ZTEST Electronics Inc.

Unaudited Interim Consolidated Financial Statements

September 30, 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
September 30, 2010

	Sept. 30 2010	(Audited) June 30 2010
Assets		
Current Assets		
Cash	**$ 276,113**	$ 395,767
Accounts receivable	**621,290**	510,198
Inventories (note 4)	**333,768**	273,512
Prepaid expenses	**34,552**	34,564
	1,265,723	1,214,041
Equipment (note 5)	**984,948**	1,041,662
	$ 2,250,671	$ 2,255,703
Liabilities		
Current liabilities		
Customer deposits and deferred revenue	**$ 14,000**	$ 7,896
Accounts payable and accrued liabilities	**482,966**	546,752
Dividends payable	**268,201**	268,201
Current portion of long-term debt (note 6)	**177,111**	137,563
Preferred shares (note 8)	**473,855**	473,855
	1,416,133	1,434,267
Long-term debt (note 6)	**1,278,407**	1,352,187
	2,694,540	2,786,454
Deficiency in assets		
Share Capital (note 8)	**21,973,055**	21,973,055
Contributed surplus (note 8)	**416,755**	416,755
Deficit	**(22,833,679)**	(22,920,561)
	(443,869)	(530,751)
	$ 2,250,671	$ 2,255,703

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

Approved by the Board:

Signed: "John Perreault"

Director

Signed: "Wojciech Drzazga"

Director

ZTEST Electronics Inc.

Unaudited Interim Consolidated Statement of Operations and Deficit
For the three month period ended September 30

	2010	2009
Product sales	**$ 1,118,324**	$ 762,174
Cost of product sales (note 4)	**688,766**	475,777
	429,558	286,397
Expenses		
Selling, general and administrative	**299,212**	262,836
Interest expense - long term (note 9)	**37,654**	40,578
Interest expense - other (note 9)	**-**	3,963
(Gain) loss on foreign exchange	**(1,201)**	6,175
Amortization of equipment	**2,872**	2,829
	338,537	316,381
Income (loss) from operations	**91,021**	(29,984)
Loss on disposal of equipment	**(4,138)**	-
Income (loss) before provision for income taxes	**86,883**	(29,984)
Provision for income taxes	**-**	-
Net income (loss) and comprehensive income (loss) for the period	**86,883**	(29,984)
Deficit, beginning of period	**(22,920,562)**	(23,301,174)
Deficit, end of period	**$ (22,833,679)**	$ (23,331,174)
Net income (loss) per share - basic	**$ 0.017**	$ (0.000)
- fully diluted	**$ 0.017**	$ (0.000)
Weighted average shares outstanding – basic and fully diluted (Note 8)	**5,262,488**	63,151,804

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

ZTEST Electronics Inc.

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

		2010		2009
Cash flow from operating activities				
Net income (loss) for the period	**$**	**86,883**	$	(29.984)
Items not involving cash				
Amortization of equipment		**53,567**		65,458
Loss on disposal of equipment		**4,138**		-
Interest accretion		**4,932**		4,627
Stock based compensation		**-**		188
Changes in non-cash working capital items:				
Accounts receivable		**(111,092)**		12,812
Inventories		**(60,256)**		29,845
Prepaid expenses		**12**		1,549
Accounts payable and accrued liabilities		**(63,786)**		(100,411)
Customer deposits and deferred revenue		**(6,104)**		(7,756)
		(79,498)		(23,672)
Cash flow from investing activities				
Proceeds from disposal of equipment		**1,151**		-
Purchase of equipment		**(2,142)**		(42,619)
		(991)		(26,869)
Cash flow from financing activities				
Proceeds of notes payable		**-**		70,000
Repayment of notes payable		**-**		(54,250)
Repayment of long-term debt		**(39,165)**		(42,619)
		(39,165)		(26,869)
Decrease in cash		**(119,654)**		(50,541)
Cash, beginning of period		**395,767**		81,805
Cash, end of period	**$**	**276,113**	$	31,264

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	**$**	**32,723**		33,776
Income taxes	**$**	**-**	$	-

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

1. Business of the Company

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

2. Significant Accounting Policies

Going concern basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a "going concern". This assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at September 30, 2010 the Company has a deficit, to date, of $22,833,679 and working capital deficiency of $150,410. 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 presentation

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, 2010 and should be read in conjunction with those statements.

