ZECOTEK PHOTONICS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Quarter Ended January 31, 2010

March 31, 2010

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This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's interim unaudited financial statements for the six months ended January 31, 2010 and notes thereto and the Company's 2009 annual MD&A and annual audited financial statement and notes thereto. The significant accounting policies are outlined in Note 2 to the Financial Statements of the Company for the year ended July 31, 2009. All dollar amounts are expressed in Canadian dollars except where noted. The Company's accounts are maintained in Canadian dollars. The business activities of the Company, carried out through its subsidiaries in Singapore are conducted primarily in Singapore dollars. The rate of exchange on January 31, 2010 as reported by the Bank of Canada, for the conversion of one Singapore dollar into Canadian dollars was $0.77.

Company Overview

Zecotek Photonics Inc. is a photonics technology company developing and commercializing laser systems and components, high-performance crystals, solid-state photo detectors, optical imaging and 3D display technologies. The Company's photonic product portfolio is used in a broad range of commercial and research applications in the major markets of material processing, bio-science, high-energy and new materials research, multimedia and security. Founded in 2003, the Company has focused on building shareholder value by commercializing novel, patented and patent-pending photonic technologies directly and through strategic alliances and joint ventures with leading industry partners such as Northrop Grumman (U.S.A.) for Zecotek's patented LFS scintillation material, Fujikura Ltd. (Japan) for fiber and solid-state laser systems, Malaysian Institute of Microelectronics (Malaysia) for the solid-state MAPD photo detectors and Anteryon BV (Netherlands) for a key component of the 3D display screen.

Zecotek's operational, pre-production and production facilities are located in Singapore. Through its wholly owned subsidiary Zecotek Photonics Singapore Pte Ltd., enabling technologies for use in industrial and medical imaging application are developed by three distinct operating divisions: Zecotek Imaging Systems Pte. Ltd., Zecotek Laser Systems Pte. Ltd. and Zecotek Display Systems Pte. Ltd. The Company's corporate headquarters is located in Vancouver, B.C. with additional research projects and laboratories in Malaysia, Russia and U.S.A. The Company is a Canadian public company trading on the TSX Venture Exchange under the symbol "ZMS" and on the Frankfurt Stock Exchange under the trading symbol "W1I". The Company's website is www.zecotek.com.

Lasers Systems

Zecotek's laser program is targeted at meeting the needs in the biomedical, scientific and material processing industries. The Company's initial focus has been to develop laser and laser components for the biomedical industry, however, Zecotek has expanded its laser program beyond the biomedical industry due to significant demand for lasers from other industrial sectors. The Company is developing the following laser technologies:

- **Fiber lasers** for use in bio-instrumentation, genomics, proteomics, scientific and material processing;
- **Diode pumped solid-state lasers** for drug discovery, clinical diagnostics, scientific and industrial applications;
- **Thin film waveguide micro-lasers** for high speed integrated circuits.
- **Special application dye lasers** for high-precision laser spectroscopy.

Zecotek has initiated sales of a Rare earth Fine Oxide (RFO) Vanadate crystal which was developed to replace the ubiquitous YAG crystal, which is used in approximately 60% of laser applications, ranging from medical lasers to high-power industrial laser systems. Management believes the Company's proprietary RFO crystal growth technology is more efficient and thus more cost effective and provides improved performance when compared with the YAG crystal.

Imaging Systems

Zecotek's imaging strategy is to develop novel technologies that provide superior performance at a competitive price. The focus of the strategy is development and commercialization of important photonic technologies specifically patented Lutetium Fine Silicate (LFS) scintillation crystals used in scientific and medical imaging devices, and new generation of solid-state photo detectors, Micro-pixel Avalanche Photodiodes (MAPD), used in a broad range of medical and non-medical application.

