FOCUS ON REVENUE GROWTH

In recent months, PowerTech has made significant progress in laying the foundation on which the Company's future growth can be built. This essential preparatory work, aimed at accelerating our commercial expansion, is now almost completed. Among the progress accomplished during the last quarter, the most notable achievements were the formation of a strong Canadian sales team, the marked growth of our sales prospect pipeline, the move to a new facility capable of efficient, large-scale manufacturing of our product line, and the announcement of a new private financing.

Regional sales structure

Under the leadership of Yves Sicotte, our new vice-president of sales and marketing who was recruited last January, PowerTech has recently set up a sales structure comprising three divisions that cover the whole Canadian territory. These divisions are the East, for Quebec and the Maritimes, the Centre for Ontario and Manitoba, and the West for Saskatchewan, Alberta and British Columbia. These divisions are each managed by an experienced territory manager with thorough knowledge of his market. These directors are responsible for ensuring the Company's business development in their regions through the application of four complementary approaches: development of a distribution network; implementation of V.I.PIC trial programs; setting up demonstrations at construction sites; and participation at renowned, targeted industry tradeshows.

We intend to develop the U.S. market by adopting a similar strategy to that followed in the Canadian territory. First, we want to establish our presence in the Northeast and Mid-Atlantic markets of the United States. These regions contain the highest concentration of construction entrepreneurs in the country due to the presence of several large urban centres.

Parallel to these initiatives, the Company is intensively pursuing its discussions with several major distributors working in the construction field with the aim of forming short-term strategic partnership agreements. We are also currently engaged in productive discussions with large, world-class original equipment manufacturers that could eventually lead to the conclusion of strategic alliances.

Significant growth in sales prospect pipeline

Our business development efforts over recent months have enabled us to significantly grow our pipeline of potential sales. Notably, more than 30 entrepreneurs have so far participated in our V.I.PIC trial program. In addition, the number of prospects identified by the Company tripled during the last quarter. We are confident that our various business development efforts will generate rapid growth in our revenues by the end of the fiscal year. Our move last March to a new facility located in the Haut Terrebonne industrial park has provided PowerTech with the production capacity required to adequately support this dynamic business development plan.

Furthermore, we are actively pursuing our technological development program which should soon allow us to commercialize a new version of the PicBucket 1000 Series, aimed at the quickly growing mini-excavator market. In recent months, we also began trials on a new bucket featuring dual hydraulic cells aimed at more powerful excavators for work in extreme conditions.

In addition, on May 9th we announced a new private financing that could reach a maximum of $5 million. We believe this financing will be completed in early June. This capital will allow us to pursue the implementation of our business strategy, which will focus on revenue growth in the coming months. The major achievements accomplished since the beginning of the year 2006, and the favourable sales outlook ahead, enable us to look forward to PowerTech's future with confidence and optimism.

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

May 24, 2006

Management's Discussion and Analysis

Quarterly Report to our shareholders
2nd Quarter ended March 31, 2006

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 January 1, 2006 to March 31, 2006. 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 March 31, 2006.

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 second quarter of fiscal year 2006, the three month period ended March 31, 2006, has been one of continued progress on the business development front. Following up on the first commercial sales in the first quarter, additional sales were earned with a sale to Roxboro, a Montreal based contractor and further progress was made in negotiating distribution agreements with key industry distributors.

In the first quarter of 2006, and 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, and the subsequent sale to Roxboro, is a critical milestone in the development of the company, especially a transaction with a company of Aecon's size and reputation.

In January, 2006, 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.

The addition of three territory managers in March, 2006 covering Ontario, Quebec and Western Canada has also moved the company a step closer to covering the key territories in its commercial deployment of its technology.

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

Private Placement

On May 9, 2006, the Company announced that Wellington West Capital Markets Inc. and Northern Securities Inc. have agreed to act as Agents on a private placement for a minimum of $3.5M to a maximum of $5.0M by issuing units of the Company at a price of $0.70 (the "Offering"). Each unit is comprised of a common share of Power Tech and a half-warrant entitling the holder to subscribe to one common share of the Company at a price of $0.95 for a period of 24 months following the date of closing.

The Agent will receive a cash commission equal to 7% of the gross proceeds from the sale of units to purchasers, other than, purchasers brought by the Company, in which case the commission shall be equal to 3% of the gross proceeds, up to a maximum of $1.0M. In addition, the Company shall issue to the Agents the number of broker warrants equal to 7% of the total number of units sold to purchasers. These warrants have the same features as those issued in connection with the Offering.

