ZTEST Electronics Inc.

Unaudited Interim Consolidated Financial Statements

March 31, 2008

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, 2008

		Mar. 31 2008		(Audited) June 30 2007
Assets				
Current Assets				
Cash	**$**	**39,378**	$	115,504
Accounts receivable		**500,914**		451,188
Inventories (Note 4)		**274,431**		241,467
Prepaid expenses and other assets		**32,166**		33,436
		846,889		841,595
Equipment (Note 5)		**610,091**		627,553
	$	**1,456,980**	$	1,469,148
Liabilities				
Current liabilities				
Customer deposits and deferred revenue	**$**	**9,202**	$	5,129
Accounts payable and accrued liabilities		**475,747**		487,552
Dividends payable		**268,201**		268,201
Notes payable and other advances (Note 6)		**85,884**		156,731
Current portion of long-term debt (Note 7)		**450,139**		388,421
Preferred shares (Note 9)		**473,855**		473,855
		1,763,028		1,779,889
Long-term debt (Note 7)		**571,435**		744,523
		2,334,463		2,524,412
Deficiency in assets				
Share capital (Note 9)		**21,956,332**		21,956,332
Contributed surplus (Note 9)		**311,361**		305,417
Equity portion of convertible debentures		**25,463**		25,463
Deficit		**(23,170,639)**		(23,342,476)
		(877,483)		(1,055,264)
	$	**1,456,980**	$	1,469,148

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 2008	Three months ended 2007	Nine months ended 2008	Nine months ended 2007
Revenue				
Product sales	**$ 937,253**	$ 931,847	**$ 3,063,761**	$ 2,476,687
Interest and other	**-**	2,138	**11**	4,394
	937,253	933,985	**3,063,772**	2,481,081
Expenses				
Cost of product sales and design services	**592,034**	549,244	**1,838,486**	1,484,517
Selling, general and administrative	**285,840**	305,873	**959,018**	919,747
Interest expense - long term (Note 10)	**19,709**	20,216	**62,145**	63,839
Dividends on preferred shares	**-**	14,370	**-**	42,799
Interest expense - other (Note 10)	**2,997**	5,409	**12,061**	13,160
Foreign exchange	**(1,591)**	11	**(3,583)**	2,275
Amortization of equipment	**3,774**	4,570	**10,803**	57,350
	902,763	899,693	**2,878,930**	2,583,687
Income (loss) from operations	**34,490**	34,292	**184,842**	(102,606)
Gain on settlement of obligations	**-**	8,384	**-**	108,094
Loss from disposal of equipment	**(13,005)**	-	**(13,005)**	(5,307)
Income (loss) before income taxes	**21,485**	42,676	**171,837**	181
Provision for income taxes	-	-		-
Net income (loss) for the period	**21,485**	42,676	**171,837**	181
Deficit, beginning of period	**(23,192,124)**	(23,633,415)	**(23,342,476)**	(23,576,810)
Dividends on preferred shares	**-**	(7,131)	**-**	(21,241)
Deficit, end of period	**$ (23,170,639)**	$ (23,597,870)	**$ (23,170,639)**	$ (23,597,870)
Net income (loss) per share	**$ 0.0004**	$ 0.0007	**$ 0.0028**	$ 0.0000
Weighted average shares outstanding	**61,010,288**	61,010,288	**61,010,288**	61,010,288

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		Nine months ended	
	2008	2007	**2008**	2007
Cash flow from operating activities				
Net income (loss) for the period	**$ 21,485**	$ 42,676	**$ 171,837**	$ 181
Items not involving cash				
Gain on settlement of obligations	**-**	(8,383)	**-**	(108,093)
Loss on sale of equipment	**13,005**	-	**13,005**	5,307
Amortization of equipment	**36,421**	39,628	**100,465**	162,473
Stock option compensation	**1,618**	3,967	**5,944**	14,061
Dividends on preferred shares	**-**	14,370	**-**	42,799
Interest accretion	**-**	-	**-**	3,295
Changes in non-cash working capital items:				
Accounts receivable	**(48,618)**	(150,652)	**(49,726)**	(181,532)
Inventories	**50,389**	(41,439)	**(32,964)**	(37,869)
Prepaid expenses and other assets	**40,660**	-	**1,270**	7,160
Customer deposits and deferred revenue	**952**	(1,563)	**4,073**	92
Accounts payable and accrued liabilities	**(7,195)**	76,480	**(11,805)**	43,225
	108,717	(24,916)	**202,099**	(48,901)
Cash flow from investing activities				
Purchase of equipment	**(96,008)**	(2,147)	**(96,008)**	(9,201)
Cash flow from financing activities				
Net (repayment) proceeds of long-term debt and notes payable	**(10,035)**	1,418	**(182,217)**	(98,619)
Increase (decrease) in cash	**2,674**	(25,645)	**(76,126)**	(156,721
Cash, beginning of period	**36,704**	82,134	**115,504**	213,210
Cash, end of period	**$ 39,378**	$ 56,849	**$ 39,378**	$ 56,489

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	**$ 21,521**	25,735	**$ 73,103**	$ 74,048
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") 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 Canadian 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, 2008 the Company has a deficit, to date, of $23,170,639 and working capital deficiency of $916,139. The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and its ability to generate positive cash flow from operations.

