



## **PRESIDENT'S MESSAGE**

### **IMPLEMENTING KEY NEW BUSINESS DRIVERS**

During the last quarter, PowerTech continued to establish key new business drivers to enable the Company to successfully continue its development and break into new market segments. The commercial launch of a new version of the PicBucket, the 3000 Series, is a major achievement that will help us extend the commercial reach of our technology in the coming months, by enabling us to meet important new needs in the construction and excavation industry.

Our 3000 Series buckets, which equip 8.5 to 16 ton excavators, are more rugged and feature more powerful hydraulic cells. Some months earlier, we also began commercializing the 1000 Series, which is aimed at the mini-excavator market.

Along with PowerTech's first commercialized product, the 2000 Series, the new 1000 and 3000 Series buckets will allow us to offer our distributors a complete product line to satisfy a wider range of needs. In doing so, we are also forming closer links with our distributors, who are our strategic partners. Also, we are showing our distributors that we have the expertise to develop new, distinctive, high value-added solutions for their clients in a sector where innovation is scarce.

Furthermore, the development program for a new version of the PicBucket, the 5000 Series, is coming along well. Over the next winter, this new bucket model, designed for giant 20-30 ton excavators, will undergo a series of rigorous trials carried out in extreme conditions, notably in hard, frozen soil. Already, several construction industry players have indicated their interest in acquiring this new bucket by asking to be put on our distributors' priority client list. Obviously, this is a very promising sign for this product's commercial success. The 5000 Series bucket will enable PowerTech to target the world's largest market segment in the excavation sector.

### **NPK Construction Equipment: the project moves forward as planned**

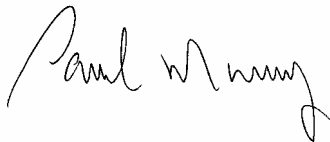
In addition, the project to market our products under the NPK brand name is moving forward as planned. As part of our agreement with NPK Construction Equipment that was concluded last February, NPK will have the exclusive rights to market our technology in the United States and South America. The agreement allows for PowerTech to manufacture and sell to NPK its PicBuckets and PicHammers, integrating

an NPK hydraulic cell for this purpose, throughout NPK's broad distribution network of 74 distributors totaling over 300 branches, under the NPK brand name and painted in its colours. We anticipate a significant increase in sales beginning this coming October due to this deal. In Canada, during the last quarter, we have implemented a new demonstration program with distributors that enables them to improve awareness about our technology and our product line.

### **Completion of new private financing**

With regard to finances, last April PowerTech completed a private placement that has permitted the Company to raise \$3.2 million. We are pleased that our business model and the quality of our technology have received the confidence of these investors.

In the months to come, we will continue to set up our commercialization program, which notably involves the creation of new agreements with original equipment manufacturers (OEMs), such as that signed with NPK. Furthermore, in Canada and in certain other regions of the world, we intend to pursue the development of our own distribution and commercialization network under the PicBucket brand by developing new agreements with industry-leading partners. We remain confident that the promising initiatives already underway, combined with those that we will be rolling out in the coming months, will result in rapid sales growth by the end of 2007. The sales cycle in our business sector has proven longer than first anticipated, but we have now arrived at the end of this process for several of our projects. We believe that in the very short term we will begin reaping the rewards of our efforts in a more sustained manner.



Carol Murray

President and Chief Executive Officer  
Power Tech Corporation Inc.



## Management's Discussion and Analysis

Quarterly Report to our shareholders  
3<sup>rd</sup> quarter ended June 30, 2007

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, 2007 to June 30, 2007. 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 and nine month period ending June 30, 2007 and 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, 2006.

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.

For more information on the company, please consult the company's SEDAR filings at [www.sedar.com](http://www.sedar.com).

### **Company Overview**

PowerTech is the only company in the world that manufactures and commercializes a percussion technology that combines the power of a hydraulic hammer with the stripping force and maneuverability of a conventional excavation bucket. The company owns the intellectual property behind this technology that is commercialized under the PicBucket and PicHammer brand names.

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. The PicHammer exploits the same percussion technology but in the form of a hydraulic hammer including a nose piece at the tip that permits the use of interchangeable demolition tools for cutting, ripping and compaction. The technology

permits both the PicBucket and PicHammer the capability of working with any one of the accessories at all angles of attack with the ability at all times of using the percussion power while prying, ripping, backfilling, demolishing, excavating and compacting.

