ZTEST Electronics Inc.

Unaudited Interim Consolidated Financial Statements

March 31, 2006

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, 2006

		Mar. 31 2006		(Audited) June 30 2005
Assets				
Current Assets				
Cash	**$**	**194,981**	$	116,075
Accounts receivable		**330,415**		425,183
Inventories (Note 3)		**147,958**		259,135
Prepaid expenses and other assets		**31,978**		35,368
Amounts receivable (Note 4)		**-**		17,000
		705,332		852,761
Equipment (Note 5)		**789,820**		876,316
Investments and advances (Note 6)		**4**		4
	$	**1,495,156**	$	1,729,081
Liabilities				
Current liabilities				
Customer deposits and deferred revenue	**$**	**65,809**	$	62,437
Accounts payable and accrued liabilities		**329,948**		412,423
Dividends payable		**465,466**		402,119
Notes payable and other advances (Note 7)		**127,265**		181,962
Current portion of long-term debt (Note 8)		**642,518**		495,694
Current portion of preferred shares (Note 10)		**136,024**		136,024
		1,767,030		1,690,659
Long-term debt (Note 8)		**416,811**		1,922,244
Preferred shares (Note 10)		**805,649**		805,649
		2,989,490		4,418,552
Commitments (Note 9)		**-**		-
Deficiency in assets				
Share capital (Note 10)		**21,906,283**		20,547,026
Contributed surplus		**95,162**		83,493
Equity portion of convertible debentures		**27,008**		111,422
Deficit		**(23,522,787)**		(23,431,412)
		(1,494,334)		(2,689,471)
	$	**1,495,156**	$	1,729,081

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

Approved by the Board:

Signed: *"John Perreault"*

Director

Signed: *"Wojciech Drzazga"*

Director

ZTEST Electronics Inc.

Unaudited Interim Consolidated Statement of Operations and Deficit
For the periods ended March 31

	Three months ended		Nine months ended	
	2006	2005	**2006**	2005
Revenue				
Product sales	**$ 730,407**	$ 757,673	**$ 2,257,580**	$ 2,665,665
Design services	**-**	-	**1,890**	3,820
Interest and other	**2,104**	440	**2,627**	1,181
	732,511	757,113	**2,262,097**	2,670,666
Expenses				
Cost of product sales and design services	**500,626**	488,622	**1,387,914**	1,751,056
Selling, general and administrative	**230,416**	252,301	**770,609**	703,914
Interest expense - long term (Note 11)	**28,495**	33,685	**101,979**	86,635
Dividends on preferred shares	**13,906**	14,358	**42,336**	61,499
Financing fees	-	39,402	-	50,427
Interest expense - other (Note 11)	**2,579**	7,684	**9,427**	34,146
Foreign exchange	**234**	(11,652)	**(2,791)**	(14,430)
Amortization of equipment	**7,118**	8,812	**21,837**	25,429
	783,374	833,212	**2,331,311**	2,698,676
Loss from operations	**(50,863)**	(76,099)	**(69,214)**	(28,010)
Loss from disposal of equipment	**-**	-	**(1,150)**	-
Loss before income taxes	**(50,863)**	(76,099)	**(70,364)**	(28,010)
Provision for income taxes	**-**	-	**-**	-
Net loss for the period	**(50,863)**	(76,099)	**(70,364)**	(28,010)
Deficit, beginning of period	**(23,465,023)**	(23,242,078)	**(23,431,412)**	(23,266,771)
Dividends on preferred shares	**(6,901)**	(7,130)	**(21,011)**	(30,526)
Deficit, end of period	**$ (23,522,787)**	$ (23,325,307)	**$ (23,522,787)**	$ (23,325,307)
Net loss per share	**$ (0.0009)**	$ (0.0019)	**$ (0.0014)**	$ (0.0008)
Weighted average shares outstanding	**59,010,288**	41,001,738	**51,934,676**	35,447,672

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

ZTEST Electronics Inc.

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

	Three months ended 2006	2005	Nine months ended 2006	2005
Cash flow from operating activities				
Net loss for the period	**$ (50,863)**	$ (76,099)	**$ (70,364)**	$ (28,010)
Items not involving cash				
Loss on sale of equipment	**-**	-	**1,150**	-
Amortization of equipment	**38,404**	22,614	**115,078**	65,352
Stock option compensation	**(90)**	-	**11,669**	3,493
Dividends on preferred shares	**13,906**	14,358	**42,336**	61,499
Interest added to balance of note payable	**1,001**	920	**2,983**	2,741
Interest accretion	**2,922**	10,225	**21,700**	25,286
Changes in non-cash working capital items:				
Accounts receivable	**35,647**	(63,380)	**86,005**	83,802
Inventories	**91,407**	12,900	**111,177**	23,569
Prepaid expenses and other assets	**79**	8,756	**3,390**	11,569
Amounts receivable	**-**	-	**13,067**	(17,000)
Customer deposits and deferred revenue	**(43,077)**	-	**10,509**	(2,584)
Accounts payable and accrued liabilities	**24,049**	(62,453)	**(81,801)**	(364,679)
	113,385	(132,159)	**266,899**	(134,962)
Cash flow from investing activities				
Purchase of equipment	**(12,341)**	(22,732)	**(29,732)**	(27,112)
Cash flow from financing activities				
Repayment of capital lease obligation	**-**	(320)	**-**	(1,971)
Net (repayment) proceeds of long-term debt and notes payable	**(55,422)**	367,589	**(158,261)**	427,901
	(55,422)	367,269	**(158,261)**	425,930
Increase in cash	**45,622**	212,378	**78,906**	263,856
Cash, beginning of period	**149,359**	87,566	**116,075**	36,088
Cash, end of period	**$ 194,981**	$ 299,944	**$ 194,981**	$ 299,944

