ZTEST Electronics Inc.

Unaudited Interim Consolidated Financial Statements

March 31, 2005

Be advised that these unaudited interim consolidated financial statements have been compiled by the Company's management and they have not been examined, in any manner, by the Company's auditors.

ZTEST Electronics Inc.

Unaudited Interim Consolidated Balance Sheet
March 31, 2005

	Mar 31 2005	(Audited) June 30 2004
Assets		
Current Assets		
Cash	**$ 299,944**	$ 36,088
Accounts receivable	**402,608**	486,410
Inventories (Note 4)	**102,775**	126,344
Prepaid expenses and other assets	**33,939**	45,508
Amounts receivable (Note 5)	**17,000**	-
	856,266	694,350
Capital assets (Note 6)	**390,405**	428,645
Investments and advances (Note 7)	**4**	4
	$ 1,246,675	$ 1,122,999
Liabilities		
Current liabilities		
Customer deposits	**$ -**	$ 2,584
Accounts payable and accrued liabilities	**390,268**	754,947
Dividends payable	**381,081**	489,784
Current portion of long-term debt (Note 9)	**373,362**	109,594
Current portion of lease obligation (Note 10)	**-**	1,971
Notes payable and other advances (Note 8)	**183,513**	313,774
	1,328,224	1,672,654
Long-term debt (Note 9)	**1,638,299**	1,533,052
Preferred shares (Note 12)	**941,673**	1,471,908
	3,908,196	4,677,614
Commitments (Note 11)	**-**	-
Deficiency in assets		
Share Capital (Note 12)	**20,547,026**	19,627,637
Contributed surplus (Note 12)	**5,338**	1,845
Equity portion of convertible debentures (Note 9)	**111,422**	82,674
Deficit	**(23,325,307)**	(23,266,771)
	(2,661,521)	(3,554,615)
	$ 1,246,675	$ 1,122,999

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

Approved by the Board:

Signed: "*John Perreault*" — Director

Signed: "*Wojciech Drzazga*" — Director

Unaudited Interim Consolidated Statement of Operations and Deficit

For the periods ended March 31

	Three months ended 2005	Three months ended 2004	Nine months ended 2005	Nine months ended 2004
Revenue				
Product sales	**$ 756,673**	$ 737,276	**$ 2,665,665**	$ 1,788,917
Interest and other	**440**	4	**1,181**	618
Design services	**-**	5,749	**3,820**	19,461
	757,113	743,029	**2,670,666**	1,798,996
Expenses				
Cost of product sales and design services	**488,622**	522,484	**1,751,056**	1,269,118
Selling, general and administrative	**252,301**	209,805	**703,914**	599,648
Interest expense - long term (Note 14)	**33,685**	4,228	**86,635**	63,844
Dividends on preferred shares	**14,358**	25,771	**61,499**	78,135
Financing fees	**39,402**	-	**50,427**	**-**
Interest expense - other (Note 14)	**7,684**	37,876	**34,146**	90,779
Foreign exchange (gain)/loss	**(11,652)**	(2,323)	**(14,430)**	(7,432)
Amortization of capital assets	**8,812**	9,915	**25,429**	30,153
	833,212	807,756	**2,698,676**	2,124,245
Loss from operations	**(76,099)**	(64,727)	**(28,010)**	(325,249)
Provision for income taxes	-	-		-
Net loss for the period	**(76,099)**	(64,727)	**(28,010)**	(325,249)
Deficit, beginning of period	**(23,242,078)**	(23,135,628)	**(23,266,771)**	(22,850,872)
Dividends on preferred shares	**(7,130)**	(11,923)	**(30,526)**	(36,157)
Deficit, end of period	**$ (23,325,307)**	$ (23,212,278)	**$ (23,325,307)**	$ (23,212,278)
Net loss per share	**$ (0.0019)**	$ (0.0029)	**$ (0.0008)**	$ (0.0082)
Weighted average shares outstanding	**41,001,738**	31,952,551	**35,447,672**	31,895,433

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

Unaudited Interim Consolidated Statement of Cash Flows
For the periods ended March 31

	Three months ended 2005	Three months ended 2004	Nine months ended 2005	Nine months ended 2004
Cash flow from operating activities				
Net loss for the period	**$ (76,099)**	$ (64,727)	**$ (28,010)**	$ (325,249)
Items not involving cash				
Amortization of capital assets	**22,614**	25,188	**65,352**	74,515
Stock option compensation	**-**	-	**3,493**	115
Dividends on preferred shares	**14,358**	25,771	**61,499**	78,135
Interest added to balance of note payable	**920**	-	**2,741**	-
Interest accretion	**10,225**	-	**25,286**	-
Changes in non-cash working capital items:				
Accounts receivable	**(63,380)**	(92,033)	**83,802**	(86,411)
Inventories	**12,900**	7,022	**23,569**	(23,549)
Prepaid expenses and other assets	**8,756**	(1,351)	**11,569**	(10,192)
Amounts receivable	**-**	-	**(17,000)**	-
Customer deposits	**-**	(19,070)	**(2,584)**	(14,919)
Accounts payable and accrued liabilities	**(62,453)**	13,575	**(364,679)**	118,980
	(132,159)	(105,625)	**(134,962)**	(188,575)
Cash flow from investing activities				
Purchase of capital assets	**(22,732)**	(2,451)	**(27,112)**	(20,464)
Cash flow from financing activities				
Repayment of capital lease obligation	**(320)**	(787)	**(1,971)**	(2,528)
Net proceeds (repayment) of long-term debt and notes payable	**367,589**	61,632	**427,901**	231,149
	367,269	60,845	**425,930**	228,621
Increase (decrease) in cash	**212,378**	(47,231)	**263,856**	19,582
Cash, beginning of period	**87,566**	75,039	**36,088**	8,226
Cash, end of period	**$ 299,944**	$ 27,808	**$ 299,944**	$ 27,808

Supplemental Disclosure of Cash Flow Information

During the period the Company had cash flows arising from interest and income taxes paid as follows:

Cash paid for interest	**$ 30,543**	36,897	**$ 92,633**	$ 117,774
Income taxes	**$ -**	$ -	**$ -**	$ -

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

1. Business of the Company

ZTEST Electronics Inc. ("the Company") amalgamated under the laws of Ontario and carries on business, designing, developing, manufacturing and selling circuit boards and other electronic equipment. The Company's shares trade on the TSX Venture Exchange under the symbol "ZTE".

