ZTEST Electronics Inc.

Unaudited Interim Consolidated Financial Statements

September 30, 2009

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, 2009

		Sept. 30 2009		(Audited) June 30 2009
Assets				
Current Assets				
Cash	**$**	**31,264**	$	81,805
Accounts receivable		**423,928**		436,740
Inventories (Note 4)		**250,064**		279,709
Prepaid expenses		**33,846**		35,395
		739,102		833,849
Equipment (Note 5)		**1,220,392**		1,285,850
	$	**1,959,494**	$	2,119,699
Liabilities				
Current liabilities				
Customer deposits and deferred revenue	**$**	**30,694**	$	38,450
Accounts payable and accrued liabilities		**409,697**		510,108
Dividends payable		**268,201**		268,201
Notes payable (Note 6)		**132,322**		116,572
Current portion of long-term debt (Note 7)		**176,363**		240,311
Preferred shares (Note 9)		**473,855**		473,855
		1,491,132		1,647,497
Long-term debt (Note 7)		**1,416,359**		1,390,403
		2,907,491		3,037,900
Deficiency in assets				
Share Capital (Note 9)		**21,973,055**		21,973,055
Contributed surplus (Note 9)		**410,106**		409,918
Deficit		**(23,331,158)**		(23,301,174)
		(947,997)		(918,201)
	$	**1,959,494**	$	2,119,699

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

		2009		2008
Revenue				
Product sales	**$**	**762,174**	$	1,030,426
Interest and other		**179**		-
		762,353		1,030,426
Expenses				
Cost of product sales (Note 4)		**475,777**		673,580
Selling, general and administrative		**263,015**		288,978
Interest expense - long term (Note 10)		**40,578**		17,035
Interest expense - other (Note 10)		**3,963**		3,588
Loss on foreign exchange		**6,175**		2,865
Amortization of equipment		**2,829**		3,255
		792,337		989,301
(Loss) income from operations		**(29,984)**		41,125
Provision for income taxes		**-**		-
Net (loss) income and comprehensive (loss) income for the period		**(29,984)**		41,125
Deficit, beginning of period		**(23,301,174)**		(23,104,518)
Deficit, end of period	**$**	**(23,331,158)**	$	(23,063,393)
Net (loss) income per share - basic	**$**	**(0.000)**	$	0.001
- fully diluted	**$**	**(0.000)**	$	0.001
Weighted average shares outstanding – basic and fully diluted		**63,151,804**		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

		2009		2008
Cash flow from operating activities				
Net income for the period	**$**	**(29,984)**	$	41,125
Items not involving cash				
Amortization of capital assets		**65,458**		29,637
Interest accretion		**4,627**		-
Stock based compensation		**188**		862
Changes in non-cash working capital items:				
Accounts receivable		**12,812**		55,252
Inventories		**29,845**		(33,620)
Prepaid expenses		**1,549**		(1,642)
Accounts payable and accrued liabilities		**(100,411)**		35,352
Customer deposits and deferred revenue		**(7,756)**		698
		(23,672)		127,664
Cash flow from financing activities				
Proceeds of notes payable		**70,000**		25,000
Repayment of notes payable		**(54,250)**		(30,350)
Repayment of long-term debt		**(42,619)**		(95,008)
		(26,869)		(100,358)
(Decrease) increase in cash		**(50,541)**		27,306
Cash, beginning of period		**81,805**		24,206
Cash, end of period	**$**	**31,264**	$	51,512

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	**$**	**33,776**		24,255
Income taxes	**$**	**-**	$	-

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. 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 September 30, 2009 the Company has a deficit, to date, of $23,331,158 and working capital deficiency of $752,030. 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 using the same accounting policies and methods as the audited financial statements as at June 30, 2009 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)

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.

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, 2009 and June 30, 2009 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.

2. Significant Accounting Policies - continued

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 (loss) 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.

