

Interim Consolidated Financial Statements

Power Tech Corporation Inc.

June 30, 2008

Power Tech Corporation Inc.

CONSOLIDATED BALANCE SHEETS

[note 2]

As at	June 30, 2008 \$	Unaudited September 30, 2007 \$
ASSETS		
Current assets		
Cash and cash equivalents	158,959	1,258,024
Accounts receivable	557,166	216,867
Tax credits receivable	—	64,000
Inventories	1,101,799	728,489
Prepaid expenses	48,257	64,293
Total current assets	1,866,181	2,331,673
Property, plant and equipment	222,419	217,686
Intangible assets	133,662	135,293
Deferred charges	101,412	76,518
	2,323,674	2,761,170
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	971,290	522,934
Deferred revenues	102,526	101,025
Short term component of long-term debt	—	7,628
Total current liabilities	1,073,816	631,587
Debt and liability component of convertible debentures	3,028,206	2,743,081
Long-term debt	82,122	69,297
Shareholders' deficiency		
Capital stock	5,742,066	5,314,178
Warrants	2,089,788	2,089,788
Contributed surplus <i>[note 4]</i>	673,314	590,616
Equity component of convertible debentures	289,102	289,102
Deficit	(10,654,740)	(8,966,479)
	(1,860,470)	(682,795)
	2,323,674	2,761,170

Subsequent events *[note 9]*

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 June 30,

Unaudited

	3 months		9 months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Deficit, beginning of period	(10,091,077)	(6,397,650)	(8,966,479)	(4,682,113)
Net loss	(563,663)	(686,573)	(1,688,261)	(2,448,062)
Share and equity Instrument issue costs	—	(539,799)	—	(493,847)
Deficit, end of period	(10,654,740)	(7,624,022)	(10,654,740)	(7,624,022)

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 June 30

Unaudited

	3 Months		9 Months	
	2008 \$	2007 \$	2008 \$	2007 \$
Revenues	542,005	125,977	1,019,091	548,566
Cost of goods sold				
Direct costs	287,298	81,371	592,958	336,066
Indirect costs	86,074	28,229	188,796	110,161
	373,372	109,600	781,754	446,227
Gross margin	168,633	16,377	237,337	102,339
Expenses				
Administration expenses	300,604	295,463	838,438	954,266
Selling and commercialization expenses	174,019	254,183	505,414	884,103
Development expenses	68,264	25,742	103,444	25,742
Financial expenses	112,045	108,829	328,486	343,519
Amortization of property, plant and equipment	19,616	21,416	63,131	64,160
Amortization of other assets				
Development costs	64,237	20,494	146,062	310,017
Patents	2,723	2,695	8,007	7,207
	741,508	728,822	1,992,982	2,589,014
Operating loss	(572,875)	(712,445)	(1,755,645)	(2,486,675)
Other revenues [note 7]	9,212	25,872	67,384	38,613
Net and comprehensive loss	(563,663)	(686,573)	(1,688,261)	(2,448,062)
Basic and diluted loss per share	(0.02)	(0.02)	(0.05)	(0.08)
Weighted average number of shares outstanding during the period [in thousands]	36,991	35,312	36,881	31,851

