

POWER TECH CORPORATION INC.

Equity Research | Special Situations

Please see important disclosures at the end of this document

Ticker

TSX:PWB
\$0.53

Recommendation

SPEC. BUY
(new)

12-month Target

\$0.89
(new)

The Swiss Army Knife of Construction Machinery

December 19, 2006

Market Data

52-week High-Low	\$0.84-\$0.53
Shares Outstanding	
– Basic	30.1 million
– Fully diluted	37.6 million
Market Capitalization	\$16.0 million
Book Value (Jun 30/06)	\$0.4 million
Long Term Debt (Jun 30/06)	\$2.0 million
Fiscal Year End	September 30
Major shareholders	Insiders: 52.6%

Financial Data

(<i>'000s, except EPS</i>)	FY05A	FY06E	FY07E
Revenue	\$0.0	\$472.1	\$1,613.1
EBITDA	\$(1,695.2)	\$(1,453.6)	\$(441.4)
Net Earnings	\$(1,773.2)	\$(1,874.3)	\$(1,117.8)
CFO	\$(2,022.8)	\$(1,112.0)	\$(469.6)
EPS (basic)	\$(0.08)	\$(0.06)	\$(0.04)

Investor Risk Tolerance Scale



Company Description

Power Tech Corporation Inc. designs, manufactures and markets specialized and, literally, groundbreaking technologies aimed at improving the performance, productivity and functionality of excavation equipment and industrial excavation systems. The Company presently has one product on the market, the PicBucket 2000, which attaches to conventional backhoes made by all manufacturers and combines the percussive power of a hydraulic hammer with the stripping force and maneuverability of the conventional bucket found on original equipment. The PicBucket can be used in the construction, demolition, forestry and mining industries, as well as by the military.

Event

Initiating coverage.

Highlights

A Growth Story: This has the real potential to become a HUGE growth story. Power Tech Corporation Inc. owns literally groundbreaking technology that no one else in the world has right now. Customers are falling over themselves about how the PicBucket 2000 has made their backhoes and excavators more efficient, thereby saving the customers money each and every time they use it.

Execution Is The Key: Like many start-ups that we have seen, the ability to sell the product into the marketplace is going to be the key to this Company's long-term survival. Unlike many of those same start-ups, the product does exactly what it says it will do, and the management team is both experienced in this field and very highly motivated to succeed. In fact, we consider this team to be an excellent "bet" and we expect big things from the two new products that the Company is launching, the PicBucket 1000 in 2007 and the big brother (in terms of both tonnage and margin) of the family, the PicBucket 3000 in 2008.

Need to Raise Capital: Based on information and estimates obtained from PowerTech and our own metrics, PWB will be looking for financing by the end of fiscal 2007. We think that it will be able to get what it needs from the public equity markets **as long as it can show some substantial sales growth** in the first three quarters of its fiscal year.

Investment Conclusion

We are initiating coverage on Power Tech Corporation Inc. with a SPECULATIVE BUY rating and a 12-month target of \$0.89 per share. For a complete discussion of the valuation of the stock and how we reached this number please see page two of this report.

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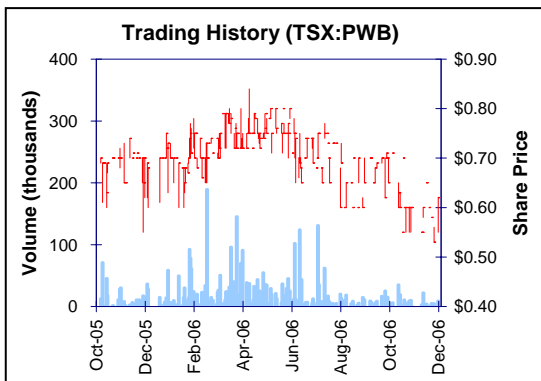
Investment Thesis and Recommendation

DCFs and DDMs

As stated on page 12 of this report, Power Tech Corporation Inc. (“PowerTech”, “PWB” or “the Company”) has no direct competitor (or even comparators) in the marketplace today. In addition, our model and calculations give us reason to believe that the Company will not produce operating cash flows until the third quarter of fiscal 2009 and, furthermore, it will not produce net income until the fourth quarter of that same year.

All of this can mean only one thing: We were forced to use a discounted cash flow model in order to value the stock. Actually, it gets better than that...we used the dividend discount model in which we subbed in cash flow from operations for the dividend. Assuming a 25% growth rate (and we believe that for the next few years PowerTech will grow much faster than that, keeping in mind that it is starting from almost zero) we discounted the positive cash flows that begin in the second half of fiscal 2009 back to the end of 2007 at a rate of 29%. We obtained this rate as the Company itself is using 18% to discount its own five-year debt (even though it is only paying 11% on that convertible instrument). PWB has told us that 18% represents “...a rate chosen to reflect an appropriate interest rate for a company (PowerTech) at this stage of development and the risk that such an investment represents.” To this we added 11% (the original rate on the convertible debenture) for what we see as the risk of execution of the plan.

Figure 1: Stock Price Chart



Source: Bloomberg

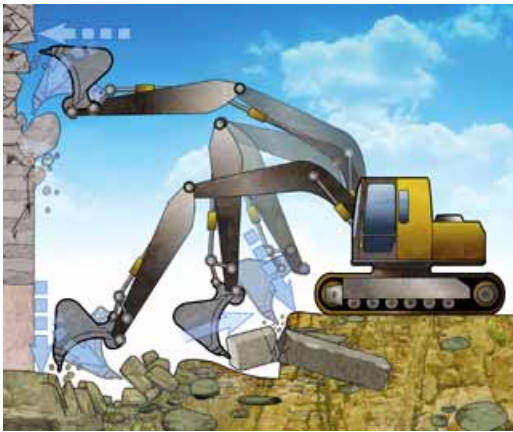
By taking the expected positive cash flows from the second half of 2009 and extrapolating them over a full year, and then assuming a 25% terminal growth rate and discounting the whole kit and caboodle back two years to the end of 2007 at 29%, we reached a market capitalization figure for PowerTech of \$26.9 million. We know that there are presently just over 30 million shares outstanding (of which 53% are owned by insiders) and this equates to an \$0.89 per share price target 12 months from now. The stock closed yesterday at \$0.53. This represents a one-year return of 68% to the investor.

Our sales estimates for PWB were exceedingly conservative. In this regard, we are like Missouri the “Show Me” state of the United States. Today, PowerTech is selling 12 and 24 inch versions of the PicBucket 2000 which is suitable for 6 to 11 ton backhoes. In Q2 of 2007, we estimate that the Company will start selling the 1000 version made for two to five ton mini-excavators. We believe the gang at PWB can sell six of these in fiscal 07 and then 15 more in 2008 (when we say conservative, we mean it). In Q1 of 2008 we estimate that the Company will make its first sales of the 3000 series, which is compatible with 11 to 18 ton excavators. We project sales of 10 of these high margin units that year and 32 in fiscal 2009. If the team at Power Tech can get the marketing machine up and running faster than this, the Company will generate more sales than we have estimated in a shorter amount of time which will lead to positive operating cash flows (and profits) earlier than estimated, and our target will be too low. We are hoping way too low.

We feel that it is necessary to mention that, according to our calculations, Power Tech will need to go to the capital markets to raise money by the end of fiscal 2007. Yet another reason for discounting the Company’s cash flow at 29%.

Based on the above discussions, our model and the calculations at the discount rates mentioned, we are initiating coverage on Power Tech Corporation Inc. with a **SPECULATIVE BUY rating and a 12-month target price of \$0.89**. Now get out there and make the word PicBucket a household name (or at least the "must have" accessory tool on the construction site)!

