150	\$ 0.26	3,642,787	\$ 0.29

As at September 30, 2011, the following warrants are outstanding:

	Number of Warrants	Exercise Price ( \$ )	Expiry Date
Warrants	565,150	0.30	February 2, 2012
	1,650,000	0.25	April 6, 2013
Total outstanding Warrants	<b>2,215,150</b>		

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

**12. OBLIGATIONS UNDER FINANCE LEASE**

	September 30, 2011	December 31, 2010	January 1, 2010
Payments of \$300 per month, non-interest bearing, due over lease terms expiring through September 2014	\$ 10,785	\$ 13,482	\$ 17,077
Less: current portion	(3,595)	(3,595)	(3,595)
	\$ 7,190	\$ 9,887	\$ 13,482
Estimated remaining lease payments are as follows:			
2010	\$ -	\$ -	\$ 3,595
2011	898	3,595	3,595
2012	3,595	3,595	3,595
2013	3,595	3,595	3,595
2014	2,697	2,697	2,697
Balance of obligation	\$ 10,785	\$ 13,482	\$ 17,077

**13. RELATED PARTY TRANSACTIONS**

Key management includes directors, and officers of the Company. The Company entered into the following transactions with related parties:

- a) Recorded stock-based compensation of \$68,094 (nine month period ended September 30, 2010 - \$10,257) for services provided by directors and officers.
- b) Paid or accrued consulting fees of \$113,000 (nine month period ended September 30, 2010 - \$55,000) for services provided by officers and directors of the Company.
- c) Paid or accrued directors' fees of \$72,000 (nine month period ended September 30, 2010 - \$72,000) for services provided by directors of the Company.
- d) Paid or accrued salaries and benefits of \$54,000 (nine month period ended September 30, 2010 - \$54,000) to an officer of the Company included in research and development costs.
- e) Paid or accrued salaries and benefits of \$31,000 (nine month period ended September 30, 2010 - \$72,000) to directors and officers of the Company. Included in current accounts payable is \$488,851 (December 31, 2010 - \$375,059; January 1, 2010 - \$211,484) due to directors and officers of the Company.

At September 30, 2011, \$644,757 (December 31, 2010 - \$571,957; January 1, 2010 - \$17,280) of short term loans payable is due to a director and officer of the Company. The short term loans bear interest at 8.5% and are unsecured. The Company also has \$861,764 (December 31, 2010 - \$883,646; January 1, 2010 - \$Nil) of convertible debentures (See Note 7), and \$2,152,500 (December 31, 2010 - \$2,152,000; and January 1, 2010 - \$2,152,000) of long term loans payable (Note 8) to the same director and officer. The loans bear interest at 8.5%, and are unsecured. The total interest paid or accrued to the director was \$285,017 (September 30, 2010 - \$169,528) for the nine month period ended September 30, 2011.

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.

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

**14. 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, 2011	December 31, 2010	January 1, 2010
Property and equipment:			
Canada	\$ 47,148	\$ 56,534	\$ 81,481

  

	Nine month period ended September 30, 2011	Nine month period ended September 30, 2010	Three month period ended September 30, 2011	Three month period ended September 30, 2010
Revenue:				
Canada	\$ 30,000	\$ -	\$ -	\$ -
United States of America	104,673	418,552	-	183,652
Asia	15,714	21,812	12,000	2,503
Europe	-	3,109	-	-
	<u>\$ 150,387</u>	<u>\$ 443,473</u>	<u>\$ 12,000</u>	<u>\$ 186,155</u>

Revenues are attributed to geographic areas based upon the location of the customers.