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	**$ 27,220**	30,543	**$ 87,013**	$ 92,633
Cash paid for income taxes	**$ -**	$ -	**$ -**	$ -

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

1. Business of the Company

ZTEST Electronics Inc. ("the Company") was amalgamated under the laws of Ontario and carries on business, designing, developing, and assembling printed 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, 2006 the Company has a deficit, to date, of $23,522,787.

Basis of presentation

These unaudited interim consolidated financial statements have been compiled by management in compliance with BC Form 51-102. They have been prepared using the same accounting policies and methods as the audited financial statements as at June 30, 2005 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.	-	66.7 %	owned (inactive)

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, 2006 and June 30, 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.

Equipment

Equipment is 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 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 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.

Financial instruments

The carrying amount of Cash, Accounts receivable, Amounts receivable, Customer deposits and deferred revenue, Accounts payable and accrued liabilities, Dividends payable, and Notes payable and other advances approximates their fair value due to the short-term maturities of these instruments.

2. Significant Accounting Policies - continued

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 that is predicated upon the extent that it is more likely than not that such assets will be realized and losses will be 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.

Measurement uncertainty

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 are accounted for using the fair value-based method. Fair value is calculated using the Black Scholes model with the assumptions described in note 10. Consideration paid on the exercise of stock options is credited to share capital together with any accumulated contributed surplus.

3. Inventories

	Mar. 31 2006	June 30 2005
Raw materials	**$ 111,378**	$ 152,651
Work in process	**13,240**	20,845
Finished goods	**23,340**	85,639
	$ 147,958	$ 259,135

4. Amounts Receivable

	Mar. 31 2006	June 30 2005
Demand promissory notes bearing interest at 10% per annum with no fixed maturity dates.	**$ -**	$ 17,000

5. Equipment

	Cost	Accumulated Amortization	Mar. 31 2006 Net Book Value	June 30 2005 Net Book Value
Computer software	**$ 34,269**	**$ 34,269**	**$ -**	$ -
Computer equipment	**263,562**	**251,532**	**12,030**	15,523
Office equipment and furniture	**121,605**	**102,865**	**18,740**	28,889
Manufacturing equipment	**1,562,936**	**834,605**	**728,331**	796,609
Leasehold improvements	**61,003**	**30,284**	**30,719**	35,295
	$ 2,043,375	**$ 1,253,555**	**$ 789,820**	$ 876,316

6. Investments and Advances

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

	Mar. 31 2006	June 30 2005
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

7. Notes Payable and Other Advances

Interest	Security	Terms	Mar. 31 2006	June 30 2005
Nil	Unsecured	No repayment terms	$ **-**	$ 2,000
Prime + 2%	Unsecured	No repayment terms (1)	**45,442**	55,192
6%	Unsecured	On demand	**16,767**	16,767
8%	Unsecured	No repayment terms (2)	**-**	45,930
8.5%	Unsecured	No repayment terms (3)	**48,417**	45,434
12%	Unsecured	No repayment terms (1)	**16,639**	16,639
			$ 127,265	$ 181,962

(1) Payable to Officers of the Company and/or their spouses.

(2) This balance included $41,045 payable to Officers of the Company and/or their spouses, which was converted during the period into 328,630 common shares of the Company.

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

8. Long-Term Debt

	Mar. 31 2006	June 30 2005
Convertible non-interest bearing debentures with a face value of $142,176 (June 30, 2005 - $912,202) mature December 2006. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.11 converted. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share on or before December 1, 2006 for $0.11. (1)	**$ 139,794**	**$** 879,898
Convertible non-interest bearing debentures with a face value of $222,292 were converted during the current period into 2,222,925 common shares and 2,222,295 share purchase warrants that expired December 1, 2005.	**-**	219,764
Convertible non-interest bearing debentures with a face value of $39,600 (June 30, 2005 - $72,600) matured December 1, 2005. (2)	**39,600**	72,175
Convertible non-interest bearing debentures with a face value of $238,020 were each converted during the current period into 2,163,818 common shares and 2,163,818 share purchase warrants.	**-**	225,898
Convertible debenture bearing interest at 10% with a face value of $135,000 matures September 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 before August 31, 2006.	**133,344**	130,543
Convertible debentures bearing interest at 8% with a face value of $120,000 mature January 2007. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one common share for each $0.06 converted. Each unit consists of one common share and one share purchase warrant that entitles the holder to acquire an additional common share for $0.10 before January 25, 2007.	**116,243**	112,801
Sub-total	**$ 428,981**	$ 1,641,079

