ZTEST Electronics Inc.

Unaudited Interim Consolidated Financial Statements

September 30, 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
September 30, 2008

		Sept. 30 2008		(Audited) June 30 2008
Assets				
Current Assets				
Cash	**$**	**51,512**	$	24,206
Accounts receivable		**551,225**		609,470
Inventories (Note 4)		**385,258**		351,638
Prepaid expenses		**33,803**		32,161
		1,021,798		1,017,475
Equipment (Note 5)		**544,284**		573,921
	$	**1,566,082**	$	1,591,396
Liabilities				
Current liabilities				
Customer deposits and deferred revenue	**$**	**698**	$	-
Accounts payable and accrued liabilities		**630,364**		598,005
Dividends payable		**268,201**		268,201
Notes payable (Note 6)		**120,920**		126,270
Current portion of long-term debt (Note 7)		**397,717**		437,199
Preferred shares (Note 9)		**473,855**		473,855
		1,891,755		1,903,530
Long-term debt (Note 7)		**442,318**		497,844
		2,334,073		2,401,374
Deficiency in assets				
Share Capital (Note 9)		**21,956,332**		21,956,332
Contributed surplus		**313,607**		312,745
Equity portion of convertible debentures		**25,463**		25,463
Deficit		**(23,063,393)**		(23,104,518)
		(767,991)		(809,978)
	$	**1,566,082**	$	1,591,396

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 three month period ended September 30

	2008	2007
Revenue		
Product sales	**$ 1,030,426**	$ 1,083,614
Interest and other	**-**	11
	1,030,426	1,083,625
Expenses		
Cost of product sales (Note 4)	**673,580**	651,968
Selling, general and administrative	**288,978**	321,960
Interest expense - long term (Note 10)	**17,035**	22,399
Interest expense - other (Note 10)	**3,588**	5,539
Loss (gain) on foreign exchange	**2,865**	(2,037)
Amortization of equipment	**3,255**	3,516
	989,301	1,003,345
Income from operations	**41,125**	80,280
Provision for income taxes	**-**	-
Net income and comprehensive income for the period	**41,125**	80,280
Deficit, beginning of period	**(23,104,518)**	(23,342,476)
Deficit, end of period	**$ (23,063,393)**	$ (23,262,196)
Net income per share - basic	**$ 0.001**	$ 0.001
- fully diluted	**$ 0.001**	$ 0.001
Weighted average shares outstanding – basic and fully diluted	**60,351,804**	60,351,804

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

ZTEST Electronics Inc.

Unaudited Interim Consolidated Statement of Cash Flows
For the three month period ended September 30

		2008		2007
Cash flow from operating activities				
Net income for the period	**$**	**41,125**	$	80,280
Items not involving cash				
Amortization of capital assets		**29,637**		32,023
Stock based compensation		**862**		2,194
Changes in non-cash working capital items:				
Accounts receivable		**55,252**		(46,239)
Inventories		**(33,620)**		(26,943)
Prepaid expenses		**(1,642)**		1,274
Accounts payable and accrued liabilities		**35,352**		(3,043)
Customer deposits and deferred revenue		**698**		7,160
		127,664		44,706
Cash flow from financing activities				
Proceeds of notes payable		**25,000**		75,000
Repayment of notes payable		**(30,350)**		(85,350)
Repayment of long-term debt		**(95,008)**		(82,048)
		(100,358)		(92,398)
Increase (decrease) in cash		**27,306**		(47,692)
Cash, beginning of period		**24,206**		115,504
Cash, end of period	**$**	**51,512**	$	67,812

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	**$**	**24,255**		27,886
Income taxes	**$**	**-**	$	-

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 applicable to a “going concern”. This assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

As at September 30, 2008 the Company has a deficit, to date, of $23,063,393 and working capital deficiency of $869,957. 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.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Basis of consolidation

These unaudited interim consolidated financial statements have been compiled by management. They have been prepared using the same accounting policies and methods as the audited financial statements as at June 30, 2008 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, 2008 the Company adopted the following new accounting standards:

(a) CICA Handbook Sections 3862, "Financial Instruments – Disclosures" and 3863, “Financial Instruments – Presentation” which revise and enhance the disclosure requirements, and carry forward unchanged the presentation requirements relative to financial instruments. 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.

(b) CICA Handbook Section 1535, “Capital Disclosures”, which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

(c) CICA Handbook Section 3031 "Inventories", which is based on International Financial Reporting Standard IAS 2, “Inventories”, which prescribes the accounting treatment of and disclosures required for inventories.

There were no adjustments required as a result of the adoption of these new standards.

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.

2. Significant Accounting Policies - continued

Measurement uncertainty - continued

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.