Basis of presentation

These unaudited interim consolidated financial statements have been compiled by management using, except as noted below, the same accounting policies and methods as the audited financial statements as at June 30, 2007 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)

Adoption of new accounting standards

Effective July 1, 2007 the Company adopted the new accounting standards for Financial Instruments, Equity, and Comprehensive Income as required in accordance with Canadian generally accepted accounting principles. These standards introduce new requirements for the recognition, measurement and disclosure of financial instruments, establish the concept of comprehensive income and the rules for reporting it, and introduce new rules for the reporting of equity and the changes therein.

There were no adjustments required as a result of the adoption of these new standards. Furthermore, the Company’s comprehensive income for the current period is equal to its net income and there is no balance to be reported as Accumulated other comprehensive income.

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 and warrants. 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 and warrants granted during the period.

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, 2008 and June 30, 2007 there were no cash equivalents on hand.

2. Significant Accounting Policies - continued

Inventories

Raw materials are valued at the lower of cost and replacement cost. Work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

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 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 four 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 $NIL and any further recoveries, should any arise, will be accounted for on a cash basis.

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 each income tax asset, including unused tax losses, is 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 correspond with the transfer of title and when collection is reasonably assured.

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.

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.

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.

3. Financial instruments

Fair Values:

The carrying amount of cash, accounts 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.

Credit risk and concentration of credit risk:

The Company is subject to credit risk however, in an effort to mitigate this, it actively manages and monitors its receivables and obtains pre-payments where warranted. Bad debt experience has not been significant.

During the current period there were no individual customers that accounted for 20% of total revenue (June 2007 – two customers aggregating 42.9%).

Foreign exchange/Currency risk:

The Company purchases some inventory components in US dollars and earns most of its revenues in Canadian dollars. As a result it is subject to risk due to the fluctuations in the exchange rates between the two currencies and it does not actively manage this risk. During the current period the Company reported a net gain on foreign exchange of $3,583 (Mar. 2007 – loss of $2,275).

Interest rate risk:

The Company has certain borrowings that are subject to interest rates that float in accordance with the prime lending rate of its financial institution. This may have an impact on the income and/or cash flows of future periods.

4. Inventories

	Mar. 31 2008	June 30 2007
Raw materials	**$ 212,082**	$ 167,348
Work in process	**19,248**	24,526
Finished goods	**43,101**	49,593
	$ 274,431	$ 241,467

5. Equipment

Mar. 31, 2008	Cost	Accumulated Amortization	Net Book Value
Computer equipment	**$ 161,518**	**$ 149,830**	**$ 11,688**
Office equipment and furniture	**70,287**	**57,754**	**12,533**
Manufacturing equipment	**1,443,775**	**876,423**	**567,352**
Leasehold improvements	**61,003**	**42,485**	**18,518**
	$ 1,736,583	**$ 1,126,492**	**$ 610,091**

June 30, 2007	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 158,072	$ 147,104	$ 10,968
Office equipment and furniture	70,287	55,542	14,745
Manufacturing equipment	1,578,773	1,000,026	578,747
Leasehold improvements	61,003	37,910	23,093
	$ 1,868,135	$ 1,240,582	$ 627,553

6. Notes Payable and Other Advances

Interest	Security	Terms	Mar. 31 2008	June 30 2007
Prime + 2%	Unsecured	No repayment terms [1]	19,442	29,192
12%	Unsecured	No repayment terms [1]	66,442	72,539
12%	Unsecured	No repayment terms [2]	-	30,000
12%	Unsecured	No repayment terms	-	25,000
			$ 85,884	$ 156,731

[1] Payable to Officers of the Company and/or their spouses.
[2] Payable to a corporate shareholder that is controlled by the spouse of a Director of the Company