8. Long-Term Debt - continued

	Mar. 31 2006	June 30 2005
Balance forward	**$ 428,981**	$ 1,641,079
Term loan bearing interest at the TD Canada Trust prime lending rate plus 11%, is secured by a general security agreement, and matures June 30, 2008. Blended monthly principal and interest payments of $10,816 are required. (3)	**243,903**	308,145
Note payable bears interest at 8.5% matures June 2006. Blended monthly principal and interest payments of $947 are required. (4)	**7,846**	15,592
Term loan bearing interest at 9.5%, is secured by specific equipment and matures April 2009. Blended monthly principal and interest payments of $6,510 are required.	**208,082**	250,160
Term loans bearing interest at 9.5%, are secured by specific equipment and mature June 2009. Blended monthly principal and interest payments of $5,099 are required.	**170,517**	202,962
	1,059,329	2,417,938
Less: Current portion	**642,518**	495,694
	$ 416,811	$ 1,922,244

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

2006	$ 520,793
2007	341,116
2008	189,375
2009	55,295
	$ 1,106,579

At the date of issue of a convertible debenture the Company determines the relative amounts to be reported as the liability component and the equity component. The liability portion represents the estimated present value of the associated cash flows determined using an interest rate applicable to non-convertible debt. The equity component, which is included in shareholders' equity, represents the estimated fair value of the conversion right and any share purchase warrants. An amount equal to the equity portion is amortized on a straight-line basis over the term of the debenture. The periodic amortization is called interest accretion and is included as an element of Interest expense – long term. The carrying value of each convertible debenture represents the liability portion plus the cumulative interest accretion. In the event that one of these debentures is converted the amount added to Share capital is equal to the carrying value on the conversion date plus the equity component.

(1) Includes debentures with a face value of $83,326 payable to Officers of the Company and/or their spouses. During the current fiscal year debentures having a face value of $770,026 were converted into 7,700,255 common shares and 7,700,255 share purchase warrants.

(2) During the current fiscal year debentures having a face value of $33,000 were converted into 330,000 common shares. The remaining debenture has matured but the Company has not yet been able to contact the holder in order to settle the balance due. Until appropriate arrangements can be made the balance payable will remain as an element of the current portion of long term debt.

(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.

9. 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:

2007	$ 104,121
2008	104,498
2009	108,648
2010	108,648
2011	99,594
Thereafter	-
	$ 525,509

10. Share Capital

(a) Authorized

Unlimited Common shares

Unlimited Non-voting, non participating Class A special shares redeemable by the Company or the holders, under specific conditions that have not yet been satisfied, 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 four series have been authorized to date:

Series A redeemable, voting [(1)] shares were to be repurchased on May 21, 2004. Negotiations as to a means of settlement are ongoing.

Series B non-voting shares may no longer be issued. All previously issued shares in this series have been converted into common shares.

Series C redeemable, voting [(1)] shares bear 7% cumulative dividends payable monthly and must be repurchased May 2007. These shares can be converted by the holder into common shares of the Company at a rate of 1 common share for each 1.7143 Series C shares until May 2007.

Series D redeemable, voting [(1)] shares bear 7% cumulative dividends payable monthly and must be repurchased June 2007. These shares can be converted by the holder into common shares of the Company at a rate of 1 common share for each 1.6432 Series D shares until June 2007.

[(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, 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 June 30, 2005	46,048,546	20,447,026
Note payable converted	328,362	41,045
Debentures converted	12,633,380	1,318,212
Common shares March 31, 2006	59,010,288	21,806,283
Class A special shares March 31, 2006 and June 30, 2005	1,193,442	100,000
Balance March 31, 2006		$ 21,906,283

10. Share Capital - continued

(b) Issued - continued

	Preferred Shares
Balance 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)
	941,673
Less: Series A preferred shares reflected as a current liability	(136,024)
Balance March 31, 2006 and June 30, 2005	$ 805,649

(c) Details of warrants outstanding are as follows:

Number of Warrants	Price/Warrant	Expiry Date
1,350,000	$0.10	August 30, 2006
66,875	$0.10	December 1, 2006
7,700,255	$0.10	December 1, 2006
1,250,000 (1)	$0.10	January 24, 2007
1,177,524	$0.155	April 8, 2007
2,380,200	$0.10	November 25, 2007
13,924,854		

During the current fiscal year 12,303,380 warrants were issued including 2,222,925 warrants that expired prior to the balance sheet date. An additional 238,743 warrants held by Directors and/or Officers of the Company or their spouses also expired.

