



ACCOMPLISHMENTS THAT ALLOW US TO GO CONFIDENTLY INTO THE FUTURE

During recent months, PowerTech has successfully pursued the implementation of its business plan, in particular by recording significant revenue growth, signing three key agreements with major distributors and completing new financings. These accomplishments enable us to head into the future with confidence and optimism.

With respect to revenues, the Company's sales rose to \$231,477 during the third quarter ended June 30, which represents growth of 65% compared to total previous sales. This increase was the result of a promising breakthrough into our target markets. This breakthrough will help us with our marketing efforts by enabling us to gather testimonials from satisfied new users of our technology.

First-rate partners

Furthermore, the recent conclusion of agreements with major heavy equipment distributors will enable PowerTech to accelerate the successful completion of its business plan. Indeed, these agreements provide us with direct access to vast networks of potential clients and permit us to benefit from the support and influence of credible, renowned business allies. Through signing agreements with Finning – the largest exclusive Caterpillar distributor in Western Canada – as well as with Low Country and Central Georgia JCB – two players which are solidly established in the American state of Georgia – we have partnered up with first-rate partners that enjoy excellent reputations in their respective markets.

As part of these agreements, we are developing a marketing plan specific to the needs of each of our distributors with the objective of helping them commercialize and raise awareness about our products among their clientele. At the end of June, to further support our commercial expansion, we hired a new manager to cover the Northeastern U.S. territory – a region that represents an excellent commercial opportunity for the Company. PowerTech is also backed by three other territory managers who are respectively responsible for the Quebec, Ontario and Western Canadian markets.

New financing

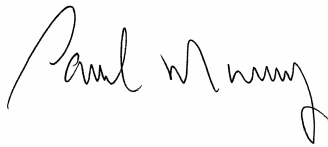
On another front, last June we completed the first phase of a new financing plan that raised \$760,120. The Company expects that the second phase of this financing will soon be completed. In addition, on June 22, PowerTech issued a promissory note in the amount of \$400,000 which is due November 30, 2006. These new funds will be used to

support our commercialization efforts and continue new product line development. Parallel to these financing activities, we are confident that the Company's revenues will continue to increase significantly in the coming months. This should permit us to rely more on our own cash flow to support future development.

Our technological development projects include the new 1000 Series, a percussion bucket for mini-excavators that is presently undergoing pre-commercialization trials. We are also working on the development of the 2000 Series DHU, a dual hydraulic cells percussion bucket for excavators used for large-scale projects. The 1000 Series and 2000 Series DHU are targeted at large and quickly growing markets.

The development of the Canadian market and the Northeast and Mid-Atlantic regions of the United States, are the top priorities of our current commercialization plan. In the near future, we also have the goal of concluding other promising business alliances with large international manufacturers of heavy equipment, as well as with their distributors.

We still have many challenges ahead of us. However, in light of the numerous projects that we have successfully completed during these past quarters, we can certainly look toward the future with optimism. PowerTech's commercial launch is now well underway and the results obtained so far allow us to envision a shining tomorrow for our company.

A handwritten signature in black ink, appearing to read "Carol Murray". The signature is fluid and cursive, with a large initial "C" and "M".

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

August 24, 2006



Management's Discussion and Analysis

Quarterly Report to our shareholders

3rd Quarter ended June 30, 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 April 1, 2006 to June 30, 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 June 30, 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

PowerTech is the only company in the world that manufactures and commercializes a percussion bucket for the construction, demolition, aluminum, mining, tunnel digging, forestry and military industries. PowerTech's percussion bucket, commercialized under the PicBucket and PicHammer brand names, is a technological breakthrough that combines the power of a hydraulic hammer with the stripping force and maneuverability of a conventional bucket.

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.

The success of the V.I.Pic program has led to the signing of the company's first distribution agreements: Finning, Caterpillar's largest distributor and its exclusive distributor in western Canada, Low Country Machinery and Central Georgia JCB have all become distributors of Power Tech's products.

General Overview and Development Status Report

The third quarter of fiscal year 2006, the three month period ended June 30, 2006, has been one of continued progress on the business development front. The three distribution agreements mentioned above are the next step in rolling out the company's products on a much larger scale.

The critical key resource hire in January, 2006 of Yves Sicotte as VP, Sales and Marketing and then the deployment 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. In addition, at the end of June, 2006 Power Tech hired a territory manager to cover the NorthEast

United States, a geographic region with incredible potential for the company. Already, despite being in place for a short period of time, the team produced sales in the third quarter totaling \$231,477, a 65% increase in sales compared to all prior periods combined.

With these additions and the ongoing discussions with a quickly growing number of potential clients and continued progress toward more 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.

On June 15, 2006, the Company revised the terms of offering based on the conditions of the market at that time. The price of the units was revised to \$0.60 and there is no minimum requirement for the financing to be completed. 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 \$0.80 for a period of 24 months following the date of closing. All other terms of the financing remain the same.

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.

On June 22, 2006, the Company completed the first portion of this financing by raising gross proceeds of \$760,120. The financing remains open with an expected completion at the end of August, 2006. Although the company would have liked to complete a first closing for more, efforts continue to close the maximum amount. The company, in the event that no additional financing is secured within the terms of this financing, has begun to explore other financing alternatives that would be available in the short term.

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 increasing on a monthly basis, 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, has evolved to the field testing phase and testing is nearing completion 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. With one more quarter of strong sales growth, the company believes it will have made the transition from one in development to one in full scale production.

