

Interim Consolidated Financial Statements

Power Tech Corporation Inc.

June 30, 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

	June 30, 2005	August 31, 2004
	\$	\$
	[unaudited]	
ASSETS		
Current assets		
Cash	508,306	46,794
Commodity taxes receivable	90,037	23,373
Tax credits receivable	103,578	50,000
Inventories	358,945	12,491
Prepaid expenses	16,227	3,499
	1,077,093	136,157
Advances to a shareholder	19,508	19,508
Property, plant and equipment	58,848	30,852
Intangible assets	83,493	84,809
Deferred charges [note 2]	199,460	122,977
	1,438,402	394,303
LIABILITY AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	302,177	74,621
Liability component of convertible debentures	—	607,966
Shareholders' equity (deficiency)		
Capital stock [note 4]	1,615,998	105
Warrants [note 4]	957,000	—
Stock options [note 4]	367,100	—
Equity component of convertible debentures	—	75,710
Deficit	(1,803,873)	(364,099)
	1,136,225	(288,284)
	1,438,402	394,303

Commitments [note 5]

Subsequent event [note 6]

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

	Three-month period ended June 30		Ten-month period ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
Deficit, beginning of period	(1,292,517)	(75,493)	(364,099)	—
Net loss	(511,356)	(147,523)	(1,391,524)	(223,016)
Share and unit issue costs	—	—	(43,430)	—
Premium on settlement of equity component of convertible debentures	—	—	(4,820)	—
	(511,356)	(147,523)	(1,439,774)	(223,016)
Deficit, end of period	(1,803,873)	(223,016)	(1,803,873)	(223,016)

See accompanying notes

Power Tech Corporation Inc.

CONSOLIDATED STATEMENT OF LOSS

Unaudited

	Three-month period ended June 30		Ten-month period ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
Expenses				
Selling and administrative expenses [net of government assistance of \$10,000]	487,265	130,414	1,307,659	203,249
Financial expenses	403	1,094	45,418	1,360
Amortization of property, plant and equipment	5,725	4,334	15,309	4,334
Amortization of other assets	27,230	11,681	72,324	14,073
	520,623	147,523	1,440,710	223,016
Other revenue				
Gain on settlement of liability component of convertible debentures	—	—	35,150	—
Interest	9,267	—	14,036	—
	9,267	—	49,186	—
Net loss	(511,356)	(147,523)	(1,391,524)	(223,016)
Basic and diluted loss per share outstanding				
	(0,02)	(0,01)	(0,06)	(0,01)
Weighted average number of shares outstanding during the period [in thousands]				
	27,750	17,750	22,340	17,750

See accompanying notes

Power Tech Corporation Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited

	Three-month period ended June 30		Ten-month period ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss for the period	(511,356)	(147,523)	(1,391,524)	(223,016)
Adjustments for:				
Gain on settlement of liability component of convertible debentures	—	—	(35,150)	—
Amortization of property, plant and equipment	5,725	4,334	15,309	4,334
Amortization of other assets	27,230	11,681	72,324	14,073
Accrued interest on convertible debentures	—	—	43,355	—
Stock-based compensation expense	55,644	—	282,100	—
	(422,757)	(131,508)	(1,013,586)	(204,609)
Net change in non-cash working capital items	(60,959)	(87,222)	(384,569)	(49,758)
Cash flows related to operating activities	(483,716)	(218,730)	(1,398,155)	(254,367)
INVESTING ACTIVITIES				
Advances to a shareholder	—	(11,008)	—	(19,508)
Additions to property, plant and equipment	(25,586)	(52,013)	(43,305)	(52,013)
Additions to intangible assets	—	(36,164)	(4,008)	(37,936)
Increase in deferred charges	(36,314)	(19,651)	(143,483)	(105,751)
Repayment of a loan to a shareholder	—	—	—	55,000
Reverse takeover and merger <i>[note 3]</i>	—	—	540,594	—
Cash flows related to investing activities	(61,900)	(118,836)	349,798	(160,208)

Power Tech Corporation Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS [Cont'd]

Unaudited

	Three-month period ended June 30		Ten-month period ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
FINANCING ACTIVITIES				
Loan – CMJ Capital Inc.	—	—	250,000	—
Issue of convertible debentures	—	285,000	—	460,000
Repayment of convertible debentures	—	—	(696,701)	—
Issuance of Class A shares	—	—	—	100
Issuance of units	—	—	2,000,000	—
Share and unit issue costs	—	—	(43,430)	—
Cash flows related to financing activities	—	285,000	1,509,869	460,100
Net increase (decrease) in cash and cash equivalents	(545,616)	(52,566)	461,512	45,525
Cash and cash equivalents, beginning of period	1,053,922	98,091	46,794	—
Cash and cash equivalents, end of period	508,306	45,525	508,306	45,525
Supplementary information				
Interest paid	—	2,037	41,701	8,695

See accompanying notes

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 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 which were filed on SEDAR on January 28, 2005 under *Filing statement*. 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 POLICY

Enterprise in development stage

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. As of today, the Corporation has earned no revenues and is considered to be in the development stage.