(1) A Director of one of the Company's subsidiaries holds these warrants.

(d) Details of options outstanding are as follows:

Common Shares Under Option		Price/Option	Expiry Date
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
100,000	(1)	$0.19	June 14, 2010
50,000		$0.155	July 10, 2010
4,550,000			

During the period 335,500 options, including 305,500 held by Directors and/or Officers of the Company expired, no options were exercised, and 50,000 new options were granted. Subsequent to the balance sheet date an additional 290,500 options expired including 260,500 that were held by Directors and/or Officers of the Company.

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

10. Share Capital - continued

(e) Stock based compensation:

The fair value of stock options and share purchase warrants granted during the period has been determined using the Black-Scholes model. The fair values attributed to stock options that have not yet vested are amortized on a straight-line basis over the vesting period with this amortization being reversed in the event that vesting ceases to be possible. The compensation amount related to stock options is included in Selling, general and administrative expense and the amount related to warrants is included in Financing fees for the period. Both are added to Contributed surplus.

		Mar. 31 2006		June 30 2005
Compensation expense related to options	**$**	**11,669**	$	24,546
Compensation expense related to warrants	**$**	**-**	$	57,102

The following weighted average assumptions were used to calculate the fair value of the options:

	Mar. 31 2006	June 30 2005
Dividend yield	NIL	NIL
Risk free interest rate	2.85%-3.27%	3.07%-3.17%
Expected stock volatility	52.78%	52.78%
Expected life	5 years	2-5 years

11. 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.

James Lalonde

A director of Northern Cross Minerals inc., a subsidiary of the Company.

Description	**Related Party**		**Mar. 31 2006**		June 30 2005
Interest expense - long term	Nu-Way	**$**	**32,525**	$	66,456
Interest expense - long term	1114377	**$**	**779**	$	1,775
Interest expense - other	1114377	**$**	**3,835**	$	4,204
Interest expense - long term	James Lalonde	**$**	**-**	$	1,085
Interest expense - long term	Directors/Officers	**$**	**-**	$	-
Interest expense - other	Directors/Officers	**$**	**4,835**	$	13,381

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.

12. Income Taxes

Future Income Taxes

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 2005
Resource related expenditures	$ 4,915,932
Undepreciated capital cost	205,108
Non-capital losses	703,220
Capital losses	1,108,162
Future income tax assets, before valuation allowance	6,932,421
Valuation allowance	(6,932,421)
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	
2007	$ 161,622
2008	369,506
2009	861,518
2010	439,852
2014	114,400
	$ 1,946,898

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.

13. Segment Disclosure

The Company has one operating segment involving the design, development, and assembly of printed circuit boards and other electronic equipment. All of the Company's assets are located in Canada.

14. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period’s presentation.

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, 2006 and should only be read in conjunction with those financial statements. Both the unaudited interim consolidated financial statements as at March 31, 2006 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 Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties, which may cause actual results to differ materially from the statements made. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to such risks and uncertainties. Many factors could cause our actual results to differ materially from the statements made, including those factors discussed in filings made by us with the Canadian securities regulatory authorities. Should one or more of these risks and uncertainties, such as reduced funding, long sales cycles, currency and interest rate fluctuations, increased competition and general economic and market factors, occur or should assumptions underlying the forward looking financial statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, or expected. We do not intend and do not assume any obligation to update these forward-looking statements. Shareholders are cautioned not to put undue reliance on such forward-looking statements.

The Company

The Company operates a single business segment involving the design, development, and assembly of printed circuit boards and other electronic equipment. The management of the Company is comprised of the following individuals:

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

Two of the Company's directors, who were also members of the Company's audit and/or compensation committees, resigned during the month of April thereby creating two vacancies on the Board. The remaining directors represent a quorum and accordingly have the right, should they so choose, to appoint individuals to fill these vacancies until the next annual meeting of the shareholders is held. As at the date of this document these two vacancies have not been filled.

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

Corporate Performance

Prior to the 2002 fiscal year the Company's management had attempted to grow the Company through investment in entities that were promoting new technologies and by securing the rights to manufacture their emerging new products. As an element of this plan, in August 2000 the Company acquired a controlling interest in a company (Permatech) that assembled printed circuit boards. During the 2002 fiscal year the Company's management opted to focus more on established companies and in January 2002 it acquired the remaining interests in Permatech. The Company's management had recognized and acted upon an opportunity to combine its existing design and development expertise and procurement capabilities with the Permatech assembly proficiency to result in a new, more dynamic, operating entity. Since the 2002 fiscal year the Company's management has remained committed to growing this new business and to remedying the negative financial position that had accumulated up to that point in time.

As the Company approaches the end of its fourth fiscal year since undertaking this transition, management can reflect upon its opinion that there has been progress made relative to its goals while acknowledging that further work remains before the objectives can claim to have been met. Management recognizes that progress in these areas is never linear in nature nor is it continuous. Management also recognizes that the determination of the amount of progress that has been made is a matter of opinion or perspective rather than solely being a result of objective measurement.