## **General Overview and Recent News**

### **Completion of 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 \$1,733,510.

The Company raised total gross proceeds of \$3,243,510 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.

### **Implementation of partnership with NPK Construction Equipment ("NPK") and Sales Progress**

On February 27, 2007, Power Tech announced a non-exclusive partnership with one of the world's leading attachment equipment manufacturers, NPK Construction Equipment. The deal is Power Tech's first partnership where its products will be commercialized under the brand name of a third party. The PicBucket and PicHammer will be commercialized by NPK in their colours and under their name and sold directly to them for sales through their distribution channels.

The company's distribution model, through existing deals with partners like Finning and Toromont, allows Power Tech to promote its technology, establish credibility for the company name and technology, and generate short term revenues.

We are convinced that deals with well known, credible industry players, such as the one signed with NPK, are of great importance in generating significant revenues for Power Tech. A private label partnership with a company with a reputation of a company like

NPK eliminates or mitigates a large number of the barriers that most new technologies will face without having a commercial support like this.

## Outlook

During the third quarter of the 2007 financial year, PowerTech continued to work on the technical integration of NPK's technology into the NPK version of the PicBucket leading up to its commercial launch in the fall of 2007. NPK generated no revenues for PowerTech during the 3 month period ended June 30, 2007 following their purchase of 9 demonstration units they purchased in the second quarter to promote their private labeled version of the PicBucket.

Revenues generated as a result of the NPK deal will not begin until October, 2007 following the full technical integration of their hydraulic cell into their version of the PicBucket. These revenues are expected to steadily grow as different product series of the NPK private labeled PicBuckets are launched and offered through their 74 distributors representing over 300 points of sale across North America and South America.

In addition to the implementation of the NPK deal, the company is preparing for an intensification of its commercialization through the potential of addition of similar deals in the future, and as more and more sales opportunities are added to the growing backlog, the growth in revenue should stabilize and become more predictable. Future sales growth will be the result of more and more agreements with distributors and other partners who can present Power Tech to much larger audiences.

## Selected Financial Information

For the periods ended June 30,

	3 months		9 months	
	2007 \$	2006 \$	2007 \$	2006 \$
Revenues	125,977	231,477	548,566	370,937
Net Loss	(660,495)	(496,819)	(2,369,828)	(1,544,527)
Basic and Diluted loss per share	(0.02)	(0.02)	(0.07)	(0.06)
Total Assets	3,751,331	2,625,481	3,751,331	2,625,481
Total long term liabilities	2,593,573	1,569,152	2,593,573	1,569,152
Cash on Hand	1,728,275	582,422	1,728,275	582,422

## **Results of Operations**

The third quarter of 2007 focused on the conception, development and launch of the first NPK labeled PicBucket (Series 2000). The first personalized NPK products will be available in the autumn of 2007. Revenue growth through Power Tech's distribution network continues to be erratic. A focus on revenue growth is coupled with a continued focus on significant investment in developing the company's distribution network and continuing the deployment of its commercialization plan through strategic agreements such as that with NPK.

### *Sales*

\$125,977 of sales was generated during the quarter from the sale of 5 PicBucket units and related accessories. Sales growth remains erratic. Power Tech has put aside its commercialization efforts and sales opportunities in the United States since the signing of the agreement with NPK which gives them this territorial exclusivity for the first three years of the agreement. These sales opportunities have been assumed by NPK and will be pursued as soon as the PicBucket NPK version is ready. In addition, we expect sales revenue to stabilize and increase considerably once the full effect of the NPK agreement begins in October of 2007.

Sales revenue during the first nine months of the fiscal year totaled \$548,566 compared to \$370,937 last year. The strong second quarter of 2007 including the sale of 9 demonstration PicBuckets to NPK is the largest factor in this increase.

### *Gross Margin*

Gross margin for the current quarter totaled \$16,377 which represents 13.0% of revenues. The direct cost of sales was \$81,371 for the quarter which is 64.6% of revenues. Direct cost gross margin for the quarter is less than the range of management's expectation due to sales in the quarter of multiple already-used units that commanded a lower sale price. As volumes grow, the relative importance of the indirect cost of goods sold on the gross margin will diminish.

The margin realized in this quarter is slightly less, in percentage terms, to that of the first two quarters of 2007. In total, for the first nine months of 2007, gross margin totaled \$102,339 versus \$109,091 in 2006.