The Company



Demolition at any angle of attack

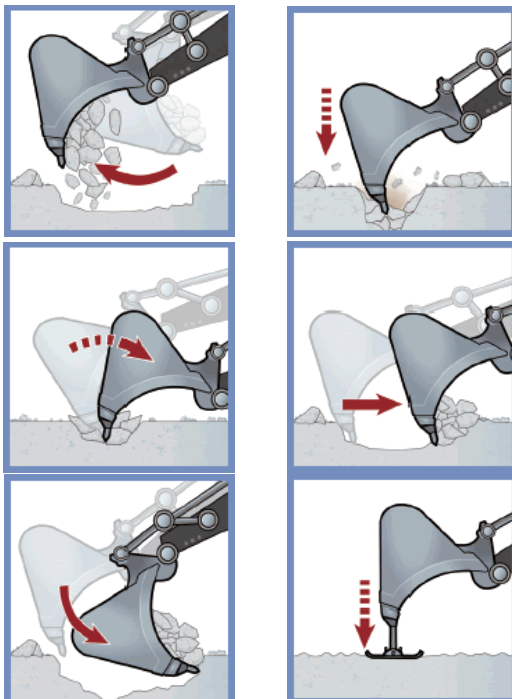
Giving the Power to the People

PowerTech has invented and is commercializing the PicBucket 2000, which replaces the conventional bucket (defined as the shovel located on the end of the mechanical arm of a backhoe or excavator) found on 6 to 11 ton backhoes sold in the construction machinery marketplace today by companies like CAT, John Deere, Case, Volvo, JCB and Komatsu. The PicBucket is superior to the everyday bucket in one very important way: It contains a hydraulic cell inside of the bucket that allows the PicBucket to use percussive force to perform many functions that a conventional bucket just can't do. PowerTech owns the technology that incorporates an impact actuator with interchangeable accessories and tools at the tip, through two patents that are in force for 20 years each, in the United States, Canada, France, Italy, Germany, Austria, Spain, the United Kingdom and Switzerland.

The PicBucket 2000 combines the force of a hydraulic breaker or hammer with the digging power, stripping strength and maneuverability of a traditional bucket. The hydraulic hammer is able to resonate at the natural frequency of the material it is working on, which of course causes that material to break down into pieces. The weight of the excavator and bucket adds to the percussive force provided by the hydraulic cell embedded in the bucket. While most conventional buckets are good for excavation and backfilling, contractors need to physically remove the bucket from the excavator and replace it with a different attachment, like a hydraulic breaker or a compaction plate, in order to perform demolition or compaction work or any other operation besides regular digging. In addition, a regular breaker can only be used at a perpendicular angle to the work surface and applying prying or bending force is prohibited. While a conventional breaker can do some demolition at limited angles, the PicBucket 2000 can do all of this **plus** demolition at any angle of attack to the wall or ground (see photo) as well as prying, trenching and compaction of the working surface without damaging the excavator/backhoe or the bucket. It is simply more efficient and rugged than the bucket that comes standard with the lease or purchase of a backhoe or an excavator. This is, literally, groundbreaking technology in the construction industry. The PicBucket can be used for the following:

- Road and sidewalk construction and repair
- Laying/installing of pipe
- Channeling work
- Concrete and cement structure demolition
- Building demolition
- Trenching

PicBucket in Action





- Foundation work
- Removal of contaminated soil
- Swimming pool construction
- Burying of cable
- Installation of septic tanks
- Mining applications (tunneling)
- Military applications (including engineering and bridge building)

And it can do all of this work on regular or frozen soil, ice, clay, limestone, caliche (a hard desert soil), concrete, asphalt, brickwork and solid rock. There also exists a safety angle to the PicBucket. If the project requires a jackhammer, an experienced worker must be employed to use it (or an expensive attachment must be installed on the backhoe arm after the conventional bucket is manually removed). The workers involved in either the hammering or the removal and installation of the attachment could be at risk, especially if the surface upon which they are working is uneven and/or unstable (as is often the case at construction sites). With the PicBucket, there is no need for conventional jackhammering or bucket removal, so everyone is safer.



If a company has a backhoe or excavator that is equipped with the all purpose PicBucket it **does not need separate attachments to break up or destroy surfaces it is working on**. There is no need to take off the bucket and attach a jackhammer for demolition (this can take up to one hour of worker time), then take off the jackhammer, reattach the bucket to clear the debris, and then take off the bucket and attach a compactor to tamp the surface down flat. PicBucket attachments are interchangeable (when they need to be changed at all) and take less than 30 seconds to change by one worker (we should know, we have done it). It is this versatility that gives the PicBucket its advantage in the market place and it is why we call it the "Swiss Army Knife of Construction Equipment".

This flexibility allows workers and equipment to do more work and to do it faster. There is no downtime as accessories on the excavator/backhoe do not need to be changed nor does the backhoe or excavator need to be repositioned to make these changes. It also allows companies to use less manpower and equipment as many of the construction firms will use two backhoes on a job, each with a different attachment in order to minimize downtime. But they are using twice the labour, twice the fuel and taking up the time of the backhoe or excavator (and its operator) that could be used elsewhere if only it had a PicBucket attached to the end of it (see diagram at left). In fact, it is our belief that use of the PicBucket causes productivity to be doubled, or seen another way, excavation time cut in half. As well, using the PicBucket allows the working season to be increased thanks to its ability to work frozen ground.

PicBucket 2000



Conventional Equipment



The PicBucket 2000 can replace three, count 'em three, other pieces of equipment that an operator would need if he or she was working with a conventional backhoe and bucket. These are: 1) Accessory Jackhammer 2) Vibratory Compactor; and 3) Pin Grabber Coupler (which allows for quicker switching of these accessories onto and off



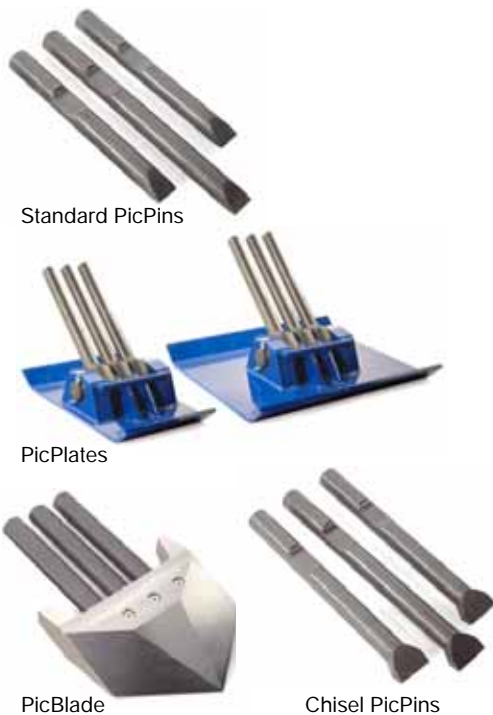
The animal is poised to strike!

the backhoe). And here’s the thing: These pieces of equipment are **more expensive** than using the PicBucket and its attachments. For example, our contacts at Toromont tell us that an accessory jackhammer for a 24" bucket costs \$16,000. The PicBucket does this kind of work with the standard picpins that come with it. The vibratory compactor costs \$8,000, while the PicPlate attachment does this with the PicBucket and is included in the Pro Kit. The Pin Grabber Coupler goes for \$15,000 to increase ease of use of these accessories on the machine. One of the PicBucket’s main features is the ability to change attachments in 30 seconds. This comes standard at no extra charge. So, when we add in the cost of the buckets themselves, the PicBucket (for the same size backhoe) comes out over 13% cheaper (see Table 1).

Table 1: Series 2000

Caterpillar 24-inch Bucket & Accessories vs. 24-inch PicBucket Pro Kit			
CAT 24" Bucket	\$1,200	PicBucket Pro Kit 24"	\$34,900
Pin Grabber coupler	\$15,000	Interchangeable accessories	included
Accessory jackhammer	\$16,000	Standard Picpins	included
Vibratory compactor	\$8,000	PicPlate	included
		PicGrate	included
Total	\$40,200	Total	\$34,900

Source: Toromont, PowerTech



The PicBucket 2000 comes with just one accessory, which is the set of Standard PicPins used for demolition and which is effective on hard or frozen ground, concrete and rock. But, other accessories can also be purchased. If a customer purchases the PicBucket Pro Kit, the bucket comes with the standard pins mentioned above plus the PicGrate, which is for general excavation, and the PicPlate for compaction. The PicGrate is useful for trenching, clearing, grading and excavation in clay as well as light demolition and cutting work on asphalt and thin frostlines. The PicPlate can be used as well to crush or demolish excavated material when backfilling requires finer grading. The PicPlate and PicGrate can also be purchased separately as accessories. There exists just two more accessories the customer can purchase: The PicBlade, which is also for general demolition work and is effective on hard or frozen ground, concrete and reinforced concrete (as it can cut through the steel rebars that reinforce the concrete). The Chisel PicPins can be used for general demo, but are very effective when working on hard ground, soft rock, concrete, asphalt and frozen ground and they can be configured so that they are of various lengths. All of these accessories serve to increase the functionality of the product.