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

	Nine month period ended September 30, 2011	Nine month period ended September 30, 2010
Cash paid during the period for interest	\$ 43,168	\$ 288,412
Cash paid during the period for income taxes	\$ -	\$ -

During the six month period ended September 30, 2011 the Company:

- a) converted \$575,907 of its convertible debentures and accrued interest into shares in first quarter of 2011.
- b) issued \$141,287 of common stock, the proceeds of \$140,506 was received before December 31, 2010 – non-brokered private placement in first quarter of 2011.
- c) Issued \$660,000 of common stock in second quarter of 2011 - non-brokered private placement.
- d) Issued \$216,000 of common stock in second quarter of 2011 for directors' debt.

**16. FINANCIAL INSTRUMENTS AND RISK**

The carrying value of accounts receivable, accounts payable and accrued liabilities, obligation under finance lease, convertible debenture and loans payable approximated their fair value.

Financial instruments measured at fair value on the financial position are summarized in levels of fair value hierarchy as follows:

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

**16. FINANCIAL INSTRUMENTS AND RISK (cont'd...)**

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 35,198	\$ -	\$ -	\$ 35,198

The Company is exposed 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.

(i) 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.

The Company's cash is held with high-credit quality financial institutions. Provisions for doubtful accounts are made on a customer by customer basis. All write downs against receivables are recorded in the Consolidated Statement of Comprehensive Loss. The Company is exposed to credit related losses on sales to customers outside of North America due to higher risks of enforceability and collectability. Accounts receivable at September 30, 2011 are comprised of trade accounts receivable. Sufficient allowance for doubtful accounts is set up as at September 30, 2011.

(ii) 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.

(a) 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 nine month period ended September 30, 2011 and at December 31, 2010, the Company held only minor amounts of cash deposits in foreign currencies.

(b) 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 does not have any debt instruments outstanding with variable interest rates at September 30, 2011. 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.

(iii) 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, 2011, the Company had cash of \$35,198. Monthly operating expenses approximate \$146,000. The continuation of the Company depends upon the support of its lender and equity investors, which cannot be assured.

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
**(Unaudited)**

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**17. CAPITAL 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, convertible debentures 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 year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**18. COMMITMENTS**

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

2011	\$	10,863
2012		44,300
2013		<u>38,090</u>
	\$	<u>93,253</u>

**19. SUBSEQUENT EVENTS**

Subsequent to period ended September 30, 2011:

- (i) The Company announced the closing of a non-brokered private placement of Units (the "Units"). The private placement was closed for 1,236,000 Units (the "Offering") at a price of \$0.125 per Unit for a total of \$154,500. Each Unit consists of one common share and one half share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one common share (the "Additional Share") for a period of one year from the date of issue at a price equal to \$0.20 per Additional Share. In addition, Empower has recovered a bad debt in US funds that along with the closing of this non-brokered private placement totals approximately \$500,000 (the "Total"). Although the Total is lower than the original financing target of \$750,000, it does represent a major saving to its stakeholders in terms of dilution, Empower is pleased that the Total is significant enough for Empower to continue with its sales initiative.
- ii) The Company announced that it has promissory notes of approximately \$2.8 million outstanding as of October 24, 2011 from a Non-Arm's Length Party who is a director and officer of the Company ("Lender"). Currently the promissory notes have to renew individually annually as each come due over the year. The management of the Company believes if the promissory notes were changed to one long term debt with a convertible feature then it will improve the Company balance sheet, provide long term stability over the debt, increase confidence in the Company's long term prospect and help future financing. Therefore, the management of the Company proposed to issue a five (5) years convertible promissory note bearing 10% compound interest per annum by the Company with option at the discretion of the Lender to renew any remaining balance of the debt at the end of the five (5) years term for another three (3) years or five (5) years under the same terms and conditions, the promissory note and its accrued interest can be converted at any time in whole or in part as many times as necessary during the term to Empower common shares at \$0.10 per Share at the discretion of the Lender, the grant by the Company to the Lender of a security interest in all of the Company's present and after acquired personal property in the form of a General Security Agreement, and the creation of a new "Control Person" of the Company which will be the Lender in the event the promissory note is fully converted or the cumulative debt portion converted into Shares represents ownership of 20% or higher of the total outstanding shares.

