

Interim Consolidated Financial Statements

Power Tech Corporation Inc.

March 31, 2008

Power Tech Corporation Inc.

CONSOLIDATED BALANCE SHEETS

[note 2]

As at	March 31, 2008 \$	Unaudited September 30, 2007 \$
ASSETS		
Current assets		
Cash and cash equivalents	514,938	1,258,024
Accounts receivable	389,185	216,867
Tax credits receivable	—	64,000
Inventories	933,450	728,489
Prepaid expenses	58,722	64,293
Total current assets	1,896,295	2,331,673
Property, plant and equipment	222,394	217,686
Intangible assets	133,171	135,293
Deferred charges	89,288	76,518
	2,341,148	2,761,170
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	580,229	522,934
Deferred revenues	104,229	101,025
Short term component of long-term debt	—	7,628
Total current liabilities	684,458	631,587
Debenture and liability component of convertible debentures [note 5]	2,916,161	2,743,081
Long-term debt	79,089	69,297
Shareholders' deficiency		
Capital stock	5,742,066	5,314,178
Warrants	2,089,788	2,089,788
Contributed surplus [note 6]	631,561	590,616
Equity component of convertible debentures	289,102	289,102
Deficit	(10,091,077)	(8,966,479)
	(1,338,560)	(682,795)
	2,341,148	2,761,170

Commitments [note 11]

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

On behalf of the Board

Carol Murray (s)
Director

Dany Girard (s)
Director

Power Tech Corporation Inc.

CONSOLIDATED STATEMENTS OF DEFICIT

For the periods ended March 31,

Unaudited

	3 months		6 months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Deficit, beginning of period	(9,537,989)	(5,492,511)	(8,966,479)	(4,682,113)
Net loss	(553,088)	(951,091)	(1,124,598)	(1,761,489)
Reevaluation of warrants	—	45,952	—	45,952
Deficit, end of period	(10,091,077)	(6,397,650)	(10,091,077)	(6,397,650)

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

Power Tech Corporation Inc.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS**

For the periods ended March 31

Unaudited

	3 Months		6 Months	
	2008 \$	2007 \$	2008 \$	2007 \$
Revenues	392,154	386,65	477,08	422,589
Cost of goods sold				
Direct costs	247,572	233,654	305,660	254,695
Indirect costs	82,688	74,294	102,722	81,932
	330,260	307,94	408,38	336,627
Gross margin	61,894	78,70	68,70	85,962
Expenses				
Administration expenses	282,433	376,12	537,83	658,803
Selling and commercialization expenses	173,124	331,40	331,39	629,920
Development expenses	9,851	—	35,18	—
Financial expenses	113,916	118,21	216,44	234,690
Amortization of property, plant and equipment	21,366	21,46	43,51	42,744
Amortization of other assets				
Development costs	49,653	182,97	81,82	289,523
Patents	2,652	2,63	5,28	4,512
	652,995	1,03	1,25	1,860,192
Operating loss	(591,101)	(954,10)	(1,18)	(1,774,230)
Other revenues [note 9]	38,013	3,01	58,17	12,741
Net and comprehensive loss	(553,088)	(951,09)	(1,12)	(1,761,489)
Basic and diluted loss per share	(0.01)	(0.03)	(0.03)	(0.06)
Weighted average number of shares outstanding during the period [in thousands]	36,991	30,120	36,828	30,120

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

Power Tech Corporation Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the periods ended March 31

Unaudited

	3 Months		6 Months	
	2008	2007	2008	2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(553,088)	(951,091)	(1,124,598)	(1,761,489)
Adjustments for:				
Amortization of property, plant and equipment	21,366	21,149	43,515	42,744
Amortization of other assets	57,568	185,607	96,927	294,035
Cumulated interest on debenture and convertible debentures	96,417	100,773	191,150	199,461
Cumulated interest on note payable	—	1,430	—	1,430
Cumulated interest on long-term debt	2,802	15,972	5,143	31,944
Stock-based compensation expense	19,095	27,723	40,945	94,596
Loss (gain) on disposal of property, plant and equipment	(4,304)	6,895	(4,304)	6,895
	(360,144)	(591,542)	(751,222)	(1,090,384)
Net change in non-cash working capital items	(14,967)	44,747	(247,209)	(44,117)
Cash flows used for operating activities	(375,111)	(546,795)	(998,431)	(1,134,501)
INVESTING ACTIVITIES				
Repayment of shareholder advance	—	1,986	—	1,986
Additions to property, plant and equipment	(25,999)	(3,235)	(54,919)	(32,617)
Proceeds from disposal of property, plant and equipment	11,000	—	11,000	—
Additions to intangible assets	(3,162)	(50,831)	(3,162)	(52,418)
Increase in deferred charges	(57,268)	(85,461)	(94,595)	(156,734)
Cash flows used for investing activities	(75,429)	(137,541)	(141,676)	(239,783)
FINANCING ACTIVITIES				
Issuance of note payable	—	200,000	—	200,000
Issuance of a debenture	400,000	—	400,000	—
Increase in long-term debt	14,191	—	14,191	—
Reimbursement of long-term debt	(15,309)	(1,774)	(17,170)	(3,519)
Cash flows provided by financing activities	398,882	198,226	397,021	196,481
Net decrease in cash and cash equivalents	(51,658)	(486,110)	(743,086)	(1,177,803)
Cash and cash equivalents, beginning of period	566,596	586,993	1,258,024	1,278,686
Cash and cash equivalents, end of period	514,938	100,883	514,938	100,883
Additional Information				
Interest Paid	237	364	504	747
Issuance of shares to settle accumulated interests on convertible debenture	—	—	427,888	—

