



PRESIDENT'S MESSAGE

OUR FIRST REVENUES AND SEVERAL PROMISING PROJECTS

In recent months, the Company has rolled out multiple initiatives as it implements its commercialization strategy. As part of this strategy, PowerTech will soon be moving to a new facility to increase production capacity and service the distribution of its products. After this move, we will be able to meet the anticipated demand of our distributors, meet delivery schedules and ensure the availability of replacement parts. This new 23,000 square foot plant is located in the Haut Terrebonne industrial park.

As well, last February we welcomed Yves Sicotte to the position of vice-president, sales and marketing. The arrival of Mr. Sicotte will enable us to accelerate the establishment of our North American distribution network. Our objective is to form agreements with large Canadian and U.S. distributors specialized in the construction and demolition machinery. Internationally, PowerTech is aiming to partner with large heavy equipment distributors with intimate knowledge of their markets.

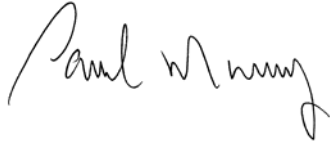
The V.I.PIC program: a sale to Roxboro Excavation

Meanwhile, the V.I.PIC program is continuing to reap success with participating entrepreneurs. In addition, last February the Company announced the sale of another PicBucket unit to Roxboro Excavation, a Dorval-based company. Mr. Daniel Théorêt, the machinery park manager for Roxboro said he is very impressed by the performance of our technology, which he believes is destined to set a new standard for the construction industry. Close to 40 entrepreneurs and potential clients have accepted to take part in the V.I.PIC program with a view to eventually purchasing our technology. Of this number, many have already undertaken trials of the PicBucket at their work sites. We are confident that other companies will soon purchase our product as did Roxboro.

Parallel to these commercialization efforts, we are presently pursuing the development of two new product lines. The new Series 1000 percussion buckets have now begun pre-commercialization testing. This product is aimed at the growing mini-excavator market. We have also started development of the Series 2000 DHU, a percussion bucket that contains two hydraulic cells. The Series 2000, that is already commercialized, contains one hydraulic cell.

Furthermore, during the last quarter we recorded our first revenues thanks to sales to the Aecon Group, one of the largest construction companies in Canada. For the PowerTech

team, this marks a significant symbolic step that encourages us to pursue our vision to a successful future. In recent months, we have brought together all the key ingredients required to pursue our development plan. We are optimistic that these various initiatives will help us to achieve our targeted goals, particularly with respect to sales growth and the establishment of new strategic partnership agreements.

A handwritten signature in black ink, appearing to read "Carol Murray". The signature is fluid and cursive, with the first name "Carol" being more prominent than the last name "Murray".

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

February 24, 2006



Management's Discussion and Analysis

Quarterly Report to our shareholders

1st Quarter ended December 31, 2005

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 the three month period from October 1, 2005 to December 31, 2005. This report should be read in conjunction with the information provided in the company's interim consolidated financial statements and notes for the three month period ending December 31, 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. They are also consistent with the accounting policies set forth in the Company's audited consolidated 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.

For more information on the company, please consult the company's SEDAR filings at www.sedar.com.

Company Overview

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.

The company 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 this unique 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 this 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, deployed in 2005 and continuing into 2006, 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. Using a marketing initiative called the V.I.Pic program, units are given to targeted users for a test period with an option to purchase at a preferential price at the end of the agreement. 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 used as opportunities to give the company and its products the exposure needed to create a buzz in the industry. 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.

General Overview and Development Status Report

The first quarter of fiscal year 2006, the three month period ended December 31, 2005, has been one of continued progress on the business development front, culminating with the company's first commercial sales.

Using the VIPic marketing program as a catalyst for sales, *The Aecon Group*, one of Canada's largest construction companies, became the Company's first client. This is a critical milestone in the development of the company, especially a transaction with a company of Aecon's size and reputation.