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

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the amount, net of the estimated costs to complete assemblies and sell them, which the Company expects to realize from the sale of inventory in the ordinary course of business. An assessment of net realizable value is completed at the end of each period and any resulting write-downs, or recovery of previous write-downs, are reflected in income for the period. Current assessments have determined that net realizable values equal or exceed the corresponding costs and accordingly all inventories are currently carried at cost.

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

2. Significant Accounting Policies - continued

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 year end 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 and is added to contributed surplus over the vesting period for the options. Consideration paid on the exercise of stock options is credited to share capital together with any associated 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

Future accounting pronouncements

International reporting standards:

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the transition to International Financial Reporting Standards from Canadian GAAP will occur on January 1, 2011 for public entities. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Financial instruments

The Company has determined the most appropriate classification for its financial instruments such that each financial asset is classified as either held for trading or loans and receivables while each financial liability is classified as either held for trading or other financial instruments. These classifications have remained unchanged since initial recognition.

Fair Values

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, dividends payable, and notes payable approximate their fair values due to the short-term maturities of these instruments. The estimated fair value of long term debt is not significantly different from its carrying value based upon a comparison to other debts having similar maturities and conditions.

Risks

The Company is exposed to credit risk, concentration of credit risk, currency risk, interest rate risk and liquidity risk. The Company's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure that the Company's risks and the related exposure are consistent with its business objectives and risk tolerance. There have been no changes to the risks to which the Company is exposed or to the corresponding risk management strategies during the current period.

Credit risk;

Credit risk represents the financial loss that the Company would experience if one or more of its customers failed to meet its obligations. The maximum credit exposure is represented by the carrying amount of accounts receivable as reported on the balance sheet. In an effort to mitigate this risk, management actively manages and monitors its receivables and obtains pre-payments where warranted. Bad debt experience has not been significant and there are currently no amounts that are more than 90 days past due. It has been determined that no allowance is required for amounts that may be uncollectible.

3. Financial instruments - continued

***Concentration of credit risk*:**

Concentration of credit risk arises when a significant portion of the financial assets subject to credit risk arise from a single or limited number of sources. During the current period, one of the Company's customers accounted for over 20% (40.9%) of revenue (June 2008 – 22.4%). The loss of this customer or significant curtailment of purchases by such customer could have a material adverse affect on the Company's results of operations and financial condition. The Company monitors the relationship with this customer closely and ensures that every customer is subject to the same risk management criteria.

Currency risk:

Currency risk is the risk that the amount of future cash flows of one or more financial instruments will fluctuate because of changes in foreign exchange rates. The Company purchases some inventory components and makes some of its product sales in US dollars. The Company monitors its exposure to, but does not actively manage this risk. During the current period the Company reported a net loss on foreign exchange of $2,865 (Sept. 2007 – gain of $2,037).

Interest rate risk:

Interest rate risk represents the possibility that future cash flows arising from a financial instrument may fluctuate because of changes in the market rate of interest. The Company has certain notes payable that are subject to interest rates that float in accordance with the prime lending rate of its financial institution. The Company manages this risk by establishing fixed interest rates on the majority of its obligations predicated upon market rates that are prevailing at the time the obligation originates.

Liquidity risk:

Liquidity risk represents the potential difficulties that the Company may encounter in meeting obligations associated with financial liabilities. The Company is reporting a working capital deficiency of $869,777 (June 30, 2008 - $886,055). This includes a long-term debt, preferred shares and dividends payable, with an aggregate carrying value of $781,656 (June 30, 2008 - $781,656), that are each past due. The Company manages its liquidity risk through the management of its capital (see Note 12) which incorporates the continuous monitoring of actual and projected cash flows to ensure that it has sufficient liquidity to meet its operating commitments without incurring unacceptable losses or risking damage to the Company's reputation.

4. Inventories

The carrying value of inventory is comprised of:

	Sept 30 2008	June 30 2008
Raw materials and supplies	**$ 321,564**	$ 294,212
Work in process	**28,766**	27,008
Finished goods	**34,928**	30,418
	$ 385,258	$ 351,638

Inventory utilization during the period was as follows:

	Sept 30 2008	Sept 30 2007
Raw materials and supplies used	**$ 336,989**	$ 311,664
Labour costs	**254,023**	250,003
Other costs	**88,837**	91,280
Net change in finished goods and work in process	**(6,269)**	(979)
Cost of product sales	**$ 673,580**	$ 651,968

5. Equipment

Sept 30, 2008	Cost	Accumulated Amortization	Net Book Value
Computer equipment	**$ 161,518**	**$ 151,707**	**$ 9,811**
Office equipment and furniture	**70,287**	**59,080**	**11,207**
Manufacturing equipment [1]	**1,443,775**	**935,977**	**507,798**
Leasehold improvements	**61,003**	**45,535**	**15,468**
	$ 1,736,583	**$ 1,272,605**	**$ 544,284**

June 30, 2008	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 161,518	$ 150,911	$ 10,607
Office equipment and furniture	70,287	58,490	11,797
Manufacturing equipment [1]	1,443,775	909,251	534,524
Leasehold improvements	61,003	44,010	16,993
	$ 1,736,583	$ 1,162,662	$ 573,921

(1) Specific equipment having an aggregate net book value of $344,916 (June 2008 - $363,070) have been pledged as security for long-term debts (Note 7).