It is anticipated that these efforts will pay off with a significant increase in generated revenues within a few months. To date, \$745,000 has been spent on the development and testing of the technology and an additional \$650,000 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 \$25,000 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 June 30, 2006	3 months ended June 30, 2005
Revenues	231,477	0
Net Loss	(496,819)	(511,356)
Basic and Diluted net loss per share	(0.02)	(0.02)
Total Assets	2,625,841	1,438,402
Total long term liabilities	1,576,190	—
Cash on Hand	582,422	508,306

Results of Operations

The principal focus of the three month period from April 1, 2006 to June 30, 2006 was a concentrated effort on sales generation and business development opportunities.

Sales

\$231,477 of revenue was earned for the quarter resulting from the sale of a combination of 12” and 24” Series 2000 PicBuckets and their associated accessories.

Gross Margin

The gross margin this quarter of 30.8% is in line with the year to date figure of 29.4%. In a long term perspective, margins are expected to be higher, but V.I.Pic program participants benefit from preferred prices and at relatively low volumes, economies of scale are not achieved. Once more significant sales volumes have been achieved, margins will improve as early adopter promotions are eliminated.

Selling and administrative expenses

Administrative expenses totaled \$274,831 for the three month period ended June 30, 2006 versus \$323,357 for the same period last year. The most significant portions of this quarter’s expense are, rent of \$60,000, salaries of \$84,000 and stock-based compensation expense of \$61,000.

The company’s selling and marketing expenses totaled \$165,776 versus \$163,908 for the same period last year. Although similar in amount, the makeup and focus of these expenses has changed from a focus on the marketing and promotional tools that were developed last year to a more intense focus on hands-on business development with the four full time territory managers working under a Vice-President of Sales and Marketing.

Financial expenses

Financial expenses totaled \$50,450 compared to \$430 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 \$21,483 for the period versus \$5,725 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 \$62,810 for the three months ended June 30, 2006 compared to \$27,230 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 \$58,281 compared to \$25,604 for the same period last year.

Other Revenues

Interest revenue of \$2,419 was earned during the quarter from cash deposits made in interest-bearing short term investments in Canadian financial institutions. In addition, \$4,812 was earned as rental revenue for a portion of the company's new building being subleased to a third party.

Net Loss

The net loss for the three month period is \$496,819 compared to \$511,356 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 seven 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
June 30, 2006	\$ 231,477	\$(481,819)	\$ (0.02)	\$ (0.02)
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 29,669,866 outstanding common shares and an additional 1,654,000 options and 5,609,114 warrants outstanding. Therefore, the total number of fully diluted shares outstanding is 36,932,980. 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 \$582,422 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 from \$2,165,993 at September 30, 2005 to \$1,977,922 at June 30, 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 \$977,803 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 \$277,894 at June 30, 2006. There was simply an increase in the amount of accounts payable at the end of the period compared to September 30, 2005.

In addition, on June 22, 2006, the Company issued a note payable for a total of \$400,000. The note bears an annual interest rate of 14% and is payable in full, with accumulated interest, on November 30, 2006. The loan has no conversion features and interest is not compounded.

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 over the last nine months from \$59,631 to \$258,821.

Intangible Assets

The company's intangible assets are the intellectual property, specifically patents. There was no material difference in the nine month period ended June 30, 2006.

Deferred Charges

Deferred charges can be broken down into two components: deferred development costs and deferred financing costs related to the fees associated with a convertible debenture negotiated in August, 2005.

Deferred development costs totaled \$228,039 at June 30, 2006 which represents an increase of \$93,169 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.

Deferred financing costs totaled \$43,675 at June 30, 2006 compared to \$51,697 at September 30, 2005. The total amount is amortized over the 60 month life of the convertible debenture these costs were incurred to prepare.

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 \$1,525,871 as of June 30, 2006, an increase of accumulated interest of \$127,051 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 June 30, 2006 was \$778,284. 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 June 30, 2006 used \$134,503. The majority of this amount is composed of \$68,595 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 June 30, 2006 generated \$1,170,119. The three major components of this amount was the \$760,120 generated from the private placement financing, \$400,000 from a note payable and \$137,800 was generated from the exercise of 140,000 stock options and 83,000 warrants.

The amount of \$126,156 as equity instrument issue costs relates to professional fees and commission for the issuance of units under the private placement discussed previously.

Financial Position

As of June 30, 2006, the corporation has working capital of \$1,291,609 including \$582,422 of cash.

In recent months, revenue has grown at a healthy pace 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 will be necessary in the future to capitalize on the business development opportunities that have presented themselves.

As mentioned previously, the Company continues to work on raising the maximum in the private placement mentioned in order 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 new product and new 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	\$ 6,958	\$ 498	\$ 3,980	\$ 2,480	\$ 0
Vehicle Lease	\$ 22,650	\$ 2,000	\$ 16,000	\$ 4,650	\$ 0
Building Lease	\$ 2,960,120	\$ 68,480	\$ 459,220	\$ 440,370	\$ 1,992,050
Long Term Debt	\$ 26,039	\$ 1,717	\$ 14,781	\$ 9,541	\$ 0
TOTAL	\$ 3,015,767	\$ 72,695	\$ 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 June 30, 2006 a total of \$78,256 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 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 \$496,819 during the three month period ended June 30, 2006 and has an accumulated deficit of \$3,867,680 as at June 30, 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 a significant increase in sales during the three month period ended June 30, 2006 compared to prior periods. 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. On June 15, 2006 the terms of the financing were adjusted and the requirement for a minimum amount of the financing was eliminated. On June 22, 2006, an initial amount of \$760,120 was completed in the private placement financing. [note 8]. It is expected this financing will be completed by the end of August, 2006.

In addition, the Company issued a note payable at an amount of \$400,000. [note 5]

These financings provide the Company the opportunity 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 Filings) 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, August 24, 2006