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

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2008

Unaudited

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Power Tech Corporation Inc. ("Power Tech" or the "Company") was incorporated under Part 1A of the Companies' Act (Québec) and specializes in developing, integrating and commercializing leading-edge technologies allowing substantial performance, productivity and functionality improvements in excavation equipment and systems. All assets of the Company are located in Canada.

The accompanying interim 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, 2007 except for the change reported 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, 2007. 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 interim 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 during this 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 intends 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.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2008

Unaudited

2. GOING CONCERN CONCEPT [Cont'd]

These interim 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. NEW ACCOUNTING POLICIES

Adopted in 2008

Capital and Financial Instruments

In the first quarter of 2008, the Company 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.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2008

Unaudited

3. NEW ACCOUNTING POLICIES [Cont'd]

Adopted in 2008 [Cont'd]

Capital and Financial Instruments [Cont'd]

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

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. The Company will adopt this new section in the first quarter of its 2009 fiscal year and is currently evaluation the effect of this new standard on results, financial position and cash flows.

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.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2008

Unaudited

3. NEW ACCOUNTING POLICIES [Cont'd]

Recently issued [Cont'd]

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.

4. CREDIT FACILITY

During the quarter, the Company obtained a credit facility amounting to \$50,000, bearing interest at lender's prime rate plus 3% and renewable in March 2009. As at March 31, 2008, no amount has been drawn under this facility.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
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5. DEBENTURES AND LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES

a. Issuance of a debenture

On March 17, 2008, the Company issued a debenture to SIPAR Inc. for a nominal amount of \$400,000, bearing interest at 14%, compounded monthly and maturing at the earliest of the following:

- i) March 17, 2009.
- ii) Upon closing an equity financing for a minimum of \$1,5M.

Interests are payable at maturity date and a premium of 3% on nominal amount is payable if the Company close an equity financing.

b. Standstill agreement

On March 20, 2008, the Company secured a standstill agreement for interest repayment in respect of a debenture issued to FIER Cap Diamant. As a result, an amount of \$27,500 in interest will be repayable at the maturing date of the debenture described in note 5a).

6. CONTRIBUTED SURPLUS

	Three month period ended March 31, 2008 \$	Six month period ended March 31, 2008 \$
Balance, beginning of period	612,466	590,616
Stock-based compensation expense	19,095	40,945
Balance, end of period	631,561	631,561

Stock options

During the quarter, the Company granted 25,200 stock options under the stock option plan. These options were valued at an amount of \$7,230.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2008

Unaudited

6. CONTRIBUTED SURPLUS [Cont'd]

Stock options [Cont'd]

	Three month period ended March 31, 2008		Six month period ended March 31, 2008	
	Options	Weighted- average exercise price \$	Options	Weighted- average exercise price \$
Outstanding, beginning of period	1,815,900	0.55	1,702,900	0.56
Granted	25,200	0.45	138,200	0.45
Outstanding, end of period	1,841,100	0.55	1,841,100	0.55
Exercisable options, end of period	1,474,690	0.54	1,474,690	0.54
Weighted-average for value of options granted during the period		0.29		0.26

Date of grant	Maturity date	Exercise price \$	March 31, 2008	
			Outstanding options	Options exercisable
February 11, 2005	February 11, 2010	0.50	1,125,000	1,125,000
May 2, 2005	May 2, 2010	0.85	2,500	2,250
September 15, 2005	September 15, 2010	0.72	94,500	75,600
March 15, 2006	March 15, 2011	0.72	21,000	12,600
April 5, 2006	April 5, 2011	0.76	203,500	123,750
August 25, 2006	August 25, 2011	0.60	47,550	28,020
October 15, 2006	October 15, 2011	0.71	15,000	4,500
December 5, 2006	December 5, 2011	0.53	100,000	100,000
February 21, 2007	February 21, 2012	0.60	14,850	2,970
May 4, 2007	May 4, 2012	0.60	50,000	—
Carry forward			1,673,900	1,474,690

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

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Unaudited

6. CONTRIBUTED SURPLUS [Cont'd]

Stock options [Cont'd]