6. Notes Payable

Interest	Security	Terms	**Sept 30 2008**	June 30 2008
Prime + 2%	Unsecured	No repayment terms [1]	**$ 12,942**	$ 16,192
12%	Unsecured	No repayment terms [1]	**82,978**	110,078
12%	Unsecured	No repayment terms	**25,000**	-
			$ 120,920	$ 126,270

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

7. Long-Term Debt

	Sept 30 2008	June 30 2008
Non interest bearing debenture matured December 2005. [1]	**$ 39,600**	$ 39,600
Term loan bearing interest at 9.5%, secured by specific equipment having a net book value of $128,896 (June 2008 - $135,681) and matures in April 2009. Blended monthly principal and interest payments of $6,510 are required.	**44,159**	62,350
Term loan bearing interest at 8.5%, unsecured, and matures June 2009. Blended monthly principal and interest payments of $1,561 are required. [2]	**13,564**	17,898
Term loans bearing interest at 9.5%, are secured by specific equipment having a net book value of $136,716 (June 2008 - $143,911) and mature in June 2009. Blended monthly principal and interest payments of $5,099 are required.	**44,127**	58,153
Balance forward	**170,379**	211,425

7. Long-Term Debt - continued

	Sept 30 2008	June 30 2008
Balance forward	**170,379**	211,425
Term loan bearing interest at 12.0%, unsecured, and matures in December 2009. Monthly payments as to interest only are required until December 31, 2008 after which blended monthly principal and interest payments of $2,570 are required. (2)	**28,929**	33,424
Term loan bearing interest at 12.0%, unsecured, and matures in December 2009. Monthly payments as to interest only are required until December 31, 2008 after which blended monthly principal and interest payments of $3,466 are required. (3)	**39,007**	45,068
Term loans bearing interest at 12.0%, secured by specific equipment having a net book value of $79,304 (June 2008 - $83,478) and mature in August 2010. Blended monthly principal and interest payments of $3,177 are required. (2, 3)	**64,995**	72,428
Term loans bearing interest at 8.0%, unsecured, and mature November 2010. Blended monthly principal and interest payments of $3,471 are required. (4)	**82,604**	91,249
Term loans bearing interest at 8.0%, unsecured, and mature May 2011. Blended monthly principal and interest payments of $3,296 are required.	**94,690**	102,578
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 $10,000 are required each month until May 2009, then $11,265 per month until maturity.	**388,360**	412,295
	840,035	935,043
Less: Current portion	**397,717**	437,199
	$ 442,318	$ 497,844

(1) The debenture has matured but all attempts to contact the holder have been unsuccessful. The balance payable remains as an element of the current portion of long term debt pending settlement.
(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 $48,412 (June 30, 2008 - $58,446) payable to Officers of the Company and/or their spouses.

The minimum annual future principal repayments are as follows:

2009	$ 397,717
2010	247,448
2011	161,410
2012	33,460
	$ 840,035

8. Commitments

Operating leases
Minimum annual future payments due under operating leases for premises and office equipment are as follows:

2009	$ 108,648
2010	108,648
2011	45,270
	$ 262,566

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.

(b) Issued

	Number of Shares	Amount
Common shares September 30, 2008 and June 30, 2008	60,351,804	22,104,366
Class A special shares September 30, 2008 and June 30, 2008	1,193,442	100,000
Balance September 30, 2008 and June 30, 2008		$ 22,204,366

Preferred Shares:

	Current	Other	Total
Balance September 30, 2008 and June 30, 2008	$ 473,855	$ -	$ 473,855

(c) Details of warrants outstanding are as follows:

During the period no warrants were granted, exercised or expired. As at September 30, 2008 and June 30, 2008 there were no warrants outstanding.