The Company will sell its products first through major distributors of construction equipment and machinery of which they have signed up five so far. The distributors will use the PicBucket 2000 to increase the range of products and solutions they can offer their customers, thereby opening new revenue streams and increasing profits. Next, PWB intends to sell to original equipment manufacturers (“OEMs”, of which there are 14 worldwide) like CAT, Case, Komatsu, Volvo, New Holland, JCB, John Deere, Kubota and BobCat, and Attachment Equipment Manufacturers (AEMs) such as Sanvik Rammer, Stanley-LaBounty, Ingersoll Rand, Motabert, NPK



and Atlas Copco. These OEMs and AEMs can use the PicBucket to differentiate their product from that of their competitors and give them (the OEMs) a competitive advantage while reinforcing their own brand image. This allows the OEMs (and AEMs) to provide new and innovative solutions to existing and new clients.

PWB does not manufacture the PicBuckets per se. They have outsourced the manufacturing of the buckets and accessories to subcontractors in the region. Each different manufacturer requires a different fitting (called “ears”) on top of the bucket to attach it to the backhoe or excavator and PowerTech’s suppliers are able to forge these as part of the bucket when they are given the orders. The hydraulic cells are manufactured to PowerTech’s specifications in Sweden by Atlas Copco, with whom PWB has a 5-year agreement (see page 8). The PicBuckets are then assembled and shipped out of the factory at Terrebonne, Quebec. At present, the turn around time from order to delivery is three to six weeks.

Potential Market Size

In North America, there are approximately 150,500 companies that do heavy construction, excavation and demolition using at least one backhoe or excavator that could use a PicBucket 2000 right away. If PWB was to sell just one of its buckets to just one-half of one per cent of these companies this would result in approximately 750 buckets sold, and we believe this is a conservative estimate of the market potential for the Company for the coming 3 fiscal years taken together. The big picture shows that there are over 88,000 companies listed in the construction sector in Canada and over 870,000 in the United States. The potential market is very, very large for the PicBucket and the other soon to be commercialized PicBucket series. There are approximately 3 million backhoes and excavators (mini and regular size) in the world today that could slap on a PicBucket and realize instant efficiencies in their operations, and approximately one sixth or 500,000 of these, need to be replaced each year. The Company has had considerable success with municipalities in North America, of which there are approximately 13,000 that could utilize the PicBucket right now.

Fit to Scale

The PowerTech technology is entirely scalable in both directions. That is, the Company is ready to market a smaller version (Series 1000) to go onto 3 to 6 ton mini excavators that can work in small places and a larger version (Series 3000) for use on 11 to 18 ton excavators, which would have multiple uses in the mining sector and the military. While a very large number of sales could be made by the 1000, the 3000 has larger potential margins.

Today, PowerTech has five major distributors (Finning, Toromont, Theissen, Low Country Machinery and Central Georgia JCB) in North America selling Series 2000 PicBuckets, and are close to deals with eight more (including a CAT dealer in Europe). The Company is currently engaged in negotiations with two major OEMs and two AEMs. To date, PWB has presented the product to 900 construction companies and 200 (or over 22%) have expressed serious interest in purchasing the machine.

Company History

Necessity is the Mother and Father of Invention

The idea for the PicBucket was conceived in 1996 by Odin Ireland (this is his real name), who was an operator of excavators and mechanical shovels and who was, as such, keenly aware of the needs of this industry and the limits of the equipment available on the market at that time.

Patently Attractive

In order to protect his idea, Mr. Ireland filed a patent on September 18th, 1996 for coverage in the United States. This patent expires in 2016. On January 28th 1997, Odin Impact Inc. ("Odin") was created and was granted the opportunity to commercialize the technology under an unlimited license agreement by Mr. Ireland. In 1997 and 1998, prototypes of the bucket and its accessories were developed and tested by Odin.

Not Patent Leather

On March 10th, 1998 Odin filed a second patent using the Patent Cooperation Treaty ("PCT"), to widen the protection gained in the first patent. This patent is good until 2018. In the spring of 1999, the first patent was extended via the PCT to include Canada, Italy, France, Germany, Austria, Spain, the U.K. and Switzerland. In September of 2000, the second patent was accepted and extended to the same nine countries.

Powerful Friends

Fast forward to the fall of 2003. The PicBucket had been patented as mentioned above, but was nowhere near commercial production. Power Tech Canada Inc. was incorporated on October 27th, 2003 in the Province of Quebec by Carol Murray and Pierre Gagnon with the goal of acquiring the PicBucket technology in order to commercialize it and bring it to market. Between March and July of 2004, Power Tech Corporation Inc. issued ten convertible debentures bearing interest at 8% per year for total proceeds of \$655,000.

First Steps

In May of 2004, PowerTech acquired the patents from the company that owned them, in exchange for 5 of the 105 shares then outstanding in Power Tech Corporation Inc. and \$25,000 cash. In July, the Company filed a new patent application to increase protection for improvements to the technology and expand coverage to future applications. If successful, this patent will be good until July of 2025. The following winter, the Company completed the first commercial versions of the PicBucket Series 2000.

New Digs

The Company also announced that its website was up and running (www.powertechci.com), and that PWB would be moving from Blainville into a new rented 23,000 square foot facility in which the PicBuckets could be assembled and from which they could be shipped in Terrebonne. The move was completed in March of 2006.

Into the Public Eye

On February 11, 2005, through a reverse takeover of CMJ Capital Inc. ("CMJ", which was a CPC or capital pool company) PowerTech made its debut on the TSX Venture Exchange under the symbol PWB. CMJ acquired all 105 of the outstanding Class A shares of Power Tech Corporation Inc. in return for 17,750,000 CMJ common shares. At that time, CMJ's monetary assets totaled \$572,893. At the same time, the new company (PowerTech) issued 5 million units at 40 cents per unit. Each unit comprised one share and one warrant that allowed the holder to purchase one common share of the Company for 60 cents for two years from the closing date of the financing (February 10, 2007). Proceeds from the offering were

accounted for as follows: \$1,043,000 from common stock (just under \$0.21 per share) and \$957,000 (or just over \$0.19 per share) for the warrants. Also on this date, the Company paid off the convertible debentures issued in 2004 and mentioned above for \$696,701 (\$655,000 in principle and \$41,701 of interest). After the reverse takeover, the two companies merged and continued under the name Power Tech Corporation Inc.

V.I.Pic Partnership Program

The formal V.I.Pic Partnership program was launched on June 1 of 2005. The idea was to partner with select players in the construction industry and allow them to use the PicBucket at minimal cost for a set period (one day to 3 weeks, with an average of 5 days). If they liked it, they could buy it (usually at a discount) with a full warranty and excellent financing conditions. In return, the partners agreed to allow the Company to use their name, their testimonials regarding the product, and the results of their experience in future marketing initiatives. In this way, PowerTech was trying to expand the number of potential customers who had actual experience with the product. The Company also agreed to provide the initial training to the sales and service personnel of distributors who signed up to become partners in this program.

On Par With SIPAR

On August 2, of 2005, PowerTech issued a convertible debenture to SIPAR Inc. at an interest rate of 12.95%. This debenture is convertible at any time into units of the Company priced at 70 cents per unit for the first two years, then at 77 cents, 85 cents and 93 cents for each of years 3, 4 and 5. The units are made up of one PWB common share and an equity warrant that entitles the holder to buy one share of PWB at the price of conversion. The debenture matures on August 2, 2010 and raised \$1.5 million for the Company.

First Sale

In October of 2005, PWB made its first large sale. It sold four PicBucket 2000s to Aecon Construction Company ("Aecon"), a \$249 million (by market cap) public construction company. Aecon (TSX:ARE) is Canada's largest publicly traded construction and infrastructure development company. Aecon had tested the product for several weeks as part of the V.I.Pic program and found that the PicBucket 2000 had given the company a "...competitive advantage...by allowing (workers) to complete several functions and tasks without changing equipment."

Atlas Copco in Sweden? Yaa!

On November 8 of 2005, PowerTech announced that the Company had signed a long term partnership agreement with Atlas Copco ("Atlas") to supply the hydraulic cells that PWB would put into its buckets. This cell provides the percussive power that gives the PicBucket its unique abilities and differentiates it from the other buckets found on backhoes or excavators made by OEMs around the world. Atlas also agreed to oversee the design of any hydraulic cells adapted to the needs of new models that PWB is contemplating. This agreement secured the supply of the key component of the Company's product. Atlas distributes its products in 150 countries the world over. It is an international industrial company and its head office is found in Stockholm Sweden. In 2004, Atlas had revenues of US\$7.2 billion and employed 27,000 people in 17 countries.

Government Assistance (we thought this was just a rumour!)