These unaudited interim consolidated financial statements have been prepared using the consolidation method and accordingly include the following subsidiaries' assets and liabilities as well as the revenues and expenses arising, subsequent to the date of acquisition:

Permatech Electronics Corporation	- 100% owned
Northern Cross Minerals Inc.	- 66.7%owned (inactive)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Black Scholes option valuation model, used by the Company to determine fair values, was developed for use in estimating the fair value of freely traded options and warrants. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with maturity at the date of purchase of three months or less. At September 30, 2010 and June 30, 2010 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

Equipment is reviewed for possible impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Investments

The Company currently has investments in four inactive corporations and holds preference shares of another. The carrying value of each of these investments has been written down to their estimated net realizable value of $NIL and any further recoveries, should any arise, will be accounted for on a cash basis.

Future income taxes

The Company accounts for income taxes using the asset and liability method of accounting. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of each income tax asset, including unused tax losses, is recognized subject to a valuation allowance that is predicated upon the extent that it is more likely than not that such assets will be realized and losses will be utilized. These future income tax assets and liabilities are measured using substantially enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

Revenue recognition

Revenue is recorded when the product is delivered and/or the service is completed which correspond with the transfer of title and when collection is reasonably assured.

Earnings per share

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

Foreign exchange

As at the transaction date all asset, liability, revenue, and expense amounts denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect as at that date. At the 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.

Future accounting pronouncements

International reporting standards:

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the transition to International Financial Reporting Standards from Canadian GAAP will occur on January 1, 2011 for public entities. Although early adoption is permissible the Company has determined that it will commence reporting under these new standards for its fiscal year ended June 30, 2012 in accordance with the implementation deadline. While all aspects of the implementation are not yet known with certainty it is anticipated that the financial reporting impact of the transition to IFRS will be minimal.

2. Significant Accounting Policies - continued

Segment Disclosure

The Company has one operating segment involving the design, development, and assembly of printed circuit boards and other electronic equipment. All of the Company's assets are located in Canada

3. Financial instruments

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, customer deposits, deferred revenue, 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, customer deposits and deferred revenue, accounts payable and accrued liabilities, and notes payable approximate their fair values due to the short-term maturities of these instruments. Long-terms debts are recognized initially at fair value. Whenever there is a difference between face value and fair value that difference is amortized on a straight line basis over the remaining term of the debt. It is not practicable to determine the fair value of preferred shares or dividends payable since the timing of cash flows are not known.

Risks

The Company is exposed to credit risk, concentration of credit risk, liquidity risk, currency risk, and interest rate 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 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 more than 20% of revenue (2009 – 1 customer at 34.9%). 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.

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 $150,410 (June 30, 2010 - $220,226). This includes a long-term debt, preferred shares and dividends payable, with an aggregate carrying value of $781,656 (June 30, 2010 - $781,656), that are each past due. The Company manages its liquidity risk through the management of its capital (see note 11) 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.

3. Financial instruments - continued

Currency risk:
Currency risk is the risk that the amount of future cash flows of cash, accounts receivables, accounts payable and accrued liabilities that are denominated in US dollars 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 gain on foreign exchange of $1,201 (Sept. 2009 – loss of $6,175).

Interest rate risk:
Interest rate risk represents the possibility that future cash flows arising from financial instruments may fluctuate because of changes in the market rate of interest. The Company has certain long-term debts for which the interest rate is reset periodically in accordance with the prime lending rate of its financial institution. The future monthly payments on these debts will increase or decrease in correlation with the change, if any, in the prime lending rate. The Company manages this risk by establishing fixed interest rates whenever possible.

4. Inventories

The carrying value of inventory is comprised of:

	Sept 30 2010	June 30 2010
Raw materials and supplies	**$ 240,876**	$ 228,419
Work in process	**75,424**	33,110
Finished goods	**17,468**	11,983
	$ 333,768	$ 273,512

Inventory utilization during the period was as follows:

	Sept 30 2010	Sept 30 2009
Raw materials and supplies used	**$ 337,308**	$ 150,153
Labour costs	**309,611**	219,170
Amortization	**50,695**	62,630
Other costs	**38,951**	25,134
Net change in finished goods and work in process	**(47,799)**	18,690
Cost of product sales	**$ 688,766**	$ 475,777

5. Equipment

Sept 30, 2010	**Cost**	**Accumulated Amortization**	**Net Book Value**
Computer equipment	**$ 166,880**	**$ 157,856**	**$ 9,024**
Office equipment and furniture	**71,277**	**63,131**	**8,146**
Manufacturing equipment [(1)]	**2,242,112**	**1,277,601**	**964,511**
Leasehold improvements	**61,003**	**57,736**	**3,267**
	$ 2,541,272	**$ 1,556,324**	**$ 984,948**

June 30, 2010	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 166,880	$ 157,124	$ 9,756
Office equipment and furniture	70,287	62,736	7,551
Manufacturing equipment [(1)]	2,259,510	1,239,947	1,018,563
Leasehold improvements	61,003	56,211	4,792
	$ 2,557,680	$ 1,516,018	$ 1,041,662

[(1)] Specific with net book value of $654,037 (June 2010 - $688,460) is pledged as security (note 6).

