ZTEST Electronics Inc.

Unaudited Interim Consolidated Financial Statements

March 31, 2010

Be advised that these Unaudited Interim Consolidated Financial Statements have been compiled by the Company's management and they have not been examined, in any manner, by the Company's auditors.

ZTEST Electronics Inc.

Unaudited Interim Consolidated Balance Sheet
March 31, 2010

	Mar. 31 2010	(Audited) June 30 2009
Assets		
Current Assets		
Cash	**$ 46,093**	$ 81,805
Accounts receivable	**447,745**	436,740
Inventories (Note 4)	**274,653**	279,909
Prepaid expenses	**37,979**	35,395
	806,470	833,849
Equipment (Note 5)	**1,089,475**	1,285,850
	$ 1,895,945	$ 2,119,699
Liabilities		
Current liabilities		
Customer deposits and deferred revenue	**$ 9,647**	$ 38,450
Accounts payable and accrued liabilities	**397,001**	510,108
Dividends payable	**268,201**	268,201
Notes payable (Note 6)	**71,953**	116,572
Current portion of long-term debt (Note 7)	**245,089**	240,311
Preferred shares (Note 9)	**473,855**	473,855
	1,465,746	1,647,497
Long-term debt (Note 7)	**1,348,797**	1,390,403
	2,814,543	3,037,900
Deficiency in assets		
Share Capital (Note 9)	**21,973,055**	21,973,055
Contributed surplus (Note 9)	**410,473**	409,918
Deficit	**(23,302,126)**	(23,301,174)
	(918,598)	(918,201)
	$ 1,895,945	$ 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 March 31

	Three months ended 2010	Three months ended 2009	Nine months ended 2010	Nine months ended 2009
Revenue				
Product sales	**$ 888,849**	$ 690,777	**$ 2,428,861**	$ 2,649,702
Interest and other	**-**	-	**179**	-
	888,849	690,777	**2,429,040**	2,649,702
Expenses				
Cost of product sales (Note 4)	**543,009**	463,989	**1,510,420**	1,735,185
Selling, general and administrative	**256,434**	229,040	**779,289**	833,505
Interest expense - long term (Note 10)	**39,661**	14,953	**120,205**	47,773
Interest expense - other (Note 10)	**3,273**	4,078	**10,682**	11,057
Foreign exchange	**(4,463)**	2,307	**909**	(2,462)
Amortization of equipment	**2,830**	3,255	**8,487**	9,763
	840,744	717,622	**2,429,992**	2,634,821
Income (loss) from operations	**48,105**	(26,845)	**(952)**	14,881
Provision for income taxes	**-**	-	**-**	-
Net income (loss) and comprehensive income (loss) for the period	**48,105**	(26,845)	**(952)**	14,881
Deficit, beginning of period	**(23,350,231)**	(23,062,792)	**(23,301,174)**	(23,104,518)
Deficit, end of period	**$ (23,302,126)**	$ (23,089,637)	**$ (23,302,126)**	$ (23,089,637)
Net income (loss) per share - basic	**$ 0.0008**	$ (0.0004)	**$ (0.0000)**	$ 0.0001
- fully diluted	$ **0.0008**	$ (0.0004)	**$ (0.0000)**	$ 0.0001
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

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

	Three months ended 2010	Three months ended 2009	Nine months ended 2010	Nine months ended 2009
Cash flow from operating activities				
Net income (loss) for the period	**$ 48,105**	$ (26,845)	**$ (952)**	$ 14,881
Items not involving cash				
Amortization of equipment	**65,459**	29,637	**196,375**	88,909
Interest accretion	**4,627**	-	**13,881**	-
Stock option compensation	**181**	574	**555**	2,266
Changes in non-cash working capital items:				
Accounts receivable	**(37,773)**	24,022	**(11,005)**	246,955
Inventories	**(8,388)**	(80,408)	**5,256**	(27,884)
Prepaid expenses and other assets	**(4,115)**	3,736	**(2,584)**	(314)
Customer deposits and deferred revenue	**9,647**	33,305	**(28,803)**	34,003
Accounts payable and accrued liabilities	**(18,892)**	21,937	**(83,222)**	(135,805)
	58,851	5,958	**89,501**	223,011
Cash flow from financing activities				
Proceeds of notes payable	**47,500**	-	**206,500**	105,000
Proceeds of long-term debt	**-**	12,000	**-**	12,000
Repayment of notes payable	**(97,000)**	(7,750)	**(256,750)**	(103,450)
Repayment of long-term debt	**(16,323)**	(63,396)	**(74,963)**	(228,401)
	(65,823)	(59,146)	**(125,213)**	(214,851)
(Decrease) increase in cash	**(6,972)**	(53,188)	**(35,712)**	8,160
Cash, beginning of period	**53,065**	85,554	**81,805**	24,206
Cash, end of period	**$ 46,093**	$ 32,366	**$ 46,093**	$ 32,366