Just after the completion of the quarter ended December 31, 2005, Yves Sicotte was hired as VP, Sales and Marketing bringing over 20 years of industry specific experience and a focused energy to continue the implementation of the company's commercialization plan. The addition of this key resource gives the company another key ingredient to delivering great successes in the future.

With this addition and the ongoing discussions with a quickly growing number of potential clients and continued progress toward a more wide-reaching distribution agreement, the Company is well positioned heading into the coming months.

Development Status Report

While Power Tech's principal technology is in full scale commercialization and revenues are beginning to be generated, Power Tech Corporation Inc. remains a company in the development stage.

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 has also begun development of new product lines that are aimed at serving the largest and fastest-growing segments of the excavator market. The Series 1000, which is for the fast-growing mini-excavator market, began testing this quarter and development has begun on a DHU (dual hydraulic unit) Series 2000 which augments the currently available PicBucket with an additional hydraulic cell for even greater performance characteristics.

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 high quality and consistency. The company believes that these goals have been met and efforts now are focused primarily on sales generation through business development and marketing initiatives aimed at getting the product onto construction work sites and in front of potential clients and partners during product demonstrations.

It is anticipated that these efforts will pay off with a significant increase in generated revenues within a few months. To date, \$590,000 has been spent on the development and testing of the technology and an additional \$570,000 has been spent on preliminary marketing efforts, creating a product positioning, company website, promotional materials, industry shows, market studies, commercialization plan, etc. It is expected that an additional \$50,000 will be necessary in coming months to finalize development of the PicBucket's accessories and create additional, specific marketing tools and programs necessary to penetrate targeted markets.

Selected Financial Information

	3 months ended December 31, 2005	3 months ended December 31, 2004
Revenues	99,960	0
Net Loss	(393,707)	(225,541)
Basic and Diluted net loss per share	(0.01)	(0.01)
Total Assets	2,279,135	461,966
Total long term liabilities	1,505,862	610,171
Cash on Hand	1,096,396	(42,630)

Results of Operations

The principal focus of the three month period from October 1, 2005 to December 31, 2005 was a concentrated effort on sales generation and business development opportunities. Sales have begun and progress made in this three month period sets the Company up well for future commercial developments in coming months.

Sales

As mentioned, the company's first revenues have been earned as a result of the effectiveness of its V.I.Pic marketing program. \$99,960 of revenue was earned for the quarter ended December 31, 2005.

Gross Margin

Due to preferred pricing granted to V.I.Pic participants, the gross margin of the above mentioned sales was \$20,512 or 20.5% of the selling price. The company anticipates, once more significant sales volumes have been achieved, gross margins will improve as early adopter promotions are eliminated.

Selling and administrative expenses

Administrative expenses totaled \$201,790 for the three month period ended December 31, 2005 versus \$147,636 for the same period last year. The most significant difference year over year is an expense of \$38,473 for the administrative compensation cost associated with company stock options compared to \$0 last year.

A more important difference is in the company's selling and marketing expenses which totaled \$140,547 versus \$51,364 for the same period last year. A more intense focus on business development has increased sales and marketing costs as two full time sales

employees and one full time consultant are focusing on performing more product demonstrations to potential clients and getting more demonstration units into the marketplace.

Financial expenses

Financial expenses of \$57,357 are considerably more than the \$2,850 last year. The majority of these expenses are from interest accumulated on the company's issued convertible debenture.

Property, plant and equipment amortization

Amortization of the company's property, plant and equipment totaled \$8,380 for the period versus \$3,966 for the same period the previous year. The base of fixed assets has slowly accumulated over time with the additional needs of a larger employee base and a growing operation. With that growth in fixed assets, amortization has increased in tandem.

Other Assets Amortization

The amortization of intangible assets is comprised of three parts: patents, deferred development costs, and deferred financing costs totaled \$15,707 compared to \$19,725 for the previous period ended December 31, 2004.

The majority is related to development costs and these costs are straight-line amortized over a period of three years from the beginning of business development activities (the major projects are to be fully amortized by March, 2007) and their amortization totals \$11,215 compared to \$17,637 for the same period last year.