The Corporation is working on one project, an excavation bucket integrated with a hydraulic cell that holds tools that are interchangeable depending on the desired application. The product, known as the PicBucket, is fully patented, finalized and ready for market. The development costs and capital expenditures for the ten-month period ended June 30, 2005 are as follows:

	Development costs	Capital expenditures	Total
	\$	\$	\$
Costs	394,634	23,145	417,779
Research and development tax credits	103,578	—	103,578
	291,056	23,145	314,201
Accumulated amortization	91,596	3,253	94,849
	199,460	19,892	219,352

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

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Unaudited

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 \$572,893 at that date, considering a deduction of fair value allotted to the new stock options issued. Subsequent to this reverse takeover, the companies merged and the merged company continued under the name of Power Tech Corporation Inc. The new 400,000 stock options granted replaced the 400,000 stock options granted by CMJ following the merger. These options are exercisable at a price of \$0.25 until January 25, 2006 and were valued at an amount of \$85,000 at the date of merger.

	\$
Current assets acquired	796,944
Current liabilities assumed	139,051
Net monetary assets	657,893
Fair value allotted to 400,000 stock options	(85,000)
Value allocated to the 5,000,000 shares issued in Capital CMJ	572,893

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.

4. CAPITAL STOCK

Authorized

Unlimited number of common shares, without nominal value.

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
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June 30, 2005

Unaudited

4. CAPITAL STOCK [cont'd]

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	572,893	572,893	—	—
Issued for cash – private placement	—	—	5,000,000	1,043,000	1,043,000	5,000,000	957,000
Balance as at June 30, 2005	—	—	27,750,000	1,615,998	1,615,998	5,000,000	957,000

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 \$55,644 has been charged to periodic results.

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
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Unaudited

4. CAPITAL STOCK [cont'd]

Stock options [cont'd]

	Stock options		Weighted average exercise price
	Number	\$	\$
Outstanding as at August 31, 2004	—	—	—
Reverse takeover <i>[note 3]</i>	400,000	85,000	0.25
Granted under the plan	1,590,000	282,100 ⁽¹⁾	0.50
Outstanding as at June 30, 2005	1,990,000	367,100	0.45
Exercisable options, end of period	1,000,000		0.40

(1) _____ \$

Fair value at the date of granting	486,000
Less :	
Compensation cost to recognize	(203,900)
	282,100

The remaining weighted average contractual lives of the options with exercise prices of \$0.25 and \$0.50 are 0.1 years and 3.3 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

Power Tech Corporation Inc.

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5. COMMITMENTS

During the period, the Corporation has entered into a new lease for equipment rental. This lease, which expires in 2009, calls for payments totalling \$31,980. The minimum payments for the next five years, for all leases which expire from 2009 to 2010, are as follows:

	\$
2006	9,988
2007	9,988
2008	9,988
2009	6,656
2010	498

6. SUBSEQUENT EVENT

On August 2, 2005, the Corporation closed a private financing with the Company SIPAR inc., through the issuance of a convertible debenture for an amount of \$ 1,500,000. The convertible debenture provides an interest rate of 12.95 % and matures on August 2, 2010. The debenture is convertible for the holder at any time, in totality or in part, in units of the Corporation, at a conversion price of \$ 0.70 per unit until August 2, 2007. For subsequent years until August 2, 2010, the conversion price per unit will be increased each year by 10 %, based on the conversion price per unit of the previous year. Each unit consists of a common share and an equity warrant. The equity warrant gives the holder the right to subscribe to a common share at the conversion price of the units the date the debenture was converted. The warrant expires at the earliest of: two years after the issuance of the units or August 2, 2010.

Also, the Corporation may, after January 31, 2008, unless at that date the debenture had already been totally converted, exercise a right to call the conversion of the debenture by the holder, in totality or in part, if for at least 20 consecutive days, the closing price of the common share of the Corporation has been \$ 2.00 or more.

Power Tech Corporation Inc.

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6. SUBSEQUENT EVENT [cont'd]

The interests is refundable according to the following terms:

- i) The interest from August 2, 2005 to August 2, 2007 will be converted in units of the Corporation on August 2, 2005 according to a formula based on the price of the Corporation's share less the maximum discount allowed by the stock exchange authorities.
- ii) The interest from August 3, 2007 to August 2, 2009 is payable in cash on August 2, 2009.
- iii) The interest from August 3, 2009 to August 2, 2010 is payable in cash on August 2, 2010.