2. Significant Accounting Policies

Going concern basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. This assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at March 31, 2005 the Company has a deficit, to date, of $23,325,307**.**

Basis of presentation

These unaudited interim consolidated financial statements have been compiled by management and have not been examined in any manner by the Company's auditors. They have been prepared using the same accounting policies and methods as the audited financial statements as at June 30, 2004 and should be read in conjunction with those statements.

These unaudited interim consolidated financial statements have been prepared using the consolidation method and accordingly include the following subsidiaries' assets and liabilities as well as the revenues and expenses arising, subsequent to the date of acquisition:

Permatech Electronics Corporation	-	100%	owned
Northern Cross Minerals Inc.	-	67%	owned (inactive)

During the current fiscal year the Company elected to foreclose on a loan receivable form Northern Cross and exercised its rights under a GSA covering all of the assets of that company. The only assets of Northern Cross are options/rights to various mining properties. The company intends to keep the options/rights in good standing until a sale can be facilitated.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with maturity at the date of purchase of three months or less. At March 31, 2005 there were no cash equivalents on hand.

Inventories

Inventories are valued at the lower of cost and replacement cost. Cost is determined on the first-in, first-out basis.

Capital assets

Capital assets are stated at cost. Amortization is provided over the related assets' estimated useful lives using the following methods and annual rates with one-half of the rates noted below are used in the year of acquisition:

Computer software	-	100%	declining balance
Computer equipment	-	30%	declining balance
Office equipment and furniture	-	20%	declining balance
Manufacturing equipment	-	20%	declining balance
Leasehold improvements	-	10 yrs	straight line

Investments

Investments in entities over which the Company has significant influence but not control are accounted for under the equity method of accounting. Investments in entities over which the Company has neither significant influence nor control are accounted for under the cost method. The Company currently has investments in three inactive corporations and holds preference shares of another. The carrying value of each of these investments has been written down to their estimated net realizable value of $1 and any further recoveries, should any arise, will be accounted for on a cash basis.

2. Significant Accounting Policies - continued

Financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these instruments.

Future income taxes

The Company accounts for income taxes using the asset and liability method of accounting. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance, to the extent that it is more likely than not that such losses will be ultimately utilized. These future income tax assets and liabilities are measured using substantially enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

Revenue recognition

Revenue is recorded when the product is delivered and/or the service is completed, which corresponds with the transfer of title.

Earnings per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding throughout the period. Diluted earnings (loss) per share are computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted earnings (loss) per share if their inclusion would be anti-dilutive.

Foreign exchange

As at the transaction date all asset, liability, revenue, and expense amounts denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect as at that date. At the balance sheet date all monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect as at that date. The resulting foreign exchange gains and losses are included in income of the current period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

The Black Scholes option valuation model used by the Company to determine fair values, was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted during the period.

Stock based compensation

The Company has in effect a Stock Option Plan. Stock options awarded to non-employees on or after July 1, 2002 are accounted for using the fair value-based method. Stock options awarded to employees on or after July 1, 2003 are accounted for using the fair value-based method as described in note 12. For stock options awarded to employees prior to July 1, 2003, pro forma disclosure of net earnings (loss), pro forma basic earnings (loss) per share and pro forma diluted earnings (loss) per share were provided as if these awards were accounted for using the fair value-based method. Fair value is calculated using the Black Scholes model with the assumptions described in note 12. Consideration paid on the exercise of stock options is credited to share capital.

3. Change in Accounting Policies

Stock-based compensation plans

Effective July 1, 2003, the Company prospectively adopted the fair value-based method for stock-based compensation in accordance with the recommendations of Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", issued by the CICA. Previously, no compensation expense was recognized for stock options granted to employees. Under the new policy, compensation expense for employee stock options is accounted for using the fair value-based method as described in note 2. The contributed surplus arising during the year ended June 30, 2004 as a result of the change in accounting policy was $1,730.

4. Inventories

	Mar 31 2005	June 30 2004
Raw materials	**$ 68,284**	$ 83,646
Work in process	**11,286**	41,320
Finished goods	**23,205**	1,378
	$ 102,775	$ 126,344

5. Amounts Receivable

	Mar 31 2005	June 30 2004
Demand promissory notes bearing interest at 10% per annum with no fixed maturity dates.	**$ 17,000**	$ -
Less: Current portion	**17,000**	-
	$ -	$ -

6. Capital Assets

			Dec31 2005	June 30 2004
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Computer software	**$ 34,269**	**$ 34,269**	**$ -**	$ -
Computer equipment	**261,784**	**246,386**	**15,398**	15,793
Office equipment and furniture	**119,931**	**98,690**	**21,241**	19,530
Manufacturing equipment	**1,001,716**	**684,769**	**316,947**	351,928
Leasehold improvements	**61,003**	**24,184**	**36,819**	41,394
	$ 1,478,703	**$ 1,088,298**	**$ 390,405**	$ 428,645

7. Investments and Advances

The Company holds various securities in the following entities, each of which has been written down to its net realizable value as they are no longer operational nor do they possess any tangible security to be acted upon:

