

Interim Consolidated Financial Statements

**Power Tech Corporation Inc.**

June 30, 2009

## **Notice**

These interims consolidated financial statements have not been reviewed by the Company's external auditors.

**Power Tech Corporation Inc.**

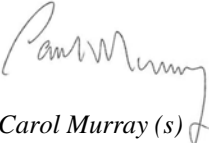
**CONSOLIDATED BALANCE SHEETS**

As at

	June 30, 2009 [Unaudited] \$	September 30, 2008 [audited] \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	132,074	370,821
Accounts receivable	115,541	377,534
Tax credits receivable	100,000	70,000
Inventories	426,651	615,854
Prepaid expenses	11,089	20,354
<b>Total current assets</b>	<b>785,355</b>	<b>1,454,563</b>
<b>Property, plant and equipment</b>	<b>149,146</b>	<b>212,175</b>
<b>Intangible assets</b>	<b>135,423</b>	<b>136,970</b>
<b>Deferred charges</b>	<b>6,264</b>	<b>31,147</b>
	<b>1,076,188</b>	<b>1,834,855</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	376,139	799,390
Deferred Revenues	110,686	131,928
Short term component of debenture	868,608	428,763
Short term component of long-term debt	17,751	17,751
<b>Total current liabilities</b>	<b>1,373,184</b>	<b>1,377,832</b>
<b>Liability component of convertible debentures</b>	<b>2,913,443</b>	<b>2,658,628</b>
<b>Long-term debt</b>	<b>70,525</b>	<b>67,404</b>
<b>Shareholders' deficiency</b>		
Capital stock [note 4]	6,409,805	6,338,641
Warrants	371,105	1,306,096
Contributed surplus [note 5]	2,880,628	1,830,160
Equity component of convertible debentures	289,102	289,102
Deficit	(13,231,604)	(12,033,008)
	<b>(3,280,964)</b>	<b>(2,269,009)</b>
	<b>1,076,188</b>	<b>1,834,855</b>

*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 three month period ended June 30,

Unaudited

	<b>3 months</b>		<b>9 months</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deficit, beginning of period</b>	<b>(12,814,235)</b>	(10,091,077)	<b>(12,033,008)</b>	(8,966,479)
Net loss	<b>(417,369)</b>	(563,663)	<b>(1,198,596)</b>	(1,688,261)
<b>Deficit, end of period</b>	<b>(13,231,604)</b>	(10,654,740)	<b>(13,231,604)</b>	(10,654,740)

*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 three month period ended June 30

Unaudited

	3 months		9 months	
	2009	2008	2009	2008
	\$	\$	\$	\$
Sales	<b>230,838</b>	542,005	<b>780,002</b>	1,019,091
Cost of goods sold				
Direct	<b>147,482</b>	287,298	<b>447,059</b>	592,958
Indirect	<b>11,871</b>	86,074	<b>58,781</b>	188,796
	<b>159,353</b>	373,372	<b>505,840</b>	781,754
Gross margin	<b>71,485</b>	168,633	<b>274,162</b>	237,337
<b>Expenses</b>				
Administration expenses	<b>211,650</b>	258,851	<b>623,833</b>	755,740
Selling and commercialization expenses	<b>57,106</b>	174,019	<b>179,777</b>	505,414
Development expenses	<b>20,619</b>	68,264	<b>72,109</b>	103,444
Interest and financing charges	<b>140,209</b>	112,045	<b>419,801</b>	328,486
Stock based compensation	<b>20,747</b>	41,753	<b>115,477</b>	82,698
Amortization of property, plant and equipment	<b>14,622</b>	19,616	<b>68,798</b>	63,131
Amortization of other assets				
Development costs	<b>210</b>	64,237	<b>31,499</b>	146,062
Patents	<b>2,868</b>	2,723	<b>8,594</b>	8,007
Financing costs	<b>4,555</b>	-	<b>15,688</b>	-
Foreign exchange loss(gain)	<b>19,096</b>	(629)	<b>(44,055)</b>	(2,861)
	<b>491,682</b>	740,879	<b>1,491,521</b>	1,990,121
Operating loss	<b>(420,197)</b>	(572,246)	<b>(1,217,359)</b>	(1,752,784)
Other revenues [note 8]	<b>2,828</b>	8,583	<b>18,763</b>	64,523
<b>Net and comprehensive loss</b>	<b>(417,369)</b>	(563,663)	<b>(1,198,596)</b>	(1,688,261)
<b>Basic and diluted loss per share</b>	<b>(0.01)</b>	(0.02)	<b>(0.03)</b>	(0.05)
<b>Weighted average number of shares outstanding during the period [in thousands]</b>	<b>39,614</b>	36,991	<b>39,614</b>	36,881