Other Revenue

Interest revenue of \$9,562 was earned during the quarter from cash deposits made in interest-bearing short term investments in Canadian financial institutions.

Net Loss

The net loss for the three month period is \$393,707 compared to \$225,541 for the same period the year prior. This loss is an accumulation of all the expenses already explained above. Increased amounts invested in business development and marketing efforts in addition to the ongoing administrative expenses of the business were the main components of this loss.

Summary of Quarterly Results

Below is a summary of the six periods for which Power Tech has published interim financial statements. While the periods outlined below are not all equal, the reporting period is now normalized with a September 30 fiscal year end.

Quarter ended	Revenues	Net Loss	Net loss per share	
			Basic	Diluted
December 31, 2005	\$ 99,960	\$ (393,707)	\$ (0.01)	\$(0.02)
September 30, 2005	\$ 0	\$ (450,412)	\$ (0.02)	\$(0.02)
June 30, 2005	\$ 0	\$ (511,357)	\$ (0.02)	\$(0.02)
March 31, 2005 (4 months)	\$ 0	\$ (637,655)	\$ (0.03)	\$(0.03)
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 and covered a period of 308 days from the beginning of its incorporation in October, 2003.
2. Power Tech has 28,030,000 outstanding common shares and an additional 1,841,500 options and 5,000,000 warrants outstanding. Therefore, the total number of fully diluted shares outstanding is 34,871,500. 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

Cash on hand at December 31, 2005 was \$1,096,396 compared to \$1,376,376 at September 30, 2005. The cash allocated to further business development and product commercialization accounted for this decrease.

Current Assets

Current assets have decreased slightly from \$2,165,993 at September 30, 2005 to \$1,855,359 at December 31, 2005. There have been relatively minor changes in all non-cash working capital areas during the quarter. There remains a significant investment in inventory to support future sales growth of \$518,680 at December 31, 2005 down slightly due to the transfer to Cost of Goods Sold of the units sold during the quarter.

Current Liabilities

Accounts payable and accrued liabilities decreased moderately from \$204,797 to \$152,362 at December 31, 2005. There was simply a decrease in the amount of accounts payable at the end of the period compared to September 30, 2005.

Property, plant and equipment

The capitalized value of fixed assets has increased by \$24,827 from December 31, 2005 due primarily to the purchase of automotive equipment for \$30,131 during the period.

Intangible Assets

The company's intangible assets are the intellectual property, specifically patents. There was no material difference in the three month period ended December 31, 2005.

Deferred Development Costs

Deferred development costs totaled \$222,210 at December 31, 2005 which represents an increase of \$35,643 from September 30, 2005. Development efforts focused primarily on the development of a new product line, the Series 1000 PicBucket, aimed at serving the mini-excavator market and fine-tuning of the currently commercially available Series 2000 including some specific tool designs.

Long Term Debt

As previously mentioned in this report, the company issued a convertible debenture in August, 2005 and the liability component of that debenture is valued at \$1,454,449 as of December 31, 2005.

In addition, the company has entered into a loan agreement in order to purchase some automotive equipment. The total loan was for \$29,942 with an interest rate of 6.45% requiring monthly payments of \$709 in principal and interest until the expiration of the loan in November 2009.

Statement of Cash Flows

Cash used for Operating Activities

Cash used for operating activities for the quarter ended December 31, 2005 was \$296,191. 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.

Cash used by Investing Activities

Investing activities for the year used \$83,183. The purchase of the previously mentioned automotive equipment for \$30,131 was the majority of the \$33,207 spent on property, plant and equipment. In addition, \$49,532 was spent in research and development which was capitalized on the balance sheet as a deferred cost.

Cash provided by Financing Activities

Financing activities for the three month period ending December 31, 2005 were made up of two transactions: the loan of \$29,942 for the automotive equipment purchase and the issuance of 280,000 common shares for \$70,000 as a result of the exercise of 280,000 stock options at a price of \$0.25 per share.

