



PRESIDENT'S MESSAGE

POWERTECH FOCUSES ON REVENUE GROWTH

In recent months, PowerTech has significantly strengthened its commercial foundations through the formation of strategic alliances, notably at the beginning of February 2008 by concluding a manufacturing and commercialization agreement with a world-class original equipment manufacturer (OEM). For PowerTech, this is the second major strategic agreement of its kind. The first was the agreement signed with NPK Construction Equipment in February 2007.

This new OEM agreement gives PowerTech access to vast markets in Europe, the Middle East, Africa, Australia and New Zealand. As in the agreement formed with NPK, PowerTech's PicBucket and PicHammer products will be marketed under a renowned private brand name. Additional details on this major commercial OEM agreement will be disclosed soon.

Moreover, our agreement with NPK Construction Equipment, that covers the regions of the United States, Mexico and Latin America, is now beginning to bear fruit commercially. The initial months of the agreement were primarily dedicated to integrating NPK's technology into PowerTech's percussion buckets. Now that this step is complete, the partnership is expected to begin generating sustained revenues for PowerTech over the coming months and quarters with the wide-scale marketing, under NPK's colours and brand name, of our 2000 and 3000 Series percussion bucket. NPK, which has a network of 74 distributors in the United States alone and a total of more than 300 branches, will also gradually undertake the commercialization of other PowerTech percussion bucket series, the 1000, 4000 and 5000 Series, over the coming quarters.

The agreement with NPK, as well as the agreement recently announced in early February 2008 with another first-rate OEM, is expected to enable the Company to generate sustained sales growth during the current fiscal year and in the years to come. As of January 10, 2008, orders received by the Company since the beginning of the current fiscal year totalled more than \$1.25 million.

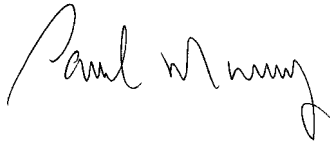
Canadian commercial expansion

With the goal of continuing its commercial expansion in Canada, PowerTech signed commercial agreements with two players who are solidly established in their respective markets in Ontario at the beginning of the first quarter. They are Creighton Rock and Drill and Champion Road Machinery Sales. Thanks to the various partnerships formed between the Company and dominant players in the Canadian construction industry,

PowerTech is now backed by a network of more than 100 points of sales across the country that will market its products.

These commercial achievements confirm the accuracy of our business model. Our goal is to gain quick access to major markets by forming alliances with first-rate partners that have widespread, strong and renowned marketing and distribution networks. In the future, we intend to continue developing other promising markets in different regions of the world by applying this same commercial development strategy.

We begin the year 2008, and the second quarter of our fiscal year, with a great deal of confidence and optimism. With the anticipated growth in our revenues, we should start to harvest the fruits of our efforts in the coming quarters. This would provide a new source of motivation to firmly maintain our focus on our development and growth objectives.

A handwritten signature in black ink, appearing to read "Carol Murray". The signature is written in a cursive, flowing style.

Carol Murray
President and Chief Executive Officer
PowerTech Corporation Inc.



Management's Discussion and Analysis

1st quarter ended December 31, 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 ended December 31, 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 period ended December 31, 2007 and 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, 2007.

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, 2007.

For more information on the company, please consult the company's SEDAR filings at www.sedar.com.

Company Overview

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

The company owns the intellectual property behind the technology used in its principal product, the PicBucket. The PicBucket is an excavation bucket integrated with a hydraulic cell that holds tools that are interchangeable depending on the desired application. This innovative combination has the opportunity to revolutionize the excavation industry where, up until now, no product could offer the combined performance characteristics offered by this unique technology.

General Overview and Outlook

On February 7, 2008, Power Tech announced a second major OEM agreement for the territory of Europe, Africa, the Middle East, Australia and New Zealand. The partner, whose name and details of the agreement will be publicized shortly, will commercialize Power Tech products in their own colours and brand name.