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

**Power Tech Corporation Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three month period ended June 30

Unaudited

	3 months		9 months	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	(417,369)	(563,663)	(1,198,596)	(1,688,261)
Adjustments for:				
Amortization of property, plant and equipment	14,622	19,616	68,798	63,131
Amortization of other assets	7,633	70,806	55,781	167,733
Accrued interest and financing charges on debentures	131,821	108,199	403,415	299,349
Accrued interest on long-term debt	3,999	3,033	11,997	8,176
Stock-based compensation expense	20,747	41,753	115,477	82,698
Loss (gain) on disposal of property, plant and equipment	—	—	—	(4,304)
	(238,547)	(320,256)	(543,128)	(1,071,478)
Net change in non-cash working capital items	122,160	63,493	(116)	(183,716)
<b>Cash flows used for operating activities</b>	<b>(116,387)</b>	<b>(256,763)</b>	<b>(543,244)</b>	<b>(1,255,194)</b>
<b>INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	(305)	(19,641)	(5,688)	(74,560)
Proceeds from disposal of property, plant and equipment	—	—	—	11,000
Additions to intangible assets	(6,949)	(3,214)	(7,047)	(6,376)
Increase in deferred charges	(200)	(76,361)	(6,615)	(170,956)
<b>Cash flows used for investing activities</b>	<b>(7,454)</b>	<b>(99,216)</b>	<b>(19,350)</b>	<b>(240,892)</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of a debenture	—	—	100,000	400,000
Short term financing	166,000	—	232,723	—
Increase in long-term debt	—	—	—	14,191
Reimbursement of long-term debt and cash flows used by financing activities	—	—	(8,876)	(17,170)
	166,000	—	323,847	397,021
<b>Net decrease in cash and cash equivalents</b>	<b>42,159</b>	<b>(355,979)</b>	<b>(238,747)</b>	<b>(1,099,065)</b>
Cash and cash equivalents, beginning of period	89,915	514,938	370,821	1,258,024
<b>Cash and cash equivalents, end of period</b>	<b>132,074</b>	<b>158,959</b>	<b>132,074</b>	<b>158,959</b>
<b>Additional Information</b>				
Interest Paid	4,389	—	4,945	504
Issuance of shares to set off accumulated interests on convertible debenture	—	—	71,163	427,888

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

**Power Tech Corporation Inc.**

**NOTES TO INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

June 30, 2009

Unaudited

**1. PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements are in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and do not include all of the disclosures required for annual financial statements. They are also consistent with the accounting policies set forth in the Company's audited financial statements for the year ended September 30, 2008. 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, 2008. When required, the financial statements include amounts based on informed estimates and best judgements of management. The operating results for the interim period reported are not necessarily indicative of results to be expected for the year.

**2. GOING CONCERN CONCEPT**

The financial statements were prepared by management in conformity with Canadian generally accepted accounting principles based on the going concern concept, which assumes the Company will be able to generate sufficient funds to discharge its obligations during normal business operations for the foreseeable future.

The Company incurred a net loss of \$417,369 during the three month period ended June 30, 2009 and has an accumulated deficit of \$13,231,604 as at June 30, 2009. 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.

**Power Tech Corporation Inc.**

**NOTES TO INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

June 30, 2009

Unaudited

**3. NEW ACCOUNTING POLICIES**

**ADOPTED IN 2009**

**Inventories**

During the first quarter, the Company adopted 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, 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 adoption of these new standards had no impact on the interim consolidated financial statements of the Company.

**Goodwill and intangible assets**

Section 3064, “Goodwill and intangible assets”, is replacing Section 3062, “Goodwill and other intangible assets” and Section 3450, “Research and development costs”. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect that the adoption of this new Section will have a material impact on its interim and annual consolidated financial statements.