### *Administrative expenses*

Administrative expenses totaled \$295,463 for the three month period ended June 30, 2007 versus \$274,831 for the same period last year. Significant portions of this expense include salaries and wages of \$108,072, investor relations and communications of \$30,543 and the administrative compensation cost associated with company stock options of \$23,415.

For the first nine months of 2007, administrative expenses totaled \$954,266 versus \$775,572 in 2006. The major difference is the administrative costs being in a new building for the entire year of 2007 versus only 3 months of building occupancy after the first 9 months of 2006.

#### *Selling and Commercialization Expenses*

Selling and commercialization expenses totaled \$254,183 versus \$165,776 for the same three month period last year. Following the signature of the deal with NPK, management initiated a reorganization in recent months. With NPK deploying through their distribution network throughout the United States and South America, we have consolidated our activities through our territory managers exclusively in Canada. This required eliminating the one territory manager position in the United States that had been in place since June, 2006. These changes reduce our overall cost base in selling and commercialization going forward. Significant portions of this quarter's expense include salaries and wages of \$124,814 and \$43,369 for the operating costs of the territory managers.

In addition, this is the third quarter where we have depreciated the demonstration units. They are being amortized over a period of 24 months to reflect the declining resale value resulting of the utilization of these units by potential clients. A charge of \$41,169 was taken in the third quarter of 2007. These units are still classified as inventory, remaining held for sale.

Sales and commercialization expenses for the first nine months of 2007 totaled \$884,103 versus \$576,695 for the same period in 2006. The accumulated writedown of the demonstration units for \$125,449 makes up a significant portion of this year over year variance.

#### *Development Expenses*

Up until March 31, 2007, all development expenses were capitalized as a deferred charge on the balance sheet. Three major development projects are fully amortized as of the end of last quarter and effective this third quarter of 2007, the expenses associated with the fine-tuning of these currently commercially available product series are being expensed directly in the current period.

For the three month period ended June 30, 2007 the total of development expenses was \$25,742 compared to \$0 in all previous periods.

#### *Financial expenses*

Financial expenses totaled \$82,751 for the three month period ended June 30, 2007 compared to \$53,124 for the comparative period in 2006. The increase of financial expenses is explained primarily by the completion of a convertible debenture financing for an amount of \$1 million completed September 29, 2006.

For the nine month period ended June 30, 2007, financial expenses total \$265,285 versus \$160,298 last year.

In addition, as a result of adopting the new accounting standards of section 3855 – Financial Instruments, the amortization of the deferred financing costs under the effective interest rate method is now recorded as a financial expense.

#### *Amortization of property, plant and equipment*

Amortization of the company's property, plant and equipment totaled \$21,416 for the three months ended June 30, 2007 versus \$21,483 for the same period last year. For the first nine months of the fiscal year the total was \$64,160 versus \$43,364. There has been very few purchases of property, plant and equipment over the last twelve months resulting in very similar amortization expenses year over year.

#### *Amortization of other Assets*

The amortization of other assets, comprised of development costs and patents, totaled \$23,189 for the current quarter versus \$60,136 for the same period last year. For the nine month period ended June 30, 2007 amortization totaled \$317,224 compared to \$122,533 last year. The vast majority of this change is related to development costs that are amortized on a straight-line basis over a period of three years from the beginning of commercialization activities.

As previously mentioned, the three most significant development projects are fully amortized as of March, 2007 resulting in a reduction in amortization expense compared to previous periods.

#### *Other Revenues and Expenses*

Other revenues totaled \$25,872 for the third quarter of 2007, significantly more than the \$7,231 for same period last year. Interest revenue of \$11,224 was earned from cash deposits made in interest-bearing short term investments in Canadian financial institutions. In addition, \$4,813 was earned as rental revenue for a portion of the company's building being subleased to a third party. The revenue component of a government contribution from Canada Economic Development totaled \$9,835 for the quarter.

For the first nine months of the year, other revenues totaled \$45,508 versus \$24,844 last year. These revenues come from the same sources described above.

In addition, the company realized a loss during the second quarter of the year on the disposal of property, plant and equipment for \$6,895. The company disposed of some molds used during the manufacturing of some of the key components of its products. These molds became obsolete in the wake of new designs being introduced.

### *Net Loss*

The net loss for the quarter ended June 30, 2007 is \$660,495 compared to \$496,819 for the same period in 2006. 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 significant components of this loss.

For the first nine months of the fiscal year, the total net loss was \$2,369,828 versus \$1,544,527 for the same period last year due to the combined effects of all previously mentioned expenses incurred.