The Company also granted the Agents a greenshoe option enabling the Agents to offer an additional number of units totaling 20% of the maximum financing amount obtained in connection with the Offering.

The Company plans on using the proceeds of this financing to further its business development efforts in current and also new territories and regions. In addition, some proceeds will be used to develop new series of the PicBucket for smaller and larger excavators. Being able to offer a PicBucket to cover all types of excavators is a critical necessity to meet the revenue growth the company anticipates.

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, continues testing this quarter and development and initial testing is underway 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, $680,000 has been spent on the development and testing of the technology and an additional $620,000 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 March 31, 2006	4 months ended March 31, 2005
Revenues	**39,500**	0
Net Loss	**(654,001)**	(637,655)
Basic and Diluted net loss per share	**(0.02)**	(0.03)
Total Assets	**1,957,603**	1,807,993
Total long term liabilities	**1,545,000**	—
Cash on Hand	**325,090**	1,053,922

Results of Operations

The principal focus of the three month period from January 1, 2006 to March 31, 2006 was a concentrated effort on sales generation and business development opportunities. Sales have begun and progress made in this three month period and since the beginning of the fiscal year sets the Company up well for future commercial developments in coming months.

Sales

$39,500 of revenue was earned for the quarter ended March 31, 2006. The sale of a unit and accessories to Roxboro, a Montreal based contractor, and the short term rental of another unit made up these revenues.

Gross Margin

V.I.Pic program participants benefit from preferred prices. The gross margin, to date, is 27.1%, a relatively low amount that the company anticipates, once more significant sales volumes have been achieved, will improve as early adopter promotions are eliminated.

Selling and administrative expenses

Administrative expenses totaled $298,951 for the three month period ended March 31, 2006 versus $461,168 for the same period last year. The most significant difference year over year is an expense of $37,749 for the administrative compensation cost associated with company stock options compared to $226,456 last year.

A more important difference is in the company's selling and marketing expenses which totaled $270,372 versus $157,257 for the same period last year. A more intense focus on business development has increased sales and marketing costs as three full time territory managers working under a Vice-President of Sales and Marketing are focusing on getting more demonstration units into the marketplace and finalizing distribution agreements.

Financial expenses

Financial expenses totaled $44,469 compared to $20,729 last year. The majority of these expenses are from interest accumulated on the company's issued convertible debentures and interest on long-term debt.

Property, plant and equipment amortization

Amortization of the company's property, plant and equipment totaled $13,501 for the period versus $5,728 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 in a new facility. With that growth in fixed assets, amortization has increased in tandem.

Other Assets Amortization

The amortization of other assets is comprised of three parts: patents, deferred development costs, and deferred financing costs. The total of these accounts was $52,038 for the three months ended March 31, 2006 compared to $32,692 for the same period last year.

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 $47,544 compared to $30,565 for the same period last year.

Other Revenues

Interest revenue of $6,447 was earned during the quarter from cash deposits made in interest-bearing short term investments in Canadian financial institutions. In addition, $1,604 was earned as rental revenue for a portion of the company's new building being subleased to a third party.

Last year, a non-recurring gain on the settlement of the liability component of convertible debentures was realized.

Net Loss

The net loss for the three month period is $654,001 compared to $637,655 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.

			Net loss per share	
Quarter ended	**Revenues**	**Net Loss**	**Basic**	**Diluted**
March 31, 2006	$ 39,500	$ (654,001)	$ (0.02)	$ (0.02)
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)

Notes:

1. Power Tech has 28,180,000 outstanding common shares and an additional 1,754,000 options and 4,970,000 warrants outstanding. Therefore, the total number of fully diluted shares outstanding is 34,904,000. 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

Cash on hand at March 31, 2006 was $325,090 compared to $1,376,376 at September 30, 2005. The cash allocated to further business development and product commercialization, as well as up front expenses to establish operations in a new building accounted for this decrease.

Current Assets

Current assets have decreased from $2,165,993 at September 30, 2005 to $1,313,990 at March 31, 2006. Inventory remains a significant portion of current assets, an investment required to perform product demonstrations and to support future sales growth. As a result, inventory increased to $774,398 from $533,633 at September 30, 2005. The decrease in cash available explains the majority of the decrease in current assets.