3D Display Systems
Zecotek has successfully developed and demonstrated a colour, 32 inch 3D display prototype that offers multiple viewers with true volumetric visualization while exhibiting depth and parallax. Zecotek's Real-Time 3D2D Display is a novel, proprietary display system for the visualization of images and data. Based on the auto stereoscopic principle, but with substantial patent pending innovation, it represents a new generation of 3D displays. Zecotek's 3D display is particularly powerful when applied to the field of medical imaging. Its design provides for multi-user, multi-view, freedom of movement, high resolution in both 3D and 2D modes, superior image dynamic range in 2D mode, 2D and 3D simultaneous displays, common brightness, compatibility with existing applications and designed to be cost competitive.

Zecotek Product Summary

- Patented LFS scintillation material;
- Patent-pending MAPD solid-state photon counters;
- Proprietary RFO Vanadate crystal;
- Growing portfolio of Lasers:
  - Green Fiber Laser, Model GLF 550 & Model GLF-540-0.2;
  - CW Narrow-Band Ti: Sapphire laser, Model TIS-FD-08/A-scan-WV;
  - CW Single-Frequency Ti: Sapphire Laser, Model TIS-SF-878;
  - CW Single Frequency Ring Dye Laser;
  - CW Ti: Sapphire Laser, Model TIS-SF-777;
  - Solid-State 336nm DPSS Laser;
  - Frequency Doubling Device, Model FD-SE-07;
  - New Surgical Laser, Model SL 1.4 Fiber Coupled Laser;
  - High-Power, High-Resolutions Laser Spectrometer, Model TIS/DYE-FD-08/A-scan.

Zecotek Research & Development Programs

- New scintillation material for medical imaging to eventually serve as a successor material to the LFS;
- Enabling technologies for combined PET-MRI detectors, in development with the University of Washington;
- Various solid-state and fiber lasers, including the Green Fiber Laser;
- Thin film waveguide micro laser technology, being currently in development jointly with UBC;
- Real time auto-stereoscopic 3D display.

Corporate Developments

Financings
In February 2010, 1,020,833 common share purchase warrants were exercised for total cash proceeds of $715,458.

Zecotek Closes C$3.7 Million Private Placement
On October 23, 2009, the Company completed a non-brokered private placement of 5,925,000 units of the Company at a price of $0.63 per unit for gross proceeds of $3,732,750. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $1.00 per common share at any time on or before the 24-months anniversary of the closing of the offering. The Warrant's exercise period will automatically accelerate if the common shares of the Company trade above $1.50 for a period of 10 consecutive trading days. The Company paid a finder's fee equal to 7% of the gross proceeds of the sale of the Shares and issued non-transferable finder's warrants to purchase common shares equal in number to 6% of the units sold under the private placement. Each finder's warrant entitles the holder to purchase one Share at $1.00 for a period of 24 months from the date the private placement closed.

On August 5, 2009, the Company amended the terms of 1,078,150 warrants issued to subscribers of a private placement which closed on December 20, 2007. The Company will re-price the exercise price of the subscriber warrants to $0.75 per common share from the initial exercise price of $2.10 with no change to the expiry date of December 20, 2009. The amended warrants will contain an acceleration provision, such that, if, for a period of ten consecutive trading days (the "Premium Trading Days"), the closing price of the Company's shares is $1.00 per share or higher, the warrant exercise period will be shortened to a period of 30 days. The 30-day period will commence seven calendar days after the tenth Premium Trading Day.

On February 26, 2009, the Company announced to amend the terms of the 781,500 warrants issued to subscribers of a private placement which closed on September 6, 2007. The Company will re-price the exercise price of the subscriber warrants to $0.75 per common share from the initial exercise price of $2.00 and extend the expiry date for these warrants by twelve months from March 6, 2009 to March 6, 2010. The amended warrants will contain an acceleration provision, such that, if, for a period of ten consecutive trading days, the closing price of the Company's shares is $1.00 per share or higher, the warrant holders will have 30 days to exercise their warrants; otherwise the warrants will expire on the 31st day.