Supplemental Disclosure of Cash Flow Information

During the period the Company had cash flows arising from interest and income taxes paid as follows:

	Three months ended 2010	Three months ended 2009	Nine months ended 2010	Nine months ended 2009
Cash paid for interest	**$ 31,286**	$ 18,198	**$ 98,559**	$ 59,312
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 March 31, 2010 the Company has a deficit, to date, of $23,302,126 and working capital deficiency of $659,276. 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 March 31, 2010 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 potential 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, none of the Company's customers accounted for over 20% of revenue (Mar. 2009 – one customer at 25.2%). The loss of, or significant curtailment of purchases by such a customer, could have a material adverse affect on the Company's results of operations and financial condition. The Company monitors the relationship with each 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 $909 (Mar. 2009 – gain of $2,462).

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 $659,276 (June 2009 - $813,648). This includes a long-term debt, preferred shares and dividends payable, with an aggregate carrying value of $781,656 (June 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:

	Mar. 31 2010	June 30 2009
Raw materials and supplies	**$ 218,422**	$ 217,183
Work in process	**54,847**	23,472
Finished goods	**1,384**	39,254
	$ 274,653	$ 279,909

Inventory utilization during the period was as follows:

	Mar. 31 2010	Mar. 31 2009
Raw materials and supplies used	**$ 607,770**	$ 869,012
Labour costs	**624,644**	694,183
Amortization	**187,889**	79,146
Other costs	**83,622**	86,059
Net change in finished goods and work in process	**6,495**	6,785
Cost of product sales	**$ 1,510,420**	$ 1,735,185

5. Equipment

Mar. 31, 2010	**Cost**	**Accumulated Amortization**	**Net Book Value**
Computer equipment	**$ 161,518**	**$ 155,763**	**$ 5,755**
Office equipment and furniture	**70,287**	**62,264**	**8,023**
Manufacturing equipment (1)	**2,244,970**	**1,175,590**	**1,069,380**
Leasehold improvements	**61,003**	**54,686**	**6,317**
	$ 2,537,778	**$ 1,448,303**	**$ 1,089,475**

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 $788,254 (June 2009 - $927,358) have been pledged as security for long-term debts (Note 7).

6. Notes Payable

Interest	Security	Terms		Mar. 31 2010		June 30 2009
12%	Unsecured	No repayment terms [1]	**$**	**44,453**	$	116,572
12%	Unsecured	No repayment terms		**27,500**		-
			$	**71,953**	$	116,572

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

7. Long-Term Debt

		Mar. 31 2010		June 30 2009
Non interest bearing debenture has matured. [1]	**$**	**39,600**	**$**	39,600
Term loans bearing interest at 8.0%, unsecured, and mature May 2011. Blended monthly principal and interest payments of $3,296 are required.		**43,913**		70,061
Term loans bearing interest at 12.0%, secured by specific equipment having a net book value of $56,765 (June 2009 - $66,782), and mature in August 2011. Blended monthly principal and interest payments of $3,559 are required. [2,3,6]		**55,380**		49,447
Term loans bearing interest at 8.0%, unsecured, and mature November 2011. Blended monthly principal and interest payments of $3,749 are required. [4]		**69,971**		64,788
Term loan bearing interest at 10.5%, unsecured, and matures in June 2013. Blended monthly principal and interest payments of $2,064 are required. [2,5,6]		**67,946**		60,929
Term loan bearing interest at 10.5%, unsecured, and matures in June 2013. Blended monthly principal and interest payments of $1,735 are required. [3,5,6]		**57,128**		51,007
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 monthly payments of $4,375 until September 2010, 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]		**320,259**		369,074
Debenture, bearing interest at 10.5%, secured on a pro-rata basis with another debenture by specific equipment having a net book value of $731,489 (June 2009 - $860,575), 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.		**710,847**		708,135
Balance forward		**1,365,044**		1,413,041