(d) Details of options outstanding are as follows:

Common Shares Under Option	Number of Options Vested	Price/Option	Expiry Date
750,000 (1)	750,000	$0.12	December 18, 2008
150,000	150,000	$0.12	December 18, 2008
200,000	160,000	$0.12	December 17, 2009
800,000 (1)	640,000	$0.12	December 17, 2009
50,000	50,000	$0.155	July 10, 2010
900,000 (1)	540,000	$0.17	June 27, 2011
2,850,000	2,290,000		

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Beginning of period	2,850,000	$0.14	February 21, 2010
Exercised or expired	-		
End of period	2,850,000	$0.14	February 21, 2010

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

9. Share Capital - continued

(e) Contributed surplus

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:

		Sept 30 2008		June 30 2008
Contributed surplus, beginning of period	**$**	**312,745**	$	305,417
Compensation expense related to stock options granted in prior periods		**862**		7,328
Contributed surplus, beginning of period	**$**	**313,607**	$	312,745

10. Related Party Transactions

In addition to the Directors and Officers, the following related party 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.

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**		**Sept 30 2008**		June 30 2008
Interest expense - long term	1114377	**$**	**2,095**	$	4,857
Interest expense - other	1114377	**$**	**-**	$	2,632
Interest expense - long term	Directors/Officers	**$**	**3,791**	$	9,249
Interest expense - other	Directors/Officers	**$**	**3,196**	$	10,783

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 2008
Resource related expenditures	$	101,225
Scientific research and experimental development		304,679
Reserves claimed		3,400,976
Undepreciated capital cost		329,024
Non-capital losses		392,227
Capital losses		889,674
Future income tax assets, before valuation allowance		5,417,805
Valuation allowance		(5,417,805)
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.

11. Income Taxes - continued

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	
2009	$ 418,386
2010	417,232
2014	114,285
2027	287,896
	$ 1,237,799

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 $14,164,240 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.

12. Capital Management

The Company's objective when managing capital is to ensure its ability to meet operating commitments as they become due. This is achieved primarily by continuously monitoring its actual and projected cash flows and making adjustments to capital as necessary. Except for meeting the repayment terms, as may exist from time to time, associated with the long-term debt instruments, there are no externally imposed capital requirements.

Management includes the following items in its definition of capital:

	Sept 30 2008	June 30 2008
Current portion of long-term debt [1]	**$ 309,431**	$ 316,696
Long-term debt [1]	**442,318**	497,844
Share Capital	**21,956,332**	21,956,332
Contributed surplus	**313,607**	312,745
Equity portion of convertible debentures	**25,463**	25,463
Deficit	**(23,063,393)**	(23,104,518)
Net capital (deficiency) under management	**$ (16,332)**	$ 4,562

(1) Excludes long-term debts that are both secured by specific equipment and due to unrelated parties.

General

The following Management Discussion and Analysis ("MD&A") has been prepared by the Company's management, without review or comment from the Company's auditors, to accompany the unaudited interim consolidated financial statements of the Company as at September 30, 2008 and should only be read in conjunction with those financial statements. Additional information about the Company can be found at www.sedar.com.

Forward-looking Information

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as reduced funding, long sales cycles, currency and interest rate fluctuations, increased competition and general economic and market factors and including the risk factors summarized below under the heading "Risk Factors". New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Disclosure Controls and Procedures

Management is responsible for the information disclosed in this 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 fiscal year ended June 30, 2008, an evaluation was carried out under the supervision of, and with the participation of, the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Corporation's disclosure controls and procedures. Based on that evaluation, and as there have been no subsequent changes, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of September 30, 2008 to provide reasonable assurance that material information relating to the Corporation and its consolidated subsidiaries would be made known to them by others within those entities.

Internal Control Over Financial Reporting

Multilateral Instrument 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 (GAAP). 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, 2008 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of June 30, 2008.

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.

The Company

The Company operates a single business segment involving the design, development, and assembly of printed circuit boards. The management of the Company, which has not changed since the preceding fiscal year end, is 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 Company reported total revenues of $1,030,426 for the first quarter of the 2009 fiscal year. This represents the fourth time under the current business model, and the fourth time in the past five fiscal quarters, that revenues have exceeded $1,000,000. As noted in prior periods this revenue level represents a psychological threshold that the Company was striving to achieve. It also represents a level of revenue at which management believes that profitability will be achieved on a consistent basis.

The Company has reported net income from operations and net income for the period in the amount of $41,125. This represents the sixth time in the past seven quarters, including the last five in succession, for which the Company has reported positive income from operations. This also represents the eighth consecutive quarter for which net income for the period has been positive.

While these are favourable results it should also be acknowledged that revenues, net income from operations and net income for the period were each less than the amount that was reported for the first quarter of the 2008 fiscal year. This represents the first time in nine fiscal quarters where revenues have not increased when compared to the corresponding period of the preceding year. While it is unfortunate that such a positive trend came to an end it should not be interpreted to represent a decline in business volumes. Revenues for the period were adversely impacted by slower than anticipated delivery of certain components by its suppliers which delayed production and the timing of shipments to customers. Management still anticipates that revenues for the 2009 fiscal year will exceed those realized in 2008.