Power Tech continues to make strong progress in the growth of business development opportunities and is very close to completing the first sales under the umbrella of its first major partnership agreement. In February, 2007, the Company signed a private label agreement with NPK Construction Equipment and has spent the balance of the year integrating and optimizing of the use of NPK's own hydraulic cells into the PicBucket's various series targeted for different sizes of carriers.

This technical integration of NPK's technology into the PicBucket is nearing completion and it is expected revenues from this agreement will be earned in the 2nd quarter of 2008. 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.

The second agreement, similar to that with NPK, will also result in positive results for the company in terms of revenue generation.

The Company's existing sales team continues to focus on the development and completion of sales opportunities. Progress continues to be made adding new distributors and partners that can present Power Tech's technology to much larger audiences. As more and more sales opportunities are added to the growing backlog, the growth in revenue should stabilize and become more predictable. As of January 10, 2008, the order book of the Company was at \$1.2 million, almost \$550,000 more than revenues earned in the last fiscal year.

Significant sales growth in the future will be the result of market penetration of the technology and products through a greater number of agreements with distributors and, most importantly, partners who will private label the product and deploy it in their name through their existing distribution networks, much like our agreement with NPK.

Selected Financial Information

For the three months ended December 31,

	2007 \$	2006 \$
Revenues	84,932	35,938
Net Loss	(571,510)	(810,398)
Basic and Diluted loss per share	(0.02)	(0.03)
Total Assets	2,212,399	2,677,120
Total long term liabilities	2,491,886	2,511,785
Inventories	892,337	1,160,592
Cash on Hand	566,596	586,993

Results of Operations

The first quarter of the 2008 fiscal year focused on the commercialization of Power Tech's technology, specifically with NPK, and pursuing additional agreements with partners who can offer the technology to a much larger audience.

Although revenue growth through Power Tech's distribution network has been erratic, we expect stronger revenue growth in coming periods from continued efforts in this area as well as realized revenue from the NPK agreement. It is expected that the rollout of the NPK branded products will also have a stimulating effect of Power Tech branded products in our own distribution network.

Sales and Commercialization Strategy

During the quarter, total revenues generated totaled \$84,932 from the sale of PicBuckets and their related tools and accessories. Total sales for the same period last year totaled \$35,938. While this increase represents a greater than twofold increase in sales, the level of sales for the quarter is a very small percentage of what revenues will be on a quarterly basis once the technical integration of the NPK agreement is complete and sales can begin - significant progress has been made in preparing for strong future revenue growth.

Over time, as milestones have been achieved in establishing credibility of the company's technology, Power Tech's commercialization strategy has evolved. The introduction of a new technology in a mature industry has its obstacles, the most significant of which is establishing credibility of the company and its products. Our strategy to overcome this was the focus of the first few months of commercialization where we put demonstration

units in the hands of key potential clients, partners and distributors. This led to a number of sales and the signature of a few key distribution agreements supported by our three territory managers across Canada.

The distribution model to grow sales has taken time to develop properly, as the signature of a distribution deal is just the first step in the process of generating momentum with the distributor to generate its own leads, prospects and ultimately sales, hence the need for a Power Tech employee in each of these markets to act as a catalyst to this process. It remains a process that has been slower than we would have liked, but necessary to lay the foundation for larger agreements to be realized in the future.

With the signature of the NPK agreement in February of 2007, and a second agreement of the same type signed in February, 2008, Power Tech has added a much more lucrative source of revenues to its business model. This agreement validates the investments made in our distribution model and is the first step in deploying the Company's technology on a much larger scale. By branding the PicBucket with their name and their colours, NPK, and now the second partner, bring a rich history in the industry that brings a level of credibility to the product and our market that would have taken Power Tech years to attain on its own.

As already mentioned, limited revenues were realized as a result of this agreement in 2007 – the balance of the year was spent integrating the NPK technology into Power Tech's PicBucket. The revenue growth from this agreement is expected begin in the second quarter of 2008 and will have a significant impact on the financial results of the Company compared to previous results.