7. Long-Term Debt

	Mar. 31 2008	June 30 2007
Non interest bearing debenture matured December 1, 2005. [1]	$ 39,600	$ 39,600
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.	31,859	119,754
Term loan bearing interest at 9.5%, secured by specific equipment and matures in April 2009. Blended monthly principal and interest payments of $6,510 are required.	80,116	130,962
Term loan bearing interest at 8.5%, unsecured, and matures in June 2009. Blended monthly principal and interest payments of $1,561 are required. [2]	22,140	34,342
Term loans bearing interest at 9.5%, are secured by specific equipment and mature in June 2009. Blended monthly principal and interest payments of $5,099 are required.	71,851	111,054
Term loan bearing interest at 12.0%, unsecured, and matures in June 2009. Blended monthly principal and interest payments of $2,570 are required. [2]	35,638	-
Term loan bearing interest at 12.0%, unsecured, and matures in June 2009. Blended monthly principal and interest payments of $1,928 are required. [3]	26,728	-
Term loan bearing interest at 12.0%, secured by specific equipment, and matures in August 2010. Blended monthly principal and interest payments of $775 are required. [2]	19,425	-
Term loan bearing interest at 12.0%, unsecured, and matures in August 2010. Blended monthly principal and interest payments of $1,928 are required. [3]	60,218	-
Term loans bearing interest at 8.0%, unsecured, and mature November 2010. Blended monthly principal and interest payments of $3,471 are required. [4]	99,724	124,157
Term loans bearing interest at 8.0%, unsecured, and mature May 2011. Blended monthly principal and interest payments of $3,296 are required.	110,311	132,605
Term loan bearing interest at 6.0%, secured by a general security agreement covering the assets of Permatech, matures December 2011. Blended principal and interest payments of $4,000 are required each month until May 2008, then $10,000 per month until May 2009, then $11,265 per month until maturity.	423,964	440,470
Total long-term debt	1,021,574	1,132,944

7. Long-Term Debt - continued

	Mar. 31 2008	June 30 2007
Total long-term debt	**1,021,574**	1,132,944
Less: Current portion	**450,139**	388,421
	$ 571,435	$ 744,523

(1) The debenture has matured but the Company has not been able to contact the holder in order to settle the balance due. The balance payable remains as an element of the current portion of long term debt.
(2) Payable to a corporate shareholder that is controlled by the spouse of a Director of the Company.
(3) Payable to Officers of the Company and/or their spouses.
(4) Includes $58,446 (June 30, 2007 - $72,766) payable to Officers of the Company and/or their spouses.

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

2009	$ 450,139
2010	261,108
2011	204,904
2012	105,423
	$ 1,021,574

8. 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:

2009	$ 108,648
2010	108,648
2011	99,594
	$ 316,890

9. 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. The following four series have been authorized to date:

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

Series B 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 were to be repurchased May 2007. Negotiations as to a means of settlement are ongoing.

Series D redeemable, voting [1] shares were to be repurchased June 2007. Negotiations as to a means of settlement are ongoing.

(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.

9. Share Capital - continued

(b) Issued

	Number of Shares	Amount
Common shares March 31, 2008 and June 30, 2007	60,351,804	$ 20,856,332
Class A special shares March 31, 2008 and June 30, 2007	1,193,442	100,000
Balance March 31, 2008 and June 30, 2007		$ 21,956,332

Preferred Shares:

	Current	Other	Total
Balance March 31, 2008 and June 30, 2007	$ 473,855	$ -	$ 473,855

(c) Details of warrants outstanding are as follows:

Number of Warrants	Price/Warrant	Expiry Date
1,000,000	$0.24	June 29, 2008

During the period no warrants were granted or exercised however 2,380,200 warrants expired, including 766,800 that were held by a related party that holds in excess of 10% of the issued common shares of the Company.

(d) Details of options outstanding are as follows:

Common Shares Under Option		Price/Option	Expiry Date
750,000	(1)	$0.12	December 18, 2008
150,000		$0.12	December 18, 2008
200,000		$0.12	December 17, 2009
800,000	(1)	$0.12	December 17, 2009
50,000		$0.155	July 10, 2010
900,000	(1)	$0.17	June 27, 2011
2,850,000			

During the period no options were exercised or granted however 750,000 options held by Directors and/or Officers of the Company expired.

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

(e) Stock based compensation:

The Company has a stock option plan. The aggregate number of common shares reserved for issuance under this plan cannot exceed 20% of the aggregate number of common shares of the Company that are issued and outstanding. The Company has granted options for the purchase of common shares to employees, directors, officers and other service providers. The fair values of stock options granted have been determined using the Black-Scholes model and are added to contributed surplus as follows:

	Mar. 31 2008	June 30 2007
Contributed surplus, beginning of period	**$ 305,417**	$ 108,228
Compensation expense related to stock options granted in prior periods	**5,944**	16,749
Gain on settlement of obligations classified as equity	-	180,440
Contributed surplus, end of period	**$ 311,361**	$ 305,417

10. Related Party Transactions

In addition to the Directors and Officers, the following related parties had transactions with the Company during the period or outstanding balances at the end of the period:

1114377 Ontario Inc. ("1114377")
A shareholder, that is controlled by the spouse of a Director of the Company.

J.T. Risty Limited ("J.T. Risty")
A shareholder that holds in excess of 10% of the issued common shares of the Company.