6. Long-Term Debt

	Sept 30 2010	June 30 2010
Non interest bearing debenture has matured. (1)	**$ 39,600**	$ 39,600
Term loan bearing interest at the prime lending rate plus 4.75%, fixed annually each September 30 and currently at 7.75%, 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 $6,601 until September 2011, followed by twelve monthly payments of $8,626, and twelve monthly payments of $10,859. Each of these payments is blended as to principal and interest.	**274,997**	312,694
Debenture, bearing interest at 10.5%, secured on a pro-rata basis with another debenture by specific equipment having a net book value of $654,037 (June 2010 - $688,460), 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 pre-consolidation common shares of the Company as additional compensation for having advanced the funds.	**712,655**	711,751
Debenture, bearing interest at 4.5%, secured on a pro-rata basis with another debenture by specific equipment having a net book value of $654.037 (June 2010 - $688,460), 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.	**236,288**	232,565
Term loan bearing interest at the prime lending rate plus 8%, fixed semi-annually each April 30 and October 31 and currently at 10.25%, secured by a general security agreement covering the assets of Permatech Electronics Corporation, matures April 2015. The loan has a face value of $197,574 and may be repaid, in whole or in part, at any time at the Company's discretion.Repayment is to be made by way of monthly payments of $2,185 until April 2011, followed by 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. The holder of this debenture was granted an option to acquire a 24% interest in Permatech Electronics Corporation for $200,000 on or before May 1, 2015 as additional compensation for having advanced the funds. (2)	**191,978**	193,140
	1,455,518	1,489,750
Less: Current portion	**177,111**	137,563
	$ 1,278,407	$ 1,352,187

(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.

6. Long-Term Debt - continued

The minimum annual future principal repayments are as follows:

2011	$ 177,111
2012	219,760
2013	282,374
2014	704,310
2015	71,963
	$ 1,455,518

7. Commitments

Operating leases

The Company leases its operating facility under a lease that is due to expire February 2011 and requires minimum monthly rental payments of $9,054. A new lease for the same facility has been negotiated that will commence January 1, 2011 and run to March 31, 2021.

The minimum annual payments due under these lease agreements are approximately as follows:

2011	$ 88,277
2012	84,202
2013	87,145
2014	89,182
2015	91,672
Remaining	572,439
	$ 1,012,917

8. 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 shares were to be repurchased May 2004. (1)

Series B shares may no longer be issued and none remain outstanding.

Series C redeemable, voting shares were to be repurchased May 2007. (1)

Series D redeemable, voting shares were to be repurchased June 2007. (1)

(1) The right to vote at the meeting of common shareholders arises because the associated dividends are more than 12 months in arrears. Settlement of the repurchase price and the associated dividends payable has yet to be negotiated.

(b) Issued

	Number of Shares	Amount
Common shares June 30, 2009	63,151,804	21,873,055
Share consolidation completed during the year (12:1)	(57,889,316)	-
Common shares September 30, 2010 and June 30, 2010	5,262,488	21,873,055
Class A special shares September 30, 2010 and June 30, 2010	1,193,442	100,000
Balance September 30, 2010 and June 30, 2010		$ 21,973,055

8. Share Capital - continued

(b) Issued - continued

During the 2010 fiscal year the Company undertook a share consolidation transaction whereby each 12 common shares outstanding immediately prior to the transaction were replaced by 1 post-consolidation common share. This transaction also results in the number of stock options outstanding being reduced on the same 1:12 basis and the exercise prices of the post-consolidation stock options are twelve times the pre-consolidation exercise price.

Earnings per share figures for the current period have been presented on a post-consolidation basis. The loss per share figures presented for the comparative period remains on a pre-consolidation basis as initially presented. Had the comparative amounts been computed on a post-consolidation basis then the loss would have equated to $0.006 per share, both basic and fully diluted, based upon a weighted average of 5,262,488 shares outstanding.