As a result of this agreement, 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.

We continue our efforts in our Canadian territories to generate sales with our distributors and believe that the momentum that is being created with these partners will be an important part of the revenue growth expected in the balance of this year.

Gross Margin and Supply Chain Strategy

Gross margin for the 3 months ended December 31, 2007 totaled \$6,810 which represents 8% of revenues. The direct cost of sales was \$58,088 for the quarter which is 68.4% of revenues, resulting in direct cost gross margins of 31.6%. The gross margin percentage is significantly less than management's expectations for the long term due to the effect of production's indirect costs allocated to cost of goods sold.

The indirect costs of goods sold overhead in effect at Power Tech are predominantly fixed and are made of the salaries of the operations team as well as the portion of rent for the building allocated to production. As production volumes rise in the future, these indirect costs will remain stable and their relative importance in the overall cost of goods sold will diminish. While we are in a period of relatively low production, however, their effects are significant.

Gross margin for the 3 months ended December 31, 2006 totaled \$7,259 which represents a gross margin of 20.2%. Using the same analysis as above, the direct cost margin for this period was 41.5%.

The importance of Power Tech's supply chain in the coming quarters is of increasing significance. Up until now, the Company has delivered on relatively small production runs. With the expected deliveries for NPK and additional partnerships in the future, these volumes will increase dramatically. With the addition of a seasoned Vice-President of Global Supply Chain (Robert Duhamel) the Company is well situated for meeting these demands.

The large percentage of indirect costs included in the cost of sales has been discussed regularly when analyzing the historical gross margins of the Company. The team and overhead structure in place is sufficient for Power Tech to deliver the expected sales volumes of the NPK agreement and beyond. Therefore, while the indirect cost portion today remains high, its importance will begin to fall significantly as volumes begin to increase.

Administrative expenses

For the three month period ended December 31, 2007, administrative expenses totaled \$255,401 for the 2007 fiscal year versus \$282,683 in 2006. The major portions of administrative costs remain to be the following:

	For the three months ended December 31,	
	2007	2006
Salaries and wages	\$ 86,860	\$ 74,142
Professional fees	\$ 33,004	\$ 27,415
Rent	\$ 43,217	\$ 58,695
Stock options Compensation Cost	\$ 21,850	\$ 66,873

The general administrative cost structure remains the same as it was last year with few changes that will make any material difference in future months.

Selling and Commercialization Expenses

Selling and commercialization expenses totaled \$158,271 for the three months ended December 31, 2007 versus \$298,517 for the same period last year. There has been some

significant changes year over year in the sales and marketing department that explain this decrease.

The makeup of the sales team and its deployment has undergone some significant changes in recent months and the look of the team today is quite different than it was 12 months ago. Following the signature of the deal with NPK, and now a second agreement, management initiated a reorganization of the sales team. 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.

In addition, in 2007, we took regular write-downs for the valuation of demonstration units included in inventory. For the first quarter of last year, this charge totaled \$43,111 versus \$0 for the first quarter of 2008.

Development Expenses

Prior to March 31, 2007, all development expenses were capitalized as a deferred charge on the balance sheet. Since that period, the expenses associated with the fine-tuning of these currently commercially available product series are being expensed directly in the current period.

For the first three months of this fiscal year, total development expenses were \$25,329 compared to \$0 for last year's first quarter and all previous periods.

Financial expenses

Financial expenses totaled \$97,970 for the first quarter compared to \$112,648 for the same period last year. The financial expenses are made up predominantly of the interest related to two outstanding convertible debentures. Last year's first quarter had a higher amount of interest expense due to two notes payable that were outstanding for the period.

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 \$22,149 for the three months ended December 31, 2007 a comparable \$21,275 for the same period last year. A moderate increase in the fixed asset base of the company has resulted in the increase year over year.

