



PRESIDENT'S MESSAGE

POWER TECH UNDERTAKES SEVERAL NEW MARKETING INITIATIVES

As set out in our business plan, Power Tech has rolled out its marketing plan in recent months. The main focus of our efforts is now on marketing our technology so that the Company can begin to generate revenues as quickly as possible. Our efforts target heavy machinery distributors, construction companies, as well as public works managers. We have also begun discussions with some large original equipment manufacturers (OEM). In the coming months, we hope that these various initiatives will result in commercial partnership agreements or strategic alliances with major players in the construction industry.

As part of our development strategy, we want to first penetrate the markets in Quebec and the rest of Canada. Although we are giving priority to these regions in the short-term, we are also staying on the lookout for interesting business opportunities that may arise elsewhere in the world, especially in the United States and Europe.

In addition, we are currently beginning a major new phase in our marketing strategy that will lead the Company to partner with different construction sites in Quebec over the coming weeks. We believe that these projects will provide our technology with significant visibility and showcase its high efficiency and numerous benefits for the construction industry. Furthermore, during a demonstration on May 6, 2005 in Trois-Rivières in front of the members of the *Association professionnelle de l'outillage des municipalités du Québec*, we were happy and proud to observe that our technology made a strong, positive impression. This is even more satisfying because this was a knowledgeable and expert audience.

Furthermore, we expect to receive a great deal of visibility for Power Tech at the various industry exhibitions and trade shows. In particular, on June 4, 2005 we will participate in the *Heavy Construction Show* to be held in Abbotsford, British Columbia. This event will gather together original equipment manufacturers and distributors from Western Canada's construction sector. We are very hopeful that our technology will raise great interest among participants. As well, in a few weeks we intend to host the official launch of our first commercial product, the "PicBucket" Series 2000.

Over the past few months, Power Tech has taken an exciting step in its development. We are confident that our technology, due to its multiple benefits, quality and sturdiness, will

stand out in our target markets. Lastly, on the occasion of Power Tech's first management report as a public company, I would like to thank all the Company's shareholders for their confidence and support, without which we could not be moving ahead today with our many development and marketing initiatives.

Carol Murray
President and Chief Executive Officer
Power Tech Corporation Inc.



Quarterly Report to our shareholders
2nd quarter ended March 31, 2005

Management Discussion and Analysis of Financial Position and Results of Operations

Introduction

This analysis focuses on the financial position and analysis of the results of operations for Power Tech Corporation Inc. (TSX-V: PWB) (“the Company”) for a period of four months from December 1, 2004 to March 31, 2005. This report should be read in conjunction with the information provided in the company’s consolidated financial statements and notes for the four month period ending March 31, 2005.

This is the first management discussion and analysis by the company since the completion of its merger with CMJ Capital Inc. in February, 2005. A fiscal year end of September 30th has been chosen for the new entity, therefore the financial statements and management discussion and analysis cover a four month period in order to be in line with the new fiscal period.

The audited and unaudited consolidated financial statements of the company have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and reported in Canadian dollars.

For more information on the company, please access the company’s SEDAR filings (www.sedar.com).

General Overview

During the past quarter, the company realized some important transactions in order to be listed on the TSX Venture Exchange and finance current and future operations.

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. (TSX-V: PWB)

Concurrent to the reverse takeover described above, the company issued 5,000,000 units (each unit comprised one share and one warrant) for gross proceeds of \$2,000,000 accounted for partially as Capital Stock (\$1,043,000) and partially as Warrants (\$957,000). The warrants allow for its holders to purchase one common share at a price of \$0.60 for the two years following the financing's closing date.

These transactions were completed with the goal of providing the company with the financial resources available to complete the development phase and commercialize its products.

Description of Activities

Power Tech Corporation Inc. specializes in the development, integration and commercialization of specialized technologies aimed at substantially improving the performance, productivity and functionality of excavation equipment and industrial excavation systems. Market focus includes the general construction industry and specialized applications in the aluminum industry, mining, tunneling, and the military.

Power Tech Corporation Inc. owns the intellectual property behind the technology used in its principal product, the picBucket. The picBucket is an excavation bucket integrated with a hydraulic cell that holds tools that are interchangeable depending on the desired application. This innovative combination has the opportunity to revolutionize the excavation industry where, up until now, no product could offer the combined performance characteristics offered by our technology.

Vision and Strategies

The market for potential uses of Power Tech products is vast and the advantages for users are great. Power Tech's vision is to become the new standard for all industries that can benefit from this technology.

Power Tech's **strategy** is to put forth the **revolution, versatility** and **productivity improvements** that this technology represents. We want to demonstrate to users that for a lower price, they will benefit from the synergies created by being more productive, and therefore more profitable, compared to using various independent pieces of equipment for the same work.

