



PRESIDENT'S MESSAGE

POWERTECH SIGNIFICANTLY STRENGTHENS ITS POSITIONING IN ITS THREE MAIN AREAS OF BUSINESS DEVELOPMENT

In recent months, PowerTech steadily continued its progress in its three main areas of business development: OEM agreements, its distribution network and specialized markets. With the trials of the new 5000 Series of our percussion bucket, we also passed an important new step at both the technological and business development levels. We have already received orders for this new bucket from some construction industry distributors.

With respect to OEM agreements, the forming of an agreement on February 7, 2008 with Montabert SAS was a milestone development for the Company. For PowerTech, this alliance opens major new markets in Europe, the Middle East, Africa and New Zealand, thanks to Montabert's worldwide network of more than 200 distributors and 600 points of sale. Montabert is a leader in the design, manufacturing and distribution of construction equipment.

This is the second OEM agreement for PowerTech. It follows the agreement concluded in 2007 with NPK Construction Equipment, which is aimed at serving markets in the United States, Mexico, and Latin America. As part of this agreement, in recent months our engineering team joined forces with our partner's team to achieve production of the first hydraulic cells and percussion buckets. The objective is the commercialization of our 2000 Series percussion bucket by NPK. More time was needed for this step than expected, but we are very pleased to confirm that we can now move to a commercial production rate. This will have a direct impact on our revenue growth over the coming quarters. NPK will also soon market our 3000 Series percussion bucket. Then it plans to gradually integrate our 1000, 5000 and 4000 Series into its product line.

Strengthening the Canadian distribution network

Parallel to these OEM agreements, PowerTech finished setting up its Canadian distribution network with the April 28 announcement of the signing of two partnership agreements with Hewitt Equipment and Atlantic Tractors & Equipment Ltd. With these agreements, which cover the regions of Quebec and the Maritime provinces, PowerTech is now backed by a network of more than 90 points of sale to serve the Canadian market. This network, as well as the rental centres that PowerTech has partnered with, is generating repeat and continually increasing sales for the Company.

In terms of technological achievements, in recent weeks PowerTech began trials, in real conditions, of its 5000 Series PicBucket. This version is highly anticipated in the market and

aimed at meeting the needs of large construction firms. This new bucket will equip large 20 to 30 ton excavators, which are notably used in carrying out major infrastructure projects, the number of which is increasing around the world. This is one of the most important market segments targeted by PowerTech. Deliveries of this new PicBucket version will begin in autumn 2008. It will also be marketed under private brand names via the OEM agreements made with NPK and Montabert.

Promising breakthrough in the military sector

In the specialized markets targeted by PowerTech, we have made a promising breakthrough into the military market by obtaining our first contract with the Canadian Armed Forces on April 17. This business agreement, which has an initial value of \$300,000 and offers the potential of an additional \$925,000, has enabled the Company to place the PicBucket on the approved construction equipment purchase list for all member countries of the North Atlantic Treaty Organization. NATO is a political-military organization that regroups 26 countries from Europe and North America.

The municipal market also offers an excellent business development outlook for the Company. Several Canadian municipalities are presently carrying out public tenders to acquire our technology, either through PowerTech's distribution network or through our partner, NPK.

In sum, PowerTech has made several structuring achievements in recent months that have significantly strengthened our commercial potential as much in Canada as elsewhere in the world. Because of this, we are anticipating growth in our revenues during the coming quarters, which will be backed by the expansion of our business alliances and the growing diversity of our product line.



Carol Murray
President and Chief Executive Officer
PowerTech Corporation



Management's Discussion and Analysis

Second quarter ended March 31, 2008

The following Management Discussion and Analysis (MD&A) covers the results of operations and consolidated financial results of PowerTech Corporation. ("PowerTech" or "the Company").

The following MD&A should be read in conjunction with the Company's audited consolidated financial statements and related note disclosure for the year ended September 30, 2007, and the Company's unaudited interim consolidated financial statements for the quarter ended March 31, 2008, which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and depict values that are in Canadian currency unless otherwise noted.

Additional information relating to the Company can be found on the Company's website, www.Powertechci.com and/or on SEDAR at www.sedar.com.

Forward-looking Statements

This report contains forward-looking statements that are subject to various risks and uncertainties. The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of numerous factors that may be beyond the Company's control. Forward-looking statements are based on the expectations and opinions of the Company's management on the date the statements are made, and the Company assumes no obligation to update forward-looking statements should circumstances in management's expectations or opinions change.