### **Summary of Quarterly Results**

<b>Quarter ended</b>	<b>Revenues</b>	<b>Net Loss</b>	<b>Net loss per share</b>	
			<b>Basic</b>	<b>Diluted</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
June 30, 2007	125,977	(660,495)	(0.02)	(0.02)
March 31, 2007	386,651	(925,013)	(0.03)	(0.03)
December 31, 2006	35,938	(784,320)	(0.03)	(0.03)
September 30, 2006	48,770	(690,168)	(0.02)	(0.02)
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)	(0.01)
September 30, 2005	0	(450,412)	(0.02)	(0.02)

### **Equity Information**

Power Tech completed a private placement in April, 2007 generating gross proceeds of \$3,243,510 through the issuance of 5,897,290 units at a price of \$0.55. Each unit is comprised of one common share and one half of one warrant. As a result, a total of 5,897,290 common shares and 3,538,374 warrants were issued in the placement. Included in the above are 589,729 warrants issued to the agent as compensation.

On May 8, 2007, the company issued 50,000 common shares to a consultant under the terms of the company's stock option plan.

As of June 30, 2007 and as of the publishing date of this report, Power Tech has 36,017,156 outstanding common shares and an additional 1,708,900 options and 9,325,488 warrants outstanding. Therefore, the total number of fully diluted shares outstanding is 47,051,544. However, these options and warrants were not included in the computation of diluted loss per share because the effect would be anti-dilutive.

In addition, in the second quarter of the fiscal year, 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. In addition, the Company extended the expiration date of 4,837,000 warrants with an exercise price of \$0.60 by an additional year, from February 11, 2007 to February 11, 2008.

The changes made to these warrants were accounted for as a new issuance with a calculated value of \$879,850. These warrants were accounted for as a financing cost in the statement of deficit.

## **Balance Sheet**

### *Cash*

As at June 30, 2007, cash and cash equivalents were \$1,728,275 compared to \$1,278,686 at September 30, 2006. A private placement in April, 2007 resulting in gross proceeds of \$3,243,510 substantially improved the company's cash position.

### *Current Assets*

Current assets have increased to \$3,283,672 at June 30, 2007 from \$2,763,511 at September 30, 2006. This increase is driven almost exclusively by the increase in cash and cash equivalents due to the completion of April's private placement. Inventory remains a significant portion of current assets, an investment required to perform product demonstrations and to support future sales growth.

### *Current Liabilities*

Current liabilities have decreased from \$400,444 at year end to \$366,955 at June 30, 2007. In the last quarter, the company reimbursed two notes payable and accumulated interest for a total of \$648,636 which significantly reduced current liabilities from last quarter's balance sheet date at March 31, 2007.

### *Property, plant and equipment*

Investment in fixed assets was minimal during the three month period ending June 30, 2007. The capitalized value of fixed assets has decreased from \$244,918 to \$225,984 due to the continued amortization of the existing asset base.

### *Intangible Assets*

The company's intangible assets are the intellectual property, specifically patents related to the intellectual property behind the PicBucket and PicHammer. In recent months, the company has begun a formal demand in a number of countries for its third, and most recent, patent. Beginning in the second quarter of 2007, we began paying the fees

associated with these formal applications which will be amortized over the useful life of the new patents (expiration in July of 2025).

The capitalized value of these intangible assets totals \$142,792 at June 30, 2007 versus \$96,004 on September 30, 2006.

#### *Deferred Charges*

Deferred development costs totaled \$96,897 at June 30, 2007 which represents a significant decrease from \$229,800 at September 30, 2006. As previously mentioned, the major development projects focusing on the currently commercially available Series 1000 and 2000, and their associated tools, are now fully amortized. Currently, development efforts continue to focus primarily on the development of new product lines.

#### *Long-Term Debt*

The majority of the long-term debt is made up of the two convertible debentures and the liability component of these debentures is valued at \$2,524,497 as of June 30, 2007.

Long term debt is also composed of an interest free loan from Canada Economic Development valued at \$57,461 as well as a term loan for a vehicle purchase for \$11,615.

### **Statement of Cash Flows**

#### *Cash used for Operating Activities*

Cash used for operating activities for the three month period ended June 30, 2007 was \$574,684. 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.

For the first nine months of the 2007 fiscal year, operating activities used \$1,711,208 compared to \$1,588,741 for the same period last year.