One of the many benefits of continuous profitability is the positive impact it has on the Company's net equity position or, more specifically, the resulting decline in the deficiency of assets. Clearly there will always be some uncertainty about the Company's ability to continue as a going concern so long as its total liabilities exceed its total assets but management continues to be encouraged by the improvement that is being realized. As at September 30, 2008 the Company is reporting a deficiency of $767,991 which represents an improvement of more than 21% in the past year and almost 44% in comparison to the deficiency of $1,364,245 that was reported at September 30, 2006. While there is still a sizeable deficiency to overcome management is optimistic, based upon recent trends, that this objective can be accomplished in the near future.

Corporate Performance - continued

In concert with the efforts to reduce the deficiency in assets the Company has also been working towards a reduction in total liabilities. At September 30, 2008 the Company has reported total liabilities of $2,334,073 representing the lowest total reported in any fiscal period since it embarked on its current business strategy in 2002. Under current capital management programs where available cash flow is directed first to fund the needs of operations and then to the reduction of debt it is anticipated that further reductions in this debt figure will be achieved.

The final focal point for management is the goal to eliminate the Company's working capital deficiency. As at September 30, 2008 this figure was at $869,957 which is the third lowest total reported since June 2002 and the lowest figure since December 2005. This figure will fluctuate from period to period based upon the need for short term borrowing to fund temporary cash shortages resulting from business growth and fluctuations in the current portion of long-term debt management. Management believes that its continuing ability to generate positive cash flow from operations will allow the general trend towards reduction of this deficiency to continue.

The following data may provide some additional insights relative to the Company's operating performance and financial position:

	For the fiscal years ended:		
	June 08	June 07	June 06
Total Revenues	4,066,902	3,436,846	2,980,353
Net income (loss) from operations	250,963	(107,196)	(118,258)
Per share	0.004	(0.002)	(0. 002)
Net income (loss) for the period	237,958	259,441	(117,408)
Per share	0.004	0.004	(0.002)
Total assets	1,591,396	1,469,148	1,710,074
Total long-term financial liabilities	497,844	744,523	396,113
Total liabilities	2,401,374	2,524,412	2,947,282
Cash dividends [1] – preferred shares	NIL	75,697	84,385

	For the three month periods ended:				
	Sept. 08	June 08	Mar. 07	Dec. 07	Sept. 07
Total Revenues	1,030,426	1,003,130	937,253	1,042,894	1,083,625
Net income (loss) from operations	41,125	66,121	34,490	70,072	80,280
Per share	0.001	0.001	0.001	0.001	0.001
Net income (loss) for the period	41,125	66,121	21,485	70,072	80,280
Per share	0.001	0.001	0.001	0.001	0.001
Total assets	1,566,082	1,591,396	1,456,980	1,450,155	1,463,341
Total long-term financial liabilities	442,318	497,844	571,435	588,927	667,504
Total liabilities	2,334,073	2,401,374	2,334,463	2,350,741	2,436,131
Cash dividends [1] – preferred shares	NIL	NIL	NIL	NIL	NIL

	For the three month periods ended:				
	June 07	Mar. 06	Dec. 06	Sept. 06	June 06
Total Revenues	955,765	933,985	936,100	610,996	720,256
Net income (loss) from operations	(4,590)	34,292	(16,868)	(120,030)	(47,044)
Per share	(0.000)	0.001	(0.000)	(0. 002)	(0. 001)
Net income (loss) for the period	259,260	42,676	77,535	(120,030)	(47,044)
Per share	0.004	0.001	0.001	(0.002)	(0.001)
Total assets	1,469,148	1,487,014	1,358,050	1,357,519	1,710,074
Total long-term financial liabilities	744,523	405,839	484,179	334,751	396,113
Total liabilities	2,542,412	2,683,279	2,593,827	2,721,764	2,947,282
Cash dividends [1] – preferred shares	11,657	21,501	21,269	21,270	21,038

[1] Cash dividends were being accrued rather than paid

Results of Operations

During the recently concluded fiscal quarter the company reported total revenues of $1,030,426 and although this represents a decline of almost 5% in comparison to the revenues reported for Q1-2008 it also raises aggregate revenues for the last six fiscal quarters to $6,047,325. During this same six-quarter period the Company has reported aggregate net income from operations of $287,497 with only one quarter, one in which revenues did not hit the $1,000,000 mark, reporting an operating loss and it was less than $5,000. While management strives to build upon this revenue base the results achieved appear to support the theory that with quarterly revenues of at least $1,000,000 the Company can and will consistently be profitable.

