

Interim Consolidated Financial Statements

Power Tech Corporation Inc.

March 31, 2005

MANAGEMENT'S NOTICE

The accompanying unaudited interim consolidated financial statements have not been reviewed by the Corporation's external auditors.

Power Tech Corporation Inc.

CONSOLIDATED BALANCE SHEET

As at

	March 31,	August 31,
	2005	2004
	\$	\$
	[unaudited]	
ASSETS [Note 3]		
Current assets		
Cash	1,053,922	46,794
Commodity taxes receivable	69,231	23,373
Tax credits receivable	103,578	50,000
Inventories	217,856	12,491
Prepaid expenses	31,042	3,499
	1,475,629	136,157
Advances to a shareholder	19,508	19,508
Property, plant and equipment	38,987	30,852
Intangible assets	85,119	84,809
Deferred charges	188,750	122,977
	1,807,993	394,303
LIABILITY AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	216,056	74,621
Liability component of convertible debentures	—	607,966
Shareholders' equity (deficiency)		
Capital stock	1,700,998	105
Stock options	226,456	—
Warrants	957,000	—
Equity component of convertible debentures	—	75,710
Deficit	(1,292,517)	(364,099)
	1,591,937	(288,284)
	1,807,993	394,303

Commitment [Note 7]

See accompanying notes

On behalf of the Board

Carol Murray (s)
Director

Dany Girard (s)
Director

Power Tech Corporation Inc.

CONSOLIDATED STATEMENT OF DEFICIT

Unaudited

	Four-month period ended March 31		Seven-month period ended March 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
Deficit, beginning of period	(606,612)	—	(364,099)	—
Net loss	(637,655)	(75,493)	(880,168)	(75,493)
Share and unit issue costs	(43,430)	—	(43,430)	—
Premium on settlement of equity component of convertible debentures	(4,820)	—	(4,820)	—
	(685,905)	(75,493)	(928,418)	(75,493)
Deficit, end of period	(1,292,517)	(75,493)	(1,292,517)	(75,493)

See accompanying notes

Power Tech Corporation Inc.

CONSOLIDATED STATEMENT OF LOSS

Unaudited

	Four-month period ended March 31		Seven-month period ended March 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
Expenses				
Selling and administrative expenses	618,425	72,834	820,394	72,834
Financial expenses	20,729	267	45,015	267
Amortization of property, plant and equipment	5,728	—	9,584	—
Amortization of other assets	32,692	2,392	45,094	2,392
	677,574	75,493	920,087	75,493
Other revenue				
Gain on settlement of liability component of convertible debentures	35,150	—	35,150	—
Interest	4,769	—	4,769	—
	39,919	—	39,919	—
Net loss	(637,655)	(75,493)	(880,168)	(75,493)
Basic and diluted loss per share outstanding	(0.03)	(0.01)	(0.04)	(0.01)
Weighted average number of shares outstanding during the period [in thousands]	21,800	17,750	20,061	17,750

See accompanying notes

Power Tech Corporation Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited

	Fourth-month period ended March 31		Seven-month period ended March 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss for the period	(637,655)	(75,493)	(880,168)	(75,493)
Adjustments for:				
Gain on settlement of liability component of convertible debentures	(35,150)	—	(35,150)	—
Amortization of property, plant and equipment	5,728	—	9,584	—
Amortization of other assets	32,692	2,392	45,094	2,392
Accrued interest on convertible debentures	19,701	—	43,355	—
Stock-based compensation expense	226,456	—	226,456	—
	(388,228)	(73,101)	(590,829)	(73,101)
Net change in non-cash working capital items	(326,040)	37,464	(323,610)	37,464
Cash flows related to operating activities	(714,268)	(35,637)	(914,439)	(35,637)
INVESTING ACTIVITIES				
Advances to a shareholder	—	(8,500)	—	(8,500)
Additions to property, plant and equipment	(3,493)	—	(17,719)	—
Additions to intangible assets	(4,008)	(1,772)	(4,008)	(1,772)
Increase in deferred charges	(59,098)	(86,100)	(107,169)	(86,100)
Repayment of a loan to a shareholder	—	55,000	—	55,000
Reverse takeover and merger [Note 3]	540,594	—	540,594	—
Cash flows related to investing activities	473,995	(41,372)	411,698	(41,372)