Preferred Shares:

	Current	Other	Total
Balance September 30, 2010 and June 30, 2010	$ 473,855	$ -	$ 473,855

(c) Details of options outstanding are as follows:

Common Shares Under Option	Number of Options Vested	Price/Option	Expiry Date
75,000 [(1)]	75,000	$2.04	June 27, 2011

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Beginning of period	79,167	$2.016	June 8, 2011
Expired during period	(4,167)	$1.860	July 10, 2010
End of period	75,000	$2.040	June 27, 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:

	Sept 30 2010	June 30 2010
Contributed surplus, beginning of period	**$ 416,755**	$ 409,918
Compensation expense related to stock options granted in prior periods	**-**	732
Value attributed to option on Permatech Electronics Corporation	**-**	6,105
Contributed surplus, beginning of period	**$ 416,755**	$ 416,755

9. 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.

9. Related Party Transactions - continued

All revenues, expenses and period end balances with the related parties are at exchange amounts established and agreed to by the related parties. All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

Description	Related Party	**Sept 30 2010**	Sept 30 2009
Interest expense - long term	1114377	**$ 5,393**	$ 2,190
Interest expense - long term	Directors/Officers	**$ -**	$ 3,303
Interest expense - other	Directors/Officers	**$ -**	$ 3,476

10. Income Taxes

Future Income Taxes

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets (liabilities) is as follows:

	Sept 30 2010	June 30 2010
Resource related expenditures	**$ 87,263**	$ 87,263
Scientific research and experimental development	**262,655**	262,867
Undepreciated capital cost	**320,679**	325,249
Non-capital losses	**463,254**	480,013
Capital losses	**1,949,125**	1,949,125
Future income tax assets, before valuation allowance	**3,082,975**	3,104,516
Valuation allowance	**(3,082,975)**	(3,104,516)
Net future tax assets	**$ -**	$ -

The timing of the utilization of the future tax assets is undeterminable. Consequently, a full valuation allowance has been provided against the future value of these assets.

Tax Loss Carry-Forwards

The potential income tax benefits resulting from the application of income tax losses have not been recognized in these consolidated 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	
2014	$ 114,285
2027	253,037
2029	67,017
2030	1,379,162
	$ 1,813,501

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 $1,399,668 have been recorded in the accounts but have not yet been claimed for income tax purposes and capital losses of approximately $15,593,000 are available indefinitely.

11. Capital Management

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

Management includes the following items in its definition of capital:

	Sept 30 2010	June 30 2010
Long-term debt [(1)]	**$ 506,575**	$ 545,434
Share Capital	**21,973,055**	21,973,055
Contributed surplus	**416,755**	416,755
Deficit	**(22,833,679)**	(22,920,561)
Net capital under management	**$ 62,706**	$ 14,683

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

General

The following Management Discussion and Analysis ("MD&A") has been prepared by the Company's management, without review or comment from the Company's auditors, to accompany the unaudited interim consolidated financial statements of the Company as at September 30, 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 first quarter of 2011 was another positive period for the Corporation. It represents the second straight quarter with product sales in excess of $1,000,000, the third straight quarter for which revenues were greater than the comparable period one year earlier, and the second straight quarter for which revenues exceeded the comparable period two years previous, which preceded the global economic downturn. While it would be premature to refer to these results as trends they are clearly favourable. Furthermore, when these results are interpreted in combination with the volume of orders and prospective orders that the Company has there is reason to believe that future periods will also produce favourable results in spite of the lingering economic uncertainties.

While revenue growth is desirable it is only truly beneficial when it translates into profitability. This is the third consecutive profitable quarter which means that the Company has capitalized upon the revenue growth it has generated. Profitability typically translates into improved liquidity so it is no coincidence that this is also the third consecutive quarter where the Company has reported declines in the deficiency in assets and the working capital deficiency. The profitability that is anticipated to arise in future periods should allow the Company to continue to improve these liquidity factors.

Another bi-product of profitability is the favourable cash flow implications and the flexibility that this provides in terms of capital and debt management. The three month period ended September 2010 represents the fifth consecutive fiscal quarter in which the Company has reported a decline in total liabilities and the third in which capital under management has increased. Management is aware that progress in each of these areas is symbolic of reduced business risks and will continue to emphasize this in the future.

