ZTEST Electronics Inc.

Unaudited Interim Consolidated Financial Statements

December 31, 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
December 31, 2009

	Dec. 31 2009	(Audited) June 30 2009
Assets		
Current Assets		
Cash	**$ 53,065**	$ 81,805
Accounts receivable	**409,972**	436,740
Inventories (Note 4)	**266,265**	279,909
Prepaid expenses	**33,864**	35,395
	763,166	833,849
Equipment (Note 5)	**1,154,934**	1,285,850
	$ 1,918,100	$ 2,119,699
Liabilities		
Current liabilities		
Customer deposits and deferred revenue	**$ -**	$ 38,450
Accounts payable and accrued liabilities	**445,778**	510,108
Dividends payable	**268,201**	268,201
Notes payable (Note 6)	**115,822**	116,572
Current portion of long-term debt (Note 7)	**230,959**	240,311
Preferred shares (Note 9)	**473,855**	473,855
	1,534,615	1,647,497
Long-term debt (Note 7)	**1,350,369**	1,390,403
	2,884,984	3,037,900
Deficiency in assets		
Share Capital (Note 9)	**21,973,055**	21,973,055
Contributed surplus (Note 9)	**410,292**	409,918
Deficit	**(23,350,231)**	(23,301,174)
	(966,884)	(918,201)
	$ 1,918,100	$ 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 Income, Comprehensive Income and Deficit
For the periods ended December 31

	Three months ended		Six months ended	
	2009	2008	**2009**	2008
Revenue				
Product sales	**$ 777,838**	$ 928,499	**$ 1,540,012**	$ 1,958,925
Interest and other	**-**	-	**179**	-
	777,838	928,499	**1,958,925**	1,958,925
Expenses				
Cost of product sales (Note 4)	**491,634**	597,616	**967,411**	1,271,196
Selling, general and administrative	**259,840**	315,487	**522,855**	604,465
Interest expense - long term (Note 10)	**39,966**	10,773	**80,544**	27,808
Interest expense - other (Note 10)	**3,446**	8,403	**7,409**	11,991
Foreign exchange	**(803)**	(7,634)	**5,372**	(4,769)
Amortization of equipment	**2,828**	3,253	**5,657**	6,508
	796,911	927,898	**1,589,248**	1,917,199
(Loss) income from operations	**(19,073)**	601	**(49,057)**	41,726
Provision for income taxes	**-**	-	**-**	-
Net (loss) income and comprehensive (loss) income for the period	**(19,073)**	601	**(49,057)**	41,726
Deficit, beginning of period	**(23,331,158)**	(23,063,393)	**(23,301,174)**	(23,104,518)
Deficit, end of period	**$ (23,350,231)**	$ (23,062,792)	**$ (23,350,231)**	$ (23,062,792)
Net (loss) income per share - basic	**$ (0.0003)**	$ 0.0000	**$ (0.0008)**	$ 0.0007
- fully diluted	$ **(0.0003)**	$ 0.0000	**$ (0.0008)**	$ 0.0007
Weighted average shares outstanding	**63,151,804**	61,010,288	**63,151,804**	61,010,288

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

ZTEST Electronics Inc.

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

	Three months ended 2009	Three months ended 2008	Six months ended 2009	Six months ended 2008
Cash flow from operating activities				
Net (loss) income for the period	**$ (19,073)**	$ 601	**$ (49,057)**	$ 41,726
Items not involving cash				
Amortization of equipment	**65,458**	29,635	**130,916**	59,272
Interest accretion	**4,627**	-	**9,254**	-
Stock option compensation	**186**	830	**374**	1,692
Changes in non-cash working capital items:				
Accounts receivable	**13,956**	167,681	**26,768**	222,933
Inventories	**(16,201)**	86,144	**13,644**	52,524
Prepaid expenses and other assets	**(18)**	(2,408)	**1,531**	(4,050)
Customer deposits and deferred revenue	**(30,694)**	-	**(38,450)**	698
Accounts payable and accrued liabilities	**36,081**	(193,094)	**(64,330)**	(157,738)
	54,322	89,389	**30,650**	217,053
Cash flow from financing activities				
Proceeds of notes payable	**89,000**	80,000	**159,000**	105,000
Repayment of notes payable	**(105,500)**	(65,350)	**(159,750)**	(95,700)
Repayment of long-term debt	**(16,021)**	(69,997)	**(58,640)**	(165,005)
	(32,521)	(55,347)	**(59,390)**	(155,705)
Increase (decrease) in cash	**21,801**	34,042	**(28,740)**	61,348
Cash, beginning of period	**31,264**	51,512	**81,805**	24,206
Cash, end of period	**$ 53,065**	$ 85,554	**$ 53,065**	$ 85,554