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 to directors, officers, consultants and employees 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

2. Significant Accounting Policies - continued

Future accounting pronouncements

International reporting standards:

In February 2009, 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 cash is classified as held for trading and is measured at fair value. Accounts receivable has been classified as loans and receivables and accounts payable, accrued liabilities, dividends payable, notes payable, long-term debt and preferred shares are classified as other financial liabilities, which are measured at amortized cost. These classifications have remained unchanged since initial recognition.

Fair Values

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, dividends payable, notes payable, and preferred shares 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, 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% (34.9%) of revenue (2008 – 23.4%). Amounts due from this customer accounted for 40% of the Company's accounts receivable at September 30, 2009 (2008 - 41%). 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 $6,175 (Sept. 2008 – loss of $2,865).

3. Financial instruments - continued

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 $752,030 (June 30, 2009 - $813,648). This includes a long-term debt, preferred shares and dividends payable, with an aggregate carrying value of $781,656 (June 30, 2009 - $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 2009	June 30 2009
Raw materials and supplies	**$ 206,028**	$ 217,183
Work in process	**19,076**	23,472
Finished goods	**24,960**	39,254
	$ 250,064	$ 279,909

Inventory utilization during the period was as follows:

	Sept 30 2009	Sept 30 2008
Raw materials and supplies used	**$ 150,153**	$ 365,964
Labour costs	**219,170**	254,023
Amortization	**62,630**	26,382
Other costs	**25,134**	33,479
Net change in finished goods and work in process	**18,690**	(6,268)
Cost of product sales	**$ 475,777**	$ 673,580

5. Equipment

Sept 30, 2009	**Cost**	**Accumulated Amortization**	**Net Book Value**
Computer equipment	**$ 161,518**	**$ 154,650**	**$ 6,868**
Office equipment and furniture	**70,287**	**61,321**	**8,966**
Manufacturing equipment [(1)]	**2,244,969**	**1,049,779**	**1,195,190**
Leasehold improvements	**61,003**	**51,635**	**9,368**
	$ 2,537,777	**$ 1,317,385**	**$ 1,220,392**

June 30, 2009	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 161,518	$ 154,093	$ 7,425
Office equipment and furniture	70,287	60,849	9,438
Manufacturing equipment [(1)]	2,244,970	986,875	1,258,095
Leasehold improvements	61,003	50,111	10,892
	$ 2,537,778	$ 1,251,928	$ 1,285,850

(1) Specific equipment having an aggregate net book value of $880,990 (June 2009 - $1,163,698) have been pledged as security for long-term debts (Note 7).

6. Notes Payable

Interest	Security	Terms		Sept 30 2009	June 30 2009
12%	Unsecured	No repayment terms [1]	$	**132,322**	116,572

[1] Payable to Officers of the Company and/or their spouses.

7. Long-Term Debt

		Sept 30 2009		June 30 2009
Non interest bearing debenture has matured. [1]	$	**39,600**	$	39,600
Term loan bearing interest at 12.0%, unsecured, and matures in March 2011. No payments are required from April 2009 to March 2010 after which all accrued interest will be added to the loan balance. Blended monthly principal and interest payments of $6,037 will commence April 2010 and continue until maturity. [2]		**60,929**		60,929
Term loan bearing interest at 12.0%, unsecured, and matures in March 2011. No payments are required from April 2009 to March 2010 after which all accrued interest will be added to the loan balance. Blended monthly principal and interest payments of $5,076 will commence April 2010 and continue until maturity. [3]		**51,007**		51,007
Term loans bearing interest at 8.0%, unsecured, and mature May 2011. Blended monthly principal and interest payments of $3,296 are required.		**61,518**		70,061
Term loans bearing interest at 12.0%, secured by specific equipment having a net book value of $63,443 (June 2008 - $66,782), and mature in August 2011. No payments are required from April 2009 to March 2010 after which all accrued interest will be added to the loan balances. Blended monthly principal and interest payments of $3,559 will commence April 2010 and continue until maturity. [2, 3]		**49,447**		49,447
Term loans bearing interest at 8.0%, unsecured, and mature November 2011. No payments are required from April 2009 to March 2010 after which all accrued interest will be added to the loan balances. Blended monthly principal and interest payments of $3,750 will commence April 2010 and continue until maturity. [4]		**64,788**		64,788
Term loan bearing interest at 6.0%, secured by a general security agreement covering the assets of Permatech Electronics Corporation, matures September 2013. Repayment is to be made by way of twelve monthly payments of $4,375, followed by twelve monthly payments of $6,621, twelve monthly payments of $8,692, and twelve monthly payments of $13,411. Each of these payments is blended as to principal and interest. [5]		**334,998**		369,074
Balance forward		**662,287**		704,906