PowerTech has been approved for aid through two separate government assistance programs. The first is a federal program

through Canada Economic Development and will give the Company up to \$97,500 in interest free long-term debt. Repayments start in June of 2008 and proceed semi-annually through January 2013. Each payment is \$9750 and the money is to be used to pay the development costs of the third patent as well as for selected sales and marketing initiatives. As at September 30, 2006, PWB had received \$81,755 of the \$97,500 total available. The second program is a non-reimbursable grant from the government of the Province of Quebec from which the maximum payment is \$175,000. This grant is to assist Powertech with costs incurred in product demonstrations to potential clients and partners. To date, the provincial government has given the Company \$106,675.

Private Placement

On June 15, 2006, PowerTech announced that Wellington West Capital Markets Inc. and Northern Securities Inc. agreed to act as Agents in a private placement of units on behalf of the Company. There was no minimum requirement, and each unit was made up of one common share of PWB and one half warrant which entitled the holder to subscribe to one common share (for two half warrants) of the Company for \$0.80 until June 22 of 2008. The first closing for this financing took place on June 22 of 2006 at \$0.60 per unit. The Company sold 1,266,866 units and raised gross proceeds of \$760,120 and net proceeds of \$669,000. The underlying securities were subject to a four month hold which has now expired. PowerTech used these funds both for business development and to help finance both a larger and smaller model of the PicBucket (the Series 1000 and Series 3000).

A second block of 400,000 units was closed on September 1, with the same details except the underlying securities for each unit were subject to a four month hold period that expires on January 2, 2007 and that the warrants expire on September 1, 2008. This raised the Company a further \$240,000 gross and \$222,895 net.

Marketing Breakthrough

On the summer solstice (June 21, for all of you non astronomers out there) PWB came up with a significant breakthrough in its effort to market the PicBucket. It announced that the Company had signed a distribution agreement with Finning (Canada) hereafter referred to as "Finning", which is a division of Finning International Inc. (TSX:FTT), the world's largest Caterpillar dealer. This company rents, sells, finances and services the full line of Caterpillar and complementary equipment. Finning has 75 branch locations and is represented in 45 other communities in British Columbia, Alberta, and the Yukon and Northwest Territories. The agreement allows PWB to market the PicBucket 2000 and future products now under development in Western Canada through the Finning network. Lyall Megaw, Finnings Industry Marketing Manager was quoted as saying : "Powertech's products...feature an undeniable technological edge (to our clients)..."

The key (for PowerTech) to this new arrangement was the establishment of three major demonstration centres for the PicBucket at Finning's largest branches in Vancouver, Calgary and Edmonton. Finning's technical support team completed a training program on the PicBucket's technology and its many uses so that they could demonstrate the benefits offered by the product to Finning customers at these centres. In addition, all of Finnings sales reps in western Canada began to introduce the new technology to

their customers, and Finning and PowerTech have initiated a joint startup in order to raise awareness about the PicBucket and its features with construction contractors in western Canada. At the same time, PWB hired Bill Cummins as the Director of Sales for western Canada. Mr. Cummins has almost 20 years of experience in the sale of heavy machinery and equipment.

On June 22 of this year, PowerTech obtained short-term financing of \$400,000 at an interest rate of 14%, reimbursable at any time, but due and payable on November 30, 2006.

Next Large Sale

In the third quarter of the fiscal year, the Company announced that it had sold seven more PicBuckets, one of which was to the municipality of Penetanguishene, which had been a participant in the V.I.Pic program. Mr. Alex Piggot, who is the operations manager for the municipality was quoted as saying: "The amount of work that a PicBucket can accomplish in one day is incredible". Four of these units sold were to Finning.

Georgia On My Mind

On July 6th, PWB announced that it had concluded new distribution agreements with sister companies Low Country Machinery and Central Georgia JCB in the state of Georgia in the USA. These agreements will allow PowerTech to serve the entire state including the city of Atlanta.

More Financing

On September 29 of this year, PowerTech closed a \$1 million private financing with FIER Cap Diamant or the Regional Economic Intervention Fund ("FIER"), which was designed by the government of Quebec to help companies to obtain equity or quasi-equity financing at the start-up and development stages. The financing was through a convertible debenture at a rate of 11% annually, which is convertible at any time at the option of FIER at a conversion price of \$0.70 per unit for the first two years, then at \$0.77, \$0.85 and \$0.93 for years 3, 4 and 5, respectively. Each unit is comprised of one share of PWB and one half of a warrant, which entitles the holder to subscribe to one half of a share of the Company at the price of conversion up until September 29, 2011 (the maturity date of the debenture). The first interest payment is due on Feb 28, 2008 and every 6 months after that, payable in cash or common shares. PowerTech can force the conversion of the debenture after 24 months if the shares of the Company stay above \$1.40 for 20 consecutive days, and it can pay off the debt any time after September 29, 2006. The Company has also renegotiated the terms of the \$400,000 loan it took out on June 22. It was extended from November 30 of this year until October 31 of 2007, and is still reimbursable at PowerTech's option at any time.

Way More Distribution

On this past October 3rd, PWB announced that it had signed two new distribution agreements. The first was with Toromont Industries Ltd. ("Toromont"), which is one of the world's largest Caterpillar dealerships by revenue and geographic territory. Toromont employs approximately 4400 people in more than 115 locations and it has dealerships in Manitoba, Nunavut, Ontario, Newfoundland and eastern Labrador. Through Battlefield Equipment Rentals, Toromont is also one of Canada's premier construction equipment rental companies. The agreement with Toromont will enable PowerTech to market the PicBucket in Ontario, Manitoba and Newfoundland. Mr. Bob Mennie, who is the Allied Product Manager at Toromont was

quoted as saying "...the PicBucket (for which) we anticipate a very positive reaction from our clients...has no equivalent on the market."

The second distribution agreement is with Thiessen Equipment Ltd. ("Thiessen") which is based in Langley British Columbia, and which provides mining equipment, mining tools, mining machinery and mining supplies to the resource industry. Thiessen is international in scope and has offices in Canada, the United States, Africa, South America and Australia. Thiessen is a manufacturer and supplier that is dedicated to providing cost effective products and services to the global mining community and related industries. The agreement with Thiessen allows PWB to get its PicBucket into the minds and mines of the global mining community. Mr. Scott Trainor, who is the General Manager of Thiessen Equipment, was quoted as saying: "The first time I saw the PicBucket in action, I immediately understood the potential of this innovative percussion bucket for our mining industry clients".

Management

PowerTech's market cap is approximately \$16 million and, as such, the Company has a management team that is just right for its size. This four person team is relatively young, but experienced in the ways of construction equipment and technology.

Mr. Carol Murray, President and CEO, Director. Mr. Murray has been with PowerTech as its CEO since 2003. Mr. Murray began his career as an engineer with Products Jac in 1987. In 1988, he moved to La Societe des Technologies de l'Aluminium du Saguenay Limitee in Chicoutimi, where he stayed until he joined Environair S.I.P.A. Inc. ("Environair") as its Director of Business Development in 1995. He was promoted to General Manager at Environair and he stayed in that position until 1999, when he left to become the General Manager of Copernic Technologies. Mr. Murray left Copernic in 2000 to direct the manufacturing technology group at JDS Uniphase Corp. In 2002, he was promoted to Director of the Overseas Business Operations Group at JDS and he stayed in this position until he helped found PowerTech in 2004. Mr. Murray holds a Bachelor's Degree in Electrical Engineering and a Master of Science with a specialty in project management from the University of Chicoutimi in Quebec.

You can in fact go home again

Mr. Matthew Blackmore, CFO and Vice President of Administration and Finance. Mr. Blackmore joined PowerTech as its CFO in April of 2004. He started his career in 1996 as an Assistant Financial Controller for the Fairmont Tremblant Hotel in Quebec. In 1998, he was promoted to the position of Financial Controller for the Fairmont Glitter Bay and Royal Pavillion resorts in the Barbados. In 2000, he moved to the Fairmont Miramar Hotel in Santa Monica, California as its Director of Accounting, and, though we all know you can never go home again, he did come home in that same year to take a new job as the Financial Controller of Lasoo Incorporated in Toronto. The next year, it was back to the hotel business as the Financial Controller of the Westin Hotel in Ottawa where he stayed until he joined PowerTech. One has to wonder if the Company is thinking of going into the hotel and resort business, given Mr. Blackmore's experience. He holds a Baccalaureate Degree in Economics, Finance and Accounting from Wilfrid Lauier University and a Master's

of Business Administration Degree from Queen's. Mr. Blackmore has been a Certified General Accountant since 2002.

