

Interim Consolidated Financial Statements

Power Tech Corporation Inc.

December 31, 2009

Notice

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

Power Tech Corporation Inc.


CONSOLIDATED BALANCE SHEETS

As at September 30

	December 31, 2009 [Unaudited] \$	September 30 2009 [audited] \$
ASSETS		
Current assets		
Cash and cash equivalents	139,053	329,944
Accounts receivable	159,333	224,289
Tax credits receivable	30,000	30,000
Inventories	373,694	395,773
Prepaid expenses	10,732	10,816
Total current assets	712,812	990,822
Property, plant and equipment	118,591	127,427
Intangible assets	134,667	135,201
	966,070	1,253,450
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Short-term loan	30,000	30,000
Accounts payable and accrued liabilities	336,984	325,206
Deferred revenues	107,943	107,943
Short-term component of debenture and liability component of convertible debentures	2,709,926	2,573,044
Short-term component of long-term debt	17,751	17,751
Total current liabilities	3,202,604	3,053,944
Debenture and liability component of convertible debentures	1,107,056	1,107,056
Long-term debt	96,338	87,531
Shareholders' deficiency		
Capital stock [note 4]	6,876,685	6,876,685
Warrants	602,475	602,475
Contributed surplus [note 5]	2,906,495	2,893,464
Equity component of convertible debentures [note 11]	289,102	289,102
Deficit	(14,114,685)	(13,656,807)
	(3,439,928)	(2,995,081)
	966,070	1,253,450

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 December 31,

Unaudited

	2009	2008
	\$	\$
Deficit, beginning of period	(13,656,807)	(12,033,008)
Net loss	(457,878)	(325,170)
Deficit, end of period	(14,114,685)	(12,358,178)

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 December 31

Unaudited

	2009	2008
	\$	\$
Sales	65,676	423,059
Cost of goods sold		
Direct	41,974	230,022
Indirect	9,389	20,590
	51,363	250,612
Gross margin	14,313	172,447
Expenses		
Administration expenses	232,378	225,917
Selling and commercialization expenses	63,094	95,765
Development expenses	14,081	43,024
Interest expenses	137,130	114,168
Amortization of property, plant and equipment	21,153	31,425
Amortization of other assets		
Development costs	—	30,226
Patents	3,003	2,814
Financing costs	4,555	6,680
Foreign exchange loss (gain)	940	(44,161)
	476,334	505,858
Operating loss	(462,021)	(333,411)
Other revenues <i>[note 7]</i>	4,143	8,241
Net and comprehensive loss	(457,878)	(325,170)
Basic and diluted loss per share	(0.01)	(0.01)
Weighted average number of shares outstanding during the period [in thousands]	42,900	39,436

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 December 31

Unaudited

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Net loss	(457,878)	(325,170)
Adjustments for:		
Amortization of property, plant and equipment	21,153	31,425
Amortization of other assets	7,558	39,720
Contribution – Canada Economic Development	(4,143)	—
Accrued interest on convertible debentures	132,325	110,169
Accrued interest on long-term debt	4,053	3,999
Stock-based compensation expense	13,031	19,632
	(283,901)	(120,225)
Net change in non-cash working capital items	98,898	(182,634)
Cash flows used for operating activities	(185,003)	(302,859)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(12,317)	(5,383)
Increase in deferred charges	(2,469)	(6,615)
Cash flows used for investing activities	(14,786)	(11,998)
FINANCING ACTIVITIES		
Increase in long-term debt	8,898	—
Net decrease in cash and cash equivalents	(190,891)	(314,857)
Cash and cash equivalents, beginning of period	329,944	370,821
Cash and cash equivalents, end of period	139,053	55,964
Additional Information		
Interest Paid	750	—
Issuance of shares to set off accumulated interests on convertible debenture [note 4]	—	71,163

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

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 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 Corporation's audited financial statements for the year ended September 30, 2009. The interim consolidated financial statements and accompanying notes should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended September 30, 2009. 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 Corporation will be able to generate sufficient funds to discharge its obligations during normal business operations for the foreseeable future.

The Corporation incurred a net loss of \$457,878 during the three month period ended December 31, 2009 and has an accumulated deficit of \$14,114,685 as at December 31, 2009. The Corporation 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 Corporation 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 Corporation'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 Corporation demonstrated an inability to continue its operations.

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2009

Unaudited

3. NEW ACCOUNTING POLICIES

Financial instruments

During the quarter, the Corporation has adopted new amendments to Section 3862, *Financial Instruments – Disclosures* which resulted in enhanced disclosure requirements for fair value measurements and liquidity risk. The adoption of these amendments had no material effect on the Corporation's interim consolidated financial statements.