	Mar 31 2005	June 30 2004
Dion Entertainment Corp.		
2,153,973 common shares and a debenture having a face value of $3,574,522 which is in default.	**$ 1**	$ 1
Nexsys Commtech International Inc.		
5,480,314 common shares and 1,830,000 preferred shares representing a 43% voting interest. The Company also holds 4,750,000 warrants and has granted an option on 400,000 shares of Nexsys to a creditor.	**-**	-
Uniqrypt.Com Inc.		
1,900,500 common shares representing a 10.0% investment and a convertible debenture having a face value of $318,000, which is in default.	**1**	1
Med-Minder Enterprises Inc.		
100,000 shares representing a 2.4% investment and a $120,000 amount receivable for which the Company provided notice of intent to convert but never received the requisite shares.	**1**	1
Chessen Group Inc.		
1,705,871 Class A Preference shares.	**1**	1
	$ 4	$ 4

8. Notes Payable and Other Advances

Interest	Security	Terms	Mar 31 2005	June 30 2004
Nil	Unsecured	No repayment terms	**$ 2,000**	$ 2,000
Prime + 2%	Unsecured	No repayment terms (1)	**57,692**	57,692
6%	Unsecured	On demand	**16,767**	16,767
8%	Unsecured	No repayment terms(2)	**45,930**	96,430
8.5%	Unsecured	No repayment terms(3)	**44,485**	41,744
10%	Unsecured	No repayment terms(4)	**-**	10,922
12%	Unsecured	No repayment terms(5)	**16,639**	52,639
12%	Unsecured	No repayment terms(3)	**-**	8,500
14%	Unsecured	No repayment terms	**-**	15,000
16%	Unsecured	No repayment terms(1)	**-**	12,080
			$ 183,513	$ 313,774

(1) Payable to Officers of the Company and/or their spouses.
(2) Includes $41,045 (June 30, 2004 - $46,545) payable to Officers of the Company and/or their spouses.
(3) Payable to a company controlled by the spouse of a Director of the Company.
(4) Includes $NIL (June 2004 - $10,922) payable to Officers of the Company and/or their spouses.
(5) Includes $16,639 (June 2004 - $25,139) payable to Officers of the Company and/or their spouses.

9. Long-Term Debt

	Mar 31 2005	June 30 2004
Convertible debenture bearing interest at 8% matures Jan 2005. Monthly interest payments are required. Debenture was converted into 2,000,000 common shares of the Company in accordance with its conversion rights. The holder also received 2,000,000 share purchase warrants which expired during the year ended June 30, 2004.	$ **-**	$ 100,000
Convertible non-interest bearing debentures with a face value of $912,202 mature Dec 2006. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.10 converted on or before Dec 1, 2005 or one unit for each $0.11 converted thereafter. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share for $0.10 if conversion occurs on or before Dec 1, 2005 or for $0.11 otherwise. Warrants expire on Dec 1, 2006. (1)	**874,245**	863,507
Convertible non-interest bearing debentures with a face value of $222,292 mature Dec 2005. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.10 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.10 on or before Dec 1, 2005.	**218,280**	213,810
Convertible non-interest bearing debentures with a face value of $72,600 mature Dec 2005. Convertible, in whole or in part, into common shares of the Company at the rate of one common share for each $0.10 converted (2)	**71,926**	76,998
Convertible non-interest bearing debentures with a face value of $238,020 mature Jan 2008. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.10 converted on or before Jan 27, 2007 or one unit for each $0.11 converted thereafter. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share for $0.10 if conversion occurs on or before January 27, 2007 or for $0.11 otherwise. Warrants expire on January 27, 2008.	**224,726**	-
Convertible debenture bearing interest at 10% with a face value of $135,000 matures Sept 2006. Monthly interest payments are required. Convertible, in whole or in part, into common shares of the Company at the rate of one common share for each $0.10 converted. The holder also received 1,350,000 share purchase warrants, each of which entitles the holder to acquire an additional common share for $0.10 on or before Aug 30, 2006.	**129,613**	-
Convertible debenture bearing interest at 8% with a face value of $120,000 matures Jan 2007 Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.06 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.10 on or before Jan 24, 2007.	**111,657**	-
Term loan bearing interest at a rate set every six months at the TD Canada Trust prime rate plus 14.3%, is secured by a general security agreement covering the assets of Permatech Electronics Corporation, and matures June 2008. Monthly interest payments are required until July 2005 when blended monthly principal and interest payments of $13,229 are required. (3)	**363,145**	363,145

9. Long-Term Debt - continued

Note payable bears interest at 8.5% matures June 2006. Blended monthly payments of $947 are required.[4]	**18,069**	25,186
	2,011,661	1,642,646
Less: Current portion	**373,362**	109,594
	$ 1,638,299	$ 1,533,052

The liability component of the convertible debt is calculated by present valuing the cash flows at an interest rate applicable to non-convertible debt. The equity value of the convertible debt is comprised of the fair value of the conversion options and the warrants. The carrying value for each component is recognized on a pro rata basis based on their relative fair values. The equity portion of the convertible debt is accreted over its term to the full face value by charges to interest expense. The components of the convertible debentures issued under this policy are as follows:

	Mar 31 2005	June 30 2004
Convertible debentures at face value	**$ 1,787,739**	$ 1,219,719
Less debentures converted	**(87,625)**	-
Equity portion of convertible debt	**(117,817)**	(82,674)
Plus portion attributable to debentures converted	**6,395**	-
Equity accretion since date of issue	**42,556**	17,270
Less portion attributable to debentures converted	**(801)**	-
	$ 1,630,447	$ 1,154,315

The future minimum principal repayments for each twelve month period subsequent to the balance sheet date are as follows:

2006	$ 373,362
2007	1,237,670
2008	362,138
2009	38,491
	$ 2,011,661

(1) Includes debentures with a face value of $83,326 (June 30, 2004 - $83,326) payable to Officers of the Company and/or their spouses. During the current period one debenture having a face value of $6,687.50 was converted.

(2) Includes debentures with a face value of $NIL (June 30, 2004 - $5,938) payable to Officers of the Company and/or their spouses. During the current period one debenture held by an Officer of the Company and/or their spouse having a face value of $5,937.50 was converted.

(3) Payable to a corporation that is a shareholder of the Company and whose President is a Director of the Company.

(4) Payable to a company controlled by the spouse of a Director of the Company.