On January 13, 2009, the Company closed a non-brokered private placement of 1,003,333 units issued at $0.60 per unit, resulting in gross proceeds of $602,000. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of eighteen months at an exercise price of $0.70 per common share. The warrant's exercise period will automatically accelerate if the common shares of the Company trade above $1.00 for a period of 10 consecutive days. The Company paid a finder's fee equal to 7% of the gross proceeds of the sale of the shares and issue non-transferable finder's warrants to purchase common shares equal in number to 6% of the units sold under the private placement

Award

In early March 2009, the Company received the Frost & Sullivan 2009 Enabling Technology Award in the PET (positron emission tomography) and PET/CT (computed tomography) medical imaging markets. Zecotek received this Award in recognition of the Company's research and development and clinical validation achievements for its next-generation scintillation crystals and solid-state photo detector technology. Frost & Sullivan acknowledged that Zecotek distinguished itself from its competitors through its best practices in technology developments and strategic alliances for its medical imaging products.

Patents

On September 29, 2008 the Canadian Patent Office issued a notice of allowance to Zecotek Imaging Systems Singapore Pte. Ltd., a wholly owned subsidiary of Zecotek Photonics Inc., for its LFS scintillation material. This application is identical to the LFS scintillation applications that have been issued or allowed in the United States, Russia, China, Europe and Japan.

On September 3, 2008, the Company received Notification of Grant of Patent Rights from the Chinese Patent Office for its LFS scintillation material. The grant of these additional Chinese patent rights further validates and strengthens Zecotek's worldwide patent position in its innovative LFS scintillation material.

Government Grants

Singapore Economic Development Board grants Research Incentives

During the 2009 year, Zecotek received grant payments amounting to $1,250,883 under the previously announced Government of Singapore Economic Development Board's (EDB) Research Incentive Scheme for Companies. The payment covers a re-imbursement of a portion of operational expenses in research and development, including salaries, equipment, materials, professional and consulting services and staff training, for Zecotek's Singapore based product development and commercialization programs. Under the terms of the agreement, grant details remain confidential. General details of EDB's support programs can be found on EDB's website www.edb.gov.sg.

Malaysian Industrial Development Authority grants Research Incentives

During the 2009 year, the Company received grant payments amounting to $133,515 from the Malaysian Industrial Development Authority. The Malaysian Industrial Development Authority (MIDA) incentive grants come as a product of Zecotek's relationship, established in 2007, with the Malaysian Institute for Micro-electronics Systems (MIMOS) to complete the development of the manufacturing process of Zecotek's new-generation MAPD solid-state photo detectors.

Investor Relations

Zecotek Re-Engages CHF Investor Relations

In August 2009, the company retained CHF Investor Relations (Cavalcanti Hume Funfer Inc.), ("CHF"), an investor relations firm whose management team's combined experience accounts for a full century working in brokerage, trading, financial analysis, and investment sales.

Selected Annual Information

The Company's fiscal year end is July 31. The following is a summary of certain selected audited consolidated financial information for the Company's three most recently completed fiscal years.

	Audited Year Ending July 31, 2009	Audited Year Ending July 31, 2008	Audited Year Ending July 31, 2007
Revenue	$ 350,584	$ 303,859	$ -
Interest income	$ 6,176	$ 103,054	$ 74,040
Net loss for the year	$ (4,616,950)	$ (8,403,181)	$ (8,241,683)
Earnings/loss per share	$ (0.10)	$ (0.19)	$ (0.22)
Total assets	$ 1,245,276	$ 3,550,940	$ 3,156,031
Long term debt	$ 0	$ 0	$ 0
Share Capital	$ 29,410,773	$ 28,985,958	$ 21,809,339
Number of Shares	46,459,171	45,455,838	39,813,278
Deficit	$ (35,062,969)	$ (30,446,019)	$ (22,042,838)

Summary of Quarterly Results

The following table sets out certain financial information for the past eight quarters

Quarters ended (unaudited)	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009
Operating Accounts				
Revenue	$35,177	$39,434	$96,072	$254,512
Net loss	$2,043,393	$1,473,746	$1,198,177	$1,101,770
Balance Sheet Accounts				
Total Assets	$1,403,275	$3,278,549	$1,245,276	$1,672,159
Loss per share	$0.04	$0.03	$0.03	$0.02

