



PRESIDENT'S MESSAGE

OUR TECHNOLOGY FULFILLS ITS PROMISE

PowerTech has made significant progress in recent months. With respect to marketing, our V.I.PIC. program has been highly successful. From a corporate perspective, on August 2nd, we were very pleased to announce the closing of a \$1.5 million private financing with the company SIPAR, a renowned Quebec investor. The proceeds from this financing will enable PowerTech to pursue its commercialization activities, such as those related to our V.I.PIC. program.

Launched a few months ago, the V.I.PIC program is an initiative aimed at entrepreneurs, as well as distributors and dealers of construction equipment and machinery. The program allows participants to use our "PicBucket" at a minimal cost for a set period. In return, they accept that the results of their experience using our technology and their names be used in our marketing efforts. Participants will also benefit from a discount on the purchase price at the end of the program.

We believe the V.I.PIC program will allow the Company to quickly make significant commercial breakthroughs. Recent feedback from the companies that are presently participating in the V.I.PIC program in Quebec and Ontario confirms the accuracy and efficiency of this strategy. They are reporting that they are impressed with our products' performance. As we expected, our technology is fulfilling its promise by enabling users to realize substantial efficiency gains. Therefore, we are confident that the V.I.PIC program will result in major sales of our PicBucket units and accessories, including PicPins (three-pin demolition set), the PicBlade (a blade for cutting and demolition), the PicGrate (a flat blade) and the PicPlate (compaction plate).

Furthermore, to support the implementation of our V.I.PIC program, we are continuing our business development efforts in other areas. In particular, our strategic plan now includes specifically targeting Eastern North America. We also plan to continue ensuring that PowerTech has a strong presence at major industry trade shows. As well, on September 27th, the Company will participate in ICCUE 2005 in Louisville, Kentucky, an event that will bring together approximately 700 players in the construction industry. This trade show attracts a great deal of interest from municipal and public utility equipment managers for whom our technology can provide major advantages.

In recent months, the Company has participated in other events of a similar nature, including *The Heavy Equipment Show* held in Toronto and *The Heavy Construction Show* in Abbotsford, British Columbia. In addition, we also gave a demonstration to the members of the *Association des professionnels à l'outillage municipal* (municipal equipment professionals association) in Trois-Rivières, Quebec.

In the coming months, PowerTech will continue to primarily focus its efforts on marketing its technology. Based on the excellent results obtained from the V.I.PIC program, we believe we have everything required to carry out our business plan and make PowerTech a great success.

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



Quarterly Report to our shareholders
3rd quarter ended June 30, 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 three months from April 1, 2005 to June 30, 2005. This report should be read in conjunction with the information provided in the company’s consolidated financial statements and notes for the three month period ending June 30, 2005.

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 has aggressively continued its business development and marketing strategies while at the same time preparing operationally for large-scale production.

Significant progress was made in generating exposure for the company and its technology through participation in industry shows, product demonstrations and targeted marketing programs.

In addition, subsequent to June 30, 2005, the company has completed a financing transaction which provides the company with the funds necessary to pursue a number of key opportunities that have materialized in recent months. The \$1.5 million transaction was completed on August 2, 2005. This financing, in form of a 5 year convertible debenture with an interest rate of 12.95% and expiring August 2, 2010, allows for conversion at anytime into one Power Tech common share and one additional equity

warrant at an initial price of \$0.70 per share. The conversion price would increase according to the minimum provisions set out by the stock exchange.

The funds generated from this financing will allow the company to intensify its business development activities in the coming, specifically in Canada and the United States.

Description of Activities and Development Status Report

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.

Development Project Status

Power Tech Corporation Inc. remains a company in the development stage. While the principal technology is ready for full scale commercialization, no revenues from operations have been earned.

Power Tech's one *project* since its inception has been the development of an excavation bucket with an integrated hydraulic cell to offer percussion power in all types of work and all angles of attack. The development work on the technology is complete and the only work that continues is the development of additional accessories to be used with the PicBucket.

The company's plan for the project is simple – to engineer a product that is efficient, durable and robust for its users and able to be manufactured on a large scale with quality and consistency. The company believes that these goals have been met and efforts now are focused mainly on business development and marketing opportunities to get the product onto construction work sites and generate sales.