Even though reduction of total debt has long been a corporate objective this is not done without recognition that it is sometimes more prudent to enter into new obligations. This was true in the final quarter of 2009, the last period when total liabilities increased, when the Company financed a major new equipment acquisition. It was also true in the first quarter of 2011 as the Company negotiated a new lease for its business premises. In a favourable deal finalized after the end of the period the Company secured its existing business premises for a further ten year period. This new lease provides the Company with an appropriate facility for a protracted period, avoids the undesirable costs and consequences of relocating, and also generates cost reductions. The agreement provides for an initial base rent that is 25% lower than the current base rental cost and at no time during its term will the base rent equal or exceed current rental rates. Management believes that the benefits to be realized under this new lease are more than sufficient to offset the commitment that amounts to almost $2,000,000.

In spite of all of the favourable results reported during the current and preceding periods and the operating volumes that continue to be favourable as at the date of this document the Company remains aware that economic uncertainties persist. Management will continue to aggressively manage each of its business risks and will continue its efforts to maximize the return it can generate from the Company's assets. An example of this would be the extra $30,000 payment that Company opted to make on one of its long-term debts on September 30, 2010. This extra payment served to reduce the principle balance just prior to an interest rate increase taking effect and also reduced the minimum monthly payments required until the maturity of this obligation. While it is impossible to eliminate all business risks it certainly is reasonable to expect that management will continue to investigate and act upon opportunities to minimize them.

Corporate Performance - continued

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

	For the fiscal years ended:		
	June 10	June 09	June 08
Total Revenues	3,837,630	3,435,283	4,066,902
Net income (loss) from operations	266,210	(165,302)	250,963
Per share [1]	0.051	(0.031)	0.048
Net income (loss) for the period	380,613	(196,656)	237,958
Per share [1]	0.072	(0.037)	0.045
Total assets	2,255,703	2,119,699	1,591,396
Total long-term financial liabilities	1,352,187	1,390,403	497,844
Total liabilities	2,786,454	3,037,900	2,401,374

	For the three month periods ended:				
	Sept. 10	June 10	Mar. 10	Dec. 09	Sept. 09
Total Revenues	1,118,324	1,408,769	888,849	777,838	762,174
Net income (loss) from operations	91,021	267,162	48,105	(19,073)	(29,984)
Per share [1]	0.017	0.051	0.009	(0.004)	(0.006)
Net income (loss) for the period	86,883	381,565	48,105	(19,073)	(29,984)
Per share [1]	0.017	0.073	0.009	(0.004)	(0.006)
Total assets	2,250,671	2,255,703	1,895,945	1,918,100	1,959,494
Total long-term financial liabilities	1,115,540	1,352,187	1,348,797	1,350,369	1,416,359
Total liabilities	2,694,540	2,786,454	2,814,543	2,884,984	2,907,491

	For the three month periods ended:				
	June 09	Mar. 09	Dec. 08	Sept. 08	June 08
Total Revenues	785,581	690,777	928,499	1,030,426	1,003,130
Net income (loss) from operations	(180,183)	(26,845)	601	41,125	66,121
Per share [1]	(0.035)	(0.005)	0.000	0.008	0.013
Net income (loss) for the period	(211,537)	(26,845)	601	41,125	66,121
Per share [1]	(0.041)	(0.005)	0.000	0.008	0.013
Total assets	2,119,699	1,291,890	1,322,065	1,566,082	1,591,396
Total long-term financial liabilities	1,390,403	474,187	414,131	442,318	497,844
Total liabilities	3,037,900	2,084,721	2,088,625	2,334,073	2,401,374

There were no cash dividends paid or accrued during any of the periods noted above.

(1) Earnings per share figures for each period have been restated to give retroactive effect to the share consolidation transaction that occurred April 2010.

Results of Operations

The Company has reported revenues in the amount of $1,118,324 and net income from operations $91,021 for the first fiscal quarter of 2011. In comparison, revenues for the first three months of the 2010 fiscal year were $762,174 and the Company reported a loss from operations of $29,984. During the period ended September 2009 operating volumes were down as a result of the economic downturn that had reportedly caused declines of up to 40% in market demand. Throughout this downturn the Company focussed on expanding production capabilities and controlling costs without simultaneously surrendering the ability to respond to economic improvements. The results of the current period should not be interpreted to mean that economic conditions have returned to previous levels but certainly suggest that the Company is realizing some benefit from the proactive measures that it took. While revenue prospects for the Company's short-term future are favourable there is still sufficient uncertainty in the domestic and global markets to make it infeasible to declare that this level of operations will be sustained.

