

Interim Consolidated Financial Statements

Power Tech Corporation Inc.

March 31, 2006

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

	March 31,	September 30,
	2006	2005
	\$	\$
	[unaudited]	
ASSETS		
Current assets		
Cash	325,090	1,376,376
Subscription receivable	18,000	—
Accounts receivable	127,774	203,811
Tax credits receivable	35,000	35,000
Inventories	774,398	533,633
Prepaid expenses	33,728	17,173
	1,313,990	2,165,993
Advances to a shareholder	19,508	19,508
Property, plant and equipment [note 4]	264,251	59,631
Intangible assets	95,780	98,974
Deferred charges	264,074	186,567
	1,957,603	2,530,673
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	359,944	204,797
Short term component of long-term debt [note 6]	6,926	—
	366,870	204,797
Liability component of convertible debentures [note 5]	1,494,144	1,398,820
Long-term debt [note 6]	43,930	20,911
Shareholders' equity		
Capital stock [note 7]	1,824,740	1,615,998
Warrants	951,258	957,000
Stock options	407,707	416,485
Equity component of convertible debentures [note 5]	113,659	113,659
Deficit	(3,244,705)	(2,196,997)
	52,659	906,145
	1,957,603	2,530,673

Subsequent event [note 8]

The accompanying notes are an integral part of these 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 period ended

Unaudited

	<u>March 31,</u>		<u>March 31,</u>		Period from October 27, 2003 to March 31, 2006
	2006	2005	2006	2005	
	[Three months] \$	[Four months] \$	[Six months] \$	[Seven months] \$	
Deficit, beginning of period	(2,590,704)	(606,612)	(2,196,997)	(364,099)	—
Net loss	(654,001)	(637,655)	(1,047,708)	(880,168)	(3,185,042)
Share and equity instrument issue costs	—	(43,430)	—	(43,430)	(54,843)
Premium on settlement of equity component of convertible debentures	—	(4,820)	—	(4,820)	(4,820)
Deficit, end of period	(3,244,705)	(1,292,517)	(3,244,705)	(1,292,517)	(3,244,705)

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

Power Tech Corporation Inc.

CONSOLIDATED STATEMENT OF LOSS

For the period ended	March 31,		March 31,		Unaudited
	2006 [Three months] \$	2005 [Four months] \$	2006 [Six months] \$	2005 [Seven months] \$	Period from October 27, 2003 to March 31, 2006 \$
Sales	39,500	—	139,640	—	139,460
Cost of goods sold	22,221	—	101,669	—	101,669
Gross margin	17,279	—	37,791	—	37,791
Expenses					
Selling and administrative expenses	569,323	618,425	911,660	820,394	2,913,109
Financial expenses	44,469	20,729	101,826	45,015	189,039
Amortization of property, plant and equipment	13,501	5,728	21,881	9,584	46,556
Amortization of other assets					
Development costs	47,544	30,565	58,759	41,396	153,096
Patents	1,820	2,127	3,638	3,698	12,789
Financing costs	2,674	—	5,348	—	7,131
	679,331	677,574	1,103,112	920,087	3,321,720
Operating loss	(662,052)	(677,574)	(1,065,321)	(920,087)	(3,283,929)
Other revenues					
Interest	6,447	4,769	16,009	4,769	35,496
Rental Revenue	1,604	—	1,604	—	1,604
Contribution – Economic Development Canada	—	—	—	—	26,637
Gain on settlement of liability component of convertible debentures	—	35,150	—	35,150	35,150
	8,051	39,919	17,613	39,919	98,887
Net loss	(654,001)	(637,655)	(1,047,708)	(880,168)	(3,185,042)
Basic and diluted loss per share outstanding					
	(0.02)	(0.03)	(0.04)	(0.04)	(0.14)
Weighted average number of shares outstanding during the period [in thousands]					
	28,128	21,800	28,072	20,061	22,483

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

Power Tech Corporation Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period