**RECENTLY ISSUED**

**International financial reporting standards**

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies, will converge to International Financial Reporting Standards (“IFRS”) over a transition period that is expected to be complete by 2011. On February 13, 2008, the CICA confirmed 2011 as the official changeover date from current Canadian GAAP to IFRS. The Company will convert to these new standards according to the timetable set with these new rules.

**Power Tech Corporation Inc.**

**NOTES TO INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

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**4. FINANCING**

The Company obtained tax credit financing to finance research and development tax credits for FY2008-2009 in the amount of \$105,000 of which \$77,723 was received to date and the rest will be received as expenses are incurred. The loan is reimbursable upon receipt of the tax credits. The loan bears an interest rate of 10% per annum.

**Lease**

The Company re negotiated its lease without penalty, to reduce the amount of square footage and reduce operating costs. The lease is for a period of 5 years at the current market value.

**5. CONTRIBUTED SURPLUS**

<b>For the periods ended June 30, 2009</b>	<b>Three months</b>	<b>Nine months</b>
	<b>\$</b>	<b>\$</b>
<b>Balance, beginning of period</b>	<b>1,924,890</b>	1,830,160
Stock-based compensation expense	<b>20,747</b>	115,477
Expired warrants	<b>934,991</b>	934,991
<b>Balance, end of period</b>	<b>2,880,628</b>	2,880,628

**Stock options**

	<b>June 30,</b>		<b>June 30,</b>	
	<b>[3 months]</b>		<b>[9 months]</b>	
	<b>2009</b>		<b>2009</b>	
	<b>Options</b>	<b>Weighted- average exercise price</b>	<b>Options</b>	<b>Weighted- average exercise price</b>
		<b>\$</b>		<b>\$</b>
<b>Outstanding, beginning of period</b>	<b>2,335,600</b>	<b>0.47</b>	1,994,265	0.56
Granted under the plan	<b>285,000</b>	<b>0.12</b>	720,000	0.17
Cancelled	—	—	(93,665)	—
<b>Outstanding, end of period</b>	<b>2,620,600</b>	<b>0.43</b>	2,620,600	0.43
<b>Exercisable options, end of period</b>	<b>1,958,698</b>	<b>0.47</b>	1,958,698	0.47
<b>Weighted-average for value of options granted during the year</b>		<b>0.17</b>		0.17

**Power Tech Corporation Inc.**

**NOTES TO INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

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Unaudited

**5. CONTRIBUTED SURPLUS [Cont'd]**

**Stock options [Cont'd]**

Date of grant	Maturity date	Exercise price \$	June 30, 2009	
			Outstanding options	Options exercisable
February 11, 2005	February 11, 2010	0.50	900,000	900,000
September 15, 2005	September 15, 2010	0.72	75,000	75,000
March 15, 2006	March 15, 2011	0.72	3,500	3,500
April 5, 2006	April 5, 2011	0.76	187,000	187,000
August 25, 2006	August 25, 2011	0.60	31,750	30,440
October 15, 2006	October 15, 2011	0.71	15,000	12,000
December 5, 2006	December 5, 2011	0.53	100,000	100,000
February 21, 2007	February 21, 2012	0.60	4,050	2,835
May 4, 2007	May 4, 2012	0.60	50,000	33,333
August 20, 2007	August 20, 2012	0.45	15,000	7,500
December 19, 2007	December 19, 2012	0.45	113,000	45,200
February 13, 2008	February 13, 2013	0.45	6,300	1,890
June 16, 2008	June 16, 2013	0.45	400,000	160,000
January 12, 2009	January 12, 2014	0.20	435,000	400,000
May 28, 2009	May 28, 2014	0.12	285,000	—
			<b>2,620,600</b>	<b>1,958,698</b>

**6. MANAGEMENT OF CAPITAL**

The Company maintains a capital structure 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.

In its capital structure, the Company considers its stock option plan for key employees, officers and suppliers. The Company is not subject to any capital requirements imposed by a regulator.

The Company's loss per share was limited to \$0.01 for the quarter versus \$0.02 for the same period last year.

**Power Tech Corporation Inc.**

**NOTES TO INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

June 30, 2009

Unaudited

**7. FINANCIAL INSTRUMENTS**

**Fair value**

Fair value is subjective in nature, requiring valuation techniques and assumptions. Fair value amounts disclosed in these interim consolidated financial statements represent the Company's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

**i) Short-term financial assets and liabilities**

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and short term component of debenture are a reasonable estimate of their fair values, because of the short maturity of these instruments.