7. Long-Term Debt - continued

	Mar. 31 2010	June 30 2009
Balance forward	**1,365,044**	1,413,041
Debenture, bearing interest at 4.5%, secured on a pro-rata basis with another debenture by specific equipment having a net book value of $731,489 (June 2009 - $860,575), 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.	**228,842**	217,673
	1,593,886	1,630,714
Less: Current portion	**245,089**	240,311
	$ 1,348,797	$ 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 $41,009 (June 2009 - $37,971) payable to Officers of the Company and/or their spouses.
(5) The repayment terms of this loan were renegotiated during the period.
(6) The twelve month payment deferral period expired March 31, 2010 at which time all interest accrued but unpaid was added to the loan balance. The stated monthly payments commence April 2010.

The minimum annual future principal repayments are as follows:

2010	$ 245,089
2011	271,059
2012	286,115
2013	791,623
	$ 1,593,886

8. Commitments

Operating leases
The Company leases its current business premises under a lease that expires February 2011. Minimum annual future payments due under operating leases for premises and office equipment are as follows:

2011	$ 99,594

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.

9. Share Capital - continued

(a) Authorized - continued

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 March 31, 2010 and June 30, 2009	63,151,804 [2]	21,873,055
Class A special shares March 31, 2010 and June 30, 2009	1,193,442	100,000
Balance March 31, 2010 and June 30, 2009		$ 21,973,055

Preferred Shares:

	Current	Other	Total
Balance March 31, 2010 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 [2]	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 [2]	$0.168	June 8, 2011

[1] Directors and/or Officers of the Company hold these options.

[2] Effective April 15, 2010 the Company completed a share consolidation whereby 1 post-consolidation common share was issued in exchange for every 12 common shares previously issued. As a result of this transaction the number of common shares and stock options outstanding has been reduced according to this 1:12 ratio and the exercise price of the stock options has increased to 12 times their pre-consolidation price.

(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

		Mar. 31 2010		June 30 2009
Contributed surplus, beginning of period	**$**	**409,918**	$	338,208
Compensation expense related to stock options granted in prior periods		**555**		2,834
Value attributed to option on Permatech Electronics Corporation		**-**		68,876
Contributed surplus, beginning of period	**$**	**410,473**	$	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		Mar. 31 2010		Mar. 31 2009
Interest expense - long term	1114377	**$**	**6,569**	$	4,379
Interest expense - long term	Directors/Officers	**$**	**9,908**	$	6,606
Interest expense - other	Directors/Officers	**$**	**8,715**	$	7,121

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:

		Mar. 31 2010		June 30 2009
Resource related expenditures	**$**	**87,263**	$	87,263
Scientific research and experimental development		**262,708**		262,867
Reserves claimed		**2,932,073**		2,932,164
Undepreciated capital cost		**304,037**		313,975
Non-capital losses		**227,544**		224,345
Capital losses		**766,960**		766,960
Future income tax assets, before valuation allowance		**4,580,585**		4,587,574
Valuation allowance		**(4,580,585)**		(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:

	Mar. 31 2010	June 30 2009
Long-term debt [1]	**$ 654,197**	$ 704,906
Share Capital	**21,973,055**	21,973,055
Contributed surplus	**410,473**	409,918
Deficit	**(23,302,126)**	(23,301,174)
Net capital (deficiency) under management	**$ (264,401)**	$ (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 March 31, 2010 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 recently concluded fiscal quarter provided the best operating results that the Company has reported since the global economic downturn commenced. The Company has interpreted these results to be an endorsement of the tactical changes that it has implemented since general market demand remains both lower and less consistent than pre-recession norms. Realization of some of the anticipated benefits of management's efforts to grow revenues and increase market share appear to be starting. Q3-2010 represents the first time in the last seven fiscal quarters for which total revenues were greater than they had been during the corresponding period one year earlier. Q3-2010 also generated net income from operations, and net income for the period, thereby ending the string of consecutive fiscal quarters with losses at four. Although prospects for the remainder of the current fiscal year are quite favourable, and there are encouraging indications relative to future business, general economic uncertainty persists. It remains uncertain when, or if, market demand will stabilize or return to the levels that existed before the recession commenced. Accordingly there is no assurance that current operating levels can be sustained.