Quarters ended (unaudited)	January 31, 2009	October 31, 2008	July 31, 2008	April 30, 2008
Operating Accounts				
Revenue	Nil	Nil	$135,620	$35,820
Net loss	$999,074	$1,317,929	$2,111,483	$1,906,562
Balance Sheet Accounts				
Total Assets	$2,184,027	$2,554,838	$3,550,940	$5,183,601
Loss per share	$0.02	$0.03	$0.05	$0.04

Results of Operations

Revenue

Revenues amounted to $35,177in the quarter ended January 31, 2010 compared with $0 in the same period in 2009, reflecting an increase of 100%. For the six months ended January 31, 2010, revenues increased 100% to $74,611 from $0 in the same period in 2009. These revenues are from the sale of photo detectors (imaging division) and laser equipment (laser division) to major companies and organizations that are increasingly testing our products for potential larger scale ramp-up.

Gross Margin
The gross profit for the second quarter of 2010 amounted to $11,923 on $35,177 of product sales for an average gross margin of 34% compared to 0% in the same period in 2009. For the six months ended January 31, 2010, Gross Margin was $33,462 on $74,611 of product sales for an average gross margin of 45%; compared to 0% in the same period in 2009.

Interest Income
Interest income amounted to $0 in the quarter ended January 31, 2010, compared with $1,731 in the same period in 2009, reflecting a decrease of 100%. Interest income totaled $0 in the six months ended January 31, 2010, a decrease of 100% when compared to $3,802 in the same period in 2009. These decreases in interest income are largely due to the Company's liquidities being low.

Government Grants
In the quarter ended January 31, 2010, the Company received $7,920 in jobs credit from the Government of Singapore Inland Revenue Authority. In the same period of 2009, the Company received $305,398 in government grants from the Singapore Economic Development Board. For the six months ended January 31, 2010, total grants received were $15,641; a decrease of 98% when compared to $805,090 for the same period in 2009. The payments cover the re-imbursement of a portion of operational expenses in research and development, including salaries , equipment, materials, professional and consulting services and staff training for Zecotek's Singapore based product development and commercialization programs.

Operating, General and Administrative Expenses
Operating, General and administrative ("G&A") expenses amounted to $882,162 in the quarter ended January 31, 2010, compared with $633,193 in the same period of 2009, representing an increase in costs of 39%. The increase is due to the restoration of salaries and fees pertinent to employees and consultants, travelling and relocation expenses incurred in relation to certain key officers and employees of the company. Government grants reducing the operating, general and administrative expenses amounted to $0 for the quarter ended January 31, 2010 compared to $17,429 of the same period in 2009. In the first six months of 2010, G&A expenses totaled $1,605,964; an increase in costs of 10% when compared to $1,458,033 for the same period in 2009.

Increases or decreases in specific categories for the second quarter of 2010 when compared to the same period in 2009 are:

1. Consulting and other professional fees – increased 110% from $160,564 to $336,929, primarily due to the restoration of consulting fees related to the executives and operational management.
    i. Audit fees – increased 100% from $0 to $50,000. Previously auditing fees was expensed in quarter one of fiscal year 2009.
    ii. Legal fees – increased 91% from $22,827 to $43,637. The legal fees increased due to the increased support required by the company in its Asian region as a result of increased operations and activities.
    iii. Investor relations – increased 10% from $18,000 to $19,780 as our investor relations cost have increased from $6,000 to $6,500 per month.
2. Insurance – increased 41% from $9,293 to $13,118, due to the addition of certain insurance policies.
3. Filing fees – decreased 23% from $19,082 to $14,610 a result of decreased activities in the current period.
4. Office and General – increased 109% from $29,803 to $62,434 as a result of additional repairs and maintenance and other costs incurred by the Company in the current quarter.
5. Marketing and promotion – decreased 90% from $25,202 to $2,599 driven by an overall budget reduction on marketing.
6. Rent – decreased 16% from $117,927 to $99,396 as a result of the timing of the operating costs on the rental facilities.
7. Salaries and benefits – increased 12% from $243,340 to $272,066. The increase is due to restoration of staff salaries.
8. Travel – increased 131% from $35,096 to $81,010 primarily due to a number of meetings held in the current quarter with potential business partners in Europe, Russia and Asia. In addition, certain travelling and relocation expenses were expended to facilitate the move of certain key officers and employees of the company.