Amortization of other Assets

The amortization of other assets, comprised of development costs and patents, totaled \$34,084 for the first quarter of the 2008 fiscal year versus \$108,428 for the same period last year. The vast majority of this change is related to the fact that the three most significant development projects were fully amortized as of March, 2007 so all amounts capitalized in these projects up until that point were amortized in the same fiscal year, resulting in an increase in amortization.

Other Revenues and Expenses

Net other revenues totaled \$20,159 for the quarter, compared to \$9,726 for last year. Interest revenue of \$11,547 (\$4,913 in Q1 2007) was earned from cash deposits made in interest-bearing short term investments in Canadian financial institutions.

Rental revenue is significantly greater for this year's first quarter compared to last year due to an adjustment to the chargeback for the common area fees was made at the end of 2007. Going forward, this increased burden of common area fees will be reflected in the monthly rent paid by the tenant.

The company also realized a foreign exchange gain of \$527 during the quarter.

Net Loss

The net loss for the first quarter of the 2008 fiscal year is \$571,510 compared to \$810,398 for the same period last year. 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.

Summary of Quarterly Results

Quarter ended	Revenues	Net Loss	Net loss per share	
			Basic	Diluted
	\$	\$	\$	\$
December 31, 2007	84,932	(571,510)	(0.02)	(0.02)
September 30, 2007	77,254	(1,354,759)	(0.03)	(0.03)
June 30, 2007	125,977	(686,573)	(0.02)	(0.02)
March 31, 2007	386,651	(951,091)	(0.03)	(0.03)
December 31, 2006	35,938	(810,398)	(0.03)	(0.03)
September 30, 2006	48,770	(707,197)	(0.02)	(0.02)
June 30, 2006	231,477	(498,849)	(0.02)	(0.02)
March 31, 2006	39,500	(671,031)	(0.02)	(0.02)

As of December 31, the Company's capital structure was as follows:

	2007	2006
Common shares outstanding	36,990,708	30,119,866
Stock options outstanding	1,815,900	1,819,550
Share warrants outstanding	9,325,488	5,787,114
Fully diluted shares outstanding	48,132,096	37,726,530

Summary of Capital Structure

As of the publishing date of this report, Power Tech has 36,990,708 outstanding common shares and an additional 1,815,900 stock options and 4,488,488 warrants outstanding. Therefore, the total number of fully diluted shares outstanding is 43,295,096. However, these options and warrants were not included in the computation of diluted loss per share because the effect would be anti-dilutive.

During the quarter, the Company issued 973,552 common shares in payment of an amount of \$427,888 in accumulated interest on the convertible debenture issued on August 2, 2005 to SIPAR Inc. This amount covers the period from August 2, 2005 to August 2, 2007. Regarding the terms of the debenture, the price of shares issued was determined according to the weighted average price of the Company's common shares traded during the 20-day period preceding the interest payment date of August 2, 2007, minus the maximum discount of 20% permitted by the TSX Venture Exchange, resulting in a conversion price of \$0.4395.

Balance Sheet

Cash and cash equivalents

As at December 31, 2007, cash and cash equivalents were \$566,596 compared to \$1,258,024 at September 30, 2007. The ongoing administrative and commercialization expenses accounted for the majority of this decrease. In addition, the company has increased its inventory in order to deliver upcoming production requirements in coming months.

Current Assets

Current assets have decreased to \$1,773,607 at December 31, 2007 from \$2,331,673 at September 30, 2007. This change is driven mainly from the decrease in cash on hand. In all other accounts included in current assets, there are relatively minor changes year over year, except for inventories as described previously.

Current Liabilities

Current liabilities have decreased from \$631,587 at September 30, 2007 to \$532,832 at December 31, 2007. Accounts payable and accrued liabilities have decreased marginally since the end of the fiscal year. Another significant portion of current liabilities are deposits from NPK treated as deferred revenues evaluated at \$100,193 on December 31, 2007. As part of the agreement, costs are paid for by NPK through installment payments at various points during the product development process. Power Tech commits to delivering eight demonstration units of each product series at the end of the deployment process. This money accounted for as deferred revenues reflects the obligation Power Tech has to deliver these demonstration units for products not yet commercially available.