Prior to the introduction of our technology, there have been very few meaningful technological advances in the excavation industry in recent years. While this opens up a

market in need of something new, the primary obstacle to acceptance of the technology is the traditional mindset of the industry.

To overcome this challenge, Power Tech's short term strategy is a focused, regional approach to get the company's products to users who believe in the technology and will provide testimonials, demonstrations and word of mouth promotion. At the same time, business development efforts with local distributors and partners are helping create a "push and pull" effect to generate additional exposure.

Additionally, industry shows, fairs and expositions are being used as opportunities to give the company and its products the exposure needed to create a buzz in the industry. All of these efforts are in line with our business development and marketing plans and the seeds being planted now will pay off in the near, medium and long term.

Results of Operations

The principal focus for the four month period from December 1, 2004 to March 31, 2005 was continuing the implementation of business development and marketing plans and creating the internal company structure needed to support sales growth.

The company has progressed greatly in the last twelve months and therefore direct comparison to financial results from the same time last year compares a company in two very different stages of development.

Revenues

The company earned no revenues from operations for the four month period of December 1, 2004 to March 31, 2005.

Administrative and Sales & Marketing Expenses

Administrative expenses totaled \$461,168 for the four month period ending March 31, 2005 versus \$72,664 for the same period last year. A large portion of these expenses (\$226,456) is the administrative compensation cost associated with the company's first issuance of stock options as per the plan initially approved in October, 2004 and updated in February, 2005. In addition, the corporation's transition from a private company to a publicly traded company has increased the administrative cost base.

Selling expenses totaled \$157,257 versus \$170 for the same period last year. The majority of these expenses were incurred due to the addition of a full time sales consultant, the development of a strategic marketing plan, marketing tools and promotional collateral by a third-party marketing firm as well as participation in three industry shows over the four month period.

Financing Costs

Financing costs increased significantly over the same period last year (\$20,729 versus \$267 last year) due to the interest expenses associated with ten convertible debentures issued in 2004 between the months of March and July. These debentures were reimbursed on February 14, 2005 for a total of \$696,701 of which \$41,701 was accrued interest.

At issuance, these debentures were convertible and included a portion of capital and a portion debt. The debt portion was determined by assuming 15% interest plus the original capital. The equity component of the debentures was simply the difference.

Fixed Asset Amortization

Amortization of the company's fixed assets totaled \$5,728 for the four month period ended March 31, 2005.

Intangible Assets Amortization

The amortization of intangible assets, comprised of patents and deferred development costs, totaled \$32,692 compared to \$2,392 for the same period last year.

Development costs are straight-line amortized over a period of three years and their amortization totals \$30,565 compared to \$2,392 last year.

Patent costs are accounted for at cost and amortized over the life of the patent. Patent amortization for the period totaled \$2,127.

Other Revenue

Because the reimbursement of the convertible debentures occurred before they become due for repayment and the debt portion of the debenture exceeded the reimbursement cost, the transaction resulted in a gain on the retirement of the debt portion of the convertible debentures for an amount of \$35,150.

In addition, interest revenue of \$4,769 was earned in the four month period ending March 31, 2005 from cash deposits made in interest-bearing short term investments in Canadian financial institutions.

Net Loss

The net loss for the four month period ending March 31, 2005 is \$637,655. This loss is explained primarily by the business development and marketing efforts, the ongoing administrative expenses of the business as well as the compensation cost of issued stock options.

Balance Sheet

Cash and Cash-Equivalents

Cash on hand at March 31, 2005 was \$1,053,922 versus \$46,794 at August 30, 2004. The cash generated from the merger with CMJ Capital Inc. and the concurrent private financing explains the major increase in cash on hand.

Current Assets

Current assets increased significantly between August 31, 2004 and March 31, 2005. Cash increased by \$1,007,128 due to the proceeds of the merger with CMJ Capital Inc. and the concurrent private financing.

Expected research and development tax credits from the prior fiscal year increased by \$53,578 and inventory of Power Tech's products for testing, demonstration and in-stock inventory for future sales increased by \$205,365.

Current Liabilities

Accounts payable and accrued liabilities increased substantially by \$141,435 as a result of the increased level of activities in all areas of the company.

Fixed Assets

The capitalized value of fixed assets increased \$8,135 from August 31, 2004. The only purchases made during this period were office and computer equipment for new employees.

Intangible Assets

The intangible assets are the patents held by the company. There is no material difference between March 31, 2005 and August 31, 2004.

Deferred Development Costs

Total deferred development costs totaled \$188,750 at March 31, 2005 which represents an increase of \$65,773 from August 31, 2004. During this period, development efforts focused on fine tuning the design of the first sellable products (including new and improved accessories and tools) and developing complementary products for different segments of the excavation industry.

Long Term Debt

As previously described, the company reimbursed all the outstanding convertible debentures with funds generated from the private financing for an amount of \$696,701.