As an example, the Company reported a deficit of $22,262,563 and a deficiency in assets of $2,740,276 as at June 30, 2002. The Company's unaudited balance sheet as at March 31, 2006 reports a deficit of $23,522,787 and a deficiency in assets of $1,494,334. This means that during this period the rate of new investment into the Company has exceeded the combination of the losses incurred and the dividends declared on preferred shares. While management continues its efforts to first achieve and then sustain profitability it appreciates the endorsement of its efforts that this increased investment represents.

Another example is that the Company's working capital deficiency has risen from $728,012 as at June 30, 2002 to $1,061,689 as at March 31, 2006 while the Company's total liabilities have declined from $4,358,252 to $2,989,490 in this same time period. Clearly the reduction in total liabilities is a positive result, particularly when you consider that the Company had to borrow additional funds to fund business growth, however the increase in the working capital deficiency is not. The Company's management is very much aware of the need to eliminate this working capital deficiency but it also recognizes that short term fluctuations may occur along the way. The fact that the Company is generating positive cash flows from operations and has not had to borrow any additional funds for working capital purposes during the current fiscal year are considered positive signs that this deficiency will be corrected at some point in time.

A final example can be drawn from the results of operations. The three month period ended March 31, 2006 ("Q3 2006") was the third consecutive fiscal quarter in which the Company experienced a decline in revenues in comparison to the same period one year earlier. This negative trend immediately follows a positive trend that saw an increase in revenues for 11 consecutive quarters and for 3 consecutive fiscal years. Given that each of the first three fiscal quarters of 2006 have reflected declines it would seem inevitable that 2006 will be the first fiscal year in the last four to reflect a decline in gross revenues. While we have previously documented that Q1 and Q2 of 2005 were extremely positive periods which were unlikely to be duplicated we are also experiencing a change in product mix that has the revenue from component procurement declining at the same time that assembly volumes are increasing. Management continues to try to determine why this change in revenue mix is occurring however the continued growth in assembly volumes is considered to be a positive result.

Management continues to strive to achieve the long term objectives of financial stability and sustained profitability and recognizes that conflicting results such as those highlighted above may lead to differing opinions as to the level of success achieved to date.

The following chart of selected financial data will hopefully demonstrate why management believes that progress towards achieving its objectives is being made and provide the framework necessary for readers of this document to formulate their own opinions:

	For the fiscal years ended:		
	June 05	June 04	June 03
Total Revenues	3,381,478	2,467,019	1,892,850
Net income (loss) from operations	(123,815)	(368,192)	(740,914)
Per share	(0.003)	(0.011)	(0.023)
Net income (loss) for the period	(127,137)	(368,192)	(539,855)
Per share	(0.003)	(0.011)	(0.017)
Total assets	1,729,081	1,122,999	909,464
Total long-term financial liabilities	2,727,893	3,004,960	1,799,300
Total liabilities	4,418,552	4,677,614	4,225,449
Cash dividends* – preferred shares	113,063	150,104	153,092

	For the three month periods ended:				
	Mar. 06	Dec. 05	Sept. 05	June 05	Mar. 05
Total Revenues	732,511	757,850	771,736	710,395	757,113
Net income (loss) from operations	(50,863)	(4,143)	(14,208)	(95,805)	(76,099)
Per share	(0.001)	(0.000)	(0.000)	(0.002)	(0.002)
Net income (loss) for the period	(50,863)	(5,293)	(14,208)	(99,127)	(76,099)
Per share	(0.001)	(0.000)	(0.000)	(0.002)	(0.002)
Total assets	1,495,156	1,703,984	1,851,848	1,729,081	1,246,675
Total long-term financial liabilities	1,222,460	1,391,435	2,554,689	2,727,893	2,579,972
Total liabilities	2,989,490	3,140,464	4,515,544	4,418,552	3,908,196
Cash dividends* – preferred shares	20,807	21,270	21,270	21,038	21,488

	For the three month periods ended:				
	Dec. 04	Sept. 04	June 04	Mar. 04	Dec.03
Total Revenues	993,047	920,923	675,915	743,029	570,836
Net income (loss) from operations	46,829	1,260	(42,943)	(64,727)	(93,988)
Per share	0.001	0.000	(0.001)	(0.003)	(0.003)
Net income (loss) for the period	46,829	1,260	(42,943)	(64,727)	(93,988)
Per share	0.001	0.000	(0.001)	(0.003)	(0.003)
Total assets	992,455	1,092,700	1,122,199	987,857	971,463
Total long-term financial liabilities	2,672,742	2,986,591	3,004,960	2,709,696	2,836,297
Total liabilities	4,518,884	4,657,753	4,677,614	4,572,383	4,528,964
Cash dividends* – preferred shares	35,269	35,268	35,812	37,964	38,106