Mr. Pierre Gagnon, COO and Director. Mr. Gagnon has been with PowerTech since 2003. He has been a Maritime Engineer Officer for National Defense (1984 to 1987). After his stint in the armed forces, he accepted a position as the Director of Development and New Construction for Pizza Royale where he worked until 1989. He then left Pizza Royale to join Bolix Inc. as a Vice-President until 1992. In that year, Mr. Gagnon joined Conceptions Productique OPFAB ("Conceptions") as an engineering partner. The firm specialized in the design and performance of turnkey projects for the optimization of industrial processes. He left Conceptions in 1995 to become the engineer in charge of assembly plant and quality assurance for Cardotech International. In 1996, Mr. Gagnon joined RAD Technologies Inc., a firm that designs and manufactures equipment and accessories in the tractor industry, as the Manager of Technical Services. He left RAD in 1998 to accept the position of Manager of Industrial Projects at Mesar/Environair Inc. (where Mr. Murray was, coincidentally, working as the General Manager at the time) in the pulp and paper industry. Mr. Gagnon was on the move again in 2001 when he accepted the position of Vice-President of Atara Corporation Inc. ("Atara"), which specializes in industrial water treatment systems and shaftless screw conveyors. He stayed with Atara until he joined the team at PowerTech in 2003. Mr. Gagnon holds a Bachelor of Physical Engineering Degree with a specialty in mechanical engineering from Université de Laval in Quebec City and is a member of L'Ordre des Ingenieurs du Quebec.

Mr. Yves Sicotte, Vice President of Sales and Marketing. Mr. Sicotte joined PowerTech in February of 2006. Prior to joining the Company, he was a private sales and marketing consultant for several large manufacturing companies and he worked at Bombardier as the Business Development Manager for Recreational Products' ATV Division. From 1989 to 2000, Mr. Sicotte was the Corporate Marketing Manager for North America for Denharco Inc., which is a large forestry equipment manufacturer. He has over 20 years of experience in marketing industrial and heavy machinery involved in construction, mining, forestry and public utilities in North America and, after seeing his work, it is our opinion that he is an expert in this field.

Competition

We believe that Power Tech Corporation Inc. is the only company in the world that manufactures a bucket that can be used on backhoes and excavators and that contains a hydraulic percussion instrument that allows it to break up and pound surfaces while it clears the newly created rubble. As such, the Company at this time has no direct competitors (or even comparators) in this marketplace. We are forced to use a discounted cash flow model to value its stock (see page 2).

The biggest reason for the lack of competition is that PWB owns the patents on the technology that marries a conventional excavation bucket with a hydraulic powered percussion cell, which, of course, allows the PicBucket to perform so many different functions. This patent is the key barrier to entry into this business, and, until someone

Patents Provide Protection

else comes up with a different way to copy the performance of the PicBucket without infringing on the patents held by PowerTech, we foresee the Company having this market to itself for the foreseeable future. We are not saying this could not happen (see Risk Factors below). But for now, the patents provide PWB with formidable protection from potential industrial predators. Remember, these patents are good for 20 years from the date of application.

Risk Factors

- 1. Protection of Intellectual Property.** Fixing a hydraulic powered percussive cell inside a standard bucket for a backhoe or excavator is exclusive technology which PWB owns (see page 7). There is always a possibility that a competitor will come in and try to imitate this idea. While we are of the opinion that the patents held by Power Tech will in fact allow the Company to keep others from doing the same thing with their equipment, we are aware that it would be an extremely expensive undertaking if PWB was forced to sue to defend its intellectual property. Regardless of the result of the lawsuit or suits (and we think PWB would win out) the drain in legal fees and court costs could conceivably wipe out the entire cash flow of the Company and put it out of business. There is no way to mitigate this risk (other than ensuring that the Company owns the intellectual property and that the patents protecting it are rock solid), and consequently we feel we had to make sure it was mentioned front and centre. The patents are legally enforceable for 20 years from the date of deposit of the application, if successful.
- 2. Competition (and Potential Competitors).** While we have not been able to find anyone in the construction machinery market that makes anything like the PicBucket, this is not to say that a competitor or competitors could not and will not enter the market, especially as Power Tech starts to realize the success we envision for it. Other companies could get around the patents by launching a technology or technologies that would be slightly different from the PicBucket but that achieved the same results on construction and demolition sites that it does and maybe costs less. This could diminish the potential of the PWB technology and its products, or even make it obsolete, and this would have a negative effect on sales, income and, ultimately, the price of the stock.
- 3. Strength of the Canadian Dollar.** We are talking here about export risk. The plan for Power Tech is to sell the PicBucket 2000 (and, eventually, other product offerings) into the United States as well as Canada. This means potential revenues in U.S. dollars. If the Canadian dollar were to get stronger (that is increase in value vis a vis the U.S. dollar) the revenues from these sales would be decreased in Canadian dollar terms thereby decreasing margins and profits. It is our opinion that the recent change in stance by the Bank of Canada in regards to its monetary policy (it has stopped raising administered interest rates in this country) will cause the Canadian dollar to trade in the US\$0.85 to US\$0.90 cent range for the foreseeable future (or at least until the United States lowers its Fed Funds rate sometime in 2007) alleviating at least some of this risk. As sales into the

United States grow, the Company may be forced to hedge these revenues.

4. **Fluctuation in Demand.** PowerTech's future revenues are dependant on the demand for heavy equipment needed by the construction industry, and this demand is dependant on overall economic conditions in both the United States and Canada. If economic growth in general were to slow significantly, demand for construction machinery would slow (less projects, less machinery needed to do them) and demand for PWB's products would also decrease. This would have a direct effect on revenues, net income and, of course, the price of the stock. The good news is that the Power Tech products are unique and (so far) without competition in the marketplace. The PicBucket helps construction companies to increase their productivity while decreasing labour and equipment costs. These facts will help to alleviate at least some of the risk of a slowdown in the construction industry and/or the economy as a whole.
5. **Small Management Team.** This is risk only insofar as a loss of one of the key management team would be deeply felt within the organization. Each one of the team members has his own specific responsibilities and the present size of the company does not allow for much back up or overlap among them. While this is entirely appropriate for a company of this size, we are aware that if any of the team were to leave for any reason, there would be an indirect but measurable effect on the financial results and, consequently, the stock price of PowerTech. The Company does not, at this time, carry any key man insurance.
6. **Additional Capital Needs.** At the present time, the Company has sufficient funds with which to carry out its business plan (see Balance Sheet page 18). But it is our opinion that Power Tech will need to raise funds again in Q4 FY07. While we are confident of this Company's ability to raise money in the capital markets, there can be no assurance that the terms of this financing will be acceptable to company at the time they need the money. An inability to raise capital would most certainly retard the growth of PWB and could have disastrous effects on revenue, net income and the stock price. Again, based on past dealings with management, we are of the opinion that this scenario will not come to pass.
7. **Fluctuation in Prices.** Input prices (steel for the buckets, the price of the hydraulic cells, assembly labour) can change. They can go up (or even down). Competitors can come into the market (see 2 above). This could reduce margins. Increases in input prices or new competition could reduce margins and income on each PicBucket sold. This would have a negative effect on overall profitability and, consequently, the stock price.
8. **Rapid Growth (a problem that most companies want to have).** It is entirely possible that Power Tech will exceed our expectations for growth and seemingly come out of nowhere to take the construction machinery attachment market by storm. While the Company is poised for growth at a reasonable rate, explosive growth would cause assembly bottlenecks and then backorders that would ultimately have a negative effect on

revenues and the bottom line. In this instance, management would have to scramble to find enough labour to assemble and ship the PicBuckets so as not to lose sales. If they cannot move fast enough or labour in Terrebonne was not readily available for hire, this kind of growth could have a deleterious effect on the price of the stock.

9. **Supplier Concentration.** PWB gets its raw materials mostly from metal forgers fabricators on the north shore of the St. Lawrence River (in Quebec) and one in Ontario. There are many of these small mom and pop shops that can deliver buckets and accessories on two weeks notice. But, the hydraulic cell that differentiates the PicBuckets from other buckets is made exclusively by Atlas Copco in Sweden. If Atlas was to be unable, for any reason, to supply PowerTech with the cells it needs on a timely basis, this would have a negative effect on sales, income and the price of the stock. Fortunately, Atlas is a large international company with offices in 17 countries and is, in our opinion, wholly reliable and more than capable of keeping PWB in stock as far as hydraulics goes.

Conclusion

We are initiating coverage on Power Tech Corporation Inc. with a **SPECULATIVE BUY** rating and a 12-month target of \$0.89 per share.