Property, plant and equipment

Investment in fixed assets totaled \$28,920 during the first quarter of the fiscal year resulting in a moderate increase in the fixed asset base of the company. This increase though was offset by amortization of \$22,149. The result is a balance sheet total of \$224,457 at December 31, 2007 compared to \$217,686 at September 30, 2007.

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. The capitalized value of these intangible assets totals \$132,661 at December 31, 2007 versus \$135,293 on September 30, 2007.

Deferred Charges

Deferred development costs totaled \$81,673 at December 31, 2007 compared to \$76,518 at September 30, 2007. 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 \$2,414,481 at December 31, 2007 compared to \$2,743,081 as of September 30, 2007. Long term debt is also composed of two interest free loans from Canada Economic Development valued at \$62,096 as well as a term loan for a vehicle purchase for \$15,309.

As previously discussed, the decrease observed in convertible debentures is explained by the fact that the Company issued 973,552 common shares in payment of an amount of \$427,888 in accumulated interest on the convertible debenture issued on August 2, 2005 to SIPAR Inc.

Statement of Cash Flows

Cash used for Operating Activities

Cash used for operating activities for the quarter was \$623,320. 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. Last year, for the same three month period last year, operating activities used \$587,706.

Working capital requirements increased during the quarter, primarily to support an increase in inventory necessary for the production of units forecasted to be sold in the second quarter of 2008 and beyond.

Cash used by Investing Activities

Investing activities for the quarter consumed \$66,247. The most significant portion is an amount of \$37,326 spent in development expenses which was capitalized on the balance sheet as a deferred charge as well as \$28,920 spent on fixed assets.

For the same period last year, cash used by investing activities consumed \$102,242. Historically, the most significant portion of cash used by investing activities has been on development expenses that are deferred on the balance sheet. This will continue to be the case going forward as the company focuses on rolling out new versions of the PicBucket for different sized carriers and different private label agreements.

Cash provided by Financing Activities

Financing activities for the quarter were minimal using \$1,861 to pay down long term debt. The same period last year, \$1,745 was used to pay down long term debt. No other financing activities occurred during the quarter.

Financial Position

As of December 31, 2007, the corporation has working capital of \$1,240,776 including \$566,596 of cash and cash equivalents. While the cash balance on hand is very similar to December 31, 2006 (\$586,993), the amount of working capital has decreased from \$1,700,086 on December 31, 2006.

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 company is working on acquiring additional financing that will provide financial resources for an additional 12-18 months. Power Tech has demonstrated its ability to acquire financing in the past and has adopted a similar strategy this time around. We are confident this approach, focused on giving investors an opportunity to invest in a growing company, at a fair price, will work again in the short, medium and long term.

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".

New Accounting Policies

Adopted in 2008

Capital and Financial Instruments

In the first quarter of 2008, we adopted three new Handbook sections issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose the following:

- its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirements to which it is subject;
- when the entity has not complied with such requirements, the consequences of such non-compliance.

Section 3862 "Financial Instruments – Disclosures" modifies the disclosure requirements for financial instruments that were included in Section 3861 "Financial Instruments – Disclosure and Presentation". The new standards require entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performance;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 “Financial Instruments – Presentation” carries forward unchanged the presentation requirements of the old Section 3861 “Financial Instruments – Disclosure and Presentation”.

The adoption of these guidelines did not have any material effect on the Company’s results, financial position or cash flows.

Recently Issued

Inventories

In March 2007, CICA issued the new Section 3031 “Inventories” which will replace Section 3030 “Inventories”. The new Section prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost, allows the use of the retail method, prohibits use in the future of the last-in, first-out (LIFO) method, and requires reversal of previous write-downs when there is a subsequent increase in the value of inventories. It also requires greater disclosure regarding inventories and the cost of sales. The new standard will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. We will adopt this new section in the first quarter of our 2009 fiscal year.