Unaudited

	March 31,		March 31,		Period from October 27, 2003 to March 31, 2006
	2006	2005	2006	2005	
	[Three months] \$	[Four months] \$	[Six months] \$	[Seven months] \$	
OPERATING ACTIVITIES					
Net loss for the period	(654,001)	(637,655)	(1,047,708)	(880,168)	(3,185,042)
Adjustments for:					
Amortization of property, plant and equipment	13,501	5,728	21,881	9,584	46,556
Amortization of other assets	52,038	32,692	67,745	45,094	173,016
Accrued interest on convertible debentures	39,695	19,701	95,324	43,355	179,834
Accrued interest on long term debt	1,107	—	2,215	—	2,470
Gain on settlement of liability component of convertible debentures	—	(35,150)	—	(35,150)	(35,150)
Stock-based compensation expense	37,749	226,456	76,222	226,456	407,707
	(509,911)	(388,228)	(784,321)	(590,829)	(2,410,609)
Net change in non-cash working capital items	(50,259)	(326,040)	(72,040)	(323,610)	(789,561)
Cash flows used for operating activities	(560,170)	(714,268)	(856,361)	(914,439)	(3,200,170)
INVESTING ACTIVITIES					
Advances to a shareholder	—	—	—	—	(19,508)
Additions to property, plant and equipment	(162,774)	(3,493)	(195,981)	(17,719)	(280,287)
Additions to intangible assets	—	(4,008)	(444)	(4,008)	(86,564)
Increase in deferred charges	(76,698)	(59,098)	(126,230)	(107,169)	(408,917)
Repayment of a loan to a shareholder	—	—	—	—	(22,000)
Cash flows used for investing activities	(239,472)	(66,599)	(322,655)	(128,896)	(817,276)

Power Tech Corporation Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS [Cont'd]

For the three month period ended

Unaudited

	<u>March 31,</u>		<u>March 31,</u>		Period from October 27, 2003 to March 31, 2006
	2006	2005	2006	2005	
	[Three months] \$	[Four months] \$	[Six months] \$	[Seven months] \$	
FINANCING ACTIVITIES					
Reverse takeover and merger	—	540,594	—	540,594	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)	—	(696,701)	(696,701)
Increase in long-term debt	—	—	29,942	—	50,598
Reimbursement of long-term debt	(1,664)	—	(2,212)	—	(2,212)
Issuance of category A common shares	—	—	—	—	100
Issuance of units	—	2,000,000	—	2,000,000	2,000,000
Issuance of common shares	30,000	—	100,000	—	100,000
Equity instrument issue costs	—	(43,430)	—	(43,430)	(54,843)
Cash flows provided by financing activities	28,336	1,800,463	127,730	2,050,463	4,342,536
Net increase (decrease) in cash and cash equivalents	(771,306)	1,019,596	(1,051,286)	1,007,128	325,090
Cash and cash equivalents, beginning of period	1,096,396	34,326	1,376,376	46,794	—
Cash and cash equivalents, end of period	325,090	1,053,922	325,090	1,053,922	325,090

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

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2006

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 \$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 been 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. *[note 8]*

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2006

Unaudited

2. GOING CONCERN CONCEPT [Cont'd]

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Development Stage Company

As at March 31, 2006, 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.

Property, plant and equipment

Property, plant and equipment is recorded at cost and amortized over its estimated useful life on a straight-line basis using the following periods:

Moulds	5 years
Machinery and equipment	5 years
Office furniture	1-3 years
Computer hardware	3 years
Computer software	3 years
Automotive equipment	3 years
Leasehold improvements	5 years

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2006

Unaudited

4. PROPERTY, PLANT AND EQUIPMENT

	<u>March 31, 2006</u>		<u>September 30, 2005</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
	\$	\$	\$	\$
Moulds	19,195	4,211	17,015	2,436
Machinery and equipment	20,770	3,497	8,878	2,091
Office furniture	131,942	6,167	3,054	1,081
Computer hardware	43,878	20,204	43,618	13,767
Computer software	12,744	7,422	11,740	5,299
Automotive equipment	30,131	4,185	—	—
Leasehold improvements	52,147	870	—	—
	310,807	46,556	84,305	24,674
Accumulated amortization	46,556		24,674	
Net book value	264,251		59,631	

5. LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES

	<u>March 31, 2006</u>	<u>September 30, 2005</u>
	\$	\$

Debenture, bearing interest at 12.95% compounded semi-annually, maturing on August 2, 2010. The interest from August 2, 2005 to August 2, 2007 is convertible into units of the Company. Interest from August 3, 2007 to August 2, 2009 and from August 3, 2009 to August 2, 2010 is payable in cash at the end of each period. The debenture is convertible as per the following terms and conditions:

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

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Unaudited

**5. LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES
[Cont'd]**

	March 31, 2006	September 30, 2005
	\$	\$
(i) At the option of the debenture holder at all times, in whole or in part, into units of the Company at a conversion price of \$0.70 until August 2, 2007. For all subsequent years, until August 2, 2010, the conversion price per unit will be increased by 10% per year over the conversion price of the previous year. Each unit includes one common share and one share warrant entitling the holder to subscribe, at the earliest date of either two years after issuance or August 2, 2010, to one common share at a price equal to the conversion price of the units at the time of the debenture's conversion.		
(ii) At the option of the Company on or after January 31, 2008 in whole or in part, if during at least 20 consecutive days, the closing price of the Company's common shares was \$2.00 or more and the debenture has not already been converted.	1,500,000	1,500,000
Equity component of convertible debentures	(113,659)	(113,659)
	1,386,341	1,386,341
Accumulated interest	107,803	12,479
	1,494,144	1,398,820

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2006

Unaudited

6. LONG TERM DEBT

	March 31, 2006	September 30, 2005
	\$	\$
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Non-interesting contribution payable, Economic Development Canada, repayable in ten semi-annual principal instalments of \$9,750 starting in June 2008 and ending January 2013.		
A maximum contribution of \$97,500 has been authorized. As at March 31, 2006 the Company had received amounts totalling \$47,293.		
This contribution was discounted using a rate of 18%, considering the market rate for a similar financial instrument.	47,293	47,293
Amount recorded under other revenues	(26,637)	(26,637)
Accumulated interest	20,656	20,656
	2,470	255
	23,126	20,911
Term loan, with an interest rate of 6.45%, repayable in monthly instalments of \$709 in principal and interest, maturing in November 2009. Automotive equipment with a net book value of \$25,946 has been pledged as security.	27,730	—
	50,856	20,911
Short term component of long-term debt	6,926	—
	43,930	20,911

The minimum principal payments over the next five years are outlined as follows:

	\$
2006	5,619
2007	7,153
2008	12,357
2009	17,594
2010	10,863

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2006

Unaudited

7. CAPITAL STOCK

On January 17, 2006, the Company 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.

On March 29, 2006, the Company issued 30,000 common shares for a value of \$18,000 following the exercise of 30,000 warrants at a price of \$0.60 per share. The subscription is still receivable as at March 31, 2006.

Stock Options

On March 15, 2006, the Company granted 32,500 stock options under the stock option plan. These options were valued at \$13,927.

8. SUBSEQUENT EVENTS

(a) Stock Options

On April 5, 2006, the Company granted 214,500 stock options under the stock option plan. These options were valued at \$98,801.

(b) Capital stock

During the months of April and May 2006 the Company issued 39,500 common shares for cash consideration of \$23,700 following the exercise of 39,500 warrants at a price of \$0.60 per share.

In addition, on May 1, 2006, the Company issued 140,000 common shares for cash consideration of \$70,000 following the exercise of 140,000 stock options at a price of \$0.50 per share.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2006

Unaudited

8. SUBSEQUENT EVENTS [Cont'd]

(c) 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 totalling 20% of the maximum financing amount obtained in connection with the Offering.