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 June 30

Unaudited

	3 Months		9 Months	
	2008 \$	2007 \$	2008 \$	2007 \$
OPERATING ACTIVITIES				
Net loss	(563,663)	(686,573)	(1,688,261)	(2,448,062)
Adjustments for:				
Amortization of property, plant and equipment	19,616	21,416	63,131	64,160
Amortization of other assets	70,806	23,189	167,733	317,225
Cumulated interest on debenture and convertible debentures	108,199	99,731	299,349	299,191
Cumulated interest on note payable	—	—	—	1,430
Cumulated interest on long-term debt	3,033	4,318	8,176	34,239
Stock-based compensation expense	41,753	23,415	82,698	118,011
Loss (gain) on disposal of property, plant and equipment	—	—	(4,304)	6,895
	(320,256)	(514,504)	(1,071,478)	(1,606,911)
Net change in non-cash working capital items	63,493	(60,180)	(183,716)	(104,297)
Cash flows used for operating activities	(256,763)	(574,684)	(1,255,194)	(1,711,208)
INVESTING ACTIVITIES				
Repayment of shareholder advance	—	1,986	—	3,972
Additions to property, plant and equipment	(19,641)	(5,954)	(74,560)	(38,571)
Proceeds from disposal of property, plant and equipment	—	—	11,000	—
Additions to intangible assets	(3,214)	(1,577)	(6,376)	(53,995)
Increase in deferred charges	(76,361)	(34,835)	(170,956)	(177,115)
Cash flows used for investing activities	(99,216)	(40,380)	(240,892)	(265,709)

Power Tech Corporation Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS [Cont'd]

For the periods ended June 30

Unaudited

	3 Months		9 Months	
	2008	2007	2008	2007
	\$	\$	\$	\$
FINANCING ACTIVITIES				
Issuance of note payable	—	—	—	200,000
Issuance of a debenture	—	—	400,000	—
Increase in long-term debt	—	8,204	14,191	8,204
Reimbursement of note payable	—	(201,430)	—	(201,430)
Reimbursement of long-term debt	—	(447,206)	(17,170)	(448,702)
Issuance of units	—	3,243,510	—	3,243,510
Equity instrument issue costs	—	(360,622)	—	(375,076)
Cash flows provided by financing activities	—	2,242,456	397,021	2,426,506
Net increase (decrease) in cash and cash equivalents	(355,979)	1,627,392	(1,099,065)	449,589
Cash and cash equivalents, beginning of period	514,938	100,883	1,258,024	1,278,686
Cash and cash equivalents, end of period	158,959	1,728,275	158,959	1,728,275
Additional Information				
Interest Paid	—	46,939	504	47,686
Issuance of shares to settle accumulated interests on convertible debenture	—	—	427,888	—
Addition to property, plant and equipment from a shareholder	—	—	—	13,550

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

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 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 \$563,663 during this quarter and \$1,688,261 during the nine month period ended June 30, 2008 and has an accumulated deficit of \$10,654,740 as at June 30, 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**

June 30, 2008

Unaudited

2. GOING CONCERN CONCEPT [Cont'd]

On July 16, 2008, the Company concluded a private placement for gross proceeds of \$890,000 [note 9 (a)].

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;

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2008

Unaudited

3. NEW ACCOUNTING POLICIES [Cont'd]

Adopted in 2008 [Cont'd]

Capital and Financial Instruments [Cont'd]

- 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 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”.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2008

Unaudited

3. NEW ACCOUNTING POLICIES [Cont'd]

Recently issued [Cont'd]

Goodwill and Intangible Assets [Cont'd]

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.

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. CONTRIBUTED SURPLUS

	Three month period ended June 30, 2008 \$	Nine month period ended June 30, 2008 \$
Balance, beginning of period	631,561	590,616
Stock-based compensation expense	41,753	82,698
Balance, end of period	673,314	673,314

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2008

Unaudited

4. CONTRIBUTED SURPLUS [Cont'd]

Stock options

During the quarter, the Company granted 400,000 stock options under the stock option plan. These options were valued at an amount of \$104,080.

	Three month period ended June 30, 2008		Nine month period ended June 30, 2008	
	Options	Weighted- average exercise price \$	Options	Weighted- average exercise price \$
Outstanding, beginning of period	1,841,100	0.55	1,702,900	0.56
Granted	400,000	0.45	538,200	0.45
Outstanding, end of period	2,241,100	0.53	2,241,100	0.53
Exercisable options, end of period	1,625,346	0.54	1,625,346	0.54
Weighted-average for value of options granted during the period		0.26		0.26

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2008

Unaudited

4. CONTRIBUTED SURPLUS [Cont'd]

Stock options [Cont'd]

