

Interim Consolidated Financial Statements

Power Tech Corporation Inc.

March 31, 2007

Power Tech Corporation Inc.

CONSOLIDATED BALANCE SHEETS

As at

	March 31, 2007	September 30, 2006
	[unaudited]	
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	100,883	1,278,686
Accounts receivable [note 4]	446,533	263,083
Tax credits receivable	50,000	50,000
Inventories	1,084,462	1,109,766
Prepaid expenses	54,403	61,976
	1,736,281	2,763,511
Advances to a shareholder	3,972	19,508
Property, plant and equipment	241,446	244,918
Intangible assets	143,910	96,004
Deferred charges	82,556	229,800
	2,208,165	3,353,741
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities		
Company controlled by a shareholder and director	17,093	—
Other	482,654	393,291
Note Payable [notes 5 and 10 b)]	201,430	—
Short term component of long-term debt [note 10 b)]	450,768	7,153
	1,151,945	400,444
Liability component of convertible debentures	2,450,845	2,317,995
Long-term debt	60,379	475,569
Shareholders' equity (deficiency)		
Capital stock	2,826,483	2,826,483
Warrants [note 6]	1,154,797	1,200,749
Contributed surplus [note 7]	1,465,491	445,093
Equity component of convertible debentures	289,102	289,102
Deficit	(7,190,877)	(4,601,694)
	(1,455,004)	159,733
	2,208,165	3,353,741

Subsequent events [note 10]

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

On behalf of the Board

(s) Dany Girard
Director

(s) Carol Murray
Director

Power Tech Corporation Inc.

CONSOLIDATED STATEMENTS OF DEFICIT

For the periods ended March 31,

	<u>3 Months</u>		<u>6 Months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deficit, beginning of period	(5,386,014)	(2,590,704)	(4,601,694)	(2,196,997)
Net Loss	(925,013)	(654,001)	(1,709,333)	(1,047,708)
Financing costs <i>[note 6]</i>	(879,850)	—	(879,850)	—
Deficit, end of period	(7,190,877)	(3,244,705)	(7,190,877)	(3,244,705)

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

Power Tech Corporation Inc.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS**

For the periods ended March 31,

	<u>3 Months</u>		<u>6 Months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Sales	386,651	39,500	422,589	139,640
Cost of goods sold <i>[note 8]</i>	307,948	22,221	336,627	101,669
	78,703	17,279	85,962	37,791
Expenses				
Administration expenses	376,120	298,951	658,803	500,741
Selling and commercialization expenses	331,403	270,372	629,920	410,919
Financial expenses	92,132	47,143	182,534	107,174
Amortization of property, plant and equipment	21,469	13,501	42,744	21,881
Amortization of other assets				
Development costs	182,974	47,544	289,523	58,759
Patents	2,633	1,820	4,512	3,638
	1,006,731	679,331	1,808,036	1,103,112
Operating loss	(928,028)	(662,052)	(1,722,074)	(1,065,321)
Other revenues (expenses)				
Interest	5,097	6,447	10,010	16,009
Rental	4,813	1,604	9,626	1,604
Loss on disposal of property, plant and equipment	(6,895)	—	(6,895)	—
	3,015	8,051	12,741	17,613
Net and comprehensive loss	(925,013)	(654,001)	(1,709,333)	(1,047,708)
Basic and diluted loss per share	(0.03)	(0.02)	(0.06)	(0.04)
Weighted average number of shares outstanding during the period [in thousands]	30,120	28,128	30,120	28,072

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

Power Tech Corporation Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the periods ended March 31,

	<u>3 Months</u>		<u>6 Months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(925,013)	(654,001)	(1,709,333)	(1,047,708)
Adjustments for:				
Amortization of property, plant and equipment	21,469	13,501	42,744	21,881
Amortization of other assets	185,607	49,364	294,035	62,397
Accrued interest on convertible debentures	74,375	42,369	147,305	100,672
Accrued interest on note payable	1,430	—	1,430	—
Accrued interest on long term debt	15,972	1,107	31,944	2,215
Stock-based compensation expense	27,723	37,749	94,596	76,222
Loss on disposal of property, plant and equipment	6,895	—	6,895	—
	(591,542)	(509,911)	(1,090,384)	(784,321)
Net change in non-cash working capital items	44,747	(50,259)	(44,117)	(72,040)
Cash flows used for operating activities	(546,795)	(560,170)	(1,134,501)	(856,361)
INVESTING ACTIVITIES				
Repayment of a shareholder advance	1,986	—	1,986	—
Additions to property, plant and equipment	(3,235)	(162,774)	(32,617)	(195,981)
Additions to intangible assets	(50,831)	—	(52,418)	(444)
Increase in deferred charges	(85,461)	(76,698)	(156,734)	(126,230)
Cash flows used for investing activities	(137,541)	(239,472)	(239,783)	(322,655)
FINANCING ACTIVITIES				
Note payable	200,000	—	200,000	—
Increase in long-term debt	—	—	—	29,942
Reimbursement of long-term debt	(1,774)	(1,664)	(3,519)	(2,212)
Issuance of common shares	—	30,000	—	100,000
Cash flows provided by financing activities	198,226	28,336	196,481	127,730
Net decrease in cash and cash equivalents	(486,110)	(771,306)	(1,177,803)	(1,051,286)
Cash and cash equivalents, beginning of period	586,993	1,096,396	1,278,686	1,376,376
Cash and cash equivalents, end of period	100,883	325,090	100,883	325,090
Additional Information				
Interest Paid	364	465	747	626