Gross margins for Q1-2009 amounted to $356,846 or 34.6% of revenues. In comparison the gross margins realized in Q1-2008 were $431,657 or 39.8% of revenues. The Company has long maintained that gross margin percentages are inversely correlated with the relative percentage of turnkey business conducted in any given period. That is to say, the more components that are bought and sold the lower the gross margin percentages realized. This relationship held true again during the first quarter of 2009. It should be noted that even though turnkey business results in lower gross margin percentages it is still has a positive impact on operations and is a service which the company promotes as being mutually beneficial to itself and its customers.

The primary factor that supports the assertion that turnkey business is higher than it has been in past periods is the cost of components used during the period. During Q1-2009 the Company utilized raw materials valued at $336,989 which represents just over 50% of total cost of product sales for the period. In comparison the raw materials utilized during the first quarter of 2008 amounted to $311,664 which represented a little less than 48% of the total cost of product sales for that period. Since components are only acquired and used in connection with turnkey business and the cost of components used is 8% higher during the period while revenues are 5% lower it clearly follows that a greater percentage of revenues were derived from turnkey business during the current quarter. It should also be noted that raw materials inventory amounted to $321,564 as at September 30, 2008 as compared to $294,212 at the start of the quarter and $195,312 at September 30, 2007. Since the Company only acquires inventory in support of booked orders this suggests that turnkey business will continue to make up a significant portion of sales into, at least, the second quarter of 2009.

The cost of labour is the second largest element of cost of product sales. At an aggregate of $254,023 for the three month period ended September 30, 2008 it represents almost 38% of the total cost of sales. The current period costs are 1.6% higher than the corresponding costs incurred during Q1-2008 when labour represented just over 38% of cost of sales. Management continuously monitors its labour requirements and strives to have the optimal number of personnel on hand according to current assembly volumes and existing or expected customer orders. Had the production delays referred to previously not arisen then it is expected that production volumes would have been very comparable in Q1-2009 to those from Q1-2008 and a variance of 1.6% is within tolerance limits under these circumstances.

Equipment costs, which include amortization and repairs and maintenance, are the next largest element representing 4.5% of cost of sales in the current period and 4.7% in Q1-2008. These costs are generally a function of the demands placed on equipment as well as the timing and value of equipment purchases and nothing out of the ordinary occurred in either period. There are no current commitments to purchase new equipment but management continues to evaluate the feasibility and benefit of additional acquisitions.

There are no other individual elements of costs of goods sold that individually represent 4% or more of the total for the period. These remaining elements include the cost of 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 are consistently monitored by management. Due to their natures and their relatively small values these elements can, and frequently do, reflect large percentage variances from one period to the next even though the value of that change is relatively insignificant. Accordingly, those variances are not subjected to detailed investigation or elaboration.

Results of Operations - continued

Selling, general and administrative expenses ("SG&A) are best described as all costs incurred by the Company that are not directly attributable to the production process or the cost of financing. These costs often include fixed elements that do not fluctuate from period to period and others that vary but are not correlated with operating volumes and values. The Q1-2009 total for SG&A was $288,978 representing a 10.2% decrease in comparison to the Q1-2008 total of $321,960.

Employee and consultant remuneration is the largest component of SG&A. Total remuneration for the current quarter was $181,442 while the total for the first quarter of 2008 was $222,561. In past years the Company had implemented a bonus plan for key personnel based upon quarterly profitability. The criteria for earning this bonus were revised after Q2-2008 leading to no bonuses being earned in the third or fourth quarters of 2008 or the first quarter of 2009. This reduction in bonus is the primary reason why costs for the current quarter were lower as there have been no personnel changes during this time frame.

Occupancy costs, consisting primarily of rent and utility charges, are the second largest component of SG&A. The base rent has remained consistent throughout the 2008 and 2009 periods but utility usage varies with production while utility rate and additional rent charges for realty taxes and maintenance vary according to market conditions. The cost for Q1-2009 amounted to $80,945 which is almost 9% higher than the charges of $74,355 incurred for the comparable period one year earlier. The Company has a lease on its operating facility that continues at the same basic rental rate through February 2011 so these costs, subject to usage and rate fluctuations or other unforeseen events, will remain reasonably consistent and predictable for quite some time.

There are no other elements of SG&A that individually equal or exceed 4% of the total for the period. The remaining elements include professional fees, regulatory fees, amortization and other miscellaneous charges are monitored closely by management and are only noteworthy in the event that something out of the ordinary arises and nothing has.

The Company's cost of financing, which is comprised of interest on long-term debt and other interest, continued to decline in comparison to prior years. The total for the current fiscal period amounted to $20,623 including $17,035 in interest on long-term debt and $3,588 in other interest. For Q1-2008 the corresponding figures were $27,939, $22,399 and $5,539.