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

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**19. SUBSEQUENT EVENTS (cont'd...)**

- iii) The Company announced it has entered into a Binding Letter of Intent to acquire 100% of defense contractor Northstar Electronics, Inc. ("Northstar") a Delaware company listed on OTCBB under the symbol "NEIK" with head office in Vancouver, British Columbia. Under the terms of the Binding Letter of Intent, Empower will purchase 100% of Northstar by exchanging a certain number of Northstar shares for Empower shares and such exchange ratio will be disclosed upon the signing of the definitive purchase agreement on or before December 31, 2011 or such later date as agreed by both parties and subject to the satisfactory completion of due diligence and regulatory approvals and any other approvals required for both companies. Empower will assume Northstar debt and approximately \$6 million of firm purchase orders under sale contracts from customers that will run from now through 2012 and beyond. Under the terms of the Binding Letter of Intent, Empower and Northstar will also sign a Loan Agreement for Empower to provide a company loan to Northstar for additional working capital to service its sales orders. The definitive purchase agreement must be signed on or before December 31, 2011 and the purchase is to be completed on or before March 31, 2012 or such later date as agreed by both parties.

**20. FIRST TIME ADOPTION OF IFRS**

- i) Transition to IFRS

The Company has adopted IFRS effective January 1, 2011 with a transition date of January 1, 2010. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP.

The comparative information presented in these first condensed interim financial statements for the nine months ended September 30, 2010, year ended December 31, 2010 and the opening financial position as at January 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1").

- ii) Initial elections upon adoption

The Company adopted IFRS in accordance with IFRS 1 which requires the retrospective application of IFRS at the Transition Date with all adjustments to assets and liabilities taken to deficit, subject to mandatory exceptions and the application of optional exemptions. The IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS by the Company are explained as follows:

- (a) Share-based payments – The Company elected under IFRS 1 to apply IFRS 2, *Share-Based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date
- (b) Business combinations – The Company elected under IFRS 1 to not to apply IFRS 3, *Business Combinations* retrospectively to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.
- (c) Compound financial instruments – The Company has elected under IFRS 1 not to retrospectively apply IAS 32, *Financial Instruments – Presentation* to compound instruments settled before the Transition Date.
- (d) Borrowing costs – The Company has elected to apply the transitional provisions of IAS 23, *Borrowing Costs* ("IAS 23") to qualifying assets that occurred since the date of transition to IFRS.

- iii) Estimates

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used at the Transition Date are consistent with estimates made at the same date under Canadian GAAP.

- iv) Reconciliation between Canadian GAAP and IFRS

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

**20. FIRST TIME ADOPTION OF IFRS (cont'd...)**

In preparing the Company's IFRS Transition Date statement of financial position management noted that adjustments related to share-based compensation were necessary to be made by the Company previously in its financial statements prepared in accordance with previous Canadian GAAP.

Share-based compensation

In certain situations, stock options granted vest in instalments over a specified vesting period. When the only vesting condition is service from the grant date to the vesting date of each tranche awarded, then each instalment should be accounted for as a separate share-based payment arrangement under IFRS, otherwise known as graded vesting. Canadian GAAP permits an entity the accounting policy choice with respect to graded vesting awards. Each installment can be considered as a separate award, each with a different vesting period, consistent with IFRS, or the arrangement can be treated as a single award with a vesting period based on the average vesting period of the instalments depending on the policy elected.

The Company's policy under Canadian GAAP was to treat graded vesting awards under the latter method and, as a result, an adjustment of \$25,289 was required on the application of IFRS 2 at the transition date and an adjustment of \$(10,289) was required for the restated December 31, 2010, and \$(11,888) for the nine month period ended September 30, 2010.