10. Obligation Under Capital Lease

	Mar 31 2005	June 30 2004
Capital lease bearing interest at 9.8%, matured Jan 2005. Blended monthly payments of $289 were required.	**$ -**	$ 1,971
Less: Current portion	**-**	1,971
	$ -	$ -

11. Commitments

Operating leases

Minimum payments due under operating leases for premises and office equipment that are required to be made in each twelve month period subsequent to the balance sheet date are approximately as follows:

2006	$ 99,971
2007	104,121
2008	104,498
2009	108,648
2010	108,648
Thereafter	99,594
	$ 625,480

12. Share Capital

(a) Authorized

Unlimited Common shares

Unlimited Non-voting, non participating Class A special shares redeemable by the Company or the holders on a one for one basis for common shares of Northern Cross Minerals Inc.

Unlimited Preferred shares in one or more series of which the following series have been authorized:

Series A voting [1] shares were to be repurchased on May 21, 2004. Negotiations are ongoing.

Series B non-voting shares are no longer outstanding and no more may be issued.

Series C redeemable, voting [1] shares bear 7% cumulative dividends payable monthly and must be repurchased May 2007. May be converted into common shares at a rate of 1 common share for each 1.7143 Series C shares.

Series D redeemable, voting [1] shares bear 7% cumulative dividends payable monthly and must be repurchased June 2007. May be converted into common shares at a rate of 1 common share for each 1.6432 Series D shares.

[1] All preferred shares carry the right to vote at the meeting of common shareholders due to the fact that the cumulative dividends are at least 12 months in arrears.

(b) Issued

	Number of Shares	Amount
Common shares June 30, 2003	31,832,210	$ 19,434,887
Historical rounding errors corrected by transfer agent	1,427	-
Debentures converted by Officers and/or their spouses	739,879	77,000
Settlement of accounts payable to Directors	157,500	15,750
Common shares June 30, 2004	32,731,016	19,527,637
Debentures converted	3,376,250	188,426
Preferred shares converted	7,934,000	530,235
Settlement of dividends payable on preferred shares converted	2,007,280	200,728
Common shares March 31, 2005	46,048,546	20,447,026
Class A special shares June 30, 2003, June 30, 2004 and, March 31, 2005	1,193,442	100,000
Balance March 31, 2005		$ 20,547,026
First Preferred Shares		
Balance June 30, 2003 and June 30, 2004		$ 1,471,908
Conversion of 143,000 Series C preferred shares		(167,243)
Conversion of 255,000 Series D preferred shares		(362,992)
Balance March 31, 2005	-	$ 941,673

12. Share Capital - continued

(c) Details of warrants outstanding are as follows:

Number of Warrants	Price/Warrant	Expiry Date
238,743	$0.10	February 23, 2006
1,350,000	$0.10	August 30, 2006
66,875	$0.10	December 1, 2006
1,250,000	$0.10	January 24, 2007
2,905,618		

During the period 100,000 warrants expired, 1,350,000 new warrants were issued upon the issuance of a new debenture and 1,316,875 new warrants were issued as a result of certain debentures having been converted. The 238,743 warrants expiring February 23, 2006 are held by Officers of the Company and/or their spouses.

Subsequent to the balance sheet date the Company issued 1,177,524 new warrants with an exercise price of $0.155 and an expiry date of April 8, 2007.

(d) Details of options outstanding are as follows:

Common Shares Under Option		Price/Option	Expiry Date
60,000		$0.21	April 1, 2005
150,000		$2.35	June 19, 2005
45,000	(1)	$2.35	August 16, 2005
260,500	(1)	$0.89	January 23, 2006
30,000		$0.89	January 23, 2006
100,000	(1)	$0.17	November 27, 2006
900,000	(1)	$0.24	February 19, 2007
200,000	(1)	$0.135	April 30, 2007
900,000	(1)	$0.10	December 17, 2007
950,000	(1)	$0.12	December 18, 2008
150,000		$0.12	December 18, 2008
200,000		$0.12	December 22, 2009
1,000,000	(1)	$0.12	December 22, 2009
4,945,500			

(1) Directors and/or Officers of the Company hold these options.

During the period 150,000 options held by Directors and/or Officers expired, no options were exercised, and 1,200,000 new options were granted. Subsequent to the balance sheet date an additional 60,000 options expired.

(e) Stock based compensation:

The fair value of stock options granted during the prior has been determined using the Black-Scholes model for pricing options. The amount was included in selling, general and administrative expense for the period and as contributed surplus.

	Mar 31 2005	June 30 2004
Compensation expense recognized	**$ 3,493**	$ 1,845
The following weighted average assumptions were used to calculate the fair value of the options:		
Dividend yield	NIL	NIL
Risk free interest rate	3.17%	2.60%
Expected stock volatility	3.13%	3.02%
Expected life	3 years	3 years

12. Share Capital - continued

(f) Pro forma stock option disclosure:

The fair value of stock options issued after July 1, 2002 and before June 30, 2003 has been estimated at $NIL using the Black-Scholes model for pricing options. As a result there are no changes to reported earnings as a result of the fair valuing of stock options. The following assumptions were used:

Dividend yield	NIL
Risk free interest rate	2.79%
Expected stock volatility	4.25%
Expected life	1 year

13. Income Taxes

Future Income Taxes

As at the year end date, the approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets (liabilities) is as follows:

	June 30 2004
Other	$ 4,473,956
Undepreciated capital cost	174,477
Non-capital losses	757,138
Capital losses	1,046,133
Future income tax assets, before valuation allowance	6,451,704
Valuation allowance	(6,451,704)
Net future tax assets	$ -

The timing of the utilization of the future tax assets is undeterminable. Consequently, a full valuation allowance has been provided against the future value of these assets.

Tax Loss Carry-Forwards

The potential income tax benefits resulting from the application of income tax losses have not been recognized in the financial statements. The following losses include 100% of the respective losses of the subsidiary companies and will expire at the end of the taxation years as follows:

Year	
2005	$ 213,025
2006	32,617
2007	177,355
2008	381,579
2009	861,518
2010	439,852
2014	114,400
	$ 2,220,346

The full realization of these losses carried forward is subject to the result of audits by Canada Revenue Agency.