7. Long-Term Debt - continued

	Sept 30 2009	June 30 2009
Balance forward	**662,287**	704,906
Debenture, bearing interest at 10.5%, secured on a pro-rata basis with another debenture by specific equipment having a net book value of $817,546 (June 2008 - $855,000), matures December 2013. The debenture has a face value of $724,256 and may be repaid, in whole or in part, at any time at the Company's discretion. Payments as to interest only are required until December 2010, followed by blended principal and interest payments of $15,865 each month until December 2011, and then blended principal and interest payments of $16,171 each month until maturity. The holder of this debenture was issued 2,800,000 common shares of the Company as additional compensation for having advanced the funds.	**709,039**	708,135
Debenture, bearing interest at 4.5%, secured on a pro-rata basis with another debenture by specific equipment having a net book value of $817,546 (June 2008 - $855,000), matures December 2013. The debenture has a face value of $284,067 and may be repaid, in whole or in part, at any time at the Company's discretion. Payments as to interest only are required until maturity. The holder of this debenture was granted an option to acquire a 24% interest in Permatech Electronics Corporation for $200,000 on or before June 15, 2012 as additional compensation for having advanced the funds.	**221,396**	217,673
	1,592,722	1,630,714
Less: Current portion	**176,363**	240,311
	$ 1,416,359	$ 1,390,403

(1) The debenture has matured but no means of settlement has yet been reached. 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 $37,971 (June 30, 2008 - $37,971) payable to Officers of the Company and/or their spouses.
(5) The repayment terms of this loan were renegotiated during the period such that payments were deferred and maturity dates were extended.

The minimum annual future principal repayments are as follows:

2010	$ 176,363
2011	285,852
2012	211,002
2013	284,744
2014	634,761
	$ 1,592,722

8. Commitments

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

2010	$ 108,648
2011	45,270
	$ 153,918

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, 2009 and June 30, 2009	63,151,804	21,873,055
Class A special shares September 30, 2009 and June 30, 2009	1,193,442	100,000
Balance September 30, 2009 and June 30, 2009		$ 21,973,055

Preferred Shares:

	Current	Other	Total
Balance September 30, 2009 and June 30, 2009	$ 473,855	$ -	$ 473,855

(c) Details of options outstanding are as follows:

Common Shares Under Option	Number of Options Vested	Price/Option	Expiry Date
200,000	200,000	$0.120	December 17, 2009
800,000 (1)	800,000	$0.120	December 17, 2009
50,000	50,000	$0.155	July 10, 2010
900,000 (1)	720,000	$0.170	June 27, 2011
1,950,000	1,770,000		

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Beginning of period	1,950,000	$0.144	September 7, 2010
Changes during period	-		
End of period	1,950,000	$0.144	September 7, 2010

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

(d) 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:

9. Share Capital - continued

(d) Contributed surplus - continued

	Sept 30 2009	June 30 2009
Contributed surplus, beginning of period	$ 409,918	$ 338,208
Compensation expense related to stock options granted in prior periods	188	2,834
Value attributed to option on Permatech Electronics Corporation	-	68,876
Contributed surplus, beginning of period	$ 410,106	$ 409,918

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 2009	Sept 30 2008
Interest expense - long term	1114377	$ 2,190	$ 2,095
Interest expense - long term	Directors/Officers	$ 3,303	$ 3,791
Interest expense - other	Directors/Officers	$ 3,476	$ 3,196

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:

