

Interim Consolidated Financial Statements

Power Tech Corporation Inc.

June 30, 2007

Power Tech Corporation Inc.

CONSOLIDATED BALANCE SHEETS

As at

Unaudited

	June 30, 2007	September 30, 2006
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,728,275	1,278,686
Accounts receivable [note 4]	232,674	263,083
Tax credits receivable	50,000	50,000
Inventories [note 5]	1,207,284	1,109,766
Prepaid expenses	65,439	61,976
	3,283,672	2,763,511
Advances to a shareholder	1,986	19,508
Property, plant and equipment	225,984	244,918
Intangible assets	142,792	96,004
Deferred charges	96,897	229,800
	3,751,331	3,353,741
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	359,568	393,291
Short term component of long-term debt	7,387	7,153
	366,955	400,444
Liability component of convertible debentures	2,524,497	2,317,995
Long-term debt	69,076	475,569
Shareholders' equity		
Capital stock [note 8]	5,314,178	2,826,483
Warrants [note 9]	2,166,158	1,200,749
Contributed surplus [note 10]	1,488,906	445,093
Equity component of convertible debentures	289,102	289,102
Deficit	(8,467,541)	(4,601,694)
	790,803	159,733
	3,751,331	3,353,741

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 June 30,

Unaudited

	<u>3 Months</u>		<u>9 Months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deficit, beginning of period	(7,190,877)	(3,244,705)	(4,601,694)	(2,196,997)
Net Loss	(660,495)	(496,819)	(2,369,828)	(1,544,527)
Financing costs <i>[note 9]</i>	—	—	(879,850)	—
Share and equity instrument issue costs	(616,169)	(152,156)	(616,169)	(152,156)
Deficit, end of period	(8,467,541)	(3,893,680)	(8,467,541)	(3,893,680)

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 June 30,

Unaudited

	<u>3 Months</u>		<u>9 Months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Sales	125,977	231,477	548,566	370,937
Cost of goods sold <i>[note 11]</i>	109,600	160,177	446,227	261,846
	16,377	71,300	102,339	109,091
Expenses				
Administration expenses	295,463	274,831	954,266	775,572
Selling and commercialization expenses	254,183	165,776	884,103	576,695
Development Expenses	25,742	—	25,742	—
Financial expenses	82,751	53,124	265,285	160,298
Amortization of property, plant and equipment	21,416	21,483	64,160	43,364
Amortization of other assets				
Development costs	20,494	58,281	310,017	117,040
Patents	2,695	1,855	7,207	5,493
	702,744	575,350	2,510,780	1,678,462
Operating loss	(686,367)	(504,050)	(2,408,441)	(1,569,371)
Other Revenues (Expenses) <i>[note 12]</i>	25,872	7,231	38,613	24,844
Net and comprehensive 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)
Weighted average number of shares outstanding during the period [in thousands]	35,312	28,445	31,851	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 June 30,

Unaudited

	<u>3 Months</u>		<u>9 Months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(660,495)	(496,819)	(2,369,828)	(1,544,527)
Adjustments for:				
Amortization of property, plant and equipment	21,416	21,483	64,160	43,364
Amortization of other assets	23,189	59,136	317,225	122,533
Accrued interest on convertible debentures	73,653	34,401	220,957	135,073
Accrued interest on note payable	—	2,489	1,430	4,704
Accrued interest on long term debt	4,318	—	34,239	—
Stock-based compensation expense	23,415	60,772	118,011	136,994
Loss on disposal of property, plant and equipment	—	—	6,895	—
	(514,504)	(317,538)	(1,606,911)	(1,101,859)
Net change in non-cash working capital items	(60,180)	(460,746)	(104,297)	(486,882)
Cash flows used for operating activities	(574,684)	(778,284)	(1,711,208)	(1,588,741)
INVESTING ACTIVITIES				
Repayment of a shareholder advance	1,986	—	3,972	—
Additions to property, plant and equipment	(5,954)	(46,573)	(38,571)	(273,074)
Additions to intangible assets	(1,577)	(3,951)	(53,995)	(4,395)
Increase in deferred charges	(34,835)	(83,979)	(177,115)	(225,593)
Cash flows used for investing activities	(40,380)	(134,503)	(265,709)	(503,062)

Power Tech Corporation Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS [CONT'D]

For the periods ended June 30,

Unaudited

	<u>3 Months</u>		<u>9 Months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
FINANCING ACTIVITIES				
Note payable	—	—	200,000	—
Increase in long-term debt	8,204	400,000	8,204	429,942
Financing costs of convertibles debentures	—	—	(14,454)	—
Reimbursement of note payable [note 5]	(201,430)	—	(201,430)	—
Reimbursement of long-term debt				
Note payable [note 5]	(447,206)	—	(447,206)	—
Others	—	(1,645)	(1,496)	(3,857)
Issuance of units	3,243,510	760,120	3,243,510	760,120
Issuance of common shares	—	137,800	—	237,800
Equity instrument issue costs	(360,622)	(126,156)	(360,622)	(126,156)
Cash flows provided by financing activities	2,242,456	1,170,119	2,426,506	1,297,849
Net increase (decrease) in cash and cash equivalents	1,627,392	257,332	449,589	(793,954)
Cash and cash equivalents, beginning of period	100,883	325,090	1,278,686	1,376,376
Cash and cash equivalents, end of period	1,728,275	582,422	1,728,275	582,422
Additional Information				
Interest Paid	46,939	438	47,686	1,064
Acquisition of equipment from a shareholder	—	—	13,550	—