Description of Business

PowerTech is the only company in the world that manufactures and commercializes percussion technology with interchangeable tools and accessories for the construction, demolition and military industries.

PowerTech's percussion technology is a technological breakthrough that combines the power of a hydraulic hammer with the stripping force and manoeuvrability of a conventional bucket. Powertech's

products are marketed under the PicBucket® and PicHammer® names as well as under world renowned private label brands thru OEM agreements with large manufacturers.

The trademarks PicBucket(R), PicHammer(R) and the Powertech logo are registered trademarks of Powertech Canada Inc.

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

Business development update and conclusion of new agreements

As announced on April 1, 2008, PowerTech signed a second major OEM agreement with Montabert SAS for the territory of Europe, Africa, the Middle East, Australia and New Zealand. Montabert SAS will private label PowerTech products to be sold through its network. Technical integration and prototyping was done before signing this agreement to ensure compatibility and implement deployment as rapidly as possible thus, resulting in a shorter lead time to market the Montabert PicBucket product line.

On April 17, 2008 the Company announced an initial contract with the Canadian Armed Forces; they agreed to purchase five military-ready Series 3000 PicBucket[®] units with an option to purchase up to an additional 15 units over the next year. During this process with the Canadian Armed Forces, PowerTech was able to obtain accredited vendor status from NATO (North Atlantic Treaty Organization) meaning it can sell its products to all NATO countries and Powertech has already started getting attention and requests. The first five units from this contract are expected to be delivered shortly.

On April 28, 2008, PowerTech extended its distribution network across Canada by partnering with Hewitt Equipment and Atlantic Tractors & Equipment thus adding 22 distribution dealerships. Powertech's Canadian distribution network now accounts for 90 dealerships and on a worldwide basis, including both OEM deals under deployment, the Company's sales network represents close to 1000 points of sale. Sales from our distribution network are showing good progress and have resulted in repeat orders in certain market segments.

PowerTech continues to make strong progress in the growth of its product line as the testing of the first Series 5000 PicBucket® prototype was started on May 15, 2008. The Series 5000 PicBucket® targets large construction firms using mostly 20 to 30 ton excavators. This market is the largest of all excavators markets combined and the Company has received orders for its new bucket from construction equipment distributors. The first deliveries of the 5000 Series will be on the market in fall 2008. Volume production through the OEM agreements with NPK Construction Equipment ('NPK') and Montabert SAS in the fall of 2008.

PowerTech began delivering the NPK version of PicBucket® Series commercialized under its NPK OEM agreement. Technical integration took longer than originally expected but the Company expects revenues from this agreement should accelerate over the next quarters.

The Company's existing sales team continues to focus on the development and completion of sales opportunities and also assures the overall coordination of PowerTech's direct distribution network which across Canada. Progress continues to be made adding new distributors and partners that can present PowerTech's technology to much larger audiences. As more and more sales opportunities are added to the growing backlog, the growth in revenue should accelerate and become more predictable as the Company gets further deep in the integration and deployment of its OEM agreements. As of May 23, 2008, the order book of the Company was at \$1.3 million, almost \$700,000 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 agreements with NPK and Montabert. Indeed, as it is part of its strategy, Powertech will pursue undergoing discussions and negotiations to conclude other OEM deals. This commercialization approach of generating demand by means of private label agreements with world known brands, has shown concrete results so far and meets the worldwide deployment needs for the technology.

Selected Financial Information
For the three month period ended March 31,

	2008	2007
	\$	\$
Revenues	392,154	386,651
Net Loss	(553,088)	(951,091)
Basic and Diluted loss per share	(0.01)	(0.03)
Total Assets	2,341,148	2,208,165
Total long term liabilities	2,995,250	2,961,992
Inventories	933,450	1,084,462
Cash on Hand	514,938	100,883

Results of Operations

The Company continued to focus on commercialization and pursuing additional OEM agreements to broaden the footprint of our product offering and delivering on partnerships previously signed.

Revenues

Revenues for the second quarter were \$392,154 from the sale of PicBuckets and their related tools and accessories compared to \$386,651 for the second quarter of fiscal 2007. Revenues were flat over last year due to delays in receiving key components which were outside the Company's control. Mainly demo units were sold in the last year whereas final products were delivered in the current period. For the six-month period ended March 31, 2008 sales were \$477,086 versus \$422,589 last year.