Research and Development Expenses

Research and development ("R&D") expenses amounted to $854,140 in the quarter ended January 31, 2010, compared with $246,882 in the same period of 2009, representing an increase in costs of 246%. The increase is due to the delayed receipt of the Economic Development Board grant from Singapore. Government grants reducing the research and development expenses amounted to $7,920 in the quarter ended January 31, 2010 and $305,395 for the same period in 2009. The total research and development costs before the funding through government grants total $ 862,060 in the quarter ended January 31, 2010 and $552,277 in the quarter ended January 31, 2009. For the six months ended January 31, 2010, R&D expenses were $1,219,451 compared to $541,540 for the same period of 2009, reflecting an increase in costs of 125%. Previously, the company capitalized the patent costs as incurred. However, starting fiscal year 2010 the company adopted a policy of expensing the patent cost. Patent costs expensed for the three months ended January 31, 2010, amounted to $144,362 and for the six months ended January 31, 2010, amounted to $154,023.

The focus of the research and development projects that are still being currently carried out in laboratories in Canada, Singapore, Malaysia, Russia and U.S.A. is to meet the specifications required by the OEM and adapting and improving our technologies for different applications demanded by the market.

The research contract with the University of Washington for the joint development of a proprietary technology for use in medical imaging systems is still ongoing. As at January 31, 2010, $612,797 was outstanding and included in the accounts payable and accrued liabilities. Negotiations are ongoing to work out a payment schedule and amendment of contract terms as the development of the proprietary technology for use in medical imaging systems has advanced significantly.

Stock-based Compensation

Stock-based compensation expenses amounted to $255,611 in the quarter ended January 31, 2010, compared with $33,324 in the same period of 2009, representing an increase in costs of 667%. For the first six months of 2010, stock-based compensation amounted to $409,636 compared to $66,648 for the same period of 2009, reflecting an increase in costs of 515%. The increase is as a result of granting stock option to the employees and consultants of the Company.

Financing

Financing costs amounted to $135,460 for the 6 months ended January 31, 2009, compared to $0 in the same period in 2009, representing an increase of 100%. The financing was as a result of amending the terms of the 1,078,150 warrants and determined using the Black-Scholes option pricing model. The exercise price of the warrants was reduced from $2.10 to $0.75 per common share. The amount is considered a financing expense and charged to operations. The terms of the warrants were not amended in the first quarter of 2009 fiscal year.

Foreign Exchange Loss

Foreign exchange gain amounted to $6,296 in the quarter ended January 31, 2010, compared with $6,221 in the same period of 2009, representing an increase of 1%. The increase is due to impact of the foreign currency fluctuations. For the first six months of 2010, foreign exchange loss totaled $43,810 compared to $68,785 for the same period of 2009, reflecting a decrease of 36%. The overall decrease in Foreign exchange loss is mainly due to impact of the foreign currency fluctuations.

Amortization of property and equipment

Amortization expense for the quarter ended January 31, 2010decreased to $60,189 from $85,398 in the same period of 2009, a decrease of 30%. The company for the first six months of 2010 recorded an amortization expense of $119,770 compared to $170,797 for the same period in 2009, reflecting a decrease in costs of 30%. A portion of the government grants received in the fiscal year ended July 31, 2009 was applied to reduce the book value of the lab equipment. Thus resulting in the reduction of the amortization expense for subsequent periods.

Amortization of patent costs

Amortization expense for the quarter ended January 31, 2010 increased from $8,227 in the same period of 2009 to $9,510, an increase of 16%. For the first six months of 2010, the company recorded an amortization expense of $16,510 compared to $15,002 for the same period of 2009, reflecting an increase in costs of 10%.The increase is due to the patent costs incurred during the year ended July 31, 2009.

