

Interim Consolidated Financial Statements

**Power Tech Corporation Inc.**

December 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

	December 31, 2005 \$	September 30, 2005 \$
	[unaudited]	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	1,096,396	1,376,376
Accounts receivable	176,424	203,811
Tax credits receivable	35,000	35,000
Inventories	518,680	533,633
Prepaid expenses	28,859	17,173
	<b>1,855,359</b>	<b>2,165,993</b>
<b>Advances to a shareholder</b>	<b>19,508</b>	19,508
<b>Property, plant and equipment [note 4]</b>	<b>84,458</b>	59,631
<b>Intangible assets</b>	<b>97,600</b>	98,974
<b>Deferred charges</b>	<b>222,210</b>	186,567
	<b>2,279,135</b>	<b>2,530,673</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	152,362	204,797
Short term component of long-term debt	6,815	—
	<b>159,177</b>	204,797
<b>Liability component of convertible debentures</b>	<b>1,454,449</b>	1,398,820
<b>Long-term debt [note 5]</b>	<b>44,598</b>	20,911
<b>Shareholders' equity</b>		
Capital stock [note 6]	1,685,998	1,615,998
Warrants	957,000	957,000
Stock options	454,958	416,485
Equity component of convertible debentures	113,659	113,659
Deficit	(2,590,704)	(2,196,997)
	<b>620,911</b>	906,145
	<b>2,279,135</b>	<b>2,530,673</b>

Subsequent event [note 7]

*The accompanying notes are an integral part of the interim consolidated financial statements*

On behalf of the Board

Carol Murray (s)  
Director

Dany Girard (s)  
Director

**Power Tech Corporation Inc.**

**CONSOLIDATED STATEMENT OF DEFICIT**

For the three month period ended

Unaudited

	<b>December 31, 2005</b>	<b>December 31, 2004</b>	<b>Period from October 27, 2003 to December 31, 2005</b>
	\$	\$	\$
<b>Deficit, beginning of period</b>	<b>(2,196,997)</b>	(364,099)	—
Net loss	<b>(393,707)</b>	(225,541)	(2,531,041)
Share and equity instrument issue costs	—	—	(54,843)
Premium on settlement of equity component of convertible debentures	—	—	(4,820)
<b>Deficit, end of period</b>	<b>(2,590,704)</b>	(589,640)	(2,590,704)

*The accompanying notes are an integral part of the interim consolidated financial statements*

**Power Tech Corporation Inc.**

**CONSOLIDATED STATEMENT OF LOSS**

For the three month period ended

Unaudited

	December 31, 2005 \$	December 31, 2004 \$	Period from October 27, 2003 to December 31, 2005 \$
Sales	99,960	—	99,960
Cost of goods sold	79,448	—	79,448
Gross margin	20,512	—	20,512
<b>Expenses</b>			
Selling and administrative expenses	342,337	199,000	2,343,786
Financial expenses	57,357	2,850	144,570
Amortization of property, plant and equipment	8,380	3,966	33,055
Amortization of other assets			
Development costs	11,215	17,637	105,552
Patents	1,818	2,088	10,969
Financing costs	2,674	—	4,457
	423,781	225,541	2,642,389
Operating loss	(403,269)	(225,541)	(2,621,877)
<b>Other revenues</b>			
Interest	9,562	—	29,049
Contribution – Economic Development Canada	—	—	26,637
Gain on settlement of liability component of convertible debentures	—	—	35,150
	9,562	—	90,836
<b>Net loss</b>	<b>(393,707)</b>	<b>(225,541)</b>	<b>(2,531,041)</b>
<b>Basic and diluted loss per share outstanding</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0,12)</b>
<b>Weighted average number of shares outstanding during the period [in thousands]</b>	<b>28,009</b>	<b>17,750</b>	<b>21,844</b>

*The accompanying notes are an integral part of the interim consolidated financial statements*

**Power Tech Corporation Inc.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three month period ended

Unaudited

	December 31, 2005 \$	December 31, 2004 \$	Period from October 27, 2003 to December 31, 2005 \$
<b>OPERATING ACTIVITIES</b>			
Net loss for the period	(393,707)	(225,541)	(2,531,041)
Adjustments for:			
Amortization of property, plant and equipment	8,380	3,966	33,055
Amortization of other assets	15,707	19,725	120,978
Accrued interest on convertible debentures	55,629	2,205	140,139
Accrued interest on long term debt	1,108	—	1,363
Gain on settlement of liability component of convertible debentures	—	—	(35,150)
Stock-based compensation expense	38,473	—	369,958
	(274,410)	(199,645)	(1,900,698)
Net change in non-cash working capital items	(21,781)	(5,968)	(739,302)
<b>Cash flows used for operating activities</b>	<b>(296,191)</b>	<b>(205,613)</b>	<b>(2,640,000)</b>
<b>INVESTING ACTIVITIES</b>			
Advances to a shareholder	—	—	(19,508)
Additions to property, plant and equipment	(33,207)	(4,758)	(117,513)
Additions to intangible assets	(444)	—	(86,564)
Increase in deferred charges	(49,532)	(78,420)	(332,219)
Repayment of a loan to a shareholder	—	—	(22,000)
<b>Cash flows used for investing activities</b>	<b>(83,183)</b>	<b>(83,178)</b>	<b>(577,804)</b>