In addition to the favourable changes to revenues and income the Company also continued its trend of generating positive cash flows from operating activities. The positive results for this quarter mean that cash flows from operations have now been positive in nine of the last 10 fiscal quarters. These positive cash flows allow the Company to improve upon its liquidity position, satisfy its operating obligations and reduce its debt load.

The Company has once again utilized the cash generated from operations to pay down its short term and long terms debts having repaid an aggregate of $65,823 during the recent quarter. This is in accordance with the Company's capital management policies which are intended to ensure that operating requirements are satisfied and that the burden on operations and cash flow associated with servicing the Company's debt is minimized. While the Company is confident that current operations will generate sufficient cash flow to service its debts the economic uncertainty makes it imprudent to rely upon this for the longer term. Subsequent to March 31, 2010 the Company has initiated a financing transaction to raise gross proceeds of $119,000 for working capital purposes and has successfully renegotiated some debts thereby attaining more favourable repayment terms. There are no current plans to renegotiate any additional debts however this will remain a consideration as part of the overall capital management strategy.

In addition to capital management the Company remains focused on its risk management policies as well. 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 nine months of the year demonstrating that liquidity risk is 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:				
	Mar. 10	**Dec. 09**	**Sept. 09**	**June 09**	**Mar. 09**
Total Revenues	888,849	777,838	762,174	785,581	690,777
Net income (loss) from operations	48,105	(19,073)	(29,984)	(180,183)	(26,845)
Per share	0.001	(0.000)	(0.000)	(0.003)	(0.000)
Net income (loss) for the period	48,105	(19,073)	(29,984)	(211,537)	(26,845)
Per share	0.001	(0.000)	(0.000)	(0.003)	(0.000)
Total assets	1,895,945	1,918,100	1,959,494	2,119,699	1,291,890
Total long-term financial liabilities	1,348,797	1,350,369	1,416,359	1,390,403	474,187
Total liabilities	2,814,543	2,884,984	2,907,491	3,037,900	2,084,721
Cash dividends	NIL	NIL	NIL	NIL	NIL

	For the three month periods ended:				
	Dec. 08	**Sept. 08**	**June 08**	**Mar. 08**	**Dec. 07**
Total Revenues	928,499	1,030,426	1,003,130	937,253	1,042,894
Net income (loss) from operations	601	41,125	66,121	34,490	70,072
Per share	0.000	0.001	0.001	0.001	0.001
Net income (loss) for the period	601	41,125	66,121	21,845	70,072
Per share	0.000	0.001	0.001	0.001	0.001
Total assets	1,322,065	1,566,082	1,591,396	1,456,980	1,450,155
Total long-term financial liabilities	414,131	442,318	497,844	571,435	588,927
Total liabilities	2,088,625	2,334,073	2,401,374	2,334,463	2,350,741
Cash dividends	NIL	NIL	NIL	NIL	NIL

Results of Operations

The Company has reported net income of $48,105 for the third fiscal quarter thereby stopping a negative trend and making it the sixth time in the past ten fiscal quarters that the Company has been profitable. While it remains too soon to claim that economic recovery is upon us, or that consistent profitability will be achieved, it certainly is an encouraging result. Although the Company remains just below the break even mark on a year to date basis, this is the third consecutive quarter for which operating results are better than the immediately preceding quarter and it is expected that the fourth quarter will be even better. In contrast the nine-month income reported at March 31, 2009 was $14,881 but that also was the third consecutive quarter for which operating results were poorer than the immediately preceding quarter and future results were not expected to be better. While uncertainty persists in every economic sector, management remains confident that the Company is well situated to succeed. Steps taken to control costs, promote product quality, and enhance production capabilities are expected to translate into improved market share and an enhanced ability to react to both short-term and longer-term increases in operating demands. Each of these attributes is expected to enable the Company to maximize future profitability and reap the benefits, if and when, all or some, of the recessionary contraction in market demand reverses.