**ii) Long-term financial liabilities**

The fair values of the debt component of the convertible debentures and long-term debt are estimated using discount rates of 18% at June 30, 2009 and September 30, 2008. The fair value of long-term financial liabilities approximates their carrying value.

**Power Tech Corporation Inc.**

**NOTES TO INTERIM CONSOLIDATED  
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Unaudited

**7. FINANCIAL INSTRUMENTS [Cont'd]**

**Classification**

The classification of financial instruments and their respective carrying values and fair values are as follows:

	<b>June 30 2009</b>		<b>September 30 2008</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>FINANCIAL ASSETS</b>				
<b>Held for trading:</b>				
Cash and cash equivalents	<b>132,074</b>	<b>132,074</b>	370,821	370,821
<b>Loans and receivables</b>				
Accounts receivable	<b>115,541</b>	<b>115,541</b>	295,431	295,431
<b>Total financial assets</b>	<b>247,615</b>	<b>247,615</b>	666,252	666,252
<b>FINANCIAL LIABILITIES</b>				
<b>Other financial liabilities:</b>				
Accounts payable and accrued liabilities	<b>376,139</b>	<b>376,139</b>	741,678	741,678
Long-term debt	<b>88,276</b>	<b>88,276</b>	85,155	85,155
Debentures	<b>3,543,328</b>	<b>3,543,328</b>	3,133,111	3,133,111
<b>Total financial liabilities</b>	<b>4,007,743</b>	<b>4,007,743</b>	3,959,944	3,959,944

**Power Tech Corporation Inc.**

**NOTES TO INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

June 30, 2009

Unaudited

**7. FINANCIAL INSTRUMENTS [Cont'd]**

**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 June 30, 2009, cash and cash equivalents are held with Canadian banks.

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 regards to potential losses. As at June 30, 2009, one client represents 60% of the accounts receivable [one client represented 96% as at September 30, 2008]. The trade receivable distribution of the Company is listed below:

<b>Current</b>	<b>30-89 days</b>	<b>90 days and more</b>	<b>Total</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
57,266	28,690	—	85,956

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.

**Power Tech Corporation Inc.**

**NOTES TO INTERIM CONSOLIDATED  
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June 30, 2009

Unaudited

**7. FINANCIAL INSTRUMENTS [Cont'd]**

**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:

	<b>U.S. dollars</b>	
	<b>June 30, 2009</b>	September 30, 2008
	<b>\$</b>	<b>\$</b>
Accounts receivable	—	266,219

Based on the above exposures as at June 30, 2009, 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 \$nil applicable to the U.S. dollar exposure.

**Liquidity risk**

Liquidity risk is the risk that an entity may not be able to meet its financial obligations as they fall due. The following are the contractual undiscounted cash flows of financial liabilities at June 30, 2009:

	<b>Maturities</b>	
	<b>Less than 1 year</b>	<b>1 to 5 years</b>
	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liability	<b>376,139</b>	—
Long term debt	<b>17,751</b>	70,525
Debenture and convertible debentures	<b>868,608</b>	2,674,720
	<b>1,262,498</b>	2,745,245

**Power Tech Corporation Inc.**

**NOTES TO INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

June 30, 2009

Unaudited

**8. OTHER REVENUES**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Interest	—	648
Rental	<b>2,828</b>	7,935
	<b>2,828</b>	<b>8,583</b>

**9. RELATED PARTY TRANSACTIONS**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Companies controlled by shareholders and directors</b>		
Rent	<b>21,448</b>	69,099

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.

**10. SUBSEQUENT EVENTS**

**Private Placement**

On July 16, 2009, the Company concluded a private placement, for 6,482,500 units at a price of \$0.10 for a total amount of \$648,250. Each unit consists of a common share and a half warrant entitling the holder, at any time during the 12-month period after the closing date, to subscribe to a common share at \$0.20 per share.

The Company issued those units for gross proceeds of \$648,250, comprising of \$348,822 for the shares and \$299,428 for the warrants attached to the unit. Warrants were valued using Black-Scholes model.