4. CONTRIBUTED SURPLUS

	December 31, 2009	September 30, 2009
	\$	\$
Balance, beginning of year	2,893,464	1,830,160
Stocks-based compensation expense	13,031	128,313
Expired warrants	—	934,991
Balance, end of year	2,906,495	2,893,464

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2009

Unaudited

4. CONTRIBUTED SURPLUS [suite]

Stock options

	December 31, [3 months] 2009		September 30, [12 months] 2009	
	Options	Weighted- average exercise price \$	Options	Weighted- average exercise price \$
Outstanding options, beginning of year	2,495,600	0.42	1,994,265	0.53
Granted	—	—	720,000	0.17
Cancelled	—	—	(218,665)	0.59
Outstanding options, end of year	2,495,600	0.42	2,495,600	0.42
Exercisable options, end of year	2,015,345	0.45	1,928,260	0.46
Weighted-average fair value of options granted during the year		—		0.12

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2009

Unaudited

4. CONTRIBUTED SURPLUS [Cont'd]

Date of grant	Expiry date	Exercise price \$	December 31, 2009	
			Outstanding options	Options exercisable
February 11, 2005	February 11, 2010	0.50	850,000	850,000
September 15, 2005	September 15, 2010	0.72	50,000	50,000
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	31,750
October 15, 2006	October 15, 2011	0.71	15,000	15,000
December 5, 2006	December 5, 2011	0.53	100,000	100,000
February 21, 2007	February 21, 2012	0.60	4,050	3,645
August 20, 2007	August 20, 2012	0.45	15,000	10,500
December 19, 2007	December 19, 2012	0.45	113,000	67,800
February 13, 2008	February 13, 2013	0.45	6,300	3,150
June 19, 2008	June 19, 2013	0.45	400,000	220,000
January 12, 2009	January 12, 2014	0.20	435,000	410,500
May 28, 2009	May 28, 2014	0.12	285,000	62,500
			2,495,600	2,015,345

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2009

Unaudited

5. CAPITAL MANAGEMENT

The Corporation maintains adequate capital to meet the following objectives:

- To secure a sufficient quantity of capital to fulfill the Corporation's business plan, including the marketing of its products.
- To provide shareholders with sustained growth in share value by minimizing the loss per share and ultimately maximizing earnings per share.

In connection with its capital management, the Corporation considers the following items:

	2009	2008
	\$	\$
Debenture and liability component of convertible debentures	3,816,982	3,137,074
Shareholders' deficiency	(3,439,928)	(2,503,383)
	377,054	633,691

The Corporation is not subject to any externally imposed capital requirements.

With regard to its long-term financial instrument obligations including long-term debt and the debentures, the Corporation's strategy is as follows:

- Securing one or more financing arrangements by issuing equity instruments.
- Generating cash flows from operations by signing strategic agreements and partnerships, making business acquisitions and growing sales.
- Obtaining traditional long-term bank financing.

The Corporation's loss per share stood at \$0.01 for the quarter compared with \$0.01 for the same period last year.

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2009

Unaudited

6. FINANCIAL INSTRUMENTS

Fair value

Fair value requires using valuation techniques and assumptions. Fair value amounts disclosed in these interim consolidated financial statements represent the Corporation'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 December 31, 2009 and September 30, 2009. The fair value of long-term financial liabilities approximates their carrying value.

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2009

Unaudited

6. FINANCIAL INSTRUMENTS [Cont'd]

Classification

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

	December 31 2009		September 30 2009	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
FINANCIAL ASSETS				
Held for trading:				
Cash and cash equivalents	139,053	139,053	329,944	329,944
Loans and receivables				
Accounts receivable	159,333	159,333	205,450	205,450
Total financial assets	298,386	298,386	535,394	535,394
FINANCIAL LIABILITIES				
Other financial liabilities:				
Short-term loan	30,000	30,000	30,000	30,000
Accounts payable and accrued liabilities	336,984	336,984	270,938	270,938
Long-term debt	114,089	114,089	105,282	105,282
Convertible debentures	3,816,982	3,816,982	3,705,578	3,705,578
Total financial liabilities	4,298,055	4,298,055	4,111,798	4,111,798

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2009

Unaudited

6. FINANCIAL INSTRUMENTS [Cont'd]

Interest rate risk

The Corporation 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 Corporation 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 Corporation's compliance with its investment policy objectives. These objectives are focused on return, safety of capital and liquidity. As at December 31, 2009, cash and cash equivalents are held with Canadian banks.

This risk may also affect accounts receivable. In the normal course of business, the Corporation 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 December 31, 2009, one client represents 94% of the accounts receivable [two clients represented 98% as at September 30, 2009]. The trade receivable distribution of the Corporation is listed below:

Current	30-89	90 days	Total
\$	days	and more	\$
	\$	\$	
7,664	126,656	—	134,320

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

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

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2009

Unaudited

6. FINANCIAL INSTRUMENTS [Cont'd]

Currency risk

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

As of December 31, and September 30, 2009, the Corporation was not exposed to any currency risk.

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 December 31, 2009:

	Maturities	
	Less than 1 year \$	1 to 5 years \$
Short-term loan	30,000	—
Accounts payable and accrued liability	336,983	—
Long-term debt	17,751	126,013
Debenture and convertible debentures	2,100,000	1,000,000
	<u>2,484,734</u>	<u>1,126,013</u>

Power Tech Corporation Inc.

**NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2009

Unaudited

7. OTHER REVENUES

	2009	2008
	\$	\$
Interest	—	306
Rental	—	7,935
Contribution – Canada Economic Development	4,143	—
	4,143	8,241

8. RELATED PARTY TRANSACTIONS

	2009	2008
	\$	\$
Company controlled by shareholders and directors		
Administration and general expenses - Rent	—	64,344

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.