Total revenues reported for Q3-2010 amounted to $888,849 representing an increase of 14% over the preceding quarter and almost 29% in comparison to the third quarter of 2009. While the year over year increase is significant it should also be noted that some delivery constraints caused certain revenues to be reported during the fourth quarter further contributing to total revenues for Q3-2009 being lower than any other period in the past 3 years. Since revenues hit this low point they have been generally increasing, albeit modestly until now. The current year-to-date revenues of $2,428,861 are still more than 8% behind 2009 levels but it is believed that business volumes are higher and that the trend is much more favourable now than it was at that time. Current expectations suggest that the trend towards higher revenues will continue, for the immediate future, as Q4 is expected to exceed Q3 levels. While many factors currently point towards improved periodic revenues there continues to be significant market instability making predictions of anything beyond the immediate future precarious at best.

Results of Operations - continued

Periodic revenues are comprised of two elements being the amounts charged for assembly work and the amounts charged as a consequence of the components and supplies consumed during the assembly process. While the Company promotes its turnkey services, which is the process of procuring components and supplies on its customers' behalf, the actual assembly is the focal point of the Company's operations. The turnkey element is a complimentary service and one which typically generates lower gross margins than assembly.

The gross margins realized during the quarter ended March 31, 2010 were $345,840 or 38.9% of revenues. This represents an increase in both value and percentage of sales over March 2009 results when margins amounted to $226,788 or 32.8% of sales. Throughout the 2010 fiscal year the reported margins have been a larger percentage of revenues than for the comparable periods in 2009. In fact, these higher percentages have enabled the current year-to-date margins of $918,841 to be marginally higher than the amount of $914,517 realized during the first nine months of 2009 in spite of the 8% decline in total revenues. The cumulative gross margins have risen primarily as a consequence of a change in product mix between turnkey and assembly while the quarterly results are more a reflection of the fact that certain costs remained reasonably fixed in spite of the 29% rise in revenue.

The best indication of revenues associated with turnkey services is the cost of components and supplies consumed during a period. For the nine months ended March 2010 the Company reported total component and supply costs of $607,770. This represents a 30% decline from 2009 levels when costs amounted to $869,012. Since the 30% decline in costs is far greater than the 8% decline in revenues realized during the same time period it should be evident that a larger percentage of current year revenue is derived from assembly work. This allows us to conclude that assembly volumes, and thus business volumes, are higher to this point in the 2010 fiscal year than they were during the first nine months of 2009 in spite of the difference in revenue. When we look at the third quarter of each year we find a different result however. The 2010 cost of components and supplies consumed was $266,850 while the 2009 costs were $207,129 however each figure represents 30% of the revenues reported for each period. This indicates that product mix was essentially the same between these two periods and allows us to conclude that both assembly services and turnkey services have increased in volume.

It was noted previously that certain costs remained relatively fixed in spite of the change in revenues. This was a reference to the cost of labour utilized during the periods. Total labour costs for the third quarter of 2010 were $204,638 or virtually identical to the $203,607 incurred for the third quarter of 2009. During the 2009 period the labour costs remained high primarily because the Company was involved in a particular assembly process that was sufficiently labour intensive to result in the addition of a second shift and the incurrence of overtime. This labour intensive process actually started during the second quarter of 2009 and the recognition that demands for this process was almost certain to continue was a major factor in the decision to acquire the new assembly line, which was obtained during the final quarter of 2009. The efficiencies resulting from this new equipment line are also serving to keep labour costs lower in the current period than they would have been otherwise. These same factors have contributed to the year-to-date results as labour costs for the nine months ended March 2009 amounted to $694,183 or 26.2% of revenues while thus far in 2010 the costs are $624,644 or 25.7% of sales even though assembly volumes are higher in the current year.

The new equipment line acquired during the final quarter of 2009 has significantly impacted upon the amortization costs which have risen from $26,382 per quarter, or $79,146 for three quarters, to $62,630 per quarter or $187,889 for the nine month period. Although this adds fairly significantly to periodic cost of sales it should be noted that the labour efficiencies realized serve to offset this to a large degree. In fact, the majority of assemblies that the Company completes require the use of this equipment and it is conceivable that a significant number of these tasks would not be feasible if this equipment was not available.