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	**$ 33,497**	$ 14,859	**$ 67,273**	$ 40,114
Cash paid for income taxes	**$ -**	$ -	**$ -**	$ -

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

1. Business of the Company

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

2. Significant Accounting Policies

Going concern basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 December 31, 2009 the Company has a deficit, to date, of $23,350,231 and working capital deficiency of $771,449. 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 December 31, 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:

The Accounting Standards Board ("AcSB") has confirmed that the transition to International Financial Reporting Standards (IFRS) from Canadian GAAP will occur on January 1, 2011 for public entities. This means that the Company will begin reporting in accordance with IFRS for fiscal periods commencing on July 1, 2011. The Company continues to assess the implications of adopting IFRS and anticipates that the financial reporting impact of the transition to IFRS will not be significant.

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% (26.1%) of revenue (Dec. 2008 – one customer at 29.5%). Amounts due from this customer accounted for 22% of the Company's accounts receivable at December 31, 2009 (June 2009 - 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 $5,372 (Dec. 2008 – gain of $4,769).

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 $771,449 (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:

	Dec. 31 2009	June 30 2009
Raw materials and supplies	**$ 237,260**	$ 217,183
Work in process	**18,440**	23,472
Finished goods	**10,565**	39,254
	$ 266,265	$ 279,909

Inventory utilization during the period was as follows:

	Dec. 31 2009	Dec. 31 2008
Raw materials and supplies used	**$ 340,920**	$ 661,883
Labour costs	**420,006**	490,576
Amortization	**125,260**	52,764
Other costs	**47,504**	62,917
Net change in finished goods and work in process	**33,721**	3,056
Cost of product sales	**$ 967,411**	$ 1,271,196

5. Equipment

Dec. 31, 2009	**Cost**	**Accumulated Amortization**	**Net Book Value**
Computer equipment	**$ 161,518**	**$ 155,206**	**$ 6,312**
Office equipment and furniture	**70,287**	**61,793**	**8,494**
Manufacturing equipment (1)	**2,244,970**	**1,112,685**	**1,132,285**
Leasehold improvements	**61,003**	**53,160**	**7,843**
	$ 2,537,778	**$ 1,382,844**	**$ 1,154,934**

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 $834,622 (June 2009 - $1,163,698) have been pledged as security for long-term debts (Note 7).

6. Notes Payable

Interest	Security	Terms		**Dec. 31 2009**		June 30 2009
12%	Unsecured	No repayment terms [1]	**$**	**72,822**	$	116,572
12%	Unsecured	No repayment terms		**43,000**		-
			$	**115,822**	$	116,572

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

7. Long-Term Debt

		Dec. 31 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.		**52,803**		70,061
Term loans bearing interest at 12.0%, secured by specific equipment having a net book value of $60,104 (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]		**327,692**		369,074
Balance forward		**646,266**		704,906

7. Long-Term Debt - continued

	Dec. 31 2009	June 30 2009
Balance forward	**646,266**	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 $774,518 (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.	**709,943**	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 $774,518 (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.	**225,119**	217,673
	1,581,328	1,630,714
Less: Current portion	**230,959**	240,311
	$ 1,350,369	$ 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	$ 230,959
2011	275,209
2012	224,393
2013	850,767
	$ 1,581,328

8. Commitments

Operating leases

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

2010	$ 108,648
2011	18,108
	$ 126,756

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 December 31, 2009 and June 30, 2009	63,151,804	21,873,055
Class A special shares December 31, 2009 and June 30, 2009	1,193,442	100,000
Balance December 31, 2009 and June 30, 2009		$ 21,973,055

Preferred Shares:

	Current	Other	Total
Balance December 31, 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
50,000	50,000	$0.155	July 10, 2010
900,000 (1)	720,000	$0.170	June 27, 2011
950,000	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
Expired during period	(800,000)	$0.120	December 17, 2009
Expired during period	(200,000)	$0.120	December 17, 2009
End of period	950,000	$0.168	June 8, 2011