* Cash dividends are being accrued rather than paid

Results of Operations

For the three months ended March 31, 2006 the Company has reported total revenue of $732,511 with virtually all revenue, as usual, being derived from product sales. For the corresponding period one year earlier the Company reported total revenue of $757,113 which computes to a 3.2% decline in the current period. We can also see that at $2,262,097 the year-to-date revenues are 15.3% lower than the Company reported for the similar period one year earlier. Management is aware that declines in revenues are not, and should not be, perceived as being a positive result however they also recognize that they should not necessarily be perceived as being entirely negative. It should be noted that the results noted above are 25.7% higher than reported for the same period in the 2004 fiscal year and this supports the fact that the apparent decline is more a reflection of the disproportionately high revenues for both Q1 and Q2 of 2005. This also fits with management's assertion that assembly volumes are still increasing and that the revenue decline is due to less revenue from component procurement.

For the past number of periods the Company's revenue growth has been attributed to increased business volume and a change in product mix. In this context "product mix" refers to the volume of the Company's business that involves assembly work only as compared to the volume that combines product assembly with component procurement, a combination known in the industry as "turnkey" work. Revenues from component procurement are calculated on a cost-plus basis and therefore this revenue stream is affected by both the volume of components procured and the relative cost of the components procured. If the Company realizes revenue from turnkey products that have a high relative cost of components, as was the case in Q1 and Q2 of 2005, then revenues may be higher than expected. If component procurement volumes decline or the relative cost of components is low then revenues can decline without a corresponding decline in assembly volumes. While no detailed analysis has been completed, it is evident to management that, through the end of Q3 2006, both the volume of components procured and the relative cost of the components procured have declined in comparison to the same period of fiscal 2005. Just as the current mix is different than experienced in previous periods, there is no indication whether the current product mix is representative of the blend to be realized in any future periods. By the very nature of the Company's business, the product mix will fluctuate from one period to the next but as long as assembly volumes are increasing then management asserts that real business growth is occurring.

Product mix will also have a significant impact on the cost of product sales and design services, both in terms of the total value and as a percentage of sales. The cost of product sales and design services for the three month and nine month periods ended March 31, 2006 are $500,626 or 68.5% of corresponding revenues and $1,387,914 or 61.4% of corresponding revenues. The comparable amounts for the periods ended March 31, 2005 were $488,622 or 64.5% and 1,751,056 or 65.6%. During Q3 2006 the Company had a significant sale of components without any associated assembly. This sale, in conjunction with the labour costs described below, has the effect of increasing the cost of product sales as a percentage of corresponding revenues even though the assembly work completed during the period was primarily of a non-turnkey nature.

The two most significant cost categories included within the cost of product sales and design services are direct labour and component costs which jointly account for approximately 84% of the total each period. Direct labour costs rose from $187,618 in Q3 of 2005 to $226,082 in Q3 of 2006 representing a 20% increase. This cost increase is a function of slightly higher assembly volumes but is more attributable to the fact that a number of new products were started during the period. When new products are started there are often disproportionately high labour costs due to the learning curve effect. Management remains able to increase or decrease production personnel more promptly than in the past in order to better match assembly demand however this learning curve effect can skew results over a short period. Due primarily to the large parts sale referred to previously, the total component costs rose slightly from $192,995 in Q3 2005 to $199,950 in Q3 of 2006.

Results of Operations - continued

In addition to direct labour and component costs there are three other general elements that the Company includes in the cost of product sales and design services. These are the costs associated with owning and/or maintaining the production equipment, the cost of freight and the cost of supplies and other items consumed in the production process. Total equipment related costs declined in 2006 to $32,791 in Q3 and $102,864 year-to-date in comparison to $62,190 and $184,133 for the periods ended March 31, 2005. This difference is largely attributable to the recent acquisition of three pieces of equipment that results in higher amortization costs but also caused a significant decrease in lease costs and maintenance. The cost of items consumed in the production process was up significantly in the quarter at $36,471 compared to $14,063 and it is also up on a year-to-date basis based upon $106,857 in comparison to $72,129. These expenditures will vary from period to period based in part on the timing of certain bulk purchases but also on the initial expenditures required at the commencement of a new product assembly run. It is the latter element that caused the costs to rise dramatically in Q3 2006. Freight is a relatively nominal cost at $5,332 for the quarter and $16,151 year-to-date. Accordingly, even the declines of approximately 20% as have been realized through Q3 2006 do not warrant investigation other than having ensured that their rise or fall is logical relative to business volumes.