Date of grant	Maturity date	Exercise price \$	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	2,500
September 15, 2005	September 15, 2010	0.72	94,500	85,050
March 15, 2006	March 15, 2011	0.72	21,000	14,700
April 5, 2006	April 5, 2011	0.76	203,500	139,700
August 25, 2006	August 25, 2011	0.60	47,550	31,275
October 15, 2006	October 15, 2011	0.71	15,000	6,000
December 5, 2006	December 5, 2011	0.53	100,000	100,000
February 21, 2007	February 21, 2012	0.60	14,850	4,455
May 4, 2007	May 4, 2012	0.60	50,000	16,666
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	—
June 19, 2008	June 19, 2013	0.45	400,000	100,000
			2,241,100	1,625,346

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:

	June 30, 2008
Expected dividend yield	None
Expected volatility	86%
Risk-free interest rate	3.24%
Expected life in years	4

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2008

Unaudited

5. 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.

In its capital structure, the Company considers shareholders' deficiency which is amounted to \$1,860,470 [\$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.

On July 16, 2008, the Company concluded a private placement for a gross proceeds of \$890,000 [note 9 (a)].

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

6. 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.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2008

Unaudited

6. FINANCIAL INSTRUMENTS [Cont'd]

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, 2008, 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 regard to potential losses. As at June 30, 2008, two clients represent 99% 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>June 30,</u> <u>2008</u>	<u>September 30,</u> <u>2007</u>
	\$	\$
Accounts receivable	108,351	72,203

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2008

Unaudited

6. FINANCIAL INSTRUMENTS [Cont'd]

Currency risk [Cont'd]

Based on the above exposures at June 30, 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 \$ 5,350 applicable to the U.S. dollars exposure.

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 June 30, 2008 the company anticipates meeting all of its obligations with regards to accounts payable with its cash and cash equivalents, including those generated by the private placement realised in July 2008.

The following are the contractual undiscounted cash flows of financial liabilities at June 30, 2008:

	Maturities	
	Less than 1 year \$	1 to 5 years \$
Accounts payable	971,290	—
Long term debt	—	134,052
Debenture and liability component of convertible debentures	400,000	2,500,000
	1,371,290	2,634,052

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2008

Unaudited

7. OTHER REVENUES

For the periods ended June 30,

	<u>3 months</u>		<u>9 months</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Interest	648	11,224	16,197	21,234
Rental	7,935	4,813	23,955	14,439
Foreign exchange gain	629	—	2,861	—
Government subsidy	—	9,835	20,067	9,835
Gain (loss) on disposal of property, plant and equipment	—	—	4,304	(6,895)
	9,212	25,872	67,384	38,613

8. RELATED PARTY TRANSACTIONS

For the periods ended June 30,

	<u>3 months</u>		<u>9 months</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Companies controlled by shareholders and directors				
Professional Fees	—	5,000	—	35,000
Rent	69,099	57,334	195,737	174,271

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.

Power Tech Corporation Inc.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

June 30, 2008

Unaudited

9. SUBSEQUENT EVENTS

(a) Private Placement

On July 16, 2008, the Company concluded a private placement, for a maximum amount of 5,000,000 units at a price of \$0.40 for a total amount of \$2,000,000. Each unit consists of a common share and a warrant entitling the agent, at any time during the 24-month period after the closing date, to subscribe to a common share at \$0.50 per share.

The Company issued those units for gross proceeds of \$890,000, comprising of \$548,685 for the shares and \$341,315 for the warrants attached to the unit. Warrants were valued using Black-Scholes model.

(b) Conversion of accrued interest into units

Concurrently, the Company converted \$77,680 of accrued interest in regard to the debenture held by Fier Cap-Diamant into 194,200 units of the Company. The units issued comprise the same features of those issued in the private placement described in note 9 (a). The amount comprises \$47,890 for the shares and \$29,790 for the warrants attached to the unit. Warrants were valued using Black-Scholes model.