	Sept 30 2009	June 30 2009
Resource related expenditures	$ 87,263	$ 87,263
Scientific research and experimental development	262,814	262,867
Reserves claimed	2,932,164	2,932,164
Undepreciated capital cost	310,268	313,975
Non-capital losses	224,345	224,345
Capital losses	766,960	766,960
Future income tax assets, before valuation allowance	4,583,814	4,587,574
Valuation allowance	(4,583,814)	(4,587,574)
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	
2010	$ 417,232
2014	114,285
2027	287,896
2029	67,017
	$ 886,430

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 2009	June 30 2009
Long-term debt [1]	**$ 662,287**	$ 704,906
Share Capital	**21,973,055**	21,973,055
Contributed surplus	**410,106**	409,918
Deficit	**(23,331,158)**	(23,301,174)
Net capital (deficiency) under management	**$ (285,710)**	$ (213,295)

[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, 2009 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.

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 reported results for the first fiscal quarter of 2010 continue to reflect the depressed economic conditions that have had a major impact on many industries, both domestic and world-wide. Although relatively small at $29,984, this represents the third consecutive fiscal quarter for which the Company has reported losses from operations. It also represents the fifth consecutive quarter for which revenues are lower than for the corresponding period one year earlier.

In spite of these less than favourable results the optimism that was spoken about at length in the preceding MD&A continues. This optimism was based upon the accomplishments achieved during the 2009 fiscal year and the conditions that existed at the end of, and following, the first quarter. While that previous MD&A was only issued approximately one month ago the subsequent results serve to confirm the optimistic assertions. During this time frame the Company has secured additional substantial orders, received many additional requests for quotation, maintained its 100% collection rate, and concluded the restructuring of another of its financial obligations. While this confidence did not translate into positive results for the first quarter, current indications are that the operating results are already improving.

Total revenues for the first quarter amounted to $762,174 representing a decline of approximately 26% in comparison to Q1-2009. Although this percentage decline is virtually identical to that which the Company experienced in Q3-2009, and marginally higher than the decline of Q4-2009, management remains confident that revenues will soon start to trend upward. This assertion comes from the realization that assembly volumes were reasonably comparable to a year ago while revenues from component sales fell significantly. Current orders and requests for quotation suggest that this decline in component sales is temporary in nature. Management's confidence is also based upon their interpretation of the attitude of the Company's marketplace. Feedback that management is receiving from existing and potential customers now contains talk, albeit guarded, of improvement as opposed to the pessimism that prevailed six to twelve months ago. While it remains unclear as to when, or if, the economy will return to previous levels the prospect of recovery seems to improve almost daily.

While management persists with efforts to return to, and exceed, previous revenue totals it also continues to manage the Company's risks. With the Company's stellar collection history credit risk appears to be minimized but liquidity risk continues to be a primary concern. While a certain amount of liquidity risk will always be present the Company's deficiency in assets and working capital deficiency each serve to accentuate this risk area.

The prevailing economic conditions have translated into operating losses which serve to add to the deficiency in assets. Management has taken, and will continue to take, steps to reduce costs and grow revenues. This is a formula intended to return the Company to profitability and to improve cash flows from operations. This represents a two-pronged approach to reducing the deficiency as profitability will reduce the deficit while the improved cash flow will translate into reduced liabilities. The Company had been successfully reducing this deficiency before the economic climate changed and management is confident that further progress will be made in the near future.

The lower revenues that the Company has been realizing in recent periods translate into lower cash flow from operations. While a return to higher revenues and profitability will rectify this there also has to be a means of funding the accumulation of assets that occurs during any growth period. During the 2009 fiscal year the Company was successful in paying out some of its obligations and renegotiating others. This served to reduce, but not eliminate, some cash flow constraints. Discussions with creditors continued through the first quarter and resulted in the renegotiation of the repayment terms on another long-term debt. These revised payment terms took effect right at the end of the quarter and serve to reduce the total payments required over the next twelve months by $108,854. While this will translate into approximately $3,560 in additional interest costs over this period these costs seem justified given the preservation of cash to fund operations. No further renegotiation of debts is anticipated.

Corporate Performance - continued

An additional benefit of renegotiating these obligations is that the current portion of long-term debt is reduced thereby reducing the working capital deficiency. As at September 30, 2009 this deficiency amounted to $752,030. This is the lowest reported figure since March 2005 and the second lowest figure since the 2002 fiscal year when the Company changed its business model. Moreover, this deficiency is now lower than the aggregate value ($781,656) of certain matured obligations which originated under the former business model, have not changed in value in more than two years, and which the Company will not actively repay until such time that suitable repayment terms can be arranged. While this should not be construed to mean the deficiency is not significant it does mean that at September 30, 2009 current assets were greater than the current liabilities being actively managed.

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

	For the fiscal years ended:		
	June 09	June 08	June 07
Total Revenues	3,435,283	4,066,902	3,436,846
Net income (loss) from operations	(165,302)	250,963	(107,196)
Per share	(0.003)	0.004	(0. 002)
Net income (loss) for the period	(196,656)	237,958	259,441
Per share	(0. 003)	0.004	0.004
Total assets	2,119,699	1,591,396	1,469,148
Total long-term financial liabilities	1,390,403	497,844	744,523
Total liabilities	3,037,900	2,401,374	2,524,412
Cash dividends [1] – preferred shares	NIL	NIL	75,697

	For the three month periods ended:				
	Sept. 09	June 09	Mar. 09	Dec. 08	Sept. 08
Total Revenues	762,174	785,581	690,777	928,499	1,030,426
Net income (loss) from operations	(29,984)	(180,183)	(26,845)	601	41,125
Per share	(0.000)	(0.003)	(0.000)	0.000	0.001
Net income (loss) for the period	(29,984)	(211,537)	(26,845)	601	41,125
Per share	(0.000)	(0.003)	(0.000)	0.000	0.001
Total assets	1,959,494	2,119,699	1,291,890	1,322,065	1,566,082
Total long-term financial liabilities	1,416,359	1,390,403	474,187	414,131	442,318
Total liabilities	2,907,491	3,037,900	2,084,721	2,088,625	2,334,073
Cash dividends [1] – preferred shares	NIL	NIL	NIL	NIL	NIL

	For the three month periods ended:				
	June 08	Mar. 08	Dec. 07	Sept. 07	June 07
Total Revenues	1,003,130	937,253	1,042,894	1,083,625	955,765
Net income (loss) from operations	66,121	34,490	70,072	80,280	(4,590)
Per share	0.001	0.001	0.001	0.001	(0. 000)
Net income (loss) for the period	66,121	21,845	70,072	80,280	259,260
Per share	0.001	0.001	0.001	0.001	0.004
Total assets	1,591,396	1,456,980	1,450,155	1,463,341	1,469,148
Total long-term financial liabilities	497,844	571,435	588,927	667,504	744,523
Total liabilities	2,401,374	2,334,463	2,350,741	2,436,131	2,542,412
Cash dividends [1] – preferred shares	NIL	NIL	NIL	NIL	11,657

[1] Cash dividends were being accrued rather than paid

Results of Operations

For the first fiscal quarter the Company reported a net loss form operations and a net loss for the period of $29,984 with revenues from product sales of $762,174. In comparison, revenues during the first quarter of last year were $1,030,426 while the net income from operations and net income for the period were $41,125. Management has taken steps to control the Company's costs and this is reflected in the fact that the losses were minimized in spite of the 26% revenue decline. Also, industry feedback suggests that market demand has declined by approximately 40% or that demand has decreased by more than the Company's revenues have declined. While declines in revenue and profitability are clearly not favourable results these qualifying factors can support the belief that the Company has performed reasonably well under economic circumstances that are generally beyond management's control.

Gross margins for Q1-2010 amounted to $286,397 or 37.6% of revenues.. In comparison the gross margins realized in Q1-2009 were $356,846 or 34.6% of revenues. This means that gross margins declined by only 19.7% during the same period that revenues declined by 26%. While management certainly took steps to reduce costs, this relative increase in margins is primarily a reflection of a change in product mix. The revenue generated from the sale of components, which is generally lower margin, was significantly lower this period than it was in Q1-2009. The by-product of this is that the revenues generated from product assembly, which is typically higher margin, are only slightly lower than they were last year. If the assembly volumes of the current period are indicative of the future and the reduction in component sales is temporary, as management believes it to be, then higher revenues and gross margin amounts should be on the immediate horizon.

The knowledge that revenues from component sales has declined significantly comes from the fact that the cost of components has dropped. During the first quarter of 2010 the cost of components amounted to $129,841 whereas during Q1-2009 the Company utilized raw materials valued at $336,989. This means that component costs represented only 27% of the total costs of sales during the current period as compared to 50% last year. This also means that component costs have declined by $207,148 accounting for over 77% of the revenue decline even before giving consideration to the mark-up applied to these components. The exact split between component revenues and assembly revenues has not been tracked for each period however these results should make it clear why the vast majority of the 26% revenue decline has been attributed to component sales.

Labour costs for the period amounted to $219,170 representing a 13.7% reduction when compared to the total of $254,023 incurred during the first quarter of 2009. Since at least 20% of the 26% revenue decline has been attributed to component sales clearly less than 6% is attributed to a decline in assembly revenues. The fact that labour costs have declined by more than the corresponding revenues has been attributed to the greater efficiency of the new line of machinery and the more hands-on role that management has played in the assembly process. The work-share program that has been utilized to retain trained personnel during the recent downturn will be phased out as required in order to meet assembly demands and as this occurs the labour cost savings will be limited to the efficiency gains arising from the new equipment.

While the new equipment has resulted in the securing of orders that the Company would not have otherwise received and has provided increased labour efficiency it also has resulted in an increase in amortization costs. Total equipment costs for the period, which include both amortization and repairs and maintenance, were $71,733 as compared to $29,977 for Q1-2009. While the Company completed its maintenance push during the first quarter such that this element rose from $3,595 to $9,103 the bulk of the increase is attributable to the increase in amortization attributed to the new equipment line. It is anticipated that the maintenance element will return to previous levels but this new level of amortization will continue for the foreseeable future. There are no current commitments to purchase new equipment but management continues to evaluate the feasibility and benefit of additional acquisitions.

No other elements of costs of goods sold that individually represent 4% or more of the total for either the current period or the corresponding period in 2009. These remaining elements, which include freight, tooling and supplies, are consistently monitored by management and are considered noteworthy only in the event that significant changes occur which has not been the case.

Results of Operations - continued

Selling, general and administrative expenses ("SG&A) incorporate 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 Q1-2010 total for SG&A was $263,015 representing a 9% decrease in comparison to the Q1-2009 total of $288,978.

Employee and consultant remuneration is the largest component of SG&A. Total remuneration for the current quarter was $156,368 while the total for the first quarter of 2009 was $181,442. The current period reduction is reflective of the pay reductions resulting from reduced work weeks as there was no reduction in the number of personnel. Just as the assembly labour will be ramped back up based upon operating volumes so too will the administrative salaries. This means that it should be anticipated that periodic costs will rise as revenues increase.

Occupancy costs, which consist primarily of rent and utility charges, have remained fairly stable as expected with current period costs amounting to $79,425 while the total for Q1-2009 was $80,495. The base rent has remained consistent from period to period so the minor difference is attributed to reduced demand for utilities which was offset, in part, by higher utility rates, realty taxes and common area maintenance charges. 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.

Professional fees, which include a pro-rated portion of estimated annual audit fees as well as legal costs amounted to $13,698 for the current period which are greater than the $10,757 incurred during Q1-2009 however there were no specific events that this increase can be attributed to.

There are no other elements of SG&A that individually equal or exceed 4% of the total for either the current or comparable period from 2009. The remaining elements include regulatory fees, amortization and other miscellaneous charges which 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, was markedly higher in the current period having risen to $44,541 from $20,623. Interest on long-term debt accounts for virtually all of this increase as the Company is now bearing the costs associated with the financing for the new equipment line and the additional costs resulting from the renegotiated debts. It is anticipated that the costs incurred during the current period are indicative of the periodic costs to be incurred for the foreseeable future.

Liquidity

The Company continues to realize improvement in its liquidity however it also continues to report a working capital deficiency. As at September 30, 2009 the deficiency amounted to $752,030. This reflects an improvement of $61,618 during the quarter and $117,927 in the past twelve months. The main cause of the current period reduction was the renegotiation of a term loan which reduced the current portion of long-term debt. In order to continue to reduce this deficiency the Company will need to generate positive cash flow from operations and to utilize this cash to reduce current liabilities

It should be noted that there is a balance of $742,056 included in current liabilities on account of preferred shares that matured during Q4-2007 and the unpaid dividends thereon. There is also a balance of $39,600 owing on a debenture that matured December 2005. No repayments of these obligations have occurred subsequent to their maturity dates and will not occur unless suitable repayment arrangements can be negotiated.

Liquidity - continued

The Company currently utilizes long term debt as a means of financing new equipment acquisitions and of settling other obligations whenever suitable terms can be negotiated. 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. 2010	Due by Sept. 2012	Due by Sept. 2014	Due after Sept. 2014	Total Due
Repurchase of preferred shares	665,501	-	-	-	665,501
Settlement of dividends payable	268,201	-	-	-	268,201
Matured debenture	39,600	-	-	-	39,600
Other long-term debt (1)	155,271	533,880	941,869	-	1,631,020
Operating leases	108,648	45,270	-	-	153,918
Total	1,237,221	579,150	941,869	-	2,758,240

(1) Other long-term debt includes two debentures that have carrying values that are lower than their respective face values by an aggregate of $77,888. The financial statements as at September 30, 2009 report these based upon their carrying values while the figures reported above include the actual cash payments to be made in accordance with the face values.

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. 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:

	2009		2008	
	Sept 30	June 30	Sept 30	June 30
Note payable at prime +2%	-	-	12,942	16,192
Notes payable at 12.0%	132,322	116,572	82,978	110,078
Term loan payable at 8.0%	37,971	37,971	48,412	58,446
Term loan payable at 8.5%	-	-	13,564	17,898
Term loans payable at 12%	161,383	161,383	132,931	150,920

Related Party Transactions - continued

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

	2009		2008	
	Sept 30	June 30	Sept 30	June 30
Interest expense – long term	3,303	20,981	5,886	14,106
Interest expense – other	3,476	14,588	3,196	13,415

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 2009	800,000
Stock options @ $0.17 per share	June 2011	900,000

Convertible Instruments and Other Securities

As at September 30, 2009, and as at the date of this document, the Company had the following securities issued and outstanding:

Description	Quantity	Amount
Common shares	63,151,804	$ 21,681,409
Paid in capital of preferred shares		191,646
Class A special shares	1,193,442	100,000
		$ 21,973,055
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 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 2009	1,000,000
Share options @ $0.155 per share	July 2010	50,000
Stock options @ $0.17 per share	June 2011	900,000
		1,950,000

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. 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 cash is classified as held for trading and is measured at fair value. Accounts receivable has been classified as loans and receivables and accounts payable, accrued liabilities, dividends payable, notes payable, long-term debt and preferred shares are classified as other financial liabilities, which are measured at amortized cost. These classifications have remained unchanged since initial recognition.

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, dividends payable, notes payable, and preferred shares 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, 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.

Risk Factors - 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% (34.9%) of revenue (2008 – 23.4%). Amounts due from this customer accounted for 40% of the Company's accounts receivable at September 30, 2009 (2008 - 41%). 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 $6,175 (2008 – loss of $2,865).

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 $752,030 (June 30, 2009 - $813,648). This includes a long-term debt, preferred shares and dividends payable, with an aggregate carrying value of $781,656 (June 30, 2009 - $781,656), that are each past due. The Company manages its liquidity risk through the management of its capital (see Note 12 to the financial statements) 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.