Selling, general and administrative expenses ("SG&A) encompass all costs other than those directly attributable to the assembly process, foreign exchange, amortization of equipment or the cost of financing the operations. The two largest segments of this category have always been employee and consultant compensation and occupancy costs and the periods ended March 31, 2006 were no exception as they account for almost 86% of the year-to-date total. Compensation was $135,239 for the quarter and $453,069 for the nine months ended March 31, 2006 and occupancy costs were $68,965 for the quarter and $207,243 year-to-date. The corresponding figures for 2005 were $144,726 and $416,199 for compensation and $70,690 and $197,694 for occupancy costs. Compensation includes the gross remuneration paid to all employees and consultants plus any stock based compensation that the Company is required to recognize in accordance with Canadian generally accepted accounting principles ("GAAP"). Stock based compensation is the theoretical value attributed to employee and consultant stock options that were either granted during the current period or were granted but did not fully vest during prior periods. The year-to-date stock based compensation amounts recorded are $11,669 through Q3 2006 as compared to $3,493 through Q3 2005. There was actually a $90 net recovery of compensation expense in the current quarter due to having accounted for the fact that certain stock options will be cancelled before they vest due to the resignation of two directors. The decline in compensation is due primarily to a reduction in the amount paid in accordance with a profit sharing system in the subsidiary company whereby key employees share in the pre-tax profits, if any, as determined on a quarterly basis. The year to date occupancy costs remain higher in 2006 as a consequence of a 4.5% increase in base rent for the operating facility plus higher utility, realty tax and building maintenance costs. The Company has a lease on its operating facility that continues through February 2011 with only one remaining increase in base rent that will occur February 2008 so these costs, barring any 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 for Q3 2006 were $8,564 as compared to $10,220 for the same period in 2005 however the 2006 year-to-date fees remain higher at $40,394 compared to $27,708 for 2005. The current year figures include an adjustment to compensate for the previous under-accrual of year-end audit fees which occurred as a result of management having underestimated the market increase applicable to these fees. Aside form this factor the professional fees remain comparable. Regulatory fees were $5,471 in Q3 2006 and $7,838 through Q2 2006 in comparison to $19,000 and $28,182 for the corresponding periods in 2005. These are transaction based fees and the reported amounts are reflective of the number of new transactions arising during the period that involve the issuance of the Company's shares or the reserving of shares for potential future issuance. Potential future issuances include the issuing of new convertible instruments, share purchase warrants or employee and consultant stock options.

Results of Operations - continued

The Company's cost of financing, which is comprised of interest on long-term debt, other interest, financing fees and dividends on preferred shares, has generally been declining and 2006 is no exception as each of the three fiscal quarters have reflected decreases in comparison to the same periods in 2005. The cumulative figure of $153,742 for 2006 includes an increase in interest related to long term debt but a decline in the other three elements. The 2005 figure of $232,707 included $50,427 in financing fees related to securing new long-term financing related to the acquisition of new equipment while no similar expense has arisen in 2006. It is these new debts which are contributing to the increase in interest on long term debt from $86,635 for the nine-month period ended March 31, 2005 to $101,979 thus far in 2006. The decline in year-to-date dividends from $61,499 in 2005 to $42,336 in 2006 is the direct result of certain preferred shares having been converted to common shares in January 2005 thereby eliminating the associated dividends. The reduction in other interest from approximately $7,684 during Q3 2005 to approximately $2,579 for the current period is attributable to the fact that the Company has been able to either pay down or repay certain short term interest bearing amounts. As noted in previous periods, interest on long term debt includes an amount referred to as accretion. Accretion is a theoretical interest charge required in accordance with Canadian GAAP on account of low interest and/or non-interest bearing debts. Accretion in the current period was $2,922 to bring the year-to-date total to $21,700 as compared to $10,226 and $25,286 for the comparable periods in 2005. The decline in the current quarter is a result of the conversion and maturity of a significant amount of long term debt during prior fiscal periods.

Liquidity

The Company expects its results from operations and the corresponding cash flow from operations to continue to improve although this does not mean that positive cash flows will arise in every period. In the three month period ended March 31, 2006 the Company realized positive cash flow from operations in the amount of $113,385. This made it possible to repay $55,422 of debt during the period thereby bringing the total repayments in fiscal 2006 to $158,261. While these current results are certainly encouraging, the Company continues to have a working capital deficiency and it is conceivable that new financing arrangements may need to be made to fund a portion of, or this entire, shortfall. It is also anticipated that new long term borrowing will be required in order to finance equipment acquisitions and possibly to replace other maturing debt.

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

	Due by Mar 2007	Due by Mar 2009	Due by Mar 2011	Due after Mar 2011	Total Due
Repurchase of preferred shares [1]	160,000	1,205,505	-	-	1,365,505
Convertible debentures [2]	436,776	-	-	-	436,776
Other long-term debt	213,537	395,294	21,517	-	630,348
Operating leases	104,121	213,146	208,242	-	525,509
Total	914,434	1,813,945	229,759	-	2,958,138

(1) At the time that these preferred shares were issued a portion of the proceeds was added to share capital while the remainder has been carried as a liability. The values noted above reflect the redemption prices that must be paid without reference to the underlying accounting classification.

(2) At the time that these debentures were issued a portion of the proceeds was added to Shareholders' equity and the remainder was recorded as a liability. This liability portion has since been adjusted to recognize the periodic amortization of the equity portion. The values noted above reflect the face value that must be paid at maturity without reference to the underlying accounting classification.