Results of Operations - continued

The gross margin realized during the recently concluded fiscal quarter was $429,558. This represents an increase of almost 50% in comparison to the Q1-2010 amount of $286,397. Most of the $143,161 increase is attributable to the 46.7% increase in product sales. The gross margin also rose to 38.4% of product sales at September 30, 2010 as compared to 37.6% one year earlier suggesting that there must have been other favourable elements, aside from the revenue growth, that contributed to these results.

The Company derives revenue from two sources being the sale of assembly services and turnkey sales. Turnkey sales incorporate both assembly services and the sale of the components being assembled. Assembly services generate greater margins than component sales and this translates into a decline in the gross margin percentage any time there is an increase in turnkey sales relative to total revenues. In the current period turnkey sales rose by 127.4% and increased from 42.4% of periodic revenues in Q1-2010 to 65.7% currently. Although this should have caused the gross margin percentage to fall it actually rose by a modest 0.8%. This result confirms that some cost efficiencies must have been realized during the current period in order to offset the impact of the increase in lower margin component sales.

These cost efficiencies are identified with a relatively cursory review of cost of goods sold. Each period the cost of components and labour make up the majority of cost of goods sold while amortization and other costs make up the rest. In the period ended September 30, 2009 amortization and other costs totalled $87,764 and this rose only modestly to be $89,646 in the current period. This increase of just over 2% in a period when revenues rose by 46.7% was enough to cause the gross margin to rise as a percentage of sales in a period when it otherwise would have declined.

As noted above the two primary elements of the cost of product sales are the cost of components and supplies consumed and the cost of labour for the period. For the three months ended September 2010 these costs, in aggregate, amounted to $599,120 and 87.0% of the total cost of product sales. In the period ended September 2009 the total costs were $388,013 and 81.6% of costs of product sales for the period. The increase in the total of these costs was 54.4%, or greater than the corresponding rise in periodic revenues. This result is expected and is reflective of the fact that the gross margin realized on component sales is lower than the average gross margins realized. Also, the 54.4% rise in these costs, combined with the fact that other costs of product sales only rose 2%, explains the rise from 81.6% to 87%

The costs of components and supplies used rose 124.6% from $150,153 at September 2009 to $337,308 at September 2010 which is quite similar to the 127.4% increase in turnkey revenues. The component costs incurred during Q1-2011 represented just over 45.9% of turnkey revenues while they were just less than 46.5% of turnkey revenues during Q1-2010 suggesting that the turnkey process itself was consistent between the two periods. Management has long asserted that the turnkey process provides economic benefit for the Company and its customers and these results would both support that theory and acknowledge that, for this period at least, a majority of customers were in agreement.

There are two elements to labour costs being the gross amount incurred during the period and the net change in labour included in inventory. The aggregate of these two elements determines the labour costs incurred in order to produce the revenues reported in the period. During the period ended September 30, 2010 the Company incurred gross labour costs in the amount of $309,611 however $47,799 of this related to work in process and finished goods inventories causing the net charge to costs of sales to be $261,812. During the period ended September 30, 2010 the Company incurred gross labour costs of $219,170 but also reduced the labour element related to inventory by $18,690 resulting in total labour charges of $237,860. We see then that while gross labour charges increased by 41.3% the labour included in costs of sales increased by only $23,952 or 19.5%. The 41.3% increase in gross labour costs incurred is indicative of the increase in business volumes that the Company has experienced while the 19.5% increased in labour expense for the period is reflective of the Company's efficient use of labour. It is anticipated that gross labour costs and the labour expense percentage reported for the current period are indicative of the amounts to be reported in subsequent periods.

Results of Operations - continued

The remaining elements of cost of sales are the amortization of equipment, the cost of maintaining equipment, the cost of shipping components to the Company's facility, the cost of shipping completed products to customers, and other fairly incidental production costs. The aggregate cost of these expenses for Q1-2011was $89,646 which is only 2.1% higher than the total of $87,764 incurred one year earlier. Given the increase in operating volumes a larger increase may have been anticipated however the largest element is amortization costs which have no correlation with business volumes. Amortization, which declined from $62,630 to $50,695, is a function of the age, carrying value and future recoverability of these values and is not specifically tied to current operating volumes. Other costs, which are more closely correlated with operating volumes, increased almost 55% to $38,951. Although the percentage increase in these other costs is greater than the corresponding increase in revenues this discrepancy has not been specifically investigated as its value is not significant. Each of these other costs are monitored continuously and nothing out of the ordinary has occurred

Selling, general and administrative expenses ("SG&A) incorporate all costs incurred by the Company that are not directly attributable to the production process, amortization 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 necessarily correlated with operating volumes and values. The aggregate of these costs during the first quarter of 2011 was $299,212 representing an increase of $33,197 or 12.6% in comparison to the Q1-2010 total of $263,015.