All 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.

Description	**Related Party**	**Mar. 31 2008**	June 30 2007
Interest expense - long term	1114377	**$ 2,826**	$ 3,624
Interest expense - other	1114377	**$ 2,632**	$ 3,147
Interest expense - long term	Directors/Officers	**$ 5,192**	$ 3,679
Interest expense - other	Directors/Officers	**$ 7,974**	$ 5,616
Interest expense – long term	J.T. Risty	**$ -**	$ 2,626
Interest expense – other	J.T. Risty	**$ -**	$ 9,764

11. 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 2007
Resource related expenditures	$ 4,915,932
Undepreciated capital cost	315,894
Non-capital losses	542,135
Capital losses	1,108,162
Future income tax assets, before valuation allowance	6,882,123
Valuation allowance	(6,882,123)
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	
2008	249,678
2009	525,640
2010	439,852
2014	114,285
2027	287,896
	$ 1,617,351

11. Income Taxes (continued)

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.

General

The following discussion of financial condition, changes in financial condition and results of operations has been prepared by the Company's management, without review or comment from the Company's auditors. This document is intended to accompany the unaudited interim consolidated financial statements of the Company as at March 31, 2008 and should only be read in conjunction with those financial statements. Additional information about the Company can be found at www.sedar.com.

Disclosure Controls and Procedures

Management is responsible for the information disclosed in this Management Discussion and Analysis (MD&A) and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the financial year ended June 30, 2007, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("MI 52-109").. Based on that evaluation, and as there have been no subsequent changes to these controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of March 31, 2008 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within each of those entities.

Internal Control Over Financial Reporting

MI 52-109 requires a reporting issuer to submit an annual certificate relating to the design of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. As part of this process, management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the design of the internal control over financial reporting at June 30, 2007 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of June 30, 2007.

Changes in Internal Control Over Financial Reporting

Under the provisions of MI 52-109, a reporting issuer is also required to disclose in their MD&A any change in internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect internal control over financial reporting. Management has determined that there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

Forward-looking Information

This MD&A 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.

In April 2008 the Board appointed Mr. Mike Hiscott, CA to fill a vacancy thereby increasing the number of directors to four (4) and independent directors to two (2). Mr. Hiscott will serve on the audit committee, replacing Wojciech Drzazga, and the compensation committee, replacing John Perreault. Following this appointment the management of the Company is now comprised of the following individuals:

Name	**Position(s)**
Wojciech Drzazga	Director and CEO
John Perreault [(1)]	Director and President
K. Michael Guerreiro [(1) (2)]	Director
Mike Hiscott [(1) (2)]	Director
Michael D. Kindy	VP Finance & CFO
William R. Johnstone	Secretary

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

Corporate Performance

The recently completed fiscal quarter, with total revenues of $937,253, represents the sixth consecutive quarter for which the Company reported total revenues in excess of $900,000 and the first time that revenues through the first nine months of any fiscal year have exceeded $3,000,000. This also marks the sixth consecutive quarter for which revenues exceeded the amounts reported for the corresponding quarter one year earlier. Management expects that this growth trend will continue for the foreseeable future.

The Company reported net income from operations of $34,490 for the recently concluded fiscal quarter and net income for the period of $21,485. This represents the sixth consecutive quarter for which the Company has reported net income and the fourth quarter out of the last six in which the income from operations has been positive. Management has long asserted that profitability would be achieved once it realized sufficient growth in its revenue base. The results realized in these recent fiscal periods support this assertion and suggest that this level of revenues has been achieved. It is currently anticipated that the Q4 2008 results will constitute a continuation of these revenue and profitability trends and that the 2008 fiscal year will be concluded with positive results from operations.

The Company's management has repeatedly stated that it had two primary goals that it sought to achieve. These goals were, and continue to be, to realize sustained profitability through revenue growth and to attain financial stability by eliminating its working capital deficiency and its deficiency in assets. While recent results suggest that the Company is on the verge of achieving the first goal it is evident that, in spite of the progress that continues to be made, much work remains to be done in order to achieve the second.

Q3 represents the fourth consecutive quarter, and the tenth out of the past eleven, for which total liabilities have declined and the sixth consecutive quarter in which the deficiency in assets has been reduced. This was also the sixth consecutive quarter for which the Company reported positive cash flows from operations. While these results are encouraging the fact remains that until such time that the working capital deficiency of $916,139 and the deficiency in assets of $877,483 are both remedied there can be no claim that financial stability has been achieved.