Current Liabilities

Accounts payable and accrued liabilities increased from $204,797 to $359,944 at March 31, 2006. There was simply an increase in the amount of accounts payable at the end of the period compared to September 30, 2005.

Property, plant and equipment

Investment in fixed assets increased substantially since September 30, 2005 due primarily to the acquisition of equipment to furnish the company's new facility which has been occupied since the beginning of March, 2006. As a result, the capitalized value of fixed assets has increased by $204,620 over the last six months from $59,631 to $264,251.

Intangible Assets

The company's intangible assets are the intellectual property, specifically patents. There was no material difference in the six month period ended March 31, 2006.

Deferred Development Costs

Deferred development costs totaled $264,074 at March 31, 2006 which represents an increase of $77,507 from September 30, 2005. Development efforts focused primarily on the development of new product lines and the fine-tuning of the currently commercially available Series 2000 including some specific tool designs. In this quarter, development continued on the Series 1000 PicBucket, a smaller version of the Series 2000 aimed at serving the mini-excavator market, and the Series 2000 DHU with two hydraulic units.

Long-Term Debt

The majority of the long-term debt is made up of a convertible debenture and the liability component of that debenture is valued at $1,494,144 as of March 31, 2006, an increase of accumulated interest of $95,324 since the end of September, 2005.

In addition, the company entered into a loan agreement in order to purchase some automotive equipment in the first quarter of 2006. The original amount of the term loan was $29,942.

Statement of Cash Flows

Cash used for Operating Activities

Cash used for operating activities for the quarter ended March 31, 2006 was $560,170. 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 quarter ended March 31, 2006 used $239,472. As mentioned previously, the majority of these disbursements were fixed asset purchases totaling $162,774 necessary to equip the company's new building for operations. In addition, $76,698 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 March 31, 2006 were made up of two transactions: the reduction of long term debt through regular monthly payments totaling $1,664 and proceeds of $30,000 were generated from the exercise of 120,000 stock options and 30,000 warrants.

Financial Position

As of March 31, 2006, the corporation has working capital of $947,120 including $325,090 of cash.

In recent months, the company has begun to earn revenues and 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 will be necessary in the future to capitalize on the business development opportunities that have presented themselves.

As mentioned previously, the Company has announced the signature of an agreement with two agents, Wellington West Capital Markets Inc. and Northern Securities inc., to lead a financing for a minimum of $3.5 million to a maximum of $5.0 million. It is expected this financing will be completed early in the month of June, 2006 and the proceeds generated will be used to accelerate its business development and commercialization activities as well as used to develop additional versions of the PicBucket for different sized excavators.

While 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. The proceeds from the above-mentioned financing will provide the company with resources for the next 24 to 36 months. After this point, the company may have future capital requirements, especially for technology development, marketing and special programs developed to penetrate targeted markets. 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

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	$ 7,456	$ 996	$ 3,980	$ 2,480	$ 0
Vehicle Lease	$ 24,650	$ 4,000	$ 16,000	$ 4,650	$ 0
Building Lease	$ 3,028,600	$ 136,960	$ 459,220	$ 440,370	$ 1,992,050
Long Term Debt	$ 27,730	$ 3,408	$ 14,781	$ 9,541	$ 0
TOTAL	**$ 3,088,436**	**$ 145,364**	**$ 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. As of March 31, 2006 a total of $19,564 was paid by PowerTech to this company.

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.

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 Concept

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 $654,001 during the three months period ended March 31, 2006 and has an accumulated deficit of $3,244,705 as at March 31, 2006. 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 has realized its first sales within the framework of its V.I.Pic marketing program during the first quarter and some additional sales have generated in the second 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.

On May 9, 2006 the Company announced that Wellington West Capital Markets Inc. and Northern Securities Inc. have agreed to act as Agents on a private placement financing for a minimum of $3.5M to a maximum of $5.0M.

It is expected this financing will be completed at the beginning of June 2006. This placement gives the opportunity to the Company to attain its commercial objectives and discharge its obligations for a minimum of twelve months. 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.

The Company has used different financial instruments since its inception. The evaluation of those financial instruments requires assumptions established by management using careful judgment.

Disclosure controls and procedures

The President and Chief Executive Officer and the Chief Financial Officer assessed the disclosure controls and procedures (as defined in Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Fillings) as at September 30, 2005, and concluded that the controls and procedures gave reasonable assurance that the material information with respect to the Company is communicated to management, in particular during the period where annual documents are prepared.

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

Terrebonne, Québec, May 24, 2006