Employee and consultant remuneration continues to be the largest individual component of SG&A and amounted to $190,599 in the current period. While this is 16.7% more than was incurred one year earlier it is only 5% more than was incurred during the first quarter of fiscal 2009. This increase in administrative salaries was anticipated due to the cessation of the cost reduction practices employed during the periods where revenues were depressed as a consequence of the economic downturn. It is anticipated that the current period costs are indicative of those anticipated to arise in the near future.

Occupancy costs consist primarily of rent and utility charges and have continued, as expected, to be fairly stable over recent periods. Current period costs amounted to $81,346 while the total for Q1-2010 was $79,425. The base rent has remained consistent from period to period so the minor difference is attributed to variance in the demand for utilities and the variance in rates relates to utilities, realty taxes and common area maintenance charges. These costs are expected to be comparable in the next fiscal quarter and then should decline modestly when the new lease takes effect.

Professional fees, which include a pro-rated portion of estimated annual audit fees as well as the cost of legal services, amounted to $12,000 for the current period. This is comparable to, but slightly less than, the $13,698 incurred during Q1-2010. Management takes all reasonable steps to limit and control these expenses and there were no specific events that led to the difference between the periods.

There are no other expenses that were individually significant elements of SG&A for either the current or comparable period and, in aggregate, they represent 5.1% of the total for each of these periods. These remaining elements include regulatory fees, insurance and other miscellaneous charges. Each of these costs are monitored closely by management and are only noteworthy in the event that something out of the ordinary arises and nothing has.

Interest expenses incurred in the current period amounted to $37,654 which is less than the $44,541 incurred one year earlier. Last year's expense was comprised of $40,578 in interest associated with long-term debts and $3,963 related to short term financing. The current period expense relates to long-term debts only as all short term financing was repaid prior to the start of the period. The decline in interest on long-term debt arises as a result of a reduction in the amount of debt outstanding as it has declined by $137,204 since September 2009.

Liquidity

The Company continues to realize improvement in its liquidity by reducing, but not yet eliminating, its working capital deficiency. During the first quarter of 2011 the deficiency was reduced by $69,816 to a balance of $150,410. The recent improvement is similar to the reduction of $61,618 that was achieved during the first quarter of 2010 when the remaining deficiency amounted to $752,030. The reduction realized during the period ended September 30, 2010 arose as the Company was able to pay down debt and reduce accounts payable even though both accounts receivable and inventory values rose. These increases in current assets are temporary in nature and their return to more typical values should facilitate further working capital improvements in the near future.

It should be noted that a balance of $781,656 remains in current liabilities on account of preferred shares that matured during Q4-2007, the unpaid dividends thereon, and 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 currently utilizes long term debt as a means of financing new equipment acquisitions and of settling other obligations whenever suitable terms can be negotiated. The Company's short-term financing requirements, if any, have typically been satisfied through short-term advances from related parties and are repaid, in whole or in part, when cash flow permits.

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

	Due by Sept. 2011	Due by Sept. 2013	Due by Sept. 2015	Due after Sept. 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)	157,240	541,592	782,062	-	1,480,894
Operating leases	88,277	171,347	180,854	572,439	1,012,917
Total	1,218,819	712,993	962,916	572,439	3,467,113

(1) Other long-term debt includes three obligations that each has a carrying value that is lower than their respective face values. The financial statements as at September 30, 2010 report these obligations based upon their carrying values while the figures reported above represent the non-discounted cash payments to be made in accordance with the face value amounts.

Capital Resources

Management evaluates the Company's equipment requirements on a continual basis and also monitors the marketplace for opportunities to make strategic acquisitions. One opportunity in particular was investigated during the first quarter and has since led to the payment of a purchase deposit. This strategic opportunity is expected to result in the acquisition of a fully refurbished machine, with greater capability and capacity than the one currently in use, at a favourable price. Refurbishment commenced when the deposit was paid and will be subjected to testing and acceptance by the Company prior to the acquisition being completed. It is believed that the acquisition, delivery and installation of this machine will cost approximately $80,000. Management expects there to be sufficient cash reserves to make it unnecessary to seek financing for this purchase.