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

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2007

Unaudited

1. PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements are in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and do not include all of the disclosures required for annual financial statements. They are also consistent with the accounting policies set forth in the Company's audited financial statements for the year ended September 30, 2006 except as to the changes mentioned in note 3. 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, 2006. When required, the financial statements include amounts based on informed estimates and best judgements of management. The operating results for the interim period reported are not necessarily indicative of results to be expected for the year.

2. GOING CONCERN CONCEPT

The financial statements were prepared by management in conformity with Canadian generally accepted accounting principles based on the going concern concept, which assumes the Company will be able to generate sufficient funds to discharge its obligations during normal business operations for the foreseeable future.

The Company incurred a net loss of \$925,013 during the three month period ended March 31, 2007 and has an accumulated deficit of \$7,190,877 as at March 31, 2007. The Company expects to have future capital requirements, specifically for technology development, marketing initiatives, debenture and long-term debt servicing and to service its obligations in the normal course of business. The Company wishes to fund its future capital requirements through additional financing and cash flows from operations. The Company's future ability to generate sufficient short-term and long-term capital depends on their ability to raise capital to finance its operations and also on various factors, including general economic conditions, technological advancements, market acceptance of its products and competition.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
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2. GOING CONCERN CONCEPT [Cont'd]

On February 28, 2007 the Company announced that Northern Securities Inc. agreed to act as the agent on a Private Placement financing for a maximum amount of \$4,000,000. On April 5, 2007, an initial amount of \$1,510,000 was completed in the private placement financing and on April 16, 2007 an additional amount of \$1,733,509 was completed for total gross proceeds of \$3,243,509. *[See note 10a)]*

This financing provides 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.

3. CHANGES IN ACCOUNTING POLICIES

Financial instruments, hedges and comprehensive income

On October 1, 2006, the Company adopted new accounting standards of section 3855 – Financial instruments, 3865 – Hedges and 1530 – Comprehensive income issued by the Canadian Institute of Chartered Accountants. These new CICA standards require the Company to account for those financial instruments at fair market value and to determine their appropriate classification. Management's decisions will impact any succeeding measurement of all financial instruments recorded on the balance sheet.

In addition, comprehensive income introduces a new financial statement which shows the change in equity of an enterprise from transactions and other events and circumstances from non-owner sources.

Power Tech Corporation Inc.

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3. CHANGES IN ACCOUNTING POLICIES [Cont'd]

Financial instruments, hedges and comprehensive income [cont'd]

The Company has implemented the following classification:

- Cash and cash equivalents are classified as “Financial Assets Held for Trading”. These financial assets are marked-to-market through net income at each period end.
- Accounts receivable and advances to a shareholder are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.
- Accounts payable, liability component of convertible debentures and long-term debt are classified as “Other Financial Liabilities”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

In addition, the Company now records deferred financing costs, amortized according to the effective interest rate method, as a reduction of the liability component of convertible debentures and not as deferred charges in the Company’s long term assets.

With the exception of the reclassification of deferred financing costs described above, the adoption of the recommendations has no effect on the Company’s financial statements.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
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Unaudited

4. ACCOUNTS RECEIVABLE

	March 31, 2007	September 30, 2006
	\$	\$
Customer Accounts	342,941	160,398
Consumption Taxes	54,599	53,692
Government Grants	48,993	48,993
	446,533	263,083

5. NOTE PAYABLE

	March 31, 2007	September 30, 2006
	\$	\$
Note payable with an initial value of \$200 000, 14%, repayable in full, with accumulated interest, on May 31, 2007.	201,430	—

6. WARRANTS

During the quarter, the Company decided to adjust the maturity date of 4,837,000 warrants with an exercise price of \$0.60 from February 11, 2007 to February 11, 2008.

The modification made to these warrants were treated as a new issuance and valued at \$879,850. These warrants were accounted for as financing costs on the statement of deficit.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

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Unaudited

6. WARRANTS [Cont'd]

Information on outstanding warrants at the end of the period is summarized below:

	3 months ended			
	Mach 31, 2007		December 31, 2006	
	Number of warrants	\$	Number of warrants	\$
Outstanding, beginning of period	5,787,114	1,200,749	5,787,114	1,200,749
Issued – Modification of outstanding awards	4,837,000	879,850	—	—
Expired	(4,837,000)	(925,802)	—	—
Outstanding, end of period	5,787,114	1,154,797	5,787,114	1,200,749