Date of grant	Maturity date	Exercise price \$	March 31, 2008	
			Outstanding options	Options exercisable
Carried forward			1,673,900	1,474,690
August 20, 2007	August 20, 2012	0.45	29,000	—
December 19, 2007	December 19, 2012	0.45	113,000	—
February 13, 2008	February 13, 2013	0.45	25,200	—
			1,841,100	1,474,690

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

	March 31, 2008
Expected dividend yield	None
Expected volatility	86%
Risk-free interest rate	3.45%
Expected life in years	4

7. MANAGEMENT OF CAPITAL

The Company maintains a capital level that enables it to meet the following objectives:

- To secure a sufficient quantity of capital to fulfill the Company's business plan, including the commercialization of its products.
- To give shareholders sustained growth of shareholder value by minimizing the loss per share and ultimately maximizing earnings per share.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2008

Unaudited

7. MANAGEMENT OF CAPITAL [Cont'd]

In its capital structure, the Company considers shareholders' deficiency which is amounted to \$1,269,320 [\$682,795 as at September 30, 2007]. The company is not subject to any externally imposed capital requirements.

With regards to its long term financial instruments obligations including long term debt and the debentures, the company's strategy is explained as follows:

- Securing one or more financing by issuing equity instruments.
- Generating cash flows from operations by signing strategic partnerships and increasing its sales capacity.
- Obtaining traditional long term financing.

In the first few weeks of 2008, the Company has initiated a plan to raise additional capital.

The Company's loss per share was limited to \$0.01 for the quarter versus \$0.03 for the same period last year.

8. FINANCIAL INSTRUMENTS

Interest rate risk

The Company is not exposed to interest rate fluctuation, which arises from the degree of volatility of interest rates, since the debentures and the long-term debt bear interest at fixed rates. The Company does not use any derivative financial instruments to reduce its exposure to interest rate risk.

Credit risk

Credit risk is the risk that an unexpected loss occurs if a counterparty to a financial instrument fails to meet its contractual obligations.

This risk may affect cash and cash equivalents and is mitigated by the Company's compliance with its investment policy objectives. These objectives are focused on return, safety of capital and liquidity. As at March 31, 2008, cash and cash equivalents are held with Canadian banks.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2008

Unaudited

8. FINANCIAL INSTRUMENTS [Cont'd]

Credit risk [Cont'd]

This risk may also affect accounts receivable. In the normal course of business, the Company reviews new customers' credit history and conducts regular reviews of its existing customers' financial positions. Provisions are established and maintained with regard to potential losses. As at March 31, 2008, three clients represent 89% of the accounts receivable [three clients represented 95% as at September 30, 2007].

The company's maximum credit risk exposure corresponds to the carrying values of its cash and cash equivalents and accounts receivable.

Over the past years, the Company has not suffered any material losses related to credit risk.

Currency risk

In the normal course of business, the Company is exposed to currency risk related to sales concluded in foreign currency. The Company does not use any derivative financial instruments to reduce its exposure to currency risk.

The Company is exposed to currency risk denominated in U.S. dollars as shown in the table above:

	<u>U.S. dollars</u>	
	<u>March 31,</u>	<u>September 30,</u>
	<u>2008</u>	<u>2007</u>
	\$	\$
Accounts receivable	69,615	72,203

Based on the above exposures at March 31, 2008 and assuming that all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease or increase in the Company's net loss and comprehensive loss of approximately \$ 3,480 applicable to the U.S. dollars exposure.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2008

Unaudited

8. FINANCIAL INSTRUMENTS [Cont'd]

Liquidity risk

Liquidity risk is the risk that an entity may not be able to meet its financial obligations as they fall due.

As of March 31, 2008 the company anticipates meeting all of its obligations with regards to accounts payable and the current portion of long term debt with its cash and cash equivalents.

The following are the contractual undiscounted cash flows of financial liabilities at March 31, 2008:

	Maturities	
	Less than 1 year \$	1 to 5 years \$
Accounts payable	580,229	—
Long term debt	—	134,052
Debenture and liability component of convertible debentures	400,000	2,500,000
	980,229	2,634,052

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2008

Unaudited

9. OTHER REVENUES

For the periods ended March 31,

	<u>3 months</u>		<u>6 months</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Interest	4,002	5,097	15,549	10,010
Rental	7,935	4,813	16,020	9,626
Foreign exchange gain	1,705	—	2,232	—
Government subsidy	20,067	—	20,067	—
Gain (loss) on disposal of property, plant and equipment	4,304	(6,895)	4,304	(6,895)
	<u>38,013</u>	<u>3,015</u>	<u>58,172</u>	<u>12,741</u>

10. RELATED PARTY TRANSACTIONS

For the periods ended March 31,

	<u>3 months</u>		<u>6 months</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Companies controlled by shareholders and directors				
Professional Fees	—	15,000	—	30,000
Rent	63,369	58,242	126,638	116,937

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

11. COMMITMENTS

During the quarter, the Company has entered into two leases for the rental of vehicles. Under these operating leases, the Company has agreed to pay a total amount of \$77 000.