Management continues to be optimistic about the Company's ability to achieve and surpass its stated goals but it is also virtually certain that there will be some challenges that must be overcome in the process. Management continues to effect the changes it believes are necessary to enable operational growth to continue and to seek effective solutions to reduce the Company's financial burdens. At the present time there is every indication that the positive results of recent periods will continue and therefore management's optimism appears to be well founded.

Corporate Performance - continued

The following data may provide some insight into the Company's performance and financial position:

	For the fiscal years ended:		
	June 07	June 06	June 05
Total Revenues	3,436,846	2,980,353	3,381,478
Net income (loss) from operations	(107,196)	(118,258)	(123,815)
Per share	(0.002)	(0.002)	(0.003)
Net income (loss) for the period	259,441	(117,408)	(127,137)
Per share	0.004	(0.002)	(0.003)
Total assets	1,469,148	1,710,074	1,729,081
Total long-term financial liabilities	744,523	396,113	2,787,893
Total liabilities	2,524,412	2,947,282	4,418,552
Cash dividends (1) – preferred shares	75,697	84,385	113,063

	For the three month periods ended:				
	Mar. 08	Dec. 07	Sept. 07	June 07	Mar. 07
Total Revenues	937,253	1,042,894	1,083,625	955,765	933,985
Net income (loss) from operations	34,490	70,072	80,280	(4,590)	34,292
Per share	0.001	0.001	0.001	(0.000)	0.001
Net income (loss) for the period	21,485	70,072	80,280	259,260	42,676
Per share	0.000	0.001	0.001	0.004	0.001
Total assets	1,456,980	1,450,155	1,463,341	1,469,148	1,487,014
Total long-term financial liabilities	571,435	588,927	667,504	744,523	405,839
Total liabilities	2,334,463	2,350,741	2,436,131	2,542,412	2,683,279
Cash dividends (1) – preferred shares	NIL	NIL	NIL	11,657	21,501

	For the three month periods ended:				
	Dec. 06	Sept. 06	June 06	Mar. 06	Dec. 05
Total Revenues	936,100	610,996	720,256	730,511	757,850
Net income (loss) from operations	(16,868)	(120,030)	(47,044)	(52,863)	(4,143)
Per share	(0.000)	(0.002)	(0.001)	(0. 001)	(0.000)
Net income (loss) for the period	77,535	(120,030)	(47,044)	(50,863)	(5,293)
Per share	0.001	(0.002)	(0.001)	(0.001)	(0.000)
Total assets	1,358,050	1,357,519	1,710,074	1,495,156	1,703,984
Total long-term financial liabilities	484,179	334,751	396,113	1,222,460	2,391,435
Total liabilities	2,593,827	2,721,764	2,947,282	2,989,490	3,140,464
Cash dividends (1) – preferred shares	21,269	21,270	21,038	20,807	21,270

(1) Cash dividends were being accrued rather than paid

Results of Operations

During the third quarter of 2008 the Company realized total revenues of $937,253 representing a gain of less that 1% in comparison to the same period one year earlier. As a result of this modest gain the Company continued to report significant revenue growth on a year-to-date basis. The cumulative revenues of $3,063,772 are more than 23% higher than was reported for the nine month period ended March 2007.

While revenues for Q3 were slightly less than those reported in Q2, and while this is the third consecutive year in which Q3 sales have been less than Q2 sales, management believes that the current period results are not truly consistent with this apparent trend. This belief is predicated on the fact that there were a number of factors, beyond the Company's control, that caused delays in the delivery of certain products and thereby caused sales for the period to be lower than was initially anticipated. While it is not practical to determine what the sales might have been had these factors not arisen it would be safe to say that the growth realized in Q3 would have been greater than was reported. While these factors appear to have been remedied in the current period it remains too early to predict whether fourth quarter results will be better or worse than those experienced last year.

Results of Operations - continued

It is also notable that the Company's two largest individual customers continued to represent lower percentages of revenues during Q3. For the year ended June 30, 2007 these two customers represented almost 43% of total revenues. In comparison these customers represented just over 39% of the total revenues in Q1, 29% in Q2, 24% in Q3 and 31% on a year-to-date basis. While these percentages are declining, it appears that the value of the revenues derived from business transacted with these parties has not. This means that the Company is maintaining its relationship with these parties but is generating business growth through other sources thereby reducing its reliance on them. There is every indication that these parties will continue to be significant customers for the foreseeable future, and more business is being sought from them but management will continue to encourage this revenue diversification under the belief that it makes the Company stronger.

Total cost of product sales incurred in Q3-2008 was $592,034 thereby raising the year to date totals to $1,838,486. The comparative figures reported as at March 31, 2007 were $549,244 and $1,484,517. The costs for the current quarter are almost 8% higher than they were last year while the year-to-date costs are almost 24% higher in 2008 as compared to 2007. It is clear that the increase in these quarterly costs exceeds the corresponding rise in revenues while the year-to-date change is comparable between costs and revenues. We used to be able to draw conclusions as to the product sales mix based on this type of analysis but recent changes to the average order size, production efficiency and other production factors have significantly diminished the reliability of this comparison. These changing factors make it necessary to examine the cost of sales in greater detail in order to draw conclusions.