Appendix I

Equity Structure

	Number of Shares Held Directly or Indirectly	% of Shares Outstanding	Options	% of Options Outstanding	Warrants
Insiders/Directors					
Matthew Blackmore	10,000	0.03%	221,500	11.75%	0
Sylvie Brissette	50,000	0.17%	0	0.00%	0
Pierre Gagnon	1,578,362	5.24%	229,500	12.17%	0
Dany Girard	200,000	0.66%	116,000	6.15%	0
Mario Jacob	150,000	0.50%	116,000	6.15%	0
Daniel Mercier	200,000	0.66%	0	0.00%	0
Carol Murray	13,541,462	44.96%	129,500	6.87%	0
Yves Sicotte	100,000	0.33%	176,000	9.33%	0
Luc Mainville	0	0.00%	100,000	5.30%	0
Total Insiders/Directors	15,829,824	52.56%	1,088,500	57.73%	0
Total Outstanding	30,119,866	52.56%	1,885,500	57.73%	5,606,164
Total Fully Diluted Shares	37,611,530				

Source: Company reports, Sedi, Bloomberg, Thomson ONE

Financial Statements

Power Tech Corporation Inc. Income Statement													
(\$000, except per share data)	2005 FY	2006 FY	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2007 FY	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2008 FY	2009 FY
Sales	\$0.0	\$472.1	\$381.1	\$410.7	\$410.7	\$410.7	\$1,613.1	\$1,377.8	\$1,394.9	\$1,421.6	\$1,421.6	\$5,615.9	\$18,143.5
Cost of Sales	\$0.0	\$337.7	\$285.8	\$308.0	\$287.5	\$287.5	\$1,168.7	\$923.1	\$934.6	\$924.0	\$924.0	\$3,705.8	\$11,158.3
Gross Margin	\$0.0	\$134.4	\$95.3	\$102.7	\$123.2	\$123.2	\$444.3	\$454.7	\$460.3	\$497.6	\$497.6	\$1,910.1	\$6,985.2
Gross Margins	-	28.5%	25.0%	25.0%	30.0%	30.0%	27.5%	33.0%	33.0%	35.0%	35.0%	34.0%	38.5%
Expenses:													
Selling and Administration	\$1,695.2	\$1,588.0	\$228.7	\$225.9	\$225.9	\$205.3	\$885.7	\$688.9	\$627.7	\$568.6	\$568.6	\$2,453.9	\$6,577.0
Financial Expenses	\$58.5	\$217.6	\$97.3	\$101.0	\$101.5	\$104.9	\$404.7	\$98.7	\$96.7	\$96.6	\$100.5	\$392.5	\$443.8
EBITDA	(\$1,695.2)	(\$1,453.6)	(\$133.4)	(\$123.2)	(\$102.7)	(\$82.1)	(\$441.4)	(\$234.2)	(\$167.4)	(\$71.1)	(\$71.1)	(\$543.8)	\$408.2
Amortization of property, plant and equipment	\$22.2	\$68.4	\$25.8	\$25.8	\$25.8	\$25.8	\$103.0	\$32.6	\$32.6	\$32.6	\$32.6	\$130.4	\$365.0
Amortization of other assets:													
Development Costs	\$69.7	\$167.0	\$46.2	\$46.2	\$46.2	\$46.2	\$184.7	\$79.4	\$79.4	\$79.4	\$79.4	\$317.6	\$480.9
Patents	\$7.1	\$7.8	\$2.3	\$2.3	\$2.3	\$2.3	\$9.1	\$10.4	\$10.4	\$10.4	\$10.4	\$41.6	\$59.3
Financing Costs	\$1.8	\$10.7	\$2.7	\$2.7	\$2.7	\$2.7	\$10.8	\$2.7	\$2.7	\$2.7	\$2.7	\$10.8	\$10.8
Operational Expenses	\$1,854.5	\$2,059.5	\$402.9	\$403.8	\$404.3	\$387.1	\$1,598.1	\$912.7	\$849.5	\$790.4	\$794.2	\$3,346.8	\$7,936.8
Operating Earnings (loss)	(\$1,854.5)	(\$1,925.1)	(\$307.6)	(\$301.1)	(\$281.1)	(\$263.9)	(\$1,153.7)	(\$458.0)	(\$389.2)	(\$292.8)	(\$296.7)	(\$1,436.7)	(\$951.5)
Other Revenues:													
Interest	\$19.5	\$22.4	\$4.0	\$4.2	\$4.2	\$4.2	\$16.7	\$4.2	\$4.2	\$4.2	\$4.2	\$16.9	\$16.8
Rental Revenue	\$0.0	\$11.2	\$4.8	\$4.8	\$4.8	\$4.8	\$19.3	\$4.8	\$4.8	\$4.8	\$4.8	\$19.3	\$0.0
Contribution- Economic Development of Canada	\$26.6	\$17.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gain on settlement of liability component of conv. debentures	\$35.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	\$81.3	\$50.8	\$8.8	\$9.1	\$9.1	\$9.0	\$36.0	\$9.0	\$9.0	\$9.0	\$9.0	\$36.1	\$16.8
EBIT	(\$1,796.0)	(\$1,707.6)	(\$210.3)	(\$200.1)	(\$179.6)	(\$159.0)	(\$749.0)	(\$359.3)	(\$292.5)	(\$196.2)	(\$196.2)	(\$1,044.2)	(\$507.8)
Taxes	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Earnings	(\$1,773.2)	(\$1,874.3)	(\$298.8)	(\$292.1)	(\$272.0)	(\$254.9)	(\$1,117.8)	(\$449.0)	(\$380.2)	(\$283.8)	(\$287.7)	(\$1,400.6)	(\$934.7)
Basic earning (loss) per share outstanding	(\$0.08)	(\$0.06)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.05)	(\$0.03)
Diluted earning (loss) per share outstanding	(\$0.08)	(\$0.05)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.02)
Basic earning (loss) per weighted average share outstanding	(\$0.08)	(\$0.07)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.05)	(\$0.03)
Diluted earning (loss) per weighted average share outstanding	(\$0.08)	(\$0.05)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.03)
Common Shares Outstanding for Basic	-	30,119.9	30,119.9	30,119.9	30,119.9	30,119.9	30,119.9	30,119.9	30,119.9	30,119.9	30,119.9	30,119.9	30,119.9
Diluted Shares Outstanding	-	37,611.5	37,611.5	37,611.5	37,611.5	37,611.5	37,611.5	37,611.5	37,611.5	37,611.5	37,611.5	37,611.5	37,611.5
Weighted Average Common Shares Outstanding for Basic	23,598.0	28,445.0	28,445.0	28,445.0	28,445.0	28,445.0	28,445.0	28,445.0	28,445.0	28,445.0	28,445.0	28,445.0	28,445.0
Weighted Average Diluted Shares Outstanding	-	34,904.0	34,904.0	34,904.0	34,904.0	34,904.0	34,904.0	34,904.0	34,904.0	34,904.0	34,904.0	34,904.0	34,904.0

* 2005 Fiscal year covers a thirteen month period as the Company's fiscal year end was modified from August to September 30 (395 days).