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

Related Party Transactions

The Company has participated in a number of transactions with related parties and consequently reports many amounts as being due to related parties. These transactions involve the Company's Officers, Directors, their spouses, companies that are considered related as a consequence of the involvement of one or more of these individuals, and a corporation that holds more than 10% of the Company's issued common shares.. The majority of these related party transactions involve the provision of financing to the Company along with the corresponding interest expense. All related party transactions are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

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

	2010		2009	
	Sept 30	June 30	Sept 30	June 30
Loan payable at prime + 8%	197,574	199,042	-	-
Notes payable at 12.0%	-	-	132,322	116,572
Term loan payable at 8.0%	-	-	37,971	37,971
Term loans payable at 12%	-	-	161,383	161,383

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

	2010		2009	
	Sept 30	June 30	Sept 30	June 30
Interest expense – long term	5,393	22,954	3,303	20,981
Interest expense – other	-	9,002	5,666	14,588

The following stock options have been issued to Directors and/or Officers of the Company and remain outstanding as at the date of this document:

Description	Expiry Date	Number of Common shares
Stock options @ $2.04 per share	June 2011	75,000

Convertible Instruments and Other Securities

As at September 30, 2010, and as at the date of this document, the Company had the following securities issued and outstanding:

Description	Quantity	Amount
Common shares	5,262,488	$ 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.

Convertible Instruments and Other Securities - continued

Description	Expiry Date	Number of Common shares
Stock options @ $2.04 per share	June 2011	75,000

Additional disclosures relative to these options are as follows:

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Beginning of period	79,167	$2.016	June 8, 2011
Expired	(4,167)	$1.860	July 10, 2010
End of period	75,000	$2.040	June 27, 2011

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

Changes in Accounting Policy

The accounting policies followed by the Company are established in accordance with Canadian GAAP and once policies are established they will not, as a matter of policy, be revised unless Canadian GAAP changes. The following aspects of Canadian GAAP will be changing in the future and, accordingly, will cause the Company's accounting policies to change:

International reporting standards:

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the transition to International Financial Reporting Standards ("IFRS") from Canadian GAAP will occur on January 1, 2011 for public entities. Although early adoption is permissible the Company has determined that it will commence reporting under these new standards for its fiscal year ended June 30, 2012 in accordance with the implementation deadline. While all aspects of the implementation are not yet known with certainty it is anticipated that the financial reporting impact of the transition to IFRS will be minimal.

The changeover to the new standards will occur on July 1, 2011 and the first fiscal period which will be reported upon under the new standards will be the quarter ended September 30, 2011. An initial review of key areas for which changes to accounting policies may be required has been completed and it revealed that changes are expected to be minimal. Notwithstanding this result however, the Company has commenced a comprehensive review of each of its accounting policies to determine what policy alternatives are available under IFRS and the exact extent, if any, that each policy will change. This review will be conducted throughout the 2011 fiscal year. To the extent that policy changes are required, they will be identified, quantified and disclosed in the immediately subsequent MD&A.

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, customer deposits, deferred revenue, 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, customer deposits and deferred revenue, accounts payable and accrued liabilities, and notes payable approximate their fair values due to the short-term maturities of these instruments. Long-terms debts are recognized initially at fair value. Whenever there is a difference between face value and fair value that difference is amortized on a straight line basis over the remaining term of the debt. It is not practicable to determine the fair value of preferred shares or dividends payable since the timing of cash flows are not known.

Risk Factors

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 hamper our ability to access credit when 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 constitute a significant portion of our customer base. As a result, these customers may need to reduce purchases from us, or we may experience greater difficulty in collecting amounts due from them. Any of these events, or others caused by uncertainty 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, liquidity risk, currency risk, and interest rate 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 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 more than 20% of revenue (2009 – 1 customer at 34.9%). 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.

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 $150,410 (June 30, 2010 - $220,226). This includes a long-term debt, preferred shares and dividends payable, with an aggregate carrying value of $781,656 (June 30, 2010 - $781,656), that are each past due. The Company manages its liquidity risk through the management of its capital (see Note 11 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.

Currency risk:

Currency risk is the risk that the amount of future cash flows of cash, accounts receivables, accounts payable and accrued liabilities that are denominated in US dollars 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 gain on foreign exchange of $1,201 (Sept. 2009 – loss of $6,175).

Interest rate risk:

Interest rate risk represents the possibility that future cash flows arising from financial instruments may fluctuate because of changes in the market rate of interest. The Company has certain long-term debts for which the interest rate is reset periodically in accordance with the prime lending rate of its financial institution. The future monthly payments on these debts will increase or decrease in correlation with the change, if any, in the prime lending rate. The Company manages this risk by establishing fixed interest rates whenever possible.