Results of Operations - continued

No other elements of costs of goods sold that individually represent 4% or more of the total for either the current three or nine month periods or the corresponding periods ended March 2009. These remaining elements, which include freight, tooling, packaging, maintenance and the change in finished goods and work in process inventories, 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 Q3-2010 was $256,434, representing a 11.9% increase in comparison to Q3-2009, while the nine month total of $779,289 was 6.5% lower than March 2009 levels.

Employee and consultant remuneration continues to be the largest single element of periodic SG&A expenses. Costs for the third quarter amounted to $139,145 with year to date costs amounting to $445,491. In comparison these costs amounted to $119,726 and $493,842 for the three and nine month periods ended March 2009. The costs in Q3-2009 were net of a $31,000 savings that arose during the period as a result of key employees having waived the amounts due to them under a salary deferral plan. The pre-adjustment total for the period was therefore $150,726 or higher than current year levels. The Company continues to operate under a modified work week, with a corresponding pay reduction, whenever workloads permit.

Occupancy costs consist primarily of rent and utility charges. During the third quarter of 2010 these costs amounted to $68,917 thereby raising the cumulative nine-month total to $224,926. As at March 31, 2009 the Company reported costs of $233,821 including $77,020 for the quarter then ended. The base rent has remained consistent from period to period so the differences are attributed to reduced demand for utilities including the impact of unseasonably mild temperatures. 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 the next few periods.

Regulatory fees escalated quite significantly during the period as they amounted to $22,548 for the quarter as compared to $7,019 one year earlier. The current period costs represent 77% of the total of $29,256 that has been incurred thus far in the year and exceed the total of $21287 for the nine months ended March 2009. The primary reason for the increase this period is the preparation and mailing of all information pertaining to the annual and special meeting of the Company's shareholders which occurred in March 2010.

Professional fees, which include a pro-rated portion of estimated annual audit fees as well as legal costs, amounted to $13,035 for Q3-2010 and $41,083 for the first three quarters combined. These figures are quite similar to the totals of $13,000 and $40,107 incurred for the comparable periods ended March 2009 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 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 $80,507 thus far in 2010 including $$26,838 incurred in the latest quarter. This is the primary reason why interest costs for the quarter rose from $19,031 in 2009 to $42,934 this year and from $58,830 to $130,887 for the nine month periods. The remaining difference is attributable to having reduced the balance of short term debts and other long-terms debts. It is anticipated that costs incurred during the current periods are indicative of the periodic costs to be incurred for the foreseeable future.

Liquidity

Although improvement is being realized virtually every period, the Company continues to report a working capital deficiency. As at March 31, 2010 the working capital deficiency amounted to $659,276. This represents an 18% improvement in comparison to the deficiency of $803,656 reported at March 31, 2009. Generating positive cash flows from operations, as the Company did in this fiscal quarter, continues to be the key factor in combating this deficiency. The company has now reported positive cash flows in ten of its last eleven fiscal quarters and anticipates that this trend will continue.

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.

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

	Due by Mar. 2011	Due by Mar. 2013	Due by Mar. 2015	Due after Mar. 2015	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)]	223,997	594,190	804,733	-	1,622,920
Operating leases	99,594	-	-	-	99,594
Total	1,296,893	594,190	804,733	-	2,695,816

[(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 March 31, 2010 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.

The Company held its annual and special meeting of shareholders on March 11, 2010 at which time it sought and obtained approval to complete a 12:1 share consolidation and to undertake a financing transaction involving an insider of the Company. The share consolidation was completed in April 2010 and the financing is expected to close within the next few days. This financing involves the issuance of 1,700,000 units at a price of $0.07 per unit for gross proceeds of $119,000. Each unit will be comprised of one common share and one-half share purchase warrant. Each full warrant will entitle the holder to acquire one common share of the Company at a price of $0.12 for a period of eighteen months from the closing date. The Company will pay the costs of the financing, including a 5% cash finders' fee, and the net proceeds will be available for working capital purposes.