(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

	Dec. 31 2009	June 30 2009
Contributed surplus, beginning of period	**$ 409,918**	$ 338,208
Compensation expense related to stock options granted in prior periods	**374**	2,834
Value attributed to option on Permatech Electronics Corporation	**-**	68,876
Contributed surplus, beginning of period	**$ 410,292**	$ 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**	**Dec. 31 2009**	Dec. 31 2008
Interest expense - long term	1114377	**$ 4,379**	$ 3,424
Interest expense - long term	Directors/Officers	**$ 6,606**	$ 7,295
Interest expense - other	Directors/Officers	**$ 7,121**	$ 6,461

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:

	Dec. 31 2009	June 30 2009
Resource related expenditures	**$ 87,263**	$ 87,263
Scientific research and experimental development	**262,761**	262,867
Reserves claimed	**2,932,106**	2,932,164
Undepreciated capital cost	**306,562**	313,975
Non-capital losses	**218,070**	224,345
Capital losses	**766,960**	766,960
Future income tax assets, before valuation allowance	**4,573,722**	4,587,574
Valuation allowance	**(4,573,722)**	(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:

	Dec. 31 2009	June 30 2009
Long-term debt [1]	**$ 646,266**	$ 704,906
Share Capital	**21,973,055**	21,973,055
Contributed surplus	**410,292**	409,918
Deficit	**(23,350,231)**	(23,301,174)
Net capital (deficiency) under management	**$ (320,618)**	$ (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 December 31, 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 second fiscal quarter reflected the continuation of recent trends whereby the Company has reported reduced revenues and reduced profitability. Although revenues for the current period were marginally higher than the preceding quarter, it was still the sixth consecutive quarter for which revenues were lower than they had been during the corresponding period one year earlier. Furthermore, the reported loss brings the string of consecutive quarters with losses to four. The start of these negative operating trends coincided with the onset of the global economic downturn which continues to impact upon the electronics products market. There have been some indications that recessionary pressures may be waning and that product demand may be increasing however it remains uncertain when, or if, market demand will return to the levels that existed before the recession commenced.

On a more encouraging note, the Company returned to the positive side in terms of cash flow generated through operations. The first quarter of this year represented the first time in nine fiscal quarters that the Company had failed to generate positive cash flows from operations. The results of this latest period may suggest that the Q1 results were just an anomaly. Current cash flows lag behind the amounts generated one year earlier however they were sufficient to overcome the first period shortfall and are positive on a year to date basis. Maintaining positive cash flows greatly enhances the Company's ability to satisfy its operating obligations and to service its debts.

Management continues to strive for revenue growth which will then translate into improved profitability and improved cash flow. A number of changes were implemented during recent periods that were designed to improve the Company's market share but unfortunately the market itself remains smaller than it used to be. While it is alleged that the Company's position in the market has improved, the full benefit of these changes cannot be realized until market demand begins to grow again. There were no additional operational changes implemented during the second fiscal quarter and none are planned for the immediate future. The current emphasis is on sales efforts, cost control, and planning for future periods when demand is expected to exceed current levels.

Risk management has always been a key element of management's activities and its importance is even more pronounced while the market remains soft. The Company's near-perfect collection history remains in tact showing that credit risk continues to be well managed. Similarly, the working capital deficiency has been reduced over the first six months of the year demonstrating that capital management and liquidity risk are also being well attended to. Management will continue to administer each of the Company's risk management policies to ensure that the Company is in the best possible position to capitalize on market growth, whenever it may occur.

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	NIL	NIL	75,697

Corporate Performance - continued

	For the three month periods ended:				
	Dec. 09	**Sept. 09**	**June 09**	**Mar. 09**	**Dec. 08**
Total Revenues	777,838	762,174	785,581	690,777	928,499
Net income (loss) from operations	(19,073)	(29,984)	(180,183)	(26,845)	601
Per share	(0.000)	(0.000)	(0.003)	(0.000)	0.000
Net income (loss) for the period	(19,073)	(29,984)	(211,537)	(26,845)	601
Per share	(0.000)	(0.000)	(0.003)	(0.000)	0.000
Total assets	1,918,100	1,959,494	2,119,699	1,291,890	1,322,065
Total long-term financial liabilities	1,350,369	1,416,359	1,390,403	474,187	414,131
Total liabilities	2,884,984	2,907,491	3,037,900	2,084,721	2,088,625
Cash dividends	NIL	NIL	NIL	NIL	NIL

	For the three month periods ended:				
	Sept. 08	**June 08**	**Mar. 08**	**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	21,845	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	NIL	NIL	NIL	NIL	NIL

Results of Operations

The Company has reported a net loss for the second fiscal quarter in the amount of $19,073 and a six-moth loss of $49,057. In comparison, the Company reported net income of $601 during the second quarter of the 2009 fiscal year and net income for the six month period of $41,726. While management is not satisfied with having realized losses it is satisfied with the results of efforts made to minimize periodic losses without compromising the Company's future prospects. Management has taken steps to control the Company's costs but has not cut so deep as to impair the Company's ability to react to either short-term or longer-term increases in operating demands. Management believes that these actions will ensure that the Company can capture market share and maximize its future profits, if and when, all or some, of the recent contraction in market demand reverses.