In addition, expenses in the amount of approximately $13,610,000 have been recorded in the accounts but have not yet been claimed for income tax purposes and capital losses of approximately $6,136,000 are available indefinitely.

14. Related Party Transactions

The following related parties had transactions with the Company during the period or outstanding balances at the end of the period.

Nu-Way Offerings Limited ("Nu-Way")

A shareholder, whose President is a Director of the Company.

1114377 Ontario Inc. ("1114377")

A shareholder, that is controlled by the spouse of a Director of the Company.

Description	Related Party	**Mar 31 2005**	June 30 2004
Interest expense - other	Nu-Way	**$ -**	$ 97,997
Interest expense - long term	Nu-way	**$ 49,616**	$ -
Interest expense - long term	1114377	**$ 1,409**	$ 5,959
Interest expense - other	1114377	**$ 3,254**	$ 61
Interest expense - long term	Directors/Officers	**$ -**	$ 6,102
Interest expense - other	Directors/Officers	**$ 11,178**	$ 12,149

Revenues, expenses and period end balances with the related parties are at exchange amounts established and agreed to by the related parties. All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

15. Segment Disclosure

The Company has one operating segment, being the designing, developing, manufacturing and selling of electronic equipment. All of the Company's assets are located in Canada.

16. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the presentation used in the current period.

General

The following Management Discussion and Analysis has been prepared to accompany the unaudited interim consolidated financial statements of the Company as at March 31, 2005 and should only be read in conjunction with those financial statements. Both the unaudited interim consolidated financial statements as at March 31, 2005 and this document have been prepared by the Company's management without review or comment from the Company's auditors. Additional information about the Company can be found at www.sedar.com.

Forward-looking Information

This document contains certain information which is forward-looking in nature and is reflective of the expectations of management in accordance with information available as at the date of this document. This forward-looking information incorporates known and unknown risks, uncertainties and other factors, including fluctuations in interest rates and exchange rates, that may cause the Company's actual results to differ materially from any future results of operations, financial position or other achievements expressed in or implied by such forward-looking information and accordingly no undue reliance should be placed thereon.

The Company

The Company operates through a single business segment that carries on business designing, developing, manufacturing and selling circuit boards and other electronic equipment. The management of the Company is comprised of the following individuals:

Name	Position(s)
Wojciech Drzazga	Director and CEO
John Perreault	Director and President
William J. Brown[(1)(2)]	Director
K. Michael Guerreiro[(2)]	Director
Donald G. Nurse[(1)]	Director
William R. Johnstone	Secretary
Michael D. Kindy	VP Finance & CFO

(1) Denotes member of audit committee
(2) Denotes member of compensation committee

The annual shareholders' meeting is scheduled to occur on June 14, 2005. The slate of management's nominees for election to the Board includes each of the five directors identified above plus a sixth nominee that, prior to accepting this nomination, had no relationship with the Company. It is anticipated that this sixth nominee will be elected by the shareholders and then will be appointed as a member of the audit committee based on the fact that he is both independent and financially literate.

Corporate Performance

The three month period ended March 31, 2005 was both positive and productive. During this period the Company continued to address its financial obligations in order to improve its overall financial position despite reporting some mixed financial results. Transactions that occurred during this period resulted in a significant reduction in the Company's working capital deficiency and a continued decline in total liabilities. This period also represents the tenth consecutive fiscal quarter for which total revenues exceeded the amounts reported for the corresponding fiscal quarter one year earlier. Despite the revenue growth and the improving financial position not all reported results were positive as the net loss from operations reported for the current quarter and on a year to date basis are contrary to a couple of positive profitability trends.

Corporate Performance - continued

While achieving and enhancing the Company's profitability remains a key objective for management it is also recognized that sustainable growth and profitability can only occur once the Company has achieved overall financial stability. The Company continues to make significant progress towards this goal and at March 31, 2005 the Company is reporting a working capital deficiency of $471,958 which represents an improvement of $772,020 when compared to the deficiency of $1,243,978 reported as at December 31, 2004. While management strives to completely eliminate this deficiency and to create a sustainable surplus they consider it to be very encouraging that each individual element of current liabilities has declined during the recently concluded period. Furthermore, the only current liability that has risen since the end of the preceding fiscal year is the current portion of long term debt which is a reflection of the passage of time rather than increased financial burden.

Some financial trends become evident upon review of the following selected financial data:

	For the fiscal years ended:		
	June 04	June 03	June 02
Total Revenues	2,482,343	1,892,850	1,520,991
Net income (loss) from operations	(368,192)	(740,914)	(2,080,580)
Per share	(0.011)	(0.023)	(0.076)
Net income (loss) for the period	(368,192)	(539,855)	(2,084,599)
Per share	(0.011)	(0.017)	(0.076)
Total assets	1,122,999	909,464	1,617,976
Total long-term liabilities	3,004,960	1,799,300	3,166,364
Total liabilities	4,677,614	4,225,449	4,358,252
Cash dividends [1] – preferred shares	150,104	153,092	173,805

	For the three month periods ended:				
	Mar. 05	Dec. 04	Sept. 04	June 04	Mar. 04
Total Revenues	757,113	993,047	920,923	675,915	743,029
Net income (loss) from operations	(76,099)	46,829	1,260	(42,943)	(64,727)
Per share	(0.002)	0.001	0.000	(0.001)	(0.003)
Net income (loss) for the period	(76,099)	46,829	1,260	(42,943)	(64,727)
Per share	(0.002)	0.001	0.000	(0.001)	(0.003)
Total assets	1,246,675	992,455	1,092,700	1,122,199	987,857
Total long-term liabilities	2,579,972	2,672,742	2,986,591	3,004,960	2,709,696
Total liabilities	3,908,196	4,518,884	4,657,753	4,677,614	4,572,383
Cash dividends [1] – preferred shares	21,488	35,269	35,268	35,812	37,694