Financial Position

As of December 31, 2005, the corporation has working capital of \$1,696,182 including \$1,096,396 of cash.

In this quarter, the company has begun to earn revenues and the company believes this to be the beginning of a steady growth in revenue generation. With a multitude of potential opportunities for sales growth, the company realizes that additional funds may be necessary in the future to capitalize on the business development opportunities that have presented themselves. In the short term, however, and based upon expected sales growth, the company expects sufficient resources are on hand for financing its operations until the end of this fiscal year.

Actually, the Company has begun the process of seeking additional financing. The form and terms of the financing are yet to be determined but the Company plans to complete this transaction in the coming months in order to accelerate its business development and commercialization activities.

Although the company expects to generate significant 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 \$1,500,000 million financing in August, 2005 provides funds for the current fiscal year, the Corporation wishes to fund its future capital requirements mainly by way of available cash and cash equivalents 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".

Contractual Obligations

During the period, the Company added a long term loan as a contractual obligation. This loan is for an amount of \$29,942.

The Company's commitments call for the following remaining minimum payments in the coming fiscal years:

	Total	2006	2007/2008	2009/2010	Subsequent Years
Equipment Lease	\$ 8,450	\$ 1,990	\$ 3,980	\$ 2,480	\$ 0
Vehicle Lease	\$ 28,650	\$ 8,000	\$ 16,000	\$ 4,650	\$ 0
Building Lease	\$ 3,028,600	\$ 136,960	\$ 459,220	\$ 440,370	\$ 1,992,050
Long Term Debt	\$ 29,942	\$ 5,619	\$ 14,781	\$ 9,541	\$ 0
TOTAL	\$ 3,095,642	\$ 152,569	\$ 493,981	\$ 457,041	\$ 1,992,050

Related Party Transactions

Commitment

The building lease agreement is with 6316123 Canada Inc., a company which is 20% owned by Carol Murray, President and Chief Executive Officer (C.E.O.) of Power Tech Corporation Inc and Pierre Gagnon, Vice President Operations of Power Tech Corporation Inc. who are also shareholders of the company. No payments were made in the 2005 fiscal year and the first payments are forecast to be in March, 2006.

In addition, the company has guaranteed, to a maximum of 25%, the mortgage loan contracted with 6316123 Canada Inc. for the above mentioned building totalling \$1,200,000.

This transaction is strategically important for two major reasons – first, the building provides the company with space, designed specifically for its needs, required for future growth and secondly, the personal investment by Mr. Murray and Mr. Gagnon provides the company with additional financial flexibility by avoiding a significant cash outflow for the initial investment required for the construction of a new building.

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 the notes of the audited annual financial statements as of September 30, 2005 for a description of significant accounting policies. More precisely, the management of Power Tech has identified the following critical accounting policies:

Going Concern

The interim 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.

Fixed Assets depreciation

Fixed assets are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of the asset is greater than the undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, which is the excess of net carrying value over fair value, is charged to income for the period.

Actually, management estimates that no events or circumstances occurred that would support a write-down of long-live assets.

Stock-based compensation and other stock-based payments

The company has adopted a stock based compensation plan to use as a tool in effectively remunerating employees, directors, consultants and suppliers of the company.

The company recognizes a compensation expense in respect of the stock options granted under the plan that does not provide for a 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 during the period from the grant date to the vesting date.

Management has to consider different assumptions that may affect the value of stock options. The Company has no significant historic data and is in development stage. Accordingly, the Company has based its assumptions on industry data and other sources of available information.

Financial Instruments

The financial instruments issued by the Corporation are classified as liabilities if they include a contractual obligation for the Corporation to deliver cash at maturity. Interest and dividends are charged to income or shareholders' equity according to the balance sheet classification of the corresponding financial instrument.

Risks and uncertainties

For a complete listing of the risks and uncertainties associated to the Company, please refer to the same heading in the company's 2005 annual report on SEDAR (www.sedar.com) or downloadable from the Investors page of the company website at www.powertechci.com.

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
Chief Financial Officer

Blainville, Québec, February 20, 2006