Statement of Cash Flows

Cash used for Operating Activities

Cash used for operating activities for the four month period ended March 31, 2005 was \$714,268. The majority of these cash outflows is explained by the ongoing sales, marketing and business development activities as well as the company's administrative expenses.

The net variance of non-cash elements of the company's working capital had a negative contribution to the cash related to operating activities of \$326,040. The increase is explained primarily by an increase in inventory of \$205,365 and an increase in estimated taxes receivable of \$53,578.

Cash provided by Investing Activities

For the four months ended March 31, 2005 investing activities provided \$473,995. An amount of \$66,599 was spent on the acquisition of fixed assets, intangible assets and cash outlays accounted for as deferred development costs.

The largest impact on investing activities was the transaction with CMJ Capital Inc. which provided an increase in cash of \$540,594

Cash provided by Financing Activities

Financing activities provided \$1,259,869 of cash during the period. The \$2,000,000 private financing was offset by the reimbursement of the convertible debentures for \$696,701 and the issuance costs resulting from these transactions of \$43,430.

Financial Position

As of March 31, 2005, the corporation has working capital of \$1,259,373 including \$1,053,922 of cash and cash equivalents. The company expects these funds will be sufficient for financing its operations for the next twelve months based on the assumption that revenues will begin to be earned in September, 2005. In the case that these revenues do not materialize, the company expects these funds to be sufficient to finance its operations until at least the end of the current fiscal year at September 30, 2005.

Although the company expects to generate revenues in the short term, it must be considered that the corporation has incurred significant losses since its inception and expects to have future capital requirements, especially for technology development,

marketing and special programs developed to penetrate targeted markets. The Corporation wishes to fund its future capital requirements mainly by way of available cash and cash equivalent and eventually by way of debt or equity at an acceptable price for the company. The corporation's future ability to generate sufficient short- and long-term capital depends on various factors, including general economic conditions, technological advancements, market acceptance of its technologies and competition over and above other risks described in the section "risks and uncertainties".

Commitments

As of March 31, 2005, Power Tech has a contracted obligation to an equipment lease which calls for the following minimum payments in the coming years:

	Total	1 st Year	2 nd and 3 rd Years	4 th and 5 th Years	Subsequent Years
Operating Lease	\$ 7,972	\$1,993	\$ 3,986	\$ 2,325	\$ 0

Significant accounting policies and estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's experience and other assumptions considered reasonable under the circumstances. Readers are encouraged to refer to Note 2 to the financial statements for the quarter ended March 31, 2005 and Note 3 of the financial statements for the fiscal year ended August 31, 2004 for a description of significant accounting policies. Financial statements as of August 31, 2004 are available on page 82 of the "Filing statement – French" posting on SEDAR.

Risks and uncertainties

There are a number of risks and uncertainties the company is subject to due to the nature of its technology and the company's current stage of development. They include, but are not necessarily limited to, the following:

- *Vulnerability of exclusive technology* – the company owns the intellectual property behind its technology but there is the possibility of competitive imitation.
- *Additional capital needs* – as per the original plan, the company has sufficient funds to carry out its business plan. In the event that these plans change or revenue growth is slower than anticipated, it is possible additional financing will be necessary. There is no guarantee this financing will be available at conditions that are acceptable to the company and with terms that facilitate its growth.

- *Competition* – there is a risk that competitors will launch a technology that diminishes the potential of the company’s technology or makes it obsolete.
- *Managing growth and market development* – there is no guarantee the company will be able to successfully develop its market or, in the case of rapid growth, not successfully manage the requirements this type of growth demands.
- *Demand fluctuation* – the company’s success is based on the demand in the heavy equipment and attachment industry. If there is a general slowdown in the demand for these types of products, there will be an impact on the company’s results.
- *Price fluctuation* – given the competitive nature of the industry and the unknown reaction of competitors to the introduction of the company’s products, there may be pressures for the company to reduce its prices which will affect its projected profitability.
- *Importance of workforce* – the company relies heavily on its management team and technical personnel. The loss of one of these employees may have an unfavourable impact on the company.
- *Acquisitions* – it is possible the company could acquire companies or products that complement its own and help it achieve its goals. There is a risk that the benefits of synergy are not realized or integration of the new company or product is not successful.
- *Product errors* – the products being developed by the company are complex and, as a result, may contain errors or weaknesses that may slow growth and harm its reputation.

Forward-looking information

Certain sections of this management’s discussion and analysis may contain forward-looking information. Statements based on current management expectations involve inherent risks and uncertainties, both known and unknown. Actual results may be different from forecasts.

(s) Carol Murray

(s) Matthew Blackmore

Carol Murray
President and Chief Executive Officer

Matthew Blackmore, CGA
Chief Financial Officer

Blainville, Québec, May 27, 2005