Gross Margin

Gross margin was 15.8% or \$61,894 for the three-month period ended March 31, 2008, compared to 20.4% or \$78,703 for the same period last year. Direct costs of goods sold were 63.1% of sales for the current period versus 60.4% for the same period last year. Decrease in gross margins was due to increase in raw materials which should be offset in the future as we increase production runs. Indirect costs included in costs of goods sold are predominantly fixed and made of operation salaries and allocated overhead costs. These costs are expected to remain stable as production volumes rise. For the six-month period, gross margin was 14.4% in the current period versus 20.3% last year; the decrease is due to low sales volume in the first quarter of fiscal 2008.

Administrative expenses

For the three-month period ended March 31, 2008, administrative expenses totaled \$282,433 versus \$376,120 in 2007 representing a decrease of 47%. Administrative expenses were \$537,834 for the six-month period versus \$658,803 for the same period due to reduction of overhead costs.

Selling and Commercialization Expenses

Selling and commercialization expenses totaled \$173,124 for the second quarter versus \$331,403 for the same period last year. For the six-month period ended March 31 2008, expenses were \$331,395 versus \$629,920. The decrease in the current period is due to previously announced changes to our sales strategy resulting in lower costs in the current period.

Development Expenses

Prior to March 31, 2007 all development expenses were capitalized as a deferred charge and periodically evaluated. Beginning in the third quarter of fiscal year 2007, The Company expenses developments costs as they are incurred. Development costs for the three and six month period were \$9,851 and \$35,180 respectively.

Financial expenses

Financial expenses totaled \$113,916 for the second quarter compared to \$118,210 for the same period last year. The financial expenses are predominantly relating to the two outstanding convertible debentures. On March 17, 2008, the Company issued a debenture for a nominal amount of \$400,000 (see note 5 for terms). For the six month period financial expenses were \$216,441 and \$234,690 for the same period 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 \$21,366 for the three months period ended March 31, 2008 compared to \$21,469 for the same period last year. There were little changes to property, plant and equipment.

Amortization of other Assets

The amortization of other assets, comprised of development costs and patents, totaled \$52,305 for the second quarter of the 2008 fiscal year versus \$185,607 for the same period last year. Most of the capitalized development costs that were previously capitalized have been fully

amortized. Similarly for the six-month period ended March 31, 2008 amortization costs were \$87,109 for the current period versus \$294,035 in 2007.

Other Revenues and Expenses

Net other revenues were \$38,013 for the quarter, compared to \$3,015 for the same period last year. This amount is mostly made up a Government subsidy received in the quarter (see note 10 for additional information). For the six-month period other revenues were \$58,172 versus \$12,721 in 2007.

Net Loss

The net loss for the second quarter is \$553,088 compared to \$951,091 for the same period last year representing a decrease of 42%. Even though revenues were flat over the period, the Company was able to reduce operating costs by changing its sales and commercialization strategy and managing its costs. Net loss for the six-month period was \$1,124,598 for the period ended March 31, 2008 and \$1,761,489 for last year.

Summary of Quarterly Results

Quarter ended	Revenues	Net Loss	Net loss per share	
			\$	\$
March 31, 2008	392,154	(553,088)	(0.01)	(0.01)
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)

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

	2008	2007
Common shares outstanding	36,990,708	30,119,866
Stock options outstanding	1,841,100	1,658,900
Share warrants outstanding	4,325,488	5,787,114
Fully diluted shares outstanding	43,157,296	37,565,880

Summary of Capital Structure

As of the publishing date of this report, PowerTech has 36,990,708 outstanding common shares and an additional 1,841,100 stock options and 4,325,488 warrants outstanding. Therefore, the total number of fully diluted shares outstanding is 43,157,296. However, these options and warrants were not included in the computation of diluted loss per share because the effect would be anti-dilutive.

Financial Position, Liquidity and Capital Resources

Financial position

As at March 31, 2008, the Company had cash and cash equivalents of \$514,938. This compared with the cash balance of \$1,258,024 as of September 30, 2007.