As with every preceding fiscal period the three major cost components included in cost of sales are the amounts incurred for components, remuneration and the cost of machinery. While the relative values of these individual cost components vary from period to period the aggregate always represents approximately 91% of the total cost of sales. During Q3-2008 these costs amounted to $273,247, $237,900 and $33,350 respectively and in aggregate they represent a little less than 92% of the total cost of sales. In comparison these figures amounted to $215,349, $238,780, and $40,188 in Q3-2007 representing just over 90% of total cost of sales. For the nine month periods ended March 31, 2008 and March 31, 2007 the aggregate costs were equal to the 91% historical av erage.

The cost of components is subject to the largest variation from period to period as it is entirely dependant on the nature and timing of customer orders. The amount incurred in the current fiscal quarter is almost 27% higher than for Q3 2007 while the costs for the nine months ended March 31, 2008 is over 62% higher than the comparable amount in 2007. The Company promotes the fact that, in most cases, it can supply components to its customers at no additional cost to them, particularly when one considers all of the freight, handling and personnel time incurred. When combined with other efficiency gains this proposition becomes a winning scenario for both the Company and the customers that opt to take advantage of the opportunity. As a result of getting this message out, the value of the components that the Company has purchased for inclusion in the products the Company assembles for its customers has recently been on the rise and is expected to continue to rise.

The decrease of less than 1% in remuneration that arises when comparing Q3 2008 to Q3 2007 is the net result of a number of factors. The labour efficiencies realized in recent periods have served to effectively offset wage increases and the increased cost of employee benefits. However, the Company did not realize the full benefit of these efficiencies as it chose not to reduce its staff complement in spite of a reduction in assembly volumes. Based upon the 27% increase in component costs, and the fact that these costs are passed along to the customer, it is evident that component sales increased. Since total revenues have increased by less than 1% and component sales rose it must follow that assembly fees, and therefore assembly volumes, have actually declined. Management was aware of this decline, and the factors that contributed to it, and determined that it was temporary in nature. Based upon this assessment management then determined that the cost of replacing and retraining personnel would exceed the cost savings that would result from temporarily reducing its staff complement. This decision resulted in keeping total remuneration costs virtually unchanged despite the reduction in assembly volume.

Results of Operations - continued

Equipment costs are a combination of the cost of maintenance and the amortization claimed for the period. For the three months ended March 31, 2008 both of these expenses were lower than in the corresponding period in 2007. Maintenance costs are incurred primarily on an as-needed basis and will therefore fluctuate from one period to the next. With relatively new equipment these costs are not expected to be significant. Amortization costs are highest during the year following acquisition and the acquisitions made in the 2006 fiscal year were significantly higher than the acquisitions made in the 2007 fiscal year thereby accounting for the decline in this cost.

The remaining elements of costs of sales are the tooling and supplies necessary to enable assemblies to be completed and products to be shipped as well as the freight costs incurred to obtain parts and ship completed products. These expenses, which amounted to $47,537 for Q3-2008 and $54,927 for Q3-2007, are continuously monitored by management. Due to their natures and their relatively small values these elements can, and frequently do, reflect large % variances from one period to the next. In aggregate these expenses traditionally represent 10% or less of cost of sales and 5-7% of total revenues and as long as they remain in this range, as they do in the current periods, those variances are not subjected to detailed investigation or elaboration.

Selling, general and administrative expenses ("SG&A) essentially include all costs incurred by the Company that are not directly attributable to the production process or to the cost of financing. The total SG&A for Q3-2008 was $285,840 representing a decline of 6.5% when compared to the total of $305,873 reported for Q3-2007. The primary elements of this expense, typically representing 85% to 90% of the total, are the cost to remunerate the Company's management, administrative and sales personnel and the occupancy costs incurred relative to the company's operating facility. In Q3 2008 these elements represented approximately 89% of the total while in Q3 2007 they were approximately 91%.

Employee and consultant remuneration for the current quarter was $177,637 representing a $29,057 decrease from the total of $206,694 that was incurred during Q3-2007. The primary difference from one year to the next is that in the 2007 period the Company recognized a bonus of $29,467 payable to key management personnel. In 2008 the criteria for earning this bonus, which have been altered since 2007, were not achieved and therefore no bonus was accrued. While there were other minor variances between the two fiscal periods none were individually significant and they essentially netted out to $Nil.