Power Tech Corporation Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS [Cont'd]

Unaudited

	Fourth-month period ended March 31		Seven-month period ended March 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
FINANCING ACTIVITIES				
CMJ Capital Inc. loan	—	—	250,000	—
Issue of convertible debentures	—	175,000	—	175,000
Repayment of convertible debentures	(696,701)	—	(696,701)	—
Issuance of Class A shares	—	100	—	100
Issuance of units	2,000,000	—	2,000,000	—
Share and unit issue costs	(43,430)	—	(43,430)	—
Cash flows related to financing activities	1,259,869	175,100	1,509,869	175,100
Net increase in cash and cash equivalents	1,019,596	98,091	1,007,128	98,091
Cash and cash equivalents, beginning of period	34,326	—	46,794	—
Cash and cash equivalents, end of period	1,053,922	98,091	1,053,922	98,091
Supplementary information				
Interest paid	41,701	—	41,701	—

See accompanying notes

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2005

Unaudited

1. PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements are in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and do not include all of the disclosures required for annual financial statements. They are also consistent with the accounting policies set forth in the Corporation's audited financial statements for the year ended August 31, 2004. The interim consolidated financial statements and accompanying notes should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended August 31, 2004. Where required, the financial statements include amounts based on informed estimates and best judgements of management. The operating results for the interim period reported are not necessarily indicative of results to be expected for the year.

2. SIGNIFICANT ACCOUNTING POLICIES

Earnings per share

Basic earnings per share were computed based on the weighted average number of common shares outstanding during the period.

Diluted earnings per share were computed based on the weighted average number of common shares outstanding during the period, plus the dilutive effects of instruments such as stock options and warrants. Diluted earnings per share are computed using the treasury stock method, assuming that dilutive options are exercised at the beginning of the period or at the time of issuance, as the case may be, and that the proceeds are used to buy back common shares of the Corporation at the average market price during the period. The warrants and stock options referred to in Note 5 have not been included in computing diluted earnings per share, as the Corporation incurred a loss and inclusion of these instruments would have had an antidilutive effect.

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
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2. SIGNIFICANT ACCOUNTING PRINCIPLES [Cont'd]

Stock-based compensation and other stock-based payments

The Corporation offers a stock option plan, outlined in Note 5. The Corporation recognizes a compensation expense in respect of the stock options granted under the plan that does not provide for cash settlement. These options are measured at fair value using the Black-Scholes option pricing model at the grant date, and this fair value is expensed over their vesting period.

3. REVERSE TAKEOVER AND MERGER

On February 11, 2005, CMJ Capital Inc. ("CMJ") acquired all the outstanding Class A shares of Power Tech Corporation Inc. ("Power Tech") in consideration for the issuance of 17,750,000 CMJ common shares on the basis of 169,047.6 CMJ common shares for each Class A common share of Power Tech. For accounting purposes, this transaction was a capital transaction in substance for Power Tech and resulted in the allocation by Power Tech of a value to the 5,000,000 shares issued to CMJ on February 11, 2005 equal to the value of CMJ's net monetary assets amounting to \$657,893 at that date. Subsequent to this reverse takeover, the companies merged and the merged company continued under the name of Power Tech Corporation Inc. In addition, 400,000 stock options granted by CMJ were transferred the Corporation following the merger. These options are exercisable at a price of \$0.25 until January 25, 2006.

These interim financial statements and the amounts reported for the periods prior to February 11, 2005 represent a continuity of operations of Power Tech. The number of shares of the Corporation issued prior to the reverse takeover has been retroactively restated to reflect the number of shares issued in the reverse takeover transaction. The computation of earnings per share was also affected by this transaction for all periods presented.