Source: Company reports, NSI estimates

Power Tech Corporation Inc.					
Balance Sheet					
(\$000)	2005 FY	2006 FY	2007 FY	2008 FY	2009 FY
Assets					
Current Assets					
Cash	\$1,376.4	\$2,205.8	\$1,118.6	(\$1,139.7)	(\$3,684.8)
Subscription Receivable	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Accounts Receivable	\$203.8	\$134.9	\$410.7	\$947.7	\$2,267.9
Tax Credits Receivable	\$35.0	\$50.0	\$0.0	\$0.0	\$0.0
Inventories	\$533.6	\$505.7	\$479.1	\$410.7	\$907.2
Prepaid Expenses	\$17.2	\$62.0	\$61.6	\$213.2	\$680.4
	<u>\$2,166.0</u>	<u>\$2,958.3</u>	<u>\$2,070.0</u>	<u>\$431.9</u>	<u>\$170.7</u>
Advances to a shareholder	\$19.5	\$19.5	\$18.4	\$16.9	\$15.3
Property, Plant and Equipment	\$59.6	\$333.6	\$475.1	\$563.6	\$368.7
Intangible Assets	\$99.0	\$100.0	\$255.9	\$264.3	\$255.0
Deferred Charges	\$186.6	\$354.7	\$580.0	\$1,027.4	\$1,406.4
Total Assets	<u>\$2,530.7</u>	<u>\$3,766.1</u>	<u>\$3,399.4</u>	<u>\$2,304.2</u>	<u>\$2,216.2</u>
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts Payable and Accrued Liabilities	\$204.8	\$300.0	\$287.5	\$513.4	\$1,209.6
Note payable	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Current Portion of Long Term Debt	\$0.0	\$7.0	\$7.5	\$8.0	\$3.5
	<u>\$204.8</u>	<u>\$307.0</u>	<u>\$295.0</u>	<u>\$521.3</u>	<u>\$1,213.1</u>
Liability component of convertible debentures	\$1,398.8	\$2,399.8	\$2,720.4	\$3,142.5	\$4,095.2
Long Term Debt (includes Note Payable)	\$20.9	\$475.8	\$676.6	\$776.6	\$937.7
	<u>\$1,624.5</u>	<u>\$3,182.6</u>	<u>\$3,692.0</u>	<u>\$4,440.5</u>	<u>\$6,246.0</u>
Shareholders' Equity					
Capital Stock	\$1,616.0	\$2,632.4	\$2,632.4	\$2,632.4	\$2,632.4
Warrants	\$957.0	\$1,117.1	\$1,117.1	\$1,117.1	\$1,117.1
Stock Options	\$416.5	\$395.9	\$448.9	\$448.9	\$448.9
Contributed Surplus	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Equity Component of Convertible Debentures	\$113.7	\$289.1	\$289.1	\$289.1	\$289.1
Deficit	(\$2,197.0)	(\$3,851.0)	(\$4,780.1)	(\$6,623.8)	(\$8,517.3)
Shareholders' Equity Total	<u>\$906.1</u>	<u>\$583.5</u>	<u>(\$292.6)</u>	<u>(\$2,136.3)</u>	<u>(\$4,029.8)</u>
Total Liabilities and Shareholders' Equity	<u>\$2,530.7</u>	<u>\$3,766.1</u>	<u>\$3,399.4</u>	<u>\$2,304.2</u>	<u>\$2,216.2</u>

* 2005 Fiscal year covers a thirteen month period as the company's fiscal year end was modified from August to September 30 (395 days).

Source: Company reports, NSI estimates

Power Tech Corporation Inc.													
Statement of Cash Flow													
(\$000)	2005 FY	2006 FY	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2007 FY	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2008 FY	2009 FY
Operating Activities													
Net Earnings (loss) for the period	(\$1,773.2)	(\$1,874.4)	(\$298.8)	(\$292.1)	(\$272.0)	(\$254.9)	(\$1,117.8)	(\$449.0)	(\$380.2)	(\$283.8)	(\$287.7)	(\$1,400.6)	(\$934.7)
Adjustments for:													
Amortization of property, plant and equipment	\$22.2	\$68.4	\$25.8	\$25.8	\$25.8	\$25.8	\$103.0	\$32.6	\$32.6	\$32.6	\$32.6	\$130.4	\$365.0
Amortization of other assets	\$78.6	\$185.6	\$51.2	\$51.2	\$51.2	\$51.2	\$204.6	\$92.5	\$92.5	\$92.5	\$92.5	\$370.0	\$551.0
Accrued interest on convertible debentures	\$55.8	\$176.5	\$76.9	\$80.1	\$80.1	\$83.5	\$320.6	\$83.5	\$87.1	\$87.1	\$91.0	\$348.7	\$380.7
Accrued interest on long term debt and note payable	\$0.3	\$20.2	\$14.5	\$15.0	\$15.6	\$16.1	\$61.3	\$5.6	\$0.0	\$0.0	\$0.0	\$5.6	\$0.0
Gain on settlement of liability component of convertible debentures	(\$35.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Stock-based compensation expense	\$331.5	\$179.5	\$42.5	\$42.5	\$42.5	\$42.5	\$170.0	\$42.5	\$42.5	\$42.5	\$42.5	\$170.0	\$170.0
	(\$1,320.0)	(\$1,244.3)	(\$88.0)	(\$77.5)	(\$56.9)	(\$35.8)	(\$258.2)	(\$192.3)	(\$125.4)	(\$29.1)	(\$29.1)	(\$375.8)	\$532.0
Changes in non-cash working capital items	(\$702.8)	\$132.3	(\$255.6)	\$17.5	(\$7.5)	\$34.2	(\$211.3)	(\$419.8)	\$22.7	\$0.1	\$2.6	(\$394.4)	(\$1,587.6)
Accounts Receivables	\$0.0	\$246.8	(\$246.3)	(\$29.5)	\$0.0	\$0.0	(\$275.8)	(\$507.9)	(\$11.4)	(\$17.8)	\$0.0	(\$537.1)	(\$1,320.2)
Inventories	\$0.0	\$472.1	\$29.3	(\$36.9)	\$34.2	\$0.0	\$26.6	\$17.5	\$46.2	\$4.7	\$0.0	\$68.4	(\$496.5)
Prepaid Expenses	\$0.0	(\$25.9)	\$4.8	(\$4.4)	\$0.0	\$0.0	\$0.4	(\$145.1)	(\$2.6)	(\$4.0)	\$0.0	(\$151.6)	(\$467.1)
Tax Credit Receivable	\$0.0	(\$50.0)	\$0.0	\$0.0	\$50.0	\$0.0	\$50.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Accounts Payable and accrued liabilities	\$0.0	\$22.1	(\$43.5)	\$88.4	(\$91.7)	\$34.2	(\$12.5)	\$215.6	(\$9.5)	\$17.2	\$2.6	\$225.9	\$696.2
Cash flow from Operating Activities	(\$2,022.8)	(\$1,112.0)	(\$343.6)	(\$60.0)	(\$64.4)	(\$1.6)	(\$469.6)	(\$612.0)	(\$102.8)	(\$29.0)	(\$26.4)	(\$770.2)	(\$1,055.7)
Financing Activities													
Reverse takeover and merger	\$540.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Loan-CMJ Capital	\$250.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Issuance to convertible debentures	\$1,500.0	\$1,000.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Repayment of convertible debentures and accumulated interest	(\$696.7)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$32.1)	\$0.0	(\$41.3)	(\$73.3)	(\$572.1)
Increase in long-term debt	\$20.7	\$464.4	\$196.2	\$13.3	\$13.8	\$0.0	\$223.2	\$168.0	\$0.0	\$0.0	\$0.0	\$168.0	\$271.8
Reimbursement of long-term debt	\$0.0	(\$5.6)	\$0.0	\$0.0	\$0.0	(\$22.4)	(\$22.4)	\$0.0	(\$1.9)	(\$1.9)	(\$64.1)	(\$68.0)	(\$110.6)
Reimbursement of note payable	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$482.3)	\$0.0	\$0.0	\$0.0	(\$482.3)	\$0.0
Issuance of category A common shares	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Issuance of units	\$2,000.0	\$1,000.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Issuance of common shares	\$0.0	\$267.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Equity instrument issue costs	(\$54.8)	(\$143.3)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash flows from financing activities	\$3,559.7	\$2,583.5	\$196.2	\$13.3	\$13.8	(\$22.4)	\$200.8	(\$314.3)	(\$34.0)	(\$1.9)	(\$105.4)	(\$455.6)	(\$410.9)
Investing Activities													
Advances to a shareholder	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Purchase of property, plant and equipment	(\$51.0)	(\$342.4)	(\$61.1)	(\$61.1)	(\$61.1)	(\$61.1)	(\$244.5)	(\$54.8)	(\$54.8)	(\$54.8)	(\$54.8)	(\$219.0)	(\$170.1)
Additions to intangible assets	(\$21.3)	(\$6.5)	(\$41.3)	(\$41.3)	(\$41.3)	(\$41.3)	(\$165.0)	(\$12.5)	(\$12.5)	(\$12.5)	(\$12.5)	(\$50.0)	(\$50.0)
Increase in deferred charges	(\$135.1)	(\$293.2)	(\$102.5)	(\$102.5)	(\$102.5)	(\$102.5)	(\$410.0)	(\$191.3)	(\$191.3)	(\$191.3)	(\$191.3)	(\$765.0)	(\$860.0)
Reverse takeover and merger	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Repayment of a loan to a shareholder	\$0.0	\$0.0	\$0.0	\$0.4	\$0.4	\$0.4	\$1.1	\$0.4	\$0.4	\$0.4	\$0.4	\$1.5	\$1.6
Cash flow from investing activities	(\$207.3)	(\$642.0)	(\$204.9)	(\$204.5)	(\$204.5)	(\$204.5)	(\$818.4)	(\$258.1)	(\$258.1)	(\$258.1)	(\$258.1)	(\$1,032.5)	(\$1,078.5)
Net change in cash and cash equivalents	\$1,329.6	\$829.4	(\$352.3)	(\$251.2)	(\$255.1)	(\$228.5)	(\$1,087.2)	(\$1,184.5)	(\$394.9)	(\$289.0)	(\$390.0)	(\$2,258.3)	(\$2,545.1)
Cash and cash equivalents (deficiency), beginning of period	\$46.8	\$1,376.4	\$2,205.8	\$1,853.5	\$1,602.3	\$1,347.1	\$2,205.8	\$1,118.6	(\$65.9)	(\$460.7)	(\$749.8)	\$1,118.6	(\$1,139.7)
Cash and cash equivalents - end of year	\$1,376.4	\$2,205.8	\$1,853.5	\$1,602.3	\$1,347.1	\$1,118.6	\$1,118.6	(\$65.9)	(\$460.7)	(\$749.8)	(\$1,139.7)	(\$1,139.7)	(\$3,684.8)

* 2005 Fiscal year covers a thirteen month period as the Company's fiscal year end was modified from August to September 30 (395 days).