Occupancy costs include the rent and common area costs paid for the operating facility along with the cost of utilities other incidental costs. The company has signed a lease that results in no increase to base rent until after February 2011 so these costs, subject to fluctuation in common area costs and utility rates, will remain both consistent and predictable for quite some time. The total occupancy costs for the current quarter were $76,083 or 6.3% higher than the total of $71,578 incurred during Q3 2007 with the entire increase being attributed to higher common are costs charged by the landlord.

The remaining $32,120 in SG&A expense is comprised of professional fees in the amount of $13,186, regulatory fees in the amount of $7,071 and all other administrative costs in the amount of $11,863. Professional fees include legal fees as incurred for the period plus pro-rata share of the estimated fees for the annual financial statement audit and are very comparable to the $14,153 incurred in the third quarter of 2007. Regulatory fees include all costs specifically related to maintaining the Company's stock listing, providing shareholder services and disseminating information to the public. The current period costs are $1,063 higher than the $5,938 incurred one year earlier and this increase is attributable to an increase of $1,250 in the basic fees levied by the TSX Venture Exchange. The other SG&A are also marginally greater than the $7,510 that was incurred during the three months ended March 31, 2007 but there were no individual categories that increased significantly, in either nature or amount, so no further analysis has been completed.

Results of Operations - continued

The Company's cost of financing is comprised of interest on long-term debt and other interest. It used to also include dividends on preferred shares but the preferred shares all matured prior to the end of the last fiscal year and these costs are no longer being incurred. The dividend expense recorded in Q3-2007 amounted to $14,370. Excluding the dividends, the aggregate financing costs for each period are virtually identical as they amount to $22,806 for Q2-2008 as compared to $25,625 for Q2-2007.

Interest on long-term debt in the current period was $19,709 as compared to $20,216 for the same period one year earlier. The balance of long-term debt was actually higher throughout the current period than it was in 2007 but this was more than offset by a significantly lower average rate of interest which resulted in the reduction in interest costs. The Company has recently taken on additional long-term obligations in order to finance equipment additions and the costs of this new debt will counteract the savings that would otherwise have arisen from the maturity of other more costly obligations.

Interest on short term obligations continues to decline as the total of $2,997 for the current period is almost 45% lower than the $5,409 incurred during Q3 2007. The Company has made a concerted effort over recent fiscal periods to utilize the positive cash flow arising from operations to reduce or retire short term obligations. This practice has not only achieved a reduction in the Company's debt load but has also served to reduce the corresponding interest costs. The need for short term borrowing arises from time to time as a means of overcoming temporary cash deficiencies but the continued efforts to repay these advances is expected to keep the cost of borrowing on the decline.

Liquidity

As at March 31, 2008 the Company has reported current assets in the amount of $846,889 and current liabilities in the amount of $1,763,028 resulting in a working capital deficiency of $916,139. This represents a break from recent trends as current liabilities increased by $1,214 and current assets declined by $39,757 causing the working capital deficiency to rise by $40,971. The largest single factor contributing to this increase was the application of deposits paid during Q2-2008 to the acquisition of equipment during Q3 2008 which effectively converted a current asset into a non-current asset. While there were other contributing factors the value of these deposits is essentially equal to the decline in current assets and the increase in the working capital deficiency.

It should be noted that a major element of current liabilities, and also of the working capital deficiency, are certain obligations that the Company is not currently making payments against. These obligations include a debenture in the amount of $39,600 that matured in December 2005 and $742,056 for preferred shares that matured in 2007 and the related dividends payable. These balances have not changed during the current fiscal year and are unlikely to change until the Company is successful in negotiating an appropriate means of settlement with the creditors.

While there will likely continue to be periods, like the current one, where the working capital deficiency increases it is anticipated that the general trend towards reduction of the deficiency will continue.

In addition to satisfying the cost of operations the Company must also address the payment or other settlement of the following amounts:

	Due by Mar. 2009	Due by Mar. 2011	Due by Mar. 2013	Due after Mar. 2013	Total Due
Repurchase of preferred shares	665,501	-	-	-	665,501
Debentures	39,600	-	-	-	39,600
Other long-term debt	337,935	441,884	147,043	-	926,862
Operating leases	108,648	208,242	-	-	316,890
Total	1,150,930	659,180	165,151	-	1,975,261

Financial Instruments

The Company's financial instruments are short-term in nature and do not expose the Company to any significant currency, interest rate, or credit risk. Accordingly their carrying values approximate their fair values and there are no deferred or unrecognized gains or losses attributable to changes in these fair values.

Capital Resources

The Company has not entered into any commitments to acquire any equipment and there are no plans to acquire any additional equipment in the immediate future.

The Company currently has no formal arrangement with any party to provide financing for working capital, capital acquisitions or any other purpose. During recent periods related parties have been providing short term financing to meet working capital requirements.