As at September 30, 2008 the Company had long-term debts payable in the amount of $1,050,096 and they bore a weighted average interest rate of 7.89%. At the end of the current period the Company had total long-term debts payable in the amount of $840,035 and it bears a weighted average interest rate of 7.5%. This combination of lower debt and lower average interest rates not only explains the reduction currently being realized but should allow the trend towards reduced interest costs to continue as there are currently no commitments or formal plans that will give rise to any new debts in the immediate future.

Other interest consists entirely of the interest charges arising as a consequence of notes payable. These short term loans are negotiated throughout the year, almost exclusively with related parties, in order to cover temporary shortfalls in cash thereby allowing the Company to satisfy its operating requirements. The balance of notes payable goes up and down throughout each year just as a typical operating loan with a financial institution would if the Company was successful in negotiating one. Based upon the opening and closing balances for the periods, notes payable averaged $123,595 through Q1-2009 while the average for Q1-2008 was $151,556 thereby explaining the decline in interest costs that occurred. Since short term cash needs fluctuate during any given period and from one period to the next it is expected that this interest cost will also fluctuate even when the Company is successful in negotiating suitable commercial financing.

Liquidity

While the Company continues to realize some improvement, it also continues to have current liabilities that exceed its current assets. This working capital deficiency, which is indicative of poor liquidity, amounted to $869,957 as at June 30, 2008. This compares favourably with the deficiency of $900,816 as at September 30, 2007 and however significant additional progress is required in order to remedy this situation. This progress is anticipated to come from continued positive cash flows from operations, reduction of debts, and ongoing efforts to settle other obligations. During Q1-2009 the Company generated positive net cash flow from operations in the amount of $127,664 which allowed it to reduce the notes payable and long-term debt by an aggregate of $100,358 and add $28,506 to cash reserves available for future use. During Q1-2008 the Company also generated positive cash flow from operations and the $44,706 generated was augmented with $47,692 of existing cash reserves to reduce notes payable and long-term debt by $92,398.

During Q1-2009 the working capital deficiency was reduced by $16,098 as current assets rose by $4,323 while current liabilities were reduced by $11,775. The net increase in current assets resulted from a net reduction of accounts receivable of $58,245 which essentially funded an increase of $33,620 in inventories, $1,642 in prepaid expenses and $27,306 in cash. The net reduction in current liabilities resulted from a decrease of $5,350 in notes payable, a decrease of $39,482 in the current portion of long-term debt which were offset in part by an increase of $698 in customer deposits and deferred revenue and an increase of $35,352 in accounts payable and accrued liabilities. In Q1-2008 the working capital deficiency improved by $37,478 as a result of a net increase of $26,216 in current assets and a reduction of $11,262 in current liabilities. In this period the increase in current assets was comprised of increases of $46,239 in accounts receivable and $28,943 in inventories while cash declined by $47,692 and prepaid expenses was reduced by $1,274. The reduction in current liabilities included declines of $3,043 in accounts payable and accrued liabilities, $10,350 in notes payable and $5,029 in the current portion of long-term debt while customer deposits and deferred revenue increased by $7,160. These individual elements of working capital will continue to fluctuate from period to period based upon the timing of deliveries to customers and the timing of cash flows from operations.

Aside from settling other obligations, the Company also uses long-term debt as a means of financing new equipment acquisitions. Notes payable are the Company's source of short-term financing and the proceeds are used to satisfy short term working capital requirements. These notes are primarily payable to related parties and are repaid, in whole or in part, when cash flow permits.

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

	Due by Sept. 2009	Due by Sept. 2011	Due by Sept. 2013	Due after Sept. 2013	Total Due
Repurchase of preferred shares	665,501	-	-	-	665,501
Settlement of dividends payable	268,201	-	-	-	268,201
Debentures	39,600	-	-	-	39,600
Other long-term debt	358,117	408,858	33,460	-	800,435
Operating leases	108,648	153,918	-	-	262,566
Total	1,440,067	562,776	33,460	-	2,036,303

Capital Resources

The Company has not entered into any commitments to acquire any equipment and, while management continually evaluates its requirements, there are no formal 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, companies 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 June 30 of each year:

	2008		2007	
	Sept 30	June 30	Sept 30	June 30
Note payable at prime +2%	12,942	16,192	25,942	29,192
Notes payable at 12.0%	82,978	110,078	120,439	102,539
Term loan payable at 8.0%	48,412	58,446	68,087	72,766
Term loan payable at 8.5%	13,564	17,898	30,360	34,342
Term loans payable at 12%	132,931	150,920	-	-

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

	2008		2007	
	Sept 30	June 30	Sept 30	June 30
Interest expense – long term	5,886	14,106	2,126	9,929
Interest expense – other	3,196	13,415	4,083	18,527

The following stock options 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

Convertible Instruments and Other Securities

As at September 30, 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		$ -

Convertible Instruments and Other Securities - continued

In addition to the shares issued and outstanding the Company has issued stock options as incentives to various parties. The following list itemizes the common shares that have been reserved to satisfy the conversions and exercise of options along with the expiry date associated therewith.