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	January 1, 2010 Canadian GAAP	Effect of IFRS Transition	January 1, 2010 IFRS
Total Assets	\$ 277,071	\$ –	\$ 277,071
Total Liabilities	\$ 3,291,996	\$ –	\$ 3,291,996
Shareholders' Deficiency			
Share capital	19,710,858	–	19,710,858
Contributed surplus	2,328,285	25,289	2,353,574
Equity portion of convertible debenture	41,190	–	41,190
Deficit	(25,095,258)	(25,289)	(25,120,547)
Total Shareholders' Deficiency	(3,014,925)	–	(3,014,925)
Total Liabilities and Shareholder's Deficiency	\$ 277,071	\$ –	\$ 277,071

The September 30, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	September 30, 2010 Canadian GAAP	Effect of IFRS Transition	September 30, 2010 IFRS
Total Assets	\$ 708,640	\$ –	\$ 708,640
Total Liabilities	\$ 4,817,140	\$ –	\$ 4,817,140
Shareholders' Deficiency			
Share capital	19,710,858	–	19,710,858
Contributed surplus	2,358,347	13,401	2,371,748
Equity portion of convertible debenture	42,207	–	42,207
Deficit	(26,229,788)	(13,401)	(26,243,189)
Total Shareholders' Deficiency	(4,118,376)	–	(4,118,376)
Total Liabilities and Shareholder's Deficiency	\$ 708,640	\$ –	\$ 708,640

**EMPOWER TECHNOLOGIES CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited)

**20. FIRST TIME ADOPTION OF IFRS (cont'd...)**

iv) Reconciliation between Canadian GAAP and IFRS (cont'd...)

The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	December 31, 2010 Canadian GAAP	Effect of IFRS Transition	December 31, 2010 IFRS
Total Assets	\$ 265,752	\$ –	\$ 265,752
Total Liabilities	\$ 5,144,585	\$ –	\$ 5,144,585
Shareholders' Deficiency			
Share capital	19,710,858	–	19,710,858
Contributed surplus	2,379,451	15,000	2,394,451
Equity portion of convertible debenture	147,897	–	147,897
Share proceeds received in advance	140,506	–	140,506
Deficit	(27,257,545)	(15,000)	(27,272,545)
Total Shareholders' Deficiency	(4,878,833)	–	(4,878,833)
Total Liabilities and Shareholder's Deficiency	\$ 265,752	\$ –	\$ 265,752

The December 31, 2010 Canadian GAAP statement of operations and comprehensive loss has been reconciled to IFRS as follows

Statement of Operations and Comprehensive Loss	Year Ended Dec. 31, 2010 Canadian GAAP	Effect of IFRS Transition	Year Ended Dec. 31, 2010 IFRS
Revenue	\$ 319,733	\$ –	\$ 319,733
Cost of sales	140,150	–	140,150
Stock-based compensation	\$ 51,166	\$ (10,289)	\$ 40,877
Total expenses	\$ 2,404,249	\$ (10,289)	\$ 2,393,960
Total other income	\$ (62,379)	\$ –	\$ (62,379)
Net loss and comprehensive loss	\$ (2,162,287)	\$ 10,289	\$ (2,151,998)

The September 30, 2010 Canadian GAAP statement of operations and comprehensive loss has been reconciled to IFRS as follows

Statement of Operations and Comprehensive Loss	Nine months ended September 30, 2010 Canadian GAAP (Restated See Note 20)	Effect of IFRS Transition	Nine months ended September 30, 2010 IFRS
Revenue	\$ 443,473	\$ –	\$ 443,473
Cost of sales	\$ 184,721	\$ –	\$ 184,721
Stock-based compensation	\$ 30,062	\$ (11,888)	\$ 18,174
Total expenses	\$ 1,440,204	\$ (11,888)	\$ 1,428,316
Total other income	\$ (46,922)	\$ –	\$ (46,922)
Net loss and comprehensive loss	\$ (1,134,530)	\$ 11,888	\$ (1,122,642)

There is no material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows presented under previous Canadian GAAP.