	For the three month periods ended:			
	Dec. 03	Sept. 03	June 03	Mar. 03
Total Revenues	570,836	485,131	510,752	569,069
Net income (loss) from operations	(93,988)	(166,534)	(170,854)	(131,082)
Per share	(0.003)	(0.005)	(0.005)	(0.004)
Net income (loss) for the period	(93,988)	(166,534)	30,205	(131,082)
Per share	(0.003)	(0.005)	0.001	(0.004)
Total assets	971,463	853,782	909,464	1,677,609
Total long-term liabilities	2,836,297	1,675,919	1,799,300	2,294,411
Total liabilities	4,528,964	4,348,482	4,225,449	5,012,489
Cash dividends [1] – preferred shares	38,106	38,492	37,588	38,521

[1] Cash dividends are being accrued rather than paid

Results of Operations

Despite the fact that revenues for the three month period ended March 31, 2005 are 1.8% higher than reported for the same period one year earlier and the year to date revenues are 48.5% higher than for the preceding year the reported results still signify a break from recent trends. For the past three years the trend has been for revenues to rise from the first quarter to the second, then again from second to third before a seasonal downturn starts causing a decline from the third quarter into the fourth. During each of the past three years the third fiscal quarter has been the period in which the highest periodic revenues were reported. This clearly will not be the case for the 2005 fiscal year and in fact it currently appears that it may well turn out to be the lowest of the four fiscal quarters. Management attributes the break in these trends to the timing of customer orders and to the significant growth rates experienced in the preceding periods. After experiencing growth rates of 72.9%, 89.3%, 32.3% and 30.6% for the four preceding fiscal quarters it is understandable that 1.8% growth may be perceived as somewhat disappointing however it remains a positive result and the fourth quarter is certainly expected to reflect growth in comparison to the prior year as well.

In the prior two fiscal years the total revenues reported after the third quarter have ultimately represented 73.0% (2002/2003) and 72.5% (2003/2004) of the total annual revenues. Total revenues to March 31, 2005 are $2,670,666, representing a 48% increase over amounts reported one year earlier, and if this can be relied upon to predict total revenues for the fiscal year then revenues in excess of $3,600,000 could well be achieved. While this falls short of the $4,000,000 figure that was referred to following the end of the second quarter it still, if achieved, will represent growth in excess of 45% in comparison to the 2004 fiscal year.

Revenue from product sales and design services continues to represent over 99.9% of total revenues for both the current quarter and on a year to date basis. In prior periods the caption "Interest and other" included minor amounts related to foreign exchange gains and losses however this has now been segregated within the list of expenses. The Company continues to realize revenue growth from the combination of increased business volume and a change in product mix although the product mix is starting to stabilize. The Company also continues to reposition itself in the marketplace so that it is now starting to compete more frequently with the mid-sized companies in the industry rather than those that specialize in short-run orders. This repositioning should result in the average order size increasing and is expected to also increase the type of services the Company provides. As an example design services are generally offered by the mid-size and larger competitors and are a service for which the Company has previously demonstrated expertise. Despite the fact that the Company generated no income from design services during the most recent three month period it is still expected to be a more significant aspect of the Company's business as this repositioning becomes more firmly entrenched.

The cost of product sales and design services ("cost of sales") for the three months ended March 31, 2005 is actually lower than reported for the corresponding period one year earlier both in terms of total value and as a percentage of corresponding revenue. The resulting gross margin as a percentage of corresponding revenues is 35.4% in the current fiscal quarter and 34.4% on a year-to-date basis as compared to 36.6% for the second quarter and 31.2% for the first quarter. These figures again support that the Company's product sales mix is truly stabilizing.

Management anticipates that there will be a requirement to obtain additional equipment in the near future in order to continue its efforts to compete with the mid-sized companies in the market place. This additional equipment, if it is acquired, will result in an increase in the Company's production capacity and capabilities but will also add to the Company's overhead and financing costs. As at March 31, 2005 the Company had made commitments to acquire three new machines. Each of these machines has been delivered and one has been fully installed and placed into commercial production however it is still not practical to attempt to predict the true impact that the resulting benefits and costs will have on future operations.

Results of Operations - continued

Selling, general and administrative expenses ("SG&A) encompass all costs other than those directly attributable to the production process or the cost of financing the operations. The largest individual elements of this category are always employee/consultant compensation and occupancy costs. The current fiscal quarter was no exception as compensation amounted to $144,726 or 57.4% while occupancy costs amounted to $70,690 or 28.0%. On a year to date basis these figures amount to $416,199 or 59.1% and 197,694 or 28.1% thereby demonstrating that there really has not been much fluctuation from one quarter to the next. It was noted during the 2003 fiscal year that expenses and staffing levels had reached an absolute minimum and that future increases would be necessary in order to support the Company's expanding operations. These predictions have proven to be accurate as total SG&A expenses for the nine month period ended March 31, 2005 have risen by $104,266 in comparison to the prior year. This rise in total costs includes an increase of $118,497 in employee and consultant compensation and a $4,009 increase in occupancy costs. As predicted the Company has found it necessary to provide pay increases to existing employees and to hire additional personnel in order to keep up with the increased workload associated with increased business volumes. The Company has a lease on its operating facility that continues through February 2011 so these costs, subject to significant fluctuation in utility rates or other unforeseen events, will remain both consistent and predictable for quite some time.

The remainder of SG&A is comprised of professional fees, regulatory fees and other costs. Professional fees have actually declined by $25,355 so far in 2005 despite the financing transactions that took place in the current period. This is primarily attributable to the fact that there were larger financing issues that the Company was dealing with in December 2003 and the costs were greater than those incurred recently. Regulatory fees, which correspond directly with the number of transactions the Company undertakes and their relative values, amounted to $19,000 for the three months ended March 31, 2005 raising the total for the year to $28,182. The quarterly total is quite high however the cumulative amount is only $1,768 higher than reported one year earlier. Other SG&A costs aggregated $7,665 in the current period after deducting $5,443 of bad debts recovered. The total of $13,108 realized prior to allowing for the bad debt recovery is consistent with prior periods and no individual elements warrant any further investigation.