Operating Activities

Cash flows used in operating activities before changes in non-cash working capital items for the quarter ended March 31, 2008 was \$360,144, compared with a \$591,542 for the same period last year. This was mainly due to the loss for the period of \$553,088, compared with the loss of \$951,091 for the same period last year. The non-cash amortization expenses for the quarter was \$78,934 compared with \$206,756 same period last year (due to development costs being fully amortized). The non-cash stock-based compensation expenses was \$19,095 compared with \$27,723 a year ago. Changes in non-cash working capital items for the quarter ended March 31, 2008 reflected a decrease in cash of \$14,967 compared with an increase of \$44,747 for the same period last year.

Cash flows used for operating activities was \$375,111, compared with \$546,795 for last year. For the six-month period ended March 31, 2008, cash flows used for operating activities were \$998,431 versus \$1,134,501 for the same period last year.

Investing Activities

For the quarter ended March 31, 2008, \$25,999 was spent on property, plant and equipment, the majority of which was associated with implementing a company-wide enterprise resource planning software (ERP). This compared with property, plant and equipment purchases of \$3,235 for the quarter ended March 31, 2007. In addition, the Company incurred \$57,268 as deferred charges during the quarter compare to \$ 85,461 last year. The Company is currently developing the series 5000 of the Picbucket. For the six-month period ended March 31, 2008, investing activities were \$141,676 versus \$239,783 for 2007.

Financing Activities

The financing activities for the quarter ended March 31, 2008 were as follows:

- On March 17, 2008, the Company issued a debenture for a nominal amount of \$400,000 bearing interest at 14% (see note 5 of financial statements for terms).
- The Company increased its long term debt by \$14,191 (nil in 2007).
- The Company repaid \$15,309 of long term debt (\$1,774 for the same period last year).

Increase/decrease in cash equivalent

For the quarter ended March 31, 2008, the decrease in cash and cash equivalents was \$51,658 (as compared to an decrease of \$486,110 a year ago), mainly as a result of:

- net cash generated from financing activities was \$398,882 as compared to \$198,226 for the same period last year, as a result of the debenture.
- cash flow used from operating activities of \$375,111, as compared to a \$546,795 for the same period last year, mainly as a result of the reduction of operating expenses.

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 inception. The Company is working on obtaining additional financing that will provide financial resources for an additional 12-18 months. PowerTech 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.

Goodwill and Intangible Assets

In February 2008, the CICA issued a new Section 3064 “Goodwill and Intangible Assets” replacing 3062 “Goodwill and Intangible Assets” as well as Section 3450 “Research and Development Costs”.

The new Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets, including research and development costs.

Goodwill and Intangible Assets [Cont'd]

As for subsequent measurement of intangible assets, goodwill, and disclosure, Section 3064 carries forward the requirements of the old Section 3062.

The new Section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effect of this new standard on results, financial position and cash flows.

International financial reporting standards

In February 2008, the Accounting Standards Board confirmed the date of changeover from Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently developing its IFRS conversion plan and evaluating the effect of the new standards on its consolidated financial statements.

Related Party Transactions

Commitment

The building lease agreement is with 6316123 Canada Inc., a company which is 20% owned by two officers which are also shareholders of PowerTech Corporation Inc. For the quarter ended March 31, 2008 a total of \$63,369 was paid by PowerTech to this company versus \$58,242 for the quarter ended March 31, 2007. 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.

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 PowerTech 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 \$553,088 for the quarter and \$1,124,598 during the six-month period ended March 31, 2008 and has an accumulated deficit of \$10,091,077 as at March 31, 2008. 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.

Evaluation of disclosure controls

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures as of the quarter ended March 31, 2008 and have concluded that the Company's disclosure controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiary, was made known to them and reported as required, particularly during the period in which the annual filings were being prepared. Management has made no material changes to the Company's internal controls over financial reporting during the Company's most recent interim period. Due to the size of the company and limited staff, there are limitations to completely segregating a number of duties that are part of a typical control environment.

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 March 31, 2008, management did not an impairment test because no events occur supporting such test.

Stock-based compensation and other stock-based payments

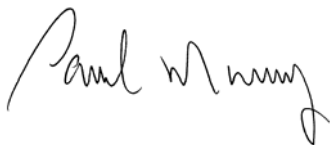
The company has adopted a stock based compensation plan to use as a tool in effectively remunerating employees, directors, consultants and suppliers of the company.

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.



Carol Murray
President and Chief Executive Officer



Nick Cristiano
Chief Financial Officer

Terrebonne, Québec, May 28, 2008