March 31, 2007				
Date of Issue	Expiry Date	Exercise price	Outstanding Warrants	Value \$
Regular Warrants (1)				
February 11, 2007	February 11, 2008	\$0.60	4,837,000	879,850
June 22, 2006	June 22, 2008	\$0.80	633,433	183,305
September 1, 2006	September 1, 2008	\$0.80	200,000	57,877
			5,670,433	1,121,032
Warrants Issued to Agents (2)				
June 22, 2006	June 22, 2008	\$0.60	88,681	25,663
September 1, 2006	September 1, 2008	\$0.60	28,000	8,102
			116,681	33,765
			5,787,114	1,154,797

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
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Unaudited

6. WARRANTS [Cont'd]

- (1) The regular warrants give the right to the holder to subscribe to one common share of the Company at the specified exercise price.
- (2) The warrants issued to agents give the right to the holder to subscribe to one unit of the Company comprised of one common share and one half of one warrant as per the terms of the placement from which these warrants were issued.

7. CONTRIBUTED SURPLUS

	3 months ended	
	March 31, 2007	December 31, 2006
	\$	\$
Balance, beginning of period	511,966	445,093
Stock-based compensation expense	27,723	66,873
Warrants expired	925,802	—
Balance, end of period	1,465,491	511,966

Stock options

On February 7, 2007, the Company amended its stock option plan to increase the number of stock options from 2,462,500 to 3,011,986 that can be granted under the plan.

Power Tech Corporation Inc.

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7. CONTRIBUTED SURPLUS [Cont'd]

Stock options [Cont'd]

During the quarter, the Company granted 21,100 stock options under the stock option plan. These options were valued at an amount of \$8,394.

	3 months ended			
	March 31, 2007		December 31, 2006	
	Options	Weighted- average exercise price \$	Options	Weighted- average exercise price \$
Outstanding, beginning of period	1,819,550	0.56	1,704,550	0.56
Granted under the plan	21,100	0.60	115,000	0.55
Cancelled	(181,750)	0.53	—	—
Outstanding, end of period	1,658,900	0.56	1,819,550	0.56
Exercisable options, end of period	1,123,250	0.53	1,160,901	0.56
Weighted average fair value of options granted during the period		0.40		0.33

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7. CONTRIBUTED SURPLUS [Cont'd]

Stock options [Cont'd]

Date of grant	Maturity date	Exercise price \$	March 31, 2007	
			Outstanding options	Options exercisable
February 11, 2005	February 11, 2010	0.50	1,125,000	915,000
May 2, 2005	May 2, 2010	0.85	2,500	1,250
September 15, 2005	September 15, 2010	0.72	94,500	37,800
November 7, 2005	November 7, 2010	0.72	15,000	4,500
March 15, 2006	March 15, 2011	0.72	28,500	5,700
April 5, 2006	April 5, 2011	0.76	203,500	44,000
August 25, 2006	August 25, 2011	0.60	53,800	15,000
October 15, 2006	October 15, 2011	0.71	15,000	—
December 5, 2006	December 5, 2011	0.53	100,000	100,000
February 21, 2007	February 21, 2012	0.60	21,100	—
			1,658,900	1,123,250

The fair value of the options granted and the warrants was estimated on the grant date using the Black-Scholes option pricing method based on the following assumptions:

	March 31, 2007
Expected dividend yield	None
Expected volatility	77-90%
Risk-free interest rate	3.79%-4.13%
Expected life in years	0.75-4

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

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8. COST OF GOODS SOLD

	<u>3 months</u>		<u>6 months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Direct Costs	233,654	20,023	254,695	91,611
Indirect Costs	74,294	2,198	81,932	10,058
	307,948	22,221	336,627	101,669

9. RELATED PARTY TRANSACTIONS

	<u>3 months</u>		<u>6 months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Companies controlled by shareholders and directors				
Professional Fees	15,000	15,000	30,000	30,000
Rent	58,242	19,565	116,937	19,565

All of these transactions were in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Power Tech Corporation Inc.

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FINANCIAL STATEMENTS**

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10. SUBSEQUENT EVENTS

(a) Private Placement

On February 28, 2007, the Company announced that Northern Securities Inc. agreed to act as the agent on a private placement for a maximum of \$4.0M. On April 5, 2007 the Company completed a first closing for this private placement for gross proceeds of \$1,510,000 and the second close on April 16, 2007 generated gross proceeds of \$1,733,509.

The Company raised total gross proceeds of \$3,243,509 by issuing 5,897,290 units of the Company at a price of \$0.55 (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 \$0.70 for a period of 24 months following the date of closing.

The Agent received a cash commission of \$259,480 equal to 8% of the gross proceeds from the sale of units to purchasers. In addition, the Company issued to the Agent 589,729 broker warrants which equals 10% of the total number of units sold to purchasers. These warrants have the same features as those issued in connection with the Offering.

(b) Reimbursement of Notes Payable

On April 17, 2007, the Company reimbursed two notes payable totalling \$600,000 plus accrued interest for a total of \$648,636.

(c) Stock options

On May 8, 2007, the Company granted 50,000 stock options to a supplier under the stock option plan.