The Company's cost of financing, which is comprised of interest on long-term debt, other interest, financing fees and dividends on preferred shares, have been declining however an increase in the current quarter has made the aggregate year to date levels almost identical to those realized in 2004. It should be noted however that further investigation of the current year costs reveals that their nature has changed. There are two components of this cost category in the current year that did not arise at all in the prior year, namely financing fees and interest accretion. Financing fees are approved by the regulatory authorities and represent a one-time fee that the Company pays to arm's length parties that broker new forms of financing on its behalf. The financing fees incurred in the current quarter amounted to $39,402 and raise the total for the year to $50,427. Interest accretion arises from the accounting treatment required under Canadian GAAP for the debentures issued during the 2004 and 2005 fiscal years. This accounting treatment requires that the debentures be carried at a value that is based upon their net present value as determined by discounting the future cash flows. The difference, if any, between the present value and the face value is added to equity at the time the debenture is issued and it is then amortized over the life of the debenture as interest accretion. The aggregate accretion expense recorded for the nine months ended March 31, 2005 was $25,286 including $10,225 in the most recent three month period. If the Company had not incurred these two new elements aggregating $75,713 then the total financing costs would have declined by $75,764 in comparison to the prior year. Interest on notes payable and other financing instruments that are not designated as long-term debt have declined from $90,779 to $34,146 and should continue to decline due to the fact that the principal amounts outstanding have declined significantly. Similarly, dividends on preferred shares have declined from $78,135 to $61,499 and will continue to decline as a result of the recent conversion of preferred shares to common shares. It is possible that interest on long-term debt, prior to recognizing interest accretion, may rise as two new interest-bearing debentures were issued recently and new equipment financing originating during the fourth quarter will also add to the expense.

Liquidity

The Company has been in a growth phase for more than two fiscal years and anticipates that this growth will continue. Business growth frequently correlates with negative cash flow and as at March 31, 2005 the Company had generated negative cash flow from operation in the amount of $134,962 and had spent $27,112 to acquire capital assets. To fund this deficiency the Company has issued three new series of debentures with an aggregate face value of $568,020. $177,500 of this sum had been received in prior periods while $390,520 represents new cash.

Included in the new cash received was an amount of $238,020 that was received from the holders of certain preferred shares. The holders of all Series C and D preferred shares were provide with the opportunity to convert their preferred share holdings and associated dividends into common shares at the rate of 1 common share for each $0.10 converted provided that they converted the amounts due them in their entirety and that they subscribe for this new non-interest bearing convertible debenture in an amount equal to 30% of the face value of the shares converted. The holders of preferred shares having a face value of $793,400 opted to convert their shares and the $200,728 in accrued dividends into common shares.

In addition to meeting working capital requirements the Company must also address the payment or other settlement of the following amounts:

	Due by Mar 2006	Due by Mar 2008	Due by Mar 2010	Due after Mar 2010	Total Due
Repurchase of preferred shares	160,000	1,205,505	-	-	1,365,505
Convertible debentures [(1)]	294,892	1,405,221	-	-	1,700,113
Other long-term debt	83,156	259,567	38,491	-	381,214
Operating leases	99,971	208,619	217,296	99,594	625,480
Total	638,019	3,078,912	255,787	99,594	4,072,312

(1) These figures are based upon the face value of the underlying debentures and are different from the amounts reported in the interim financial statements.

Capital Resources

As at March 31, 2005 the Company had entered into formal commitments to acquire three new pieces of equipment having an aggregate price of US$416,476 that will increase the Company's manufacturing capacity, enhance manufacturing capabilities and enable it to service customers that require a lead-free process.

The Company recently negotiated a credit facility whereby it can borrow up to $2,400,000 with an arm's length party with the proceeds to be used exclusively to finance up to 88% of the purchase price of new equipment. The borrowing associated with each piece of equipment purchased will be supported by an individual promissory note secured by that machine, bearing interest at 9.5% and requiring blended monthly payments as to principal and interest until its maturity 48 months from the date of the advance. Subsequent to March 31, 2005, and in accordance with this program, the Company executed a promissory note in the amount of $259,112 that requires monthly payments of $6,508 until maturity in April 2009.

The Lender is also entitled to receive up to a maximum of 4,000,000 share purchase warrants with the number of warrants being determined by taking 40% of the value of the portion to be financed of any purchase order issued and dividing that by the closing price for the Company's shares on the immediately preceding business day. As a result of having issued the three purchase orders valued at US$416,476 the Company issued 1,177,524 share purchase warrants having an exercise price of $0.155 that have an expiry date of April 8, 2007.

Related Party Transactions

The Company has participated in a number of transactions with related parties and consequently reports many amounts as being due to related parties. These transactions involve the Company's Officers, Directors, their spouses, companies that are considered related as a consequence of the involvement of one or more of these individuals and a director of a subsidiary Company. The majority of these related party transactions involve the provision of financing to the Company along with the corresponding interest expense. All related party transactions are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

The following balances are due to the related parties defined above:

	Mar 31 2005	June 30 2004	Mar 31 2004	June 30 2003
Note payable at prime +2%	57,692	57,692	57,692	57,692
Notes payable at 8.0%	41,045	46,545	45,545	62,106
Note payable at 8.5% (1)	44,485	41,744	40,872	38,345
Note payable at 10.0%	-	10,922	10,922	-
Notes payable at 12.0%	16,639	25,139	-	-
Note payable at 16.0%	-	12,080	10,220	7,013
Revolving loan payable at 33.0% (2)	-	-	231,215	225,047

The following additional balances are due to the related parties defined above:

	Mar 31 2005	June 30 2004	Mar 31 2004	June 30 2003
Debentures payable at 10.5%	-	-	-	49,500
Debentures payable at 8.0%	-	-	-	109,750
Non-interest bearing 3 year debentures (3)	79,859	78,304	83,326	-
Non-interest bearing 2 year debenture (3)	-	5,822	5,938	-
Term loan at prime + 14.3% (2)	363,145	363,145	-	-
Long-term note payable at 8.5%	20,498	25,186	27,462	30,000

The following income and expense items have arisen as a result of transactions involving the related parties defined above:

	Mar 31 2005	June 30 2004	Mar 31 2004	June 30 2003
Revenue – other	-	-	-	17,361
Interest expense – long term	51,025	12,061	6,085	41,703
Interest expense – other	14,432	110,207	85,617	47,666
Consulting fees	-	-	-	8,100

(1) Interest at 8.5% continues to accrue on this note monthly and is added to the balance of the note

(2) The revolving loan was replaced by a term loan as at June 30, 2004 which requires payment as to interest only for the first year.