Contractual Obligations

As of December 31, 2007, the Company has four contracted obligations – two equipment leases, another for a vehicle lease and one for a building lease. The company also has obligations for its long term financings.

The most significant commitment the company has is a 15 year lease of the building has occupied since March, 2006. Power Tech is the sole lessee and has a purchase option exercisable after five years.

The lease became effective on March 1, 2006 and lease payments for the first five years have already been established. Rent for the following 10 years of the lease will depend on the interest rate in effect when the mortgage of the building is renewed in 2011. The interest rate negotiated for the first five years has been assumed to calculate net payments for the following ten years.

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

	Total	2008	2009/2010	2011/2012	Subsequent
	\$	\$	\$	\$	Years
					\$
Equipment Leases	20,824	4,201	9,707	3,608	3,308
Vehicle Lease	10,660	5,996	4,664	0	0
Building Lease	2,842,205	186,926	484,272	465,808	1,705,199
Convertible					
Debentures	2,500,000	0	1,500,000	1,000,000	0
Long Term Debt	115,103	5,767	46,150	39,920	23,266
TOTAL	5,488,792	202,890	2,044,793	1,509,336	1,731,773

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 Technology of Power Tech Corporation Inc. who are also shareholders of the company. For the quarter ended December 31, 2007 a total of \$63,369 was paid by PowerTech to this company versus \$58,695 for the quarter ended December 31, 2006. 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. This guarantee was evaluated at \$12,300, under section 3855 of CICA handbook, and accounted for as accounts payable and accrued liabilities.

Administrative Expenses

In previous years, the Company has paid for general legal services and guidance in investment securities to a company controlled by a shareholder and director of the company. There was no monies paid during the quarter for these services but \$15,000 was paid for the three month period ended December 31, 2006.

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.

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 4 of the audited annual financial statements as of September 30, 2007 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 \$571,510 during the three month period ended December 31, 2007 and has an accumulated deficit of \$9,537,989 as at December 31, 2007. The Company expects to have future capital requirements, specifically for technology development, marketing initiatives, debenture and long-term debt servicing and potentially, depending upon the growth of sales in the coming periods, to service its obligations in the normal course of business. The Company wishes to fund its future capital requirements mainly by way of available cash and cash flows from operations and if necessary, through additional capital. 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.

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.

Inventories

Inventories are valued at the lower of cost and market value. Cost is determined using the first-in, first-out method and includes raw materials, direct labour and manufacturing overhead costs. Market value is equal to net realizable value with respect to finished goods and to replacement cost with respect to raw material.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when significant 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 year.

As of December 31, 2007, management did not an impairment test because no events occur supporting such test.

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 over the expected term of the award. These expenses are included in the stock-based compensation expense and credited to the contributed surplus. When options are exercised, the proceeds received by the Company, together with the fair value amount in contributed surplus, are credited to capital stock.

Management has to consider different assumptions that may affect the value of stock options. The company based its assumptions on historical data, industry data and other sources of available information.

Financial instruments

As discussed previously, the company has applied new standards issued by CICA regarding financial instruments. 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 December 31, 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 month period ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

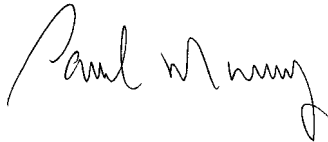
Due to the size of the company and limited staff count, including the fact that the CFO is the only finance and accounting employee, there are limitations to completely segregating a number of duties that are part of a typical control environment.

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 2007 annual report on SEDAR (www.sedar.com) or downloadable from the Investors page of the company website at www.powertechci.com.

Forward-looking information

Certain sections of this management's discussion and analysis may contain forward-looking information. Statements based on current management expectations involve inherent risks and uncertainties, both known and unknown. Actual results may be different from forecasts.



Carol Murray
President and Chief Executive Officer



Matthew Blackmore
Chief Financial Officer

Terrebonne, Québec, February 26, 2008