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, corporations that are considered related as a consequence of the involvement of one or more of these individuals, and a corporation that holds more than 10% of the Company's issued common shares. 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 as at the following dates:

	Mar. 31 2008	June 30 2007	Mar. 31 2007	June 30 2006
Note payable at prime +2%	19,442	29,192	32,442	42,192
Notes payable at 12.0%	66,442	102,539	92,628	15,939
Note payable at 10.0% (1)	-	-	135,000	-
2 year debenture at 10.0% (1)	-	-	-	134,274
Non-interest bearing debentures (2)	-	-	-	82,447
Term loan payable at 8.0% (2)	58,446	72,766	81,848	-
Term loan payable at 8.5%	22,140	34,342	38,240	49,450

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

	Mar. 31 2008	June 30 2007	Mar. 31 2007	June 30 2006
Interest expense – long term	8,018	9,929	7,628	56,404
Interest expense – other	10,606	18,527	12,540	11,028

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 @ $0.12 per share	December 2008	750,000
Stock options @ $0.12 per share	December 2009	800,000
Stock options @ $0.17 per share	June 2011	900,000

Related Party Transactions - continued

(1) Debenture had a face value of $135,000 but was subject to accretion. It was carried on the balance sheet at an amount less than its face value and was adjusted each period by the amount of accretion that was recorded. It was converted to a note payable in September 2006 and later sold to unrelated parties.

(2) Debentures had a face value of $83,326 but were subject to accretion. They were carried on the balance sheet at an amount less than their face value and were adjusted each period by the amount of accretion that was recorded. They were settled through the issuance of a term loan.

Convertible Instruments and Other Securities

As at March 31, 2008, and as at the date of this document, the Company had the following securities issued and outstanding:

Description	Quantity	Amount
Common shares	60,351,804	$ 21,664,686
Paid in capital of preferred shares		191,646
Class A special shares	1,193,442	100,000
		$ 21,956,332
Series A preferred shares	166,667	160,000
Series C preferred shares	288,858	505,501
		665,501
Less: amount accounted for as paid in capital		191,646
Liability element of preferred shares		473,855
Less: amount reported as a current liability		(473,855)
Equity element of preferred shares		$ -

In addition to the shares issued and outstanding the Company 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 exercise of options and warrants along with the expiry date associated therewith.

Description	Expiry Date	Number of Common shares
Share purchase warrants @ $0.24 per share	June 2008	1,000,000
Stock options @ $0.12 per share	December 2008	900,000
Stock options @ $0.12 per share	December 2009	1,000,000
Share options @ $0.155 per share	July 2010	50,000
Stock options @ $0.17 per share	June 2011	900,000
		3,850,000

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

Changes in Accounting Policy

The accounting policies followed by the Company are established in accordance with Canadian GAAP and once policies are established they will not, as a matter of policy, be revised unless Canadian GAAP changes.

Changes in Accounting Policy (continued)

During the current fiscal year the Company adopted the new accounting standards for Financial Instruments, Equity, and Comprehensive Income as required in accordance with Canadian generally accepted accounting principles. These standards introduce new requirements for the recognition, measurement and disclosure of financial instruments, establish the concept of comprehensive income and the rules for reporting it, and introduce new rules for the reporting of equity and the changes therein. There were no adjustments required as a result of the adoption of these new standards. Furthermore, the Company's comprehensive income for the current period is equal to its net income and there is no balance to be reported as Accumulated other comprehensive income.

Risk Factors

There are a number of risks that could affect the Company's future cash flows, results of operations and financial position. They include the ability to obtain required financing, interest rate risk, credit risk and concentration of credit risk, and foreign exchange/currency risk.

Financial Capability and Additional Financing:

The Company is currently operating with a working capital deficiency and a deficiency in assets. Accordingly, it is dependent upon its ability to obtain adequate financing, to the extent that cash flows from operations are not sufficient, in order to settle obligations as they become due. Although the Company has been successful obtaining necessary financing in the past through the issuance of debt instruments and the sale of its equity securities, there can be no assurance that it will be able to obtain sufficient financing in the future, or that the terms of such financing will be sufficiently favourable, to continue as a going concern.

Interest rate risk:

The Company has certain borrowings that are subject to interest rates that float in accordance with the prime lending rate of its financial institution. This may have an impact on the income and/or cash flows of future periods.

Credit risk:

The Company is subject to credit risk, however, in an effort to mitigate this, it actively manages and monitors its receivables and obtains pre-payments where warranted. The Company's bad debt experience has not been significant.

Foreign exchange/Currency risk:

The Company purchases some inventory components in US dollars and earns most of its revenues in Canadian dollars. As a result it is subject to risk due to the fluctuations in the exchange rate between the two currencies, and it does not actively manage this risk. During the current period the Company reported a net gain on foreign exchange of $1,591