Power Tech Corporation Inc.

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4. REPAYMENT OF CONVERTIBLE DEBENTURES

On February 11, 2005, the Corporation repaid convertible debentures out of the proceeds from the issuance of units in connection with the private placement described in Note 5.

The repayment totalled \$696,701 [of which \$655,000 represented the principal and \$41,701, the interest] and was allocated proportionately to the liability component of convertible debentures and equity component of convertible debentures according to the original allocation.

This transaction gave rise to a gain on settlement of the liability component of convertible debentures amounting to \$35,150 included in the statement of loss as well as a premium on settlement of the equity component of convertible debentures included in the statement of deficit.

5. CAPITAL STOCK

Authorized [after the reverse takeover of February 11, 2005 described in Note 3]

Unlimited number of common shares, without nominal value.

Issued and fully paid

	Class A		Common		Total	Warrants	
	Number	\$	Number	\$	\$	Number	\$
Balance as at August 31, 2004	17,750,000	105	—	—	105	—	—
Conversion on reverse takeover [Note 3]	(17,750,000)	(105)	17,750,000	105	—	—	—
Shares issued to CMJ [Note 3]	—	—	5,000,000	657,893	657,893	—	—
Issued for cash – private placement	—	—	5,000,000	1,043,000	1,043,000	5,000,000	957,000
Balance as at March 31, 2005	—	—	27,750,000	1,700,998	1,700,998	5,000,000	957,000

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
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5. CAPITAL STOCK [Cont'd]

On February 11, 2005, the Corporation issued 5,000,000 units [each unit including one share and one warrant] for gross proceeds of \$2,000,000, of which \$1,043,000 was allocated to shares and \$957,000 to the warrants attached to each unit. The warrants entitle holders to subscribe, at any time within the 24 months following the closing date, to a common share at a price of \$0.60.

Stock options

On October 27, 2004, the Corporation approved a new stock option plan for employees, officers, directors, consultants and suppliers of the Corporation. Under this plan, a total of 2,462,500 options may be granted to participants, excluding the 400,000 stock options referred to in Note 3. No option shall be granted for a period exceeding five years and the exercise price shall be at least equal to the market price of the underlying shares at the grant date. The rights in respect of these options vest according to the terms determined by the Board of Directors and are usually conditional upon the maintenance of a business relationship with the Corporation.

Under this plan, the Corporation granted 1,590,000 options to employees, officers and directors of the Corporation. These options have been measured at an aggregate value of \$486,000. Compensation cost is amortized using the graded vesting method and a compensation cost of \$226,456 has been charged to periodic results.

	Number of shares	Weighted average exercise price \$
Outstanding as at August 31, 2004	—	—
Reverse takeover [Note 3]	400,000	0.25
Granted under the plan	1,590,000	0.50
Outstanding as at March 31, 2005	1,990,000	0.45
Exercisable options, end of period	1,000,000	0.40

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
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5. CAPITAL STOCK [Cont'd]

Stock options [Cont'd]

The remaining weighted average contractual lives of the options with exercise prices of \$0.25 and \$0.50 are 0.2 years and 3.5 years, respectively.

The fair value of the options granted and the warrants was estimated on the grant date using the Black-Scholes option pricing method based on the following assumptions:

	2005
Expected dividend yield	None
Expected volatility	100%
Risk-free interest rate	2.94%–3.42%
Expected life in years	2–4

6. SEGMENTED INFORMATION

The Corporation is mainly involved in a single segment: the development, integration and commercialization of leading-edge technologies for industrial excavation equipment and systems. All of the Corporation's assets are located in Canada, and the Corporation has not generated any revenues to date.

7. COMMITMENT

The Corporation has entered into a lease for equipment rental. The lease, which expires in 2010, calls for payments totalling \$9,964. The minimum payments for the next five years are as follows:

	\$
2006	1,993
2007	1,993
2008	1,993
2009	1,993
2010	332