Net Loss

The Company recorded a net loss of $2,043,393 or $0.04 per share in the quarter ended January 31, 2010 compared with $999,074 or $0.02 per share in the same period of 2009, an increase of 105%. A net loss of $3,517,139 or $0.07 per share was recorded in the first six months of 2010 compared with $2,317,003 or $0.50 per share in the same period of 2009. The Company's loss increased due to the increase in the research & development, general & administrative and other non-cash expenses such as the stock based compensation and financing costs.

Liquidity and Capital Resources

For the quarter ended January 31, 2010, the Company has a net loss of $2,043,393 and negative cash flow from operating activities of $1,789,089 compared to the net loss of $999,074 and negative cash flow from operating activities of $716,883 for same period in 2009. As a result of recurring losses over the Company's history, the Company has accumulated deficit of $38,580,108 as at January 31, 2010. The accounts payable and accrued liabilities have decreased by $303,405 in the quarter ended January 31, 2010 when compared to the most recent fiscal year of the Company. As at January 31, 2010 accounts payable and accrued liabilities amount to $1,412,032.

Net cash used by financing activities in the quarter ended January 31, 2010 was $13,416 as compared to cash provided by financing activities of $540,723 for the same period in 2009. During the quarter, the financing activities consisted mainly of advances to related parties and repayment of obligations under capital leases.

Net cash used by investing activities in the quarter ended January 31, 2010 was $118,325 as compared to cash provided in the amount of $201,246 for the same period in 2009. Grant reimbursement of $7,920 was used to reduce the research and development expenses incurred during the quarter.

The Company has suffered recurring losses from operations and currently the revenues do not generate enough cash to sustain its operations. Its ability to conduct operations, including the commercialization of its technologies, development of new technologies and the acquisition of additional technologies is dependent on its ability to raise funds as needed.

At January 31, 2010 the Company had $67,385 in cash and cash equivalents, a decrease of $370,233 (85 %) over the $437,618 cash and cash equivalents available at January 31, 2009. The consolidated working capital was negative $1,329,543 at January 31, 2010, an increase of $1,037,271 over the negative $292,272 consolidated working capital at January 31, 2009. A decrease in the working capital mainly resulted from the increase in liabilities and decrease in cash and cash equivalents. The proceeds from financing in the previous quarter were mainly utilized for the operational requirements of the company in the normal course of business.

In February 2010, 1,020,833 common share purchase warrants were exercised for total cash proceeds of $715,458.

Share Capital

Set out below is the outstanding share data of the Company as at January 31, 2010. For additional details, see Note 10 to the audited financial statements for July 31, 2009.

At January 31, 2010	**Number outstanding**
Common shares	52,384,171
Stock options	7,329,000
Common share purchase warrants	7,709,833
Agent's warrants	415,700

Outstanding options represent a total of 7,329,000 common shares issuable. At January 31, 2010, 5,266,500 were exercisable and would provide proceeds of approximately $6,161,805 to the Company if all the vested options were exercised in full. The exercise of these options is completely at the discretion of the holders and the Company has no indication that any of these options will be exercised.

At January 31, 2010the Company had outstanding 7,709,833 common share purchase warrants out of which 781,500 were exercisable at $0.75 per share expiring on March 6, 2010, 1,003,333 warrants were exercisable at $0.70 per share expiring on July 13, 2010 and 5,925,000 warrants were exercisable at $1.00 per share expiring on October 23, 2011. Subsequently 170,000 common share purchase warrants were exercised at $0.70 per share, 12,500 common share purchase warrants were exercised at $0.75 per share, 833,333 common share purchase warrants were exercised at $0.70 and 5,000 common share purchase warrants were exercised at $0.75.

At January 31, 2010 the Company had outstanding 415,700 agent's warrants out of which 60,200 agent's warrants were exercisable at $0.70 per share expiring on July 13, 2010, and 355,500 were exercisable at $1.00 per share expiring on October 23, 2011.