#### *Cash used by Investing Activities*

Investing activities for the third quarter of 2007 consumed \$40,380. The most significant investment is an amount of \$34,835 spent in development expenses which was capitalized on the balance sheet as a deferred charge.

Investing activities for the first nine months of 2007 used \$265,709 compared to \$503,062 for the same period last year. The most important utilization of funds in 2006 stems from the fixed asset purchases for our new facility occupied in the second quarter of 2006.

### *Cash provided by Financing Activities*

Financing activities for the three month period ended June 30, 2007 generated \$2,242,456 compared to \$1,170,119 last year. The issuance of units as part of the private placement closed in April generated \$3,243,510 which was offset by \$360,622 of related equity instrument issue costs. With the proceeds of this financing, two notes payable plus accumulated interest were reimbursed, one for \$201,430 and the second for \$447,206.

For the first nine months of 2007, financing activities generated \$2,426,506 compared to \$1,297,849 for the same period of 2006.

### **Financial Position**

As of June 30, 2007, the corporation has working capital of \$2,916,717 including \$1,728,275 of cash and cash equivalents. This represents a significant increase compared to previous periods due to the private placement completed in April, 2007 for gross proceeds of \$3,243,510. The company expects these funds are sufficient to deploy its business plan for the next 12 months.

While the company expects to generate an increasing amount of revenue in the short and medium term, it must be considered that the corporation has incurred significant losses since its inception. 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

As of June 30, 2007, the Company has three contracted obligations – one for an equipment lease, another for a vehicle lease and one for a building lease. The company also has obligations for its long term financings.

The Company's commitments call for the following *remaining* minimum payments in the coming fiscal years:

	Total \$	2007 \$	2008/2009 \$	2010/2011 \$	Subsequent Years \$
Equipment Lease	4,982	498	3,986	498	0
Vehicle Lease	14,658	1,999	12,659	0	0
Building Lease	2,639,007	57,335	446,885	425,114	1,709,673
Convertible Debentures	2,500,000	0	0	2,500,000	0
Long Term Debt	100,754	1,832	40,289	34,106	24,527
<b>TOTAL</b>	<b>5,259,401</b>	<b>61,663</b>	<b>503,819</b>	<b>2,959,718</b>	<b>1,734,200</b>

## 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. For the quarter ended June 30, 2007 a total of \$57,334 was paid by PowerTech to this company this quarter (\$174,271 for the first nine months). This lease occurred in the normal course of business and is valued at the fair market value of a lease of this kind.

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.

### *Administrative Expenses*

An amount of \$5,000 for general legal services and guidance in investment securities was paid during the second quarter of the 2007 fiscal year (\$35,000 for the first nine months) to a company controlled by a shareholder and director of the company.

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.

### **New Accounting Policies**

During the first quarter of 2007, the Company adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): Section 1530, Comprehensive Income; section 3855, Financial Instruments – Recognition and Measurement; and section 3865, Hedges. These sections establish standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives and require the company to account for those financial instruments at fair market value and to determine their appropriate classes. With the exception of the reclassification of deferred financing costs, the adoption of the recommendations has no effect on the company's financial statements.

### **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 note 3 of the audited annual financial statements as of September 30, 2006 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 \$660,495 during the three month period ended June 30, 2007 and has an accumulated deficit of \$8,467,541 as at June 30, 2007. The Company expects to have future capital requirements, specifically for technology development, marketing initiatives, debentures 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.

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 \$1,733,510 was completed for total gross proceeds of \$3,243,510.

This financing provides the Company the opportunity to attain its commercial objectives and discharge its obligations for a minimum of nine 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 accordingly has based its assumptions on industry data and other sources of available information.

#### Financial Instruments

The financial instruments issued by the Company are classified as liabilities if they include a contractual obligation for the Company 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 June 30, 2007, 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.

## **Internal controls over financial reporting**

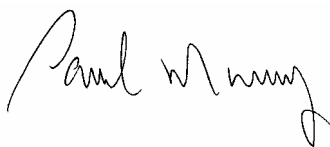
Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. The President and Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to its ICFR during the three months ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

## **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 2006 annual report on SEDAR ([www.sedar.com](http://www.sedar.com)) or downloadable from the Investors page of the company website at [www.powertechci.com](http://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.



Carol Murray  
President and Chief Executive Officer



Matthew Blackmore  
Chief Financial Officer

Terrebonne, Québec, August 20, 2007