Effective April 1, 2010 the Company received notice from two of its creditors that they had assigned their loans to another of the Company's creditors. This assignment did not alter any of the terms of these obligations but it did transfer amounts previously owed to an Officer of the Company and his spouse to a corporate shareholder that is controlled by the spouse of a Director of the Company. Following this assignment negotiations were completed whereby, effective May 1, 2010, all of the amounts owing to this corporate shareholder were restructured and replaced by the following:

New debenture bearing interest at TD Bank prime rate on April 30 of each year plus 8%, secured by a general security agreement covering the assets of Permatech Electronics Corporation, matures March 31, 2015. Based upon the prime rate of 2.25%, repayment is to be made by way of twelve monthly payments of $2,185, twelve monthly payments of $2,611, twelve monthly payments of $3,462, twelve monthly payments of $4,211, and twelve monthly payments of $10,740. Each of these payments is blended as to principal and interest.	$ 200,000

Liquidity - continued

The amounts replaced were as follows:

	Apr. 1 2010	May 1 2010
Notes payable bearing interest at 12%, unsecured, with no fixed repayment terms	$ 42,750	$ 42,750
Term loans bearing interest at 12.0%, secured by specific equipment having a net book value of $56,765 (June 2009 - $66,782), and mature in August 2011. Blended monthly principal and interest payments of $1,892 are required.	29,444	27,846
Term loan bearing interest at 10.5%, unsecured, and matures in June 2013. Blended monthly principal and interest payments of $3,799 are required.	125,074	122,369
New proceeds received	-	7,035
Total obligations restructured	$ 197,268	$ 200,000

If this restructuring had been accounted for as at March 31, 2010 then the chart provided above would have appeared as follows:

	Due by Mar. 2011	Due by Mar. 2013	Due by Mar. 2015	Due after Mar. 2015	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	175,670	541,200	940,883	10,649	1,668,402
Operating leases	99,594	-	-	-	99,594
Total	1,248,566	541,200	940,883	10,649	2,741,298

Other Events

Throughout the recent quarter the Company was involved in negotiations to liquidate the mining assets that it had seized from its 67% owned subsidiary, Northern Cross Minerals Inc., as a result of its failure to repay amounts advanced to it. Subsequent to the balance sheet date these negotiations have been concluded and although all associated costs are not yet know with certainty it is anticipated that the Company will realize recoveries of amounts previously written off or foregone of approximately $100,000.

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.

Related Party Transactions - continued

The following balances are due to the related parties defined above as at the following dates:

	Mar. 31 2010	June 30 2009	Mar. 31 2009	June 30 2008
Note payable at prime +2%	-	-	6,442	16,192
Notes payable at 12.0%	44,453	116,572	131,573	110,078
Term loan payable at 8.0%	41,009	37,971	37,971	58,446
Term loan payable at 8.5%	-	-	4,618	17,898
Term loans payable at 10.5%	125,074	-	-	-
Term loans payable at 12%	55,380	161,383	141,383	150,920

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

	Mar. 31 2010	June 30 2009	Mar. 31 2009	June 30 2008
Interest expense – long term	16,477	20,981	10,985	14,106
Interest expense – other	8,715	14,588	7,121	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 March 31, 2010 the Company had the following securities issued and outstanding:

Description	Quantity	Amount
Common shares	63,151,804 [(1)]	$ 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		$ -

(1) In April 2010 the Company completed a 12:1 share consolidation which caused the number of shares outstanding to be reduced from 63,151,804 to 5,262,650.

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 @ $0.155 per share [(1)]	July 2010	50,000
Stock options @ $0.17 per share [(2)]	June 2011	900,000
		950,000

Convertible Instruments and Other Securities - continued

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.

(1) As a consequence of the share consolidation transaction that occurred in April 2010 the number of options has been reduced from 50,000 to 4,167 and the exercise price has increased from $0.155 to $1.86.

(2) As a consequence of the share consolidation transaction that occurred in April 2010 the number of options has been reduced from 900,000 to 79,167 and the exercise price has increased from $0.17 to $2.04.

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.

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.

Financial Instruments - continued

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, none of the Company's customers accounted for over 20%of revenue (Mar. 2009 – one customer at 25.2%). The loss of, or significant curtailment of purchases by such a customer, could have a material adverse affect on the Company's results of operations and financial condition. The Company monitors the relationship with each 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 $909 (Mar. 2009 – gain of $2,462).

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 $659,276 (June 2009 - $813,648). This includes a long-term debt, preferred shares and dividends payable, with an aggregate carrying value of $781,656 (June 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.