Description	Expiry Date	Number of Common shares
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
		2,850,000

While some of the stock options are held by related parties, the Company has no ability to cause any of the items noted above to be 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.

Effective July 1, 2008 the Company adopted the following new accounting standards:

(a) CICA Handbook Sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation" which revise and enhance the disclosure requirements, and carry forward unchanged the presentation requirements relative to financial instruments. 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.

(b) CICA Handbook Section 1535, "Capital Disclosures", which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

(c) CICA Handbook Section 3031 "Inventories", which is based on International Financial Reporting Standard IAS 2, "Inventories", which prescribes the accounting treatment of and disclosures required for inventories.

There were no adjustments required as a result of the adoption of these new standards.

In addition, the following aspects of Canadian GAAP will be changing in the future and, accordingly, will cause the Company's accounting policies to change:

International reporting standards:

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the transition to International Financial Reporting Standards from Canadian GAAP will occur on January 1, 2011 for public entities. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Financial Instruments

The Company has determined the most appropriate classification for its financial instruments such that each financial asset is classified as either held for trading or loans and receivables while each financial liability is classified as either held for trading or other financial instruments. These classifications have remained unchanged since initial recognition.

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, dividends payable, and notes payable approximate their fair values due to the short-term maturities of these instruments. The estimated fair value of long term debt is not significantly different from its carrying value based upon a comparison to other debts having similar maturities and conditions.

Risk Factors

Recent events have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to us, or to our industry, may adversely affect our finances or operations in ways that are hard to predict or defend against. For example, credit contraction in financial markets may hurt our ability to access credit when it is needed or rapid changes in foreign exchange rates may adversely affect our financial results. Finally, a reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that collectively constitute a significant portion of our customer base. As a result, these customers may need to reduce their purchases of our products, or we may experience greater difficulty in receiving payment for the products that these customers purchase from us. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on our business, operating results, and financial condition.

In addition to the foregoing, the Company is exposed to credit risk, concentration of credit risk, currency risk, interest rate risk and liquidity risk. The Company's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure that the Company's risks and the related exposure are consistent with its business objectives and risk tolerance. There have been no changes to the risks to which the Company is exposed or to the corresponding risk management strategies during the current period.

Credit risk;

Credit risk represents the financial loss that the Company would experience if one or more of its customers failed to meet its obligations. The maximum credit exposure is represented by the carrying amount of accounts receivable as reported on the balance sheet. In an effort to mitigate this risk, management actively manages and monitors its receivables and obtains pre-payments where warranted. Bad debt experience has not been significant and there are currently no amounts that are more than 90 days past due. It has been determined that no allowance is required for amounts that may be uncollectible.

Concentration of credit risk:

Concentration of credit risk arises when a significant portion of the financial assets subject to credit risk arise from a single or limited number of sources. During the current period, one of the Company's customers accounted for over 20% (40.9%) of revenue (June 2008 – 22.4%). The loss of this customer or significant curtailment of purchases by such customer could have a material adverse affect on the Company's results of operations and financial condition. The Company monitors the relationship with this customer closely and ensures that every customer is subject to the same risk management criteria.

Currency risk:

Currency risk is the risk that the amount of future cash flows of one or more financial instruments will fluctuate because of changes in foreign exchange rates. The Company purchases some inventory components and makes some of its product sales in US dollars. The Company monitors its exposure to, but does not actively manage this risk. During the current period the Company reported a net loss on foreign exchange of $2,865 (Sept. 2007 – gain of $2,037).

Interest rate risk:

Interest rate risk represents the possibility that future cash flows arising from a financial instrument may fluctuate because of changes in the market rate of interest. The Company has certain notes payable that are subject to interest rates that float in accordance with the prime lending rate of its financial institution. The Company manages this risk by establishing fixed interest rates on the majority of its obligations predicated upon market rates that are prevailing at the time the obligation originates.

Liquidity risk:

Liquidity risk represents the potential difficulties that the Company may encounter in meeting obligations associated with financial liabilities. The Company is reporting a working capital deficiency of $869,957 (June 30, 2008 - $886,055). This includes a long-term debt, preferred shares and dividends payable, with an aggregate carrying value of $781,656 (June 30, 2008 - $781,656), that are each past due. The Company manages its liquidity risk through the management of its capital (see Note 12) which incorporates the continuous monitoring of actual and projected cash flows to ensure that it has sufficient liquidity to meet its operating commitments without incurring unacceptable losses or risking damage to the Company's reputation.