Capital Resources

The Company has issued a purchase order to acquire a Selective Soldering machine having an approximate value of US$70,000. This machine will increase production efficiency and replace a process that currently has to be done manually. The Company has access to a credit facility that can be used up to the maximum of 88% of the pre-tax amount of any equipment purchases and this facility will be utilized for this acquisition. Each amount borrowed under this facility will become repayable over a 48 month term and will bear interest at the rate of 9.5% per annum. No portion of this facility was utilized during the current period thereby leaving a maximum of $1,937,926 available to finance this pending acquisition and other future equipment purchases when the need arises.

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 2006	June 30 2005	Mar 31 2005	June 30 2004
Note payable at prime +2%	45,442	55,192	57,692	57,692
Notes payable at 8.0%	-	41,045	41,045	46,545
Note payable at 8.5% (1)	48,417	45,434	44,485	41,744
Note payable at 10.0%	-	-	-	10,922
Notes payable at 12.0%	16,639	16,639	16,639	33,639
Note payable at 16.0%	-	-	-	12,080
Non-interest bearing 3 year debentures (2)	81,930	80,375	79,859	78,304
Non-interest bearing 2 year debenture (2, 3)	-	-	-	5,822
Term loan at prime + 11% (4)	243,903	308,145	363,145	363,145
Long-term note payable at 8.5%	7,846	15,592	18,069	25,186

(1) Interest at 8.5% continues to accrue on this note monthly and is added to the balance of the note
(2) This debenture is subject to accretion and accordingly it is carried on the balance sheet at an amount less than its face value of $83,326. The carrying value, as noted above, is adjusted each period by the amount of accretion that is recorded.
(3) This debenture was converted into 59,375 common shares of the Company in January 2005.
(4) As at June 30, 2005 the interest rate was reduced to prime + 11% from prime + 14.3%.

The following expenses have arisen as a result of transactions involving the related parties defined above:

	Mar 31 2006	June 30 2005	Mar 31 2005	June 30 2004
Interest expense – long term	33,304	69,316	51,025	12,061
Interest expense – other	8,670	17,585	14,432	110,207

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 @ $0.17 per share	November 2006	100,000
Share purchase warrants @ $0.10 per share	January 2007	1,250,000
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
Stock options @ $0.19 per share	June 2010	100,000

In addition to the options and warrants noted above there were 45,000 stock options held by Officers and/or Directors of the Company that expired in August 2005, 290,500 that expired in January 2006, and 238,743 that expired in February 2006.

Convertible instruments and other securities

During the current fiscal year a number of debentures were converted into securities of the Company resulting in the issuance of 12,633,380 common shares and 12,303,380 share purchase warrants of which 10,080,455 remain outstanding. Following these conversions the Company has the following securities issued and outstanding:

Description	Quantity	Amount
Common shares	46,048,546	$ 20,023,194
Paid in capital of preferred shares		423,832
Class A special shares	1,193,442	100,000
Share capital as at June 30, 2005		$ 20,547,026
Debentures converted	12,633,380	1,318,212
Notes payable converted	328,632	41,045
Share capital as at March 31, 2006		$ 21,906,283
Series A preferred shares	166,667	$ 160,000
Series C preferred shares	288,858	505,502
Series D preferred shares	328,640	700,003
		$ 1,365,505
Less: amount accounted for as paid in capital		423,832
Liability element of preferred shares		$ 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.

Description	Expiry Date	Number of Common shares
Share purchase warrants @ $0.10 per share	August 2006	1,350,000
Debentures convertible at $0.10	September 2006	1,350,000
Stock options @ $0.17 per share	November 2006	100,000
Balance forward to next page		2,800,000

Convertible instruments and other securities - continued

Balance forward from previous page		2,800,000
Share purchase warrants @ $0.10 per share	December 2006	7,767,130
Debentures convertible @ $0.11	December 2006	1,292,512
Debentures convertible @ $0.06	January 2007	2,000,000
Share purchase warrants @ $0.10 per share	January 2007	1,250,000
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	1,177,524
Series C preferred shares	May 2007	288,858
Series D preferred shares	June 2007	328,640
Share purchase warrants @ $0.10 per share	November 2007	2,380,200
Stock options @ $0.10 per share	December 2007	900,000
Stock options @ $0.12per share	December 2008	1,100,000
Stock options @ $0.12per share	December 2009	1,200,000
Stock options @ $0.19 per share	June 2010	100,000
Stock options @ $0.155 per share	July 2010	50,000
Common shares reserved as at March 31, 2006		23,734,864

In the event that certain convertible debentures are converted in accordance with the chart above then the holder will also receive share purchase warrants that are exercisable as follows:

Share purchase warrants at $0.11	December 2006	1,292,512
Share purchase warrants at $0.10	January 2007	2,000,000
Common shares reserved as at March 31, 2006		3,292,512

While some of the stock options, share purchase warrants, and convertible debentures are held by related parties the Company has no ability to cause any of the items noted above to be converted and/or exercised.