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

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 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 \$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.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2007

Unaudited

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 \$1,733,510 was completed for total gross proceeds of \$3,243,510. *[See note 7)]*

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.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2007

Unaudited

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
FINANCIAL STATEMENTS**

June 30, 2007

Unaudited

4. ACCOUNTS RECEIVABLE

	June 30, 2007	September 30, 2006
	\$	\$
Customer Accounts	156,022	160,398
Consumption Taxes	69,977	53,692
Government Grants	6,675	48,993
	232,674	263,083

5. INVENTORY

	June 30, 2007	September 30, 2006
	\$	\$
Raw Materials	27,145	23,584
Work in progress	532,747	303,122
Finished Goods	422,261	376,058
Demonstration Products	225,131	407,002
	1,207,284	1,109,766

6. NOTES PAYABLE

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

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2007

Unaudited

7. LONG TERM DEBT

During the quarter ended June 30, 2007 the Company received a total of \$18,039 as part of a financial assistance program from the Canadian government that is reimbursable in 10 semi-annual principal installments beginning 24 months after the end of the project. The contribution was discounted using a rate of 18% and accounted for as long term debt with the difference of \$9,835 accounted for as other revenue under the title "Contribution – Canada Economic Development".

8. CAPITAL STOCK

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 closing 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.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

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9. WARRANTS

In the second quarter of the fiscal year, 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.

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

	3 months ended			
	June 30, 2007		March 31, 2007	
	Number of warrants	\$	Number of warrants	\$
Outstanding, beginning of period	5,787,114	1,154,797	5,787,114	1,200,749
Issued – Private Placement	3,538,374	1,011,361	—	—
Issued – Modification of outstanding awards	—	—	4,837,000	879,850
Expired	—	—	(4,837,000)	(925,802)
Outstanding, end of period	9,325,488	2,166,158	5,787,114	1,154,797

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2007

Unaudited

9. WARRANTS [Cont'd]

		June 30, 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
April 5, 2007	April 5, 2009	\$0.70	1,372,727	356,634
April 16, 2007	April 16, 2009	\$0.70	1,575,918	399,180
			8,619,078	1,876,846
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
April 5, 2007	April 5, 2009	\$0.70	274,545	120,443
April 16, 2007	April 16, 2009	\$0.70	315,184	135,104
			706,410	289,312
			9,325,488	2,166,158

- (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.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
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Unaudited

10. CONTRIBUTED SURPLUS

	3 months ended	
	June 30, 2007	March 31, 2007
	\$	\$
Balance, beginning of period	1,465,491	511,966
Stock-based compensation expense	23,415	27,723
Warrants expired	—	925,802
Balance, end of period	1,488,906	1,465,491

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.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2007

Unaudited

10. CONTRIBUTED SURPLUS [Cont'd]

Stock options [Cont'd]

During the quarter, the Company granted 50,000 stock options under the stock option plan. These options were valued at an amount of \$17,924.

	3 months ended			
	June 30, 2007		March 31, 2007	
	Options	Weighted- average exercise price \$	Options	Weighted- average exercise price \$
Outstanding, beginning of period	1,658,900	0.56	1,819,550	0.56
Granted under the plan	50,000	0.60	21,100	0.60
Cancelled	—	—	(181,750)	0.53
Outstanding, end of period	1,708,900	0.56	1,658,900	0.56
Exercisable options, end of period	1,185,150	0.54	1,123,250	0.53
Weighted average fair value of options granted during the period		0.36		0.40

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2007

Unaudited

10. CONTRIBUTED SURPLUS [Cont'd]

Stock options [Cont'd]

Date of grant	Maturity date	Exercise price \$	June 30, 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	1,500
September 15, 2005	September 15, 2010	0.72	94,500	47,250
November 7, 2005	November 7, 2010	0.72	15,000	6,000
March 15, 2006	March 15, 2011	0.72	28,500	8,550
April 5, 2006	April 5, 2011	0.76	203,500	91,850
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	—
May 4, 2007	May 4, 2012	0.60	50,000	—
			1,708,900	1,185,150

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 used for the 9 month period ended June 30, 2007:

	June 30, 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**

June 30, 2007

Unaudited

11. COST OF GOODS SOLD

	<u>3 months</u>		<u>9 months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Direct Costs	81,371	122,124	336,066	213,735
Indirect Costs	28,229	38,053	110,161	48,111
	109,600	160,177	446,227	261,846

12. OTHER REVENUS (EXPENSES)

	<u>3 mois</u>		<u>9 mois</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Interest	11,224	2,419	21,234	18,428
Rental	4,813	4,812	14,439	6,416
Contribution – Canada				
Economic Development	9,835	—	9,835	—
Loss on disposal of property, <u>plant and equipment</u>	—	—	(6,895)	—
	25,872	7,231	38,613	24,844

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2007

Unaudited

13. RELATED PARTY TRANSACTIONS

	<u>3 months</u>		<u>9 months</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
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Companies controlled by shareholders and directors				
Professional Fees	5,000	15,000	35,000	45,000
Rent	57,334	58,695	174,271	78,260
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Shareholder				
Acquisition of equipment	—	—	13,550	—
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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.