The Company's second quarter revenues amounted to $777,838 representing a 2% increase over first quarter figures but a 16.2 % decline in comparison to the second quarter of the 2009 fiscal year. The current year to date revenues were $1,540,012 representing a decline of 21.4% in comparison to the $1,958,925 reported at December 31, 2008. This decline in revenues has been well documented as having been caused by the global economic downturn. There are a number of indicators that many elements of the domestic economy are entering recovery however the timing of a full recovery, if it ever arises, cannot be predicted.

As should have been anticipated, based upon the lower revenue figures, gross margin amounts were lower during the current periods than they were one year ago. To better analyze these results we find it more effective to look at these figures in relation to the revenues that gave rise to them. Gross margins for the current periods equated to 36.8% of revenues for the second quarter and 37.2% on a year to date basis. Each of these percentages is higher than they were at December 2008 when the corresponding margins were 35.6% and 35.1% of sales. These percentages reflect the impact of opposing forces however as some of the change has resulted from a shift in product mix, some from the impact of the new equipment line purchased May 2009, and still more from the impact of carrying greater than the optimal amount of labour through the current periods.

Results of Operations - continued

There are two primary revenue components, being assembly revenues and component revenues, making the value of components consumed during the period one of the most reliable measures of product mix. During the second quarter these costs amounted to $190,767 or 24.5% of revenues as compared to $295,919 or 31.9% of sales. This means that a larger proportion of current period revenues were derived from assembly activities. The disparity is even greater on a year-to-date basis with current year total representing only 22.1% of sales while the December 2008 amount is 33.8% of sales. Typically, the higher the material costs as a percentage of revenues the lower the gross margin percentages are for the period. Although current result are consistent with these expectations the gross margin figures are not as dissimilar as they might have been had all other factors remained consistent.

The new equipment line acquired would typically impact on two elements of cost of sales namely the amortization and labour costs. The acquisition of this equipment has caused amortization costs to rise by more than 137% as costs rose from $26,382 per quarter last year to $62,630 per quarter this year. Partially counteracting this increase, the equipment also provides greater labour efficiency which results in reduced labour costs. Labour costs for the three and six month periods ended December 2009 were $200,836 and $420,006 while the corresponding December 2008 figures were $236,553 and $490,576. This expected efficiency increase was mitigated to some degree in the current periods by the fact that the product mix shifted significantly to a greater proportion of assembly work which increase the labour element. It was also offset by the decision to retain personnel through a work-share program rather than reducing the number of employees. Although this retains trained personnel it also has the impact of raising the average cost per hour. Since the aggregate of these costs are higher in the current periods than in the corresponding periods last year they are acting to reduce the gross margin percentages from what would historically have been realized though the shift in product mix.

No other elements of costs of goods sold that individually represent 4% or more of the total for either the current three or six month periods or the corresponding periods ended December 2008. 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.

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 total SG&A for Q2-2010 was $259,840, representing a 17.6% decrease in comparison to Q2-2009, while the six month total of $522,855 was 13.5% lower than December 2008 levels.

Employee and consultant remuneration continues to represent approximately 60% of the total SG&A. Costs for the second quarter amounted to $150,008 with year to date costs amounting to $306,376. These costs have declined in comparison to December 2008 totals when costs for the three month period then ended were $192,674 and the six month total was $374,116. Throughout the first six months of the 2010 fiscal year the Company has been utilizing a reduced work week, with a corresponding pay reduction, wherever workloads dictate. It is anticipated that this is a temporary situation and that periodic costs will rise again, if and when revenues increase.

Occupancy costs, which consist primarily of rent and utility charges, have changed by less than 1% with second quarter costs amounting to $76,584 and Q2-2009 costs amounting to $75,856. The variation in the six month totals is even lower as current year costs aggregating $156,009 as compared to $156,801 at December 2008. 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 increased rates for utilities, 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.