(3) These debentures held by related parties have a face value of $83,326 and $5,938. The $5,938 debenture was converted into common shares prior to March 31, 2005. Each debenture was initially recorded at its face value but was later adjusted to recognize the portion that is in the nature of equity. This equity portion is then accreted such that each debenture will again be carried at its face value on the date of its maturity, provided it remains outstanding at that time. The carrying value of each debenture is adjusted monthly by the amount of accretion that is recorded, which is included as an element of interest expense – long term.

Related Party Transactions - continued

The following stock options and share purchase warrants have been issued to Directors and/or Officers of the Company and remain outstanding as at the date of this document:

Description	Expiry Date	Number of Common shares
Stock options @ $2.35 per share	August 2005	45,000
Stock options @ $0.89 per share	January 2006	260,500
Share purchase warrants @ $0.10 per share	February 2006	238,743
Stock options @ $0.17 per share	November 2006	100,000
Stock options @ $0.24 per share	February 2007	900,000
Stock options @ $0.135 per share	April 2007	200,000
Stock options @ $0.10 per share	December 2007	900,000
Stock options @ $0.12 per share	December 2008	950,000
Stock options @ $0.12 per share	December 2009	1,000,000

In addition to the options and warrants noted above there were 100,000 share purchase warrants held by an Officer of the Company that expired in August 2004 and 150,000 stock options held by Officers and/or Directors of the Company that expired in November 2004

Convertible instruments and other securities

As at March 31, 2005 the company has the following securities issued and outstanding:

Description	Quantity	Amount
Common shares	32,731,016	$ 18,840,643
Paid in capital of preferred shares		686,994
Class A special shares	1,193,442	100,000
Reported as at December 31, 2004		$ 19,627,637
Series C and D shares and dividends converted	9,941,280	730,963
Debentures converted	3,376,250	188,426
Balance March 31, 2005		$ 20,547,026
Series A preferred shares	166,667	160,000
Series C preferred shares	431,858	755,751
Series D preferred shares	583,640	1,243,151
		2,158,902
Less: amount accounted for as paid in capital		686,994
Liability element of preferred shares at December 31, 2004		$ 1,471,908
Series C and D shares converted		(530,235)
Liability element of preferred shares as at the date of this document		$ 941,673

In addition to the shares issued and outstanding the Company has utilized various convertible instruments as a means of raising financing and has issued stock options and share purchase warrants as incentives to various parties. The following list itemizes the common shares that have been reserved to satisfy the conversions and exercising along with the expiry date associated therewith.

Convertible instruments and other securities - continued

Description	Expiry Date	Number of Common shares
Stock options @ $2.35 per share	June 2005	150,000
Stock options @ $2.35 per share	August 2005	45,000
Debentures convertible at $0.10	December 2005	12,070,942
Stock options @ $0.89 per share	January 2006	290,500
Share purchase warrants @ $0.10 per share	February 2006	238,743
Share purchase warrants @ $0.10 per share	August 2006	1,350,000
Debenture convertible at $0.10	September 2006	1,350,000
Stock options @ $0.17 per share	November 2006	100,000
Share purchase warrants @ $0.10 per share	December 2006	66,875
Share purchase warrants @ $0.10 per share	January 2007	1,250,000
Debentures convertible at $0.10	January 2007	2,380,200
Debenture convertible at $0.06	January 2007	2,000,000
Stock options @ $0.24 per share	February 2007	900,000
Stock options @ $0.135 per share	April 2007	200,000
Share purchase warrants @ $0.155 per share	April 2007	1,177,254
Series C preferred shares	May 2007	168,500
Series D preferred shares	June 2007	200,000
Stock options @ $0.10 per share	December 2007	900,000
Stock options @ $0.12 per share	December 2008	1,100,000
Stock options @ $0.12 per share	December 2009	1,200,000
Shares reserved as at March 31, 2005		27,138,014

In the event that certain convertible debentures are converted then the holders will also receive share purchase warrants that are exercisable as follows:

Share purchase warrants at $0.10	December 2005	2,222,925
Share purchase warrants at $0.10	December 2006	9,122,018
Share purchase warrants at $0.10	January 2007	2,000,000
Share purchase warrants at $0.10	January 2008	2,380,200
Shares reserved for warrants as at March 31, 2005		15,725,143

In the event that certain debentures, which may be converted at $0.10 until December 2005, are not converted by that date then the holder will become entitled to convert them at $0.11 until December 2006. In the event that this occurs then the following items noted above will be cancelled and replaced as follows:

Total reserved shares noted above		27,138,014
Debentures convertible at $0.10	December 2005	(9,122,018)
Debentures convertible at $0.11	December 2006	8,292,744
Debentures convertible at $0.10	January 2007	(2,380,200)
Debentures convertible at $0.11	January 2008	2,163,819
		26,092,359

Total reserved shares noted above		15,725,143
Share purchase warrants at $0.10	December 2006	(9,122,018)
Share purchase warrants at $0.11	December 2006	8,292,744
Share purchase warrants at $0.10	December 2006	(9,122,018)
Share purchase warrants at $0.11	December 2006	8,292,744
		14,679,488