Source: Company reports, NSI estimates

Analyst/Company	Ticker	Ex	Rating	Price Target	Last Price	Market Cap (millions)	Shares o/s (millions)	Previous Volume	52 Week		Applicable Disclosures
									High	Low	
Oil and Gas											
Tim Murray, CFA 403-313-5983											
Gentry Resources Ltd.	GNY	T	Buy	\$6.25	\$4.90	\$190	38.7	41,780	\$6.42	\$3.96	8
Endev Energy Inc.	ENE	T	StrB	\$2.05	\$1.11	\$99	88.9	175,568	\$2.24	\$1.09	8
Stylus Energy Inc.	STY	T	Buy	\$4.00	\$3.32	\$92	27.6	12,292	\$4.60	\$3.03	
Grand Banks Energy Corp.	GBE	V	Buy	\$2.20	\$1.45	\$43	29.8	12,814	\$2.19	\$1.42	8
Trafalgar Energy Ltd.	TFL	T	Buy	\$4.80	\$4.15	\$47	11.3	10,834	\$4.60	\$3.27	8
AltaCanada Energy Corp.	ANG	V	Hold	\$0.55	\$0.49	\$30	60.4	184,000	\$0.89	\$0.45	8
The Buffalo Oil Corp.	BFO	V	Buy	\$2.35	\$1.73	\$31	17.8	11,000	\$2.15	\$1.41	1
Metals and Mining											
Jeremy Link, M.Eng 416-644-8133											
Khan Resources Inc.	KRI	T	SpecB	\$5.00	\$3.43	\$142	41.4	937,788	\$3.48	\$1.11	
Acero-Martin Explorations Inc.	ASD	V	SpecB	\$1.06	\$0.54	\$23	42	265,746	\$1.33	\$0.52	
Mediterranean Resources Ltd.	MNR	V	SpecB	\$0.84	\$0.29	\$11	39.3	3,050	\$0.57	\$0.22	1,2
Constellation Copper Corp.	CCU	T	REVIEW	REVIEW	\$1.56	\$278	178.5	851,641	\$3.02	\$1.30	1
Frontera Copper Corp.	FCC	T	REVIEW	REVIEW	\$5.30	\$260	49.1	1,101,670	\$5.85	\$2.20	
Acadian Gold Corp.	ADA	V	REVIEW	REVIEW	\$0.88	\$92	104.8	105,763	\$0.95	\$0.31	1
International PBX Ventures Ltd.	PBX	V	REVIEW	REVIEW	\$0.38	\$19	50.6	167,500	\$0.82	\$0.31	
Forest Gate Resources Ltd.	FGT	V	REVIEW	REVIEW	\$0.19	\$15	78.8	60,000	\$0.47	\$0.15	1
Zaruma Resources Inc.	ZMR	T	REVIEW	REVIEW	\$0.16	\$15	96.5	771,316	\$0.24	\$0.08	1
Energy Services											
Marcel Brichon, CFA, FCSI, 604-668-1888											
Divestco Inc.	DVT	T	StrB	\$10.00	\$3.05	\$104	34.2	71,200	\$7.00	\$2.73	1,8
Pulse Data Inc.	PSD	T	Hold	\$2.80	\$2.49	\$119	47.6	23,477	\$3.39	\$2.10	8
BlueGrouse Seismic Solutions Ltd.	BGH	V	SpecB	\$3.35	\$0.81	\$11	13.2	91,100	\$2.90	\$0.77	8
Kelman Technologies Inc.	KTI	T	SpecB	\$0.45	\$0.27	\$11	41.6	80,700	\$0.57	\$0.21	
Dalmac Energy Inc.	DAL	V	Buy	\$1.25	\$0.55	\$7	12.4	28,000	\$1.60	\$0.50	8
Special Situations											
Marcel Brichon, CFA, FCSI, 604-668-1888											
Carmanah Technologies Corp.	CMH	T	Buy	\$3.50	\$2.93	\$124	42.2	22,763	\$4.19	\$2.55	8
Wellpoint Systems Inc.	WPS	V	StrB	\$1.11	\$0.35	\$12	35.2	12,000	\$0.69	\$0.25	1,2,8
AccelRate Power Systems Inc.	APS	V	Hold	\$0.45	\$0.24	\$6	25.3	12,000	\$1.15	\$0.20	8
International Technologies Corp.	ITI	V	Buy	\$1.00	\$0.35	\$6	17.0	5,000	\$0.62	\$0.27	
Brill, MBA, CFA, 416-644-8164											
Stella-Jones Inc.	SJ	T	Buy	\$37.30	\$32.98	\$406	12.3	3,694	\$34.90	\$12.50	8
Altus Group Income Fund	AIF-U	T	Buy	\$13.85	\$10.26	\$108	10.5	31,244	\$15.90	\$9.55	7,8
Century II Holdings	CH	T	StrB	\$9.25	\$6.39	\$73	11.4	200	\$8.43	\$3.30	6,7
Power Tech Corporation Inc.	PWB	T	SpecB	\$0.89	\$0.53	\$16	30.1	11,000	\$0.84	\$0.53	1,2,8
Automated Benefits Corp.	AUT	V	SpecB	\$0.45	\$0.18	\$15	88.1	409,500	\$0.57	\$0.15	1,7,8
Retail & Consumer Products											
Sarah C. Alemao, 416-644-8179											
MEGA Brands Inc.	MB	T	StrB	\$33.00	\$25.90	\$883	34.1	276,877	\$29.75	\$20.25	8
Le Chateau Inc.	CTU/A	T	Buy	\$62.00	\$58.70	\$364	6.2	6,160	\$61.42	\$36.00	8
La Senza Corp.	LSZ	T	Tender	N/A	\$47.92	\$671	14.0	175,840	\$48.20	\$18.40	8
Hart Stores Inc.	HIS	T	Hold	\$5.60	\$5.41	\$75	13.8	6,000	\$6.59	\$3.85	8
West 49 Inc.	WXX	T	Buy	\$1.25	\$0.97	\$61	63.2	69,005	\$1.82	\$0.81	1,8
Brick Brewing Co. Ltd.	BRB	T	Hold	REVIEW	\$1.85	\$38	20.3	9,754	\$2.55	\$1.85	8
Liquidation World Inc.	LQW	T	Hold	\$6.60	\$5.25	\$44	8.3	8,675	\$7.45	\$3.75	
Technology											
Dennis dos Santos, P. Eng, MBA, 416-644-8124											
DALSA Corp.	DSA	T	StrB	\$20.00	\$12.52	\$237	18.9	10,240	\$16.34	\$12.00	8
Absolute Software Corp.	ABT	T	Hold	\$6.50	\$8.30	\$185	22.3	51,760	\$9.45	\$2.75	
Intrinsyc Software International Inc.	ICS	T	SpecB	\$1.75	\$0.46	\$38	83.0	120,625	\$1.49	\$0.34	
Route1 Inc.	ROI	V	SpecB	\$0.30	\$0.15	\$35	241.7	398,250	\$0.30	\$0.07	8
The Medipattern Corp.	MKI	V	SpecB	\$1.40	\$0.53	\$20	37.5	20,000	\$0.78	\$0.40	8
ComnetIX Inc.	CXI	T	SpecB	\$0.94	\$0.90	\$13	14.1	5,600	\$2.15	\$0.45	8,3
Massimo Voci, 416-644-8129											
Sylogist Ltd.	SYZ	V	SpecB	\$1.84	\$0.78	\$14	18.0	35,771	\$2.20	\$0.67	8

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