Escrow shares
As at January 31, 2010 a total of 480,000 (2009: 2,722,500) shares were held in escrow, their release subject to a predetermined time schedule.

Contractual Obligations

The following table summarizes the Company's contractual obligations as at January 31, 2010, and the effect such obligations are expected to have on our liquidity and cash flows in future years. The table excludes amounts already recorded in the consolidated balance sheet as current liabilities and certain other purchase obligations discussed below:

	2011	**2012**	**2013**	**2014**
Rental leases	$ 174,638	$ 23,183	$ -	$ -
Research Contracts	691,297	129,453	10,500	20,500

Purchase orders for third party components, finished goods and other goods and services are not included in the above table. Management is not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. For the purpose of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding on the Company and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

The Company has entered into contracts for other outsourced services. However, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty. The expected timing of payment of the obligations discussed above is estimated based on current information. The timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services, or for some obligations, changes to agreed-upon amounts.

Disclosure Controls and Procedures Related to Financial Reporting

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely disclosure. The Company's Chief Executive Officer and the acting Chief Financial Officer have concluded, based on their evaluation as of January 31, 2010, that the Company's disclosure controls and procedures are operating effectively to provide reasonable assurance that material information related to the Company are made known to them by others within the Company. It should be noted that while the Company's Chief Executive Officer and acting Chief Financial Officer believe that the disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Control over Financial Reporting

The Chief Executive Officer and acting Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the presentation of financial statements for external purposes in accordance with Canadian GAAP. The Chief Executive Officer and the acting Chief Financial Officer have assessed the design of internal control over financial reporting as at January 31, 2010 and during the process, they have identified certain weaknesses in internal controls over financial reporting. The weaknesses in the Company's internal control over financial reporting, discussed below, result in a more than remote likelihood that a material misstatement may not be prevented or detected on a timely basis.

There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year ended that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting other than:

•The Chief Financial Officer is no longer with the Company and an acting Chief Financial Officer has been appointed temporarily until a new Chief Financial Officer is hired;

•Due to the size of the Company and limited staff it is not feasible to achieve complete segregation of incompatible duties.

Management and the Board of Directors work to mitigate the risk of a material misstatement in financial reporting. However, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Audit Committee

In compliance with the TSX Venture Exchange Policy 3.1 "Directors, Officers and Corporate Governance" section 10.1, the Audit Committee is comprised of 3 members, Erich Sager of Zurich, Switzerland, David Toyoda (independent) of Vancouver, Canada and Dr. Faouzi Zerrouk of Singapore. Mr. Sager is the Chairman of the Audit Committee.

Mr. Sager has many years experience in the private banking sector in Switzerland and serves on several Boards as Director. David Toyoda is a lawyer and serves on several Boards as Director. Dr. Faouzi Zerrouk has many years experience serving on the board of high tech organizations and as a Chief Executive Officer. The Audit Committee will serve until the next Annual General Meeting at which time the new Board of Directors will appoint or re-appoint the Audit Committee.

Forward-looking statements

This discussion may contain forward-looking statements, including statements regarding the business and anticipated financial performance of the Company, which involve risks and uncertainties. These risks and uncertainties may cause the Company's actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to such differences include, among others, Company's ability to successfully complete new product development along the timelines expected; the Company's need for funds to achieve its goals and uncertainties as to the availability and cost of funding; uncertainty as to the continued and future demand for the Company's products; the development of competing technologies and the possibility of increased competition; and other economic trends and conditions in the markets that the Company and its customers serve; and the effect of the risks associated with technical difficulties or delays in product introductions, improvements, implementation, product development, product pricing or other initiatives of the Company and its competitor. Investors are also directed to consider the other risks and uncertainties discussed in the Company's required financial statements and filings. All other companies and products listed herein may be trademarks or registered trademarks of their respective holders.

Additional Information

Additional information relating to the Company, including the Annual Information Form and its audited year end financial statements is available on SEDAR at www.sedar.com.