It is anticipated that these efforts will pay off with generated revenue within a few months. To date, \$505,000 has been spent on the development and testing of the technology and an additional \$404,000 has been spent on preliminary marketing efforts, creating a product positioning, company website, promotional materials, industry shows, etc. It is expected that an additional \$250,000 will be necessary in coming months to

complete development of the PicBucket's accessories and create specific marketing tools and programs necessary to begin penetration into targeted markets.

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. In the last three months there has been significant progress made in geographic areas where the technology has been demonstrated for a number of potential clients. Following these actions taken by the company, there is an increase in the excitement of a new, revolutionary technology. The sales cycle for major clients, however, is long but all of these efforts are in line with our business development and marketing plans. As a result of that strategy, the company anticipates generating revenues in the short term.

Results of Operations

The principal focus for the three month period from April 1, 2005 to June 30, 2005 was threefold:

- a) continuing the implementation of business development strategies through focused efforts in specific geographic areas
- b) finalize preliminary marketing efforts defining product positioning, company image and promotional materials

- c) continuing to create the internal company structure needed to support sales growth.

To further promote the company and generate exposure for its technology, the company participated in three industry shows during the three month period ended June 30, 2005: *The Heavy Equipment Show* in Toronto, *The Heavy Construction Show* in Abbotsford, BC and the *Association des Professionnels à l'Outillage Municipal* in Trois-Rivières, Québec.

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 three month period of April 1, 2005 to June 30, 2005.

Administrative and Sales & Marketing Expenses

Administrative expenses totaled \$323,357 for the three month period ending June 30, 2005 versus \$118,533 for the same period last year. Significant portions of this expense include salaries and wages (\$116,411), the administrative compensation cost associated with company stock options (\$55,644) and professional and legal fees (\$33,911).

Selling expenses totaled \$163,908 versus \$11,882 for the same period last year. The majority of these expenses were incurred due to the addition of two full time sales consultants, 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 as mentioned above.

Financing Costs

Financing costs decreased compared to the same time last year due to the reimbursement of all long term debt (convertible debentures) in February, 2005. There were, therefore, no financing costs other than bank transaction and processing fees for the most recent three month period.

Fixed Asset Amortization

Amortization of the company's fixed assets totaled \$5,725 for the three month period ended June 30, 2005.

Intangible Assets Amortization

The amortization of intangible assets comprised of patents and deferred development costs, totaled \$27,230 compared to \$11,681 for the same period last year.

Development costs are straight-line amortized over a period of three years from the beginning of business development activities (to be fully amortized by March, 2007) and their amortization totals \$25,604 compared to \$8,613 last year.

Patent costs are accounted for at cost and amortized over the life of the patent. Patent amortization for the period totaled \$1,626.

Other Revenue

Interest revenue of \$9,267 was earned in the three month period ending June 30, 2005 from cash deposits made in interest-bearing short term investments in Canadian financial institutions.

Net Loss

The net loss for the three month period ending June 30, 2005 is \$511,356. This loss is explained primarily by an increased emphasis in business development and marketing efforts and the ongoing administrative expenses of the business.

Summary of Quarterly Results

Below is a summary of the four periods for which Power Tech has published financial statements. While the periods outlined below are not all equal, the reporting period is now normalized with a September 30 fiscal year end. Clearly, as the company has allocated more and more resources to its commercialization and business development activities, the net loss has increased over time.

Quarter	Revenues	Net Loss	Net loss per share	
			Basic	Diluted
Quarter ended June 30, 2005	\$ 0	\$ (511,357)	\$ (0.02)	\$ (0.02)
Quarter ended March 31, 2005 (4 months)	\$ 0	\$ (637,655)	\$ (0.03)	\$ (0.03)
Quarter ended November 30, 2004	\$ 0	\$ (242,513)	\$ (0.01)	\$ (0.01)
Year ended August 31, 2004 (308 days)	\$ 0	\$ (364,099)	\$ (0.01)	\$ (0.01)

Notes:

1. The first financial statements for Power Tech were prepared as of August 31, 2004.

2. Since the completion of its qualifying transaction with CMJ Capital Inc. in February, 2005, Power Tech has 27,750,000 outstanding common shares and an additional 1,990,000 options and 5,000,000 warrants outstanding. Therefore, the total number of fully diluted shares outstanding is 34,740,000. However, these options and warrants were not included in the computation of diluted loss per share because the effect would be anti-dilutive.

Balance Sheet

Cash and Cash-Equivalents

Cash on hand at June 30, 2005 was \$508,306 versus \$46,794 at August 30, 2004. In February, 2005 the merger with CMJ Capital Inc. (discussed in detail in March 31, 2005 management discussion and analysis) and the concurrent private financing explains the major increase in cash on hand.

Current Assets

Current assets have increased significantly between August 31, 2004 and June 30, 2005 from \$136,157 to \$1,077,093. As mentioned above, cash has increased due to proceeds from the merger with CMJ Capital Inc. and a concurrent private financing. Significant investments in on-hand inventory ready for testing, demonstrations and eventual sale has increased \$346,454 since the end of August, 2004.

Expected research and development tax credits from the prior fiscal year increased by \$50,000 to \$103,578 and outstanding consumption taxes receivable increased by \$23,373 to \$90,037.

Current Liabilities

Accounts payable and accrued liabilities increased substantially by \$227,556 as a result of the increased level of activities in all areas of the company.

Fixed Assets

The capitalized value of fixed assets has increase by \$27,996 from August 31, 2004. Relatively minor investments have been made in industrial equipment and 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 June 30, 2005 and August 31, 2004.

Deferred Development Costs

Deferred development costs totaled \$199,460 at June 30, 2005 which represents an increase of \$76,483 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. More recently, minor changes to the product to improve long term durability were performed and tested. An amount of \$103,578 in research and development tax credits was accounted for as a reduction of deferred development costs.

Long Term Debt

As described in the management discussion from March 31, 2005, all long term debt was eliminated when the company reimbursed all the outstanding convertible debentures with funds generated from the private financing for an amount of \$696,701 in February, 2005.

Statement of Cash Flows

Cash used for Operating Activities

Cash used for operating activities for the three month period ended June 30, 2005 was \$483,716. The majority of these cash outflows are 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 \$60,959. The increase in inventory and taxes receivable was offset by a significant increase in accounts payable and accrued expenses.

Cash provided by Investing Activities

For the three months ended June 30, 2005 investing activities used \$61,900. An amount of \$25,586 was spent on the acquisition of fixed assets and \$36,314 accounted for as deferred development costs.

Cash provided by Financing Activities

There were no financing activities for the three months ended June 30, 2005.

Financial Position

As of June 30, 2005, the corporation has working capital of \$774,916 including \$508,306 of cash and cash equivalents. The amount of working capital on hand has decreased by an amount of \$484,456 since the end of the last reporting period, March 31, 2005. With a multitude of potential opportunities for sales growth, the company realizes that additional funds will be necessary for to capitalize on the business development opportunities that have presented themselves. With that need in mind, the company pursued additional financing and has concluded a financing of \$1.5 million as explained earlier in the “General Overview” section.

With the addition of these funds, the company expects sufficient resources are on hand for financing its operations for the next twelve months. Sales are expected to materialize beginning in September, 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 may have future capital requirements, especially for technology development, marketing and special programs developed to penetrate targeted markets. While the \$1.5 million financing provides funds for at least the next 12 months, 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 medium 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 June 30, 2005, Power Tech has two contracted obligations – one for an equipment lease, and another for a vehicle lease which calls for the following remaining minimum payments in the coming fiscal years:

	Total	2005	2006/2007	2008/2009	Subsequent Years
Equipment Lease	\$ 8,968	\$ 498	\$ 3,986	\$ 3,986	\$ 498
Vehicle Lease	\$ 30,647	\$ 1,999	\$ 15,990	\$ 12,658	\$ 0
TOTAL	\$ 39,615	\$ 2,497	\$ 19,976	\$ 16,644	\$ 498

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 June 30, 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

Carol Murray
President and Chief Executive Officer

(s) Matthew Blackmore

Matthew Blackmore, CGA
Chief Financial Officer

Blainville, Québec, August 5, 2005