**Power Tech Corporation Inc.**

**CONSOLIDATED STATEMENT OF CASH FLOWS [Cont'd]**

For the three month period ended

Unaudited

	December 31, 2005 \$	December 31, 2004 \$	Period from October 27, 2003 to December 31, 2005 \$
<b>FINANCING ACTIVITIES</b>			
Reverse takeover and merger	—	—	540,594
Loan – CMJ Capital Inc.	—	250,000	250,000
Issuance of convertible debentures	—	—	2,155,000
Repayment of convertible debentures and accumulated interest	—	—	(696,701)
Increase in long-term debt	29,942	—	50,598
Reimbursement of long-term debt	(548)	—	(548)
Issuance of category A common shares	—	—	100
Issuance of units	—	—	2,000,000
Issuance of common shares	70,000	—	70,000
Equity instrument issue costs	—	—	(54,843)
<b>Cash flows provided by financing activities</b>	<b>99,394</b>	250,000	4,314,200
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(279,980)</b>	(38,791)	1,096,396
Cash and cash equivalents (deficiency), beginning of period	<b>1,376,376</b>	(3,838)	—
<b>Cash and cash equivalents (deficiency), end of period</b>	<b>1,096,396</b>	(42,629)	1,096,396

*The accompanying notes are an integral part of the interim consolidated financial statements*

**Power Tech Corporation Inc.**

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

December 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 Company's audited financial statements for the year ended September 30, 2005. The interim consolidated financial statements and accompanying notes should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2005. 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. GOING CONCERN CONCEPT**

The financial statements were prepared by management in conformity with Canadian generally accepted accounting principles based on the going concern concept, which assumes the Company will be able to generate sufficient funds to discharge its obligations during normal business operations for the foreseeable future.

The Company incurred a net loss of \$393,707 during the three months period ended December 31, 2005 and has an accumulated deficit of \$2,590,704 as at December 31, 2005. The Company expects to have future capital requirements, especially for technology development, marketing initiatives and debenture and long-term debt servicing. The Company wishes to fund its future capital requirements mainly by way of available cash and cash flows from operations. The Company realized its first sales within the framework of its V.I.Pic marketing program during the first quarter. The Company's future ability to generate sufficient short-term and long-term capital depends on acquiring additional sales and financing and various factors, including general economic conditions, technological advancements, market acceptance of its products and competition.

At this point in time, the Company has begun the process of realizing a private or public financing. The completion date of this process is targeted for the spring of 2006. However, the realization of these objectives is not assured at this time. These financial statements contain no restatement or reclassification of assets or liabilities that would be necessary if the Company demonstrated an inability to continue its operations.

**Power Tech Corporation Inc.**

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

December 31, 2005

Unaudited

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Development Stage Company**

As at December 31, 2005, the Company has not earned significant revenues and is considered to be in the development stage.

**Revenue Recognition**

All revenues earned to date are from the sale of the Company's primary product, the PicBucket, and its accessories. Operating revenues from these sales are recognized when the following criteria are met: purchase agreement is received from the customer, delivery has occurred, the price is fixed and collection is reasonably assured.

**4. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Company acquired automotive equipment at an amount of \$30,131. The automotive equipment is amortized on a straight line basis over three years.

**5. LONG TERM DEBT**

During the period, the Company incurred a loan for an amount of \$29,942, bearing interest at 6.45% resulting in monthly repayments of \$709 in principal and interest, maturing in November, 2009. A chattel mortgage on automotive equipment has been pledged as security for the loan.

**6. CAPITAL STOCK**

On October 5, 2005, the Corporation issued 280,000 common shares for cash consideration of \$70,000 following the exercise of 280,000 outstanding stock options at a price of \$0.25 per share.

In addition, The Company granted 15,000 stock options under the stock option plan. These options had an immaterial value.

**Power Tech Corporation Inc.**

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

December 31, 2005

Unaudited

**7. SUBSEQUENT EVENT**

On January 17, 2006, the Corporation issued 120,000 common shares for cash consideration of \$30,000 following the exercise of 120,000 stock options at a price of \$0.25 per share.