Results of Operations - continued

Professional fees, which include a pro-rated portion of estimated annual audit fees as well as legal costs, amounted to $14,350 for Q2-2010 and $28,048 for the first two quarters combined. These figures are quite similar to the totals of $16,350 and $27,107 incurred for the comparable periods ended December 2008 and they are also consistent with expectations.

There are no other elements of SG&A that individually equal or exceed 4% of the total for either the current or comparable periods from the 2009 fiscal year. The remaining elements include regulatory fees, amortization and other minor 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 borrowing costs continue to be higher in the current year as a consequence of having financed the new equipment acquired in May 2009. The interest costs associated with this new debt has amounted to $26,835 per quarter this year while there were no similar charges incurred last year. This is the primary reason why interest costs rose from $19,176 in Q2-2009 to $43,412 this year and from $39,799 to $87,953 for the six month periods. The remaining difference is attributable to having reduced the balance of other long-terms debts and to minor variations in the amount of short-term borrowing. It is anticipated that costs incurred during the current periods are indicative of the periodic costs to be incurred for the foreseeable future.

Liquidity

The Company continues to report a working capital deficiency and continues to be reliant on short term financing from stakeholders in order to meet its working capital requirements. As at December 31, 2009 the deficiency amounted to $771,449 representing an improvement of $95,629 in comparison to December 31, 2008. It also represents an improvement of $36,199 for the first half of the fiscal year, albeit with a decline of $19,419 during the second quarter. . Cash flow from operations continues to be a key aspect of the effort to reduce this deficiency and the Company has generated positive operating cash flow in nine of its last ten fiscal quarters. The only recent period with negative cash flow was the first quarter of the current year which undoubtedly contributed to the second quarter working capital deficiency.

The working capital deficiency includes the amount of $742,056 owing on account of preferred shares that matured during Q4-2007 and the unpaid dividends thereon. It also includes the 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.

The Company's capital management procedures have proven to be reasonably effective as a means of addressing working capital requirements. In accordance with these procedures the Company continues to utilize short-term financing on a revolving basis and to use long term debt to finance new equipment acquisitions. Repayment terms of long-term debts are monitored and a temporary cessation of monthly payments on certain long-term debts was negotiated in prior periods. This payment deferral period is currently scheduled to end March 31, 2010.

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

	Due by Dec. 2010	**Due by Dec. 2012**	**Due by Dec. 2014**	**Due after Dec. 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)	209,867	536,618	868,504	-	1,614,989
Operating leases	108,648	18,108	-	-	126,756
Total	1,291,817	554,726	868,504	-	2,715,047

Liquidity - continued

(1) Other long-term debt includes two debentures that have carrying values that are lower than their respective face values by an aggregate of $73,261. The interim financial statements as at December 31, 2009 report these debentures based upon their carrying values while the figures reported in this chart include the non-discounted 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 stakeholders 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	
	Dec. 31	**June 30**	**Dec. 31**	**June 30**
Note payable at prime +2%	-	-	9,693	16,192
Notes payable at 12.0%	72,822	116,572	136,072	110,078
Term loan payable at 8.0%	37,971	37,971	43,224	58,446
Term loan payable at 8.5%	-	-	9,138	17,898
Term loans payable at 12%	161,383	161,383	137,273	150,920

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

	2009		2008	
	Dec. 31	**June 30**	**Dec. 31**	**June 30**
Interest expense – long term	10,985	20,981	10,719	14,106
Interest expense – other	7,121	14,588	6,461	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. An additional 800,000 stock options previously held by these individuals expired during December 2009:

Description	**Expiry Date**	**Number of Common shares**
Stock options @ $0.17 per share	June 2011	900,000

Convertible Instruments and Other Securities

As at December 31, 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
Share options @ $0.155 per share	July 2010	50,000
Stock options @ $0.17 per share	June 2011	900,000
		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:

The Accounting Standards Board ("AcSB") has confirmed that the transition to International Financial Reporting Standards (IFRS) from Canadian GAAP will occur on January 1, 2011 for public entities. This means that the Company will begin reporting in accordance with IFRS for fiscal periods commencing on July 1, 2011. The Company continues to assess the implications of adopting IFRS and anticipates that the financial reporting impact of the transition to IFRS will not be significant.

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.

Financial Instruments - continued

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.

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% (26.1%) of revenue (Dec. 2008 – 29.5%). Amounts due from this customer accounted for 22% of the Company's accounts receivable at December 31, 2009 (June 2009 - 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 $5,372 (2008 